Synthetic Blends: Half-empty or Half-full?

By Larry Solomon
n recent issues, *Lubes’n’Greases* has analyzed the densely packed retail motor oil market. “Too Many Choices?” in May explored the seemingly scattershot pricing segmentation used by five top brands — Castrol, Mobil, Pennzoil, Quaker State and Valvoline — who together sell 30 different full synthetic and synthetic blend motor oils. In June, “Mixing Messages On Synthetic Blends” focused on the similar-sounding pitches that each of these brands uses to persuade consumers that its full synthetic or synthetic blend is better than any other.

Now it’s time to hear from industry players regarding their perspectives on the future direction of motor oils, particularly synthetic blends. Four leading marketers (two majors and two independent blenders) offer their views. They include Chris Hayek, global brand manager, Shell; Jeff Jones, brand advisor, Americas, at ExxonMobil; Dennis Madden, Amalie Oil’s senior vice president, global sales and marketing; and Abe Schlott, senior vice president of sales, Warren Distribution.

Q. Please tell us your current passenger car motor oil offerings, and why you offer this lineup.

**Chris Hayek, Shell:** “Both Pennzoil and Quaker State’s portfolios offer a range of good, better, best segments in the form of conventional, blend and synthetics respectively. This tiered approach of benefits for both Pennzoil and Quaker State offers our [retailer] customers the opportunity to fill the needs of their consumers.” The Pennzoil brand lineup includes Ultra and Platinum Synthetics, Gold Synthetic Blend and Pennzoil conventional.

Quaker State offers Ultimate Durability synthetic, Enhanced Durability synthetic blend, and Quaker State Defy and Advanced Durability conventioinals.

**Jeff Jones, ExxonMobil:** “ExxonMobil employs a multi-tiered offering of personal vehicle motor oils, each specifically tailored to meet the needs of modern and expanding consumer groups. Our motor oils are also designed to meet or exceed the latest industry standards and various OEM requirements. In the Mobil 1 lineup, we have four uniquely positioned motor oil brands: Mobil 1, Mobil 1 High Mileage, Mobil 1 Advanced Fuel Economy and Mobil 1 Extended Performance. Each of these brands focuses on the specific needs and uses of the consumer, while upholding the overall brand promise that Mobil 1 keeps engines running like new.” Mobil also fields the Mobil Super line, including Mobil Super, Mobil Super High Mileage and Mobil Super Synthetic. No synthetic blends are in its stable.

**Denny Madden said Amalie Oil’s** PCMO offerings consist of Elixir full synthetic, heavy-duty and high mileage, HPO turbo, Imperial Turbo, Non-Detergent, and Pro High-Performance synthetic blend. “Our full synthetic is [made with] Group III base stock and is our top-tier motor oil. We push it as our high-performance product and we know it is the best out there. We also have a synthetic blend offering as something at a less-expensive price point to full synthetic, and as a more quality sell-up to conventional motor oil. It is a nice position between the two alternatives to give the user a slightly better alternative to conventional at a price less expensive than full synthetics.”

**Warren Distribution’s Abe Schlott** said its branded PCMOs consist of Mag1 full synthetic, conventional and Dexos1 approved oils, as well as the Accel line of full synthetic and conventional motor oils. “These brands and our private label offerings line up with what our customers want, or they match up with other brands in the marketplace,” said Schlott. He added that most of his customers, who are retailers and installers that sell motor oil, do not carry “synthetic blends” because that term has lost its resonance with consumers. “A

Many believe this motor oil segment is running low on juice. We asked the experts what they think.
“The retailers to whom we sell are smaller in nature, and none of them carry synthetic blends.” — Abe Schlott

Q. How do you foresee the future of motor oil brand offerings changing in the next five years?

Chris Hayek: “Retail categories rely largely on consumer habits, hence the continued purchases of heavier weight, conventional oils. The performance benefits of lighter synthetics are evidenced, yet the marketplace has been slow to adopt. To that end, we continue to pursue the latest advancements in technology; while the tiers may not change, the performance levels will continue to rise in response to increased engine and performance demands. Whether today or for the GF-6 specification coming in 2016, we will always look for new opportunities to keep the purchase option decision easy for the consumer by offering a good, better, best option available.”

Denny Madden: “Amalie conducts seminars among its customers and customers’ customers to better understand the future of the marketplace. These seminars are finding retailers and other customers not too excited about the prospects for synthetic blends. The only reason they buy synthetic blends is that they believe end-users want to do something good for their cars above and beyond conventional oils, but don’t want to pay a lot more for that ‘something good.’” Full synthetic oils, he noted, are “getting to be priced all over the board,” so consumers can now buy full synthetics at close to the same price as synthetic blends — another factor causing the decline of synthetic blends, Madden believes.

Jeff Jones: “ExxonMobil monitors emerging market trends and shifts in consumer needs as part of our ongoing research and development efforts. That said, we are not able to comment on future market conditions and competitive landscapes.” As well, he added, “while we are focused on the future growth of our product lines and strength of our brands, we are not able to comment on the Mobil Super or Mobil 1 product lines into the future.”

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will eventually drop synthetic blends if they do not hold their own, he said. “The exception for synthetic blends is in bulk PCMO, where installers use the idea of synthetic blend to upsell customers to slightly more expensive oil changes.”

“We do a fair amount of testing of competitive bulk products, especially among lower-end synthetic blend products,” Schlott continued. When testing low-priced synthetic blends, “we have found that the viscosity index of the product would indicate the use of not much (if any) Group III base stocks. To be perfectly clear, we do not do that with our products. We take pride in the

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Q. Please give your perspective of the future of synthetic blend motor oil. Has its time run out, or will the segment continue to live?

Abe Schlott: “The retailers to whom we sell are smaller in nature, and none of them carry synthetic blends.” And larger retailers that now carry them

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This spring, consumers could buy either Pennzoil Gold synthetic blend or Quaker State full synthetic for the same price, $7.99 a quart at AutoZone and Advance Auto. Shouldn’t these segments be more distinct? According to Chris Hayek, Shell’s global brand manager for motor oils, that is the idea. “Our portfolio allows us to address consumers’ different options based on their needs. Our Pennzoil portfolio is developed with the latest technologies and allows consumers to demand the best from their oil and their engines. In every segment — conventional, high mileage, blend or full synthetic — Pennzoil will pursue the highest quality of motor oil possible.

“Quaker State’s portfolio is targeted towards a more value-minded consumer who wants an oil that meets or even exceeds industry standards but can still offer a good price,” he went on. “Quaker State consumers look to balance the decision of ‘what I pay versus what I get.’ Our retail customers recognize this and we have seen them price these lines accordingly.”

Lubes’n’Greases also noted that two Shell synthetic blends, Quaker State Enhanced Durability and Pennzoil Gold, seem to be missing from some retail shelves. Is this a temporary change, or a lead-in to a relaunch of either brand? “Do-It-Yourself consumers have not embraced synthetic blends like Do-It-For-Me consumers, and retail is a main channel for DIY,” Hayek replied. “Therefore, many retailers — in order to accommodate the growing proliferation of viscosity grades and pack sizes for their larger consumer demand segments of conventional, high mileage and full synthetic — have opted to minimize their blend offerings. In the DIY space we are very mindful of matching shelf space with consumer demand. We feel there are stronger opportunities upon which to focus than synthetic blends.”

— Larry Solomon
“We’ve seen the marketing of synthetic blends increasingly showing less relevance with today’s drivers and steadily losing distribution.” — Jeff Jones

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Consumers will always be looking for options, as they want to weigh price and value against the purchase decision. We like to offer customers those options as much as possible. We do not believe the time on this segment has expired; blends are in existence to help address issues like high-mileage vehicles or severe drivers. The actual mix of synthetic is what provides the competitive advantage. The question is really one of positioning and how consumers will look to care for their vehicles; in a preventative manner by using a quality product, or in a responsive manner to help address a specific need.”

Jeff Jones: “We have observed for some time that the synthetic blend category has continued to decline in both retail and installed. At the same time, we’ve recognized that an increasing number of the world’s leading automotive makers are recommending fully synthetic motor oils as recommended service fill.” He also commented, “Several years ago, ExxonMobil made the strategic decision to focus our motor oil brands on unique benefits and value propositions with high relevancy to key consumer groups. We are continually analyzing and researching various market conditions and factors to ensure our products are well-positioned and differentiated in the marketplace. We’ve seen the marketing of synthetic blends increasingly showing less relevance with today’s drivers and steadily losing distribution.”

Listening to the Market

Our four industry experts appear to agree that the retail prospects for synthetic blends are, at best, dimming. They say retailers value their shelf space and will drop those products not holding their own. However, the four also believe synthetic blends are not going away quickly. They foresee a longer life for these offerings on the Do-It-For-Me
“We are finding retailers and other customers not too excited about the prospects for synthetic blends.” – Denny Madden

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side, where installers can use synthetic blends to upsell customers to a perceived higher quality oil change service.

Conventional motor oils have always been the mainstay of the lubricants industry, and already many conventional motor oils (made with some Group III or polyalphaolefin base stock) technically can claim to be synthetic blends; why then should retailers keep synthetic blend motor oil on their shelves? When Mobil two years ago dropped synthetic blends from its lineup, it was a clear indicator that the retail market was trending away from that type of product.

Looking ahead, most experts agree that full synthetics will continue to dominate the higher end of the retail and installed channels. Moreover, manufacturers are creating more brand offerings — e.g. “super synthetics” —
to further divide the high-end tier, which represents 10 percent to 15 percent of retail motor oil demand depending on one’s data source.

This brings us back full-circle, to 1994 when Valvoline introduced Durablend, the first national brand synthetic blend. That was a simpler time, when only inexpensive conventional and costly full synthetic motor oils were being sold in the U.S. market. DuraBlend, which boasted all the benefits of a full synthetic at half the price, targeted the untapped market space between these: the mid-tier. This was a very large pricing segment where no major manufacturer had yet ventured, giving Durablend a big head start against little or no competition. It had time to tweak and refine its marketing strategy for success.

The challenge for marketers today is to find the next large untapped segment. And if one targets a narrow market segment that has a lot of competition, their brand’s strategy needs to be laser-focused and right on target to be successful, because there is little room now for error.

The best place to start is to think like an end-using consumer who goes to a retail store or a professional installer. What should this customer do to pick the right brand and type of motor oil? In this author’s opinion, end-using consumers will review all the benefits each brand and type offers, then pick the brand and type that best fits their driving behavior, the specific type of engine in the vehicle they drive most often, and what they want from the motor oil they are purchasing. That may be added performance, longer engine life, greater fuel economy, fair cost or another desirable.

The consumer who does that will pick the right motor oil brand and type for their engine — which is the “ultimate motor oil end user.”

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