

NewsStand - Experts Predict Continued Growth For Synthetics

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For the past few years we've read how the lubricants market has been "flat." Pundits have noted that though not going away any time soon, oil is certainly not a stellar growth sector in the economy. And yet, if you look back at the historical record there has been a segment of the lube industry which has been quietly growing for a long time. We're speaking of the synthetic lubricants sector, and a new report by the Freedonia Group indicates that U.S. demand for synthetic motor oil is expected to rise more than 7 percent a year over the next three years. These robust numbers might be worth paying attention to.

An April 7 article by George Gill in his Lube Report* from Lubes 'N Greases highlights the details of Freedonia's research findings. The opening salvo is a brief summary of the numbers. He follows with this:

"Engine oils and hydraulic and transmission fluids will experience the fastest gains as synthetics finally begin to penetrate the conservative medium and heavy duty truck market," Cleveland-based Freedonia suggests, "and as increasing new vehicle lubricant performance requirements and growing consumer acceptance further expand synthetics' share of the light vehicle market."

Driving Forces

Ned Zimmerman cites four primary drivers for the growth in synthetic lube sales. First, the major brands have stepped up their marketing efforts in this direction. A lot more money is now being spent to make motorists aware of these new lube technologies.

Second, the trend toward OEMs using synthetics in many makes and models will drive demand. GM and others recognize the role synthetics play in helping vehicles attain increasingly stringent Corporate Average Fuel Economy (CAFE) requirements. This, too, is helping consumers become more aware of the benefits of synthetics.

Third, Zimmerman noted that while awareness is already strong in the do-it-yourself market, near-term economic pressures will likely drive many others to evaluate and choose synthetics in an effort to reduce maintenance costs.

Fourth, the consumers who make up the bulk of the do-it-for-me market are the kind of people more susceptible to mass marketing. (See point one.)

In short, we're seeing a convergence of driving forces that will result in the continued growth and mainstreaming of synthetic motor oils and drivetrain fluids. Is this a good thing? Absolutely.

The Trend Is Your Friend

Wall Street has plenty of pithy maxims for investors that sum up pearls of wisdom learned from the school of hard knocks. For example, when you miss a good investment opportunity, there's consolation in knowing "another bus will be along in fifteen minutes." With regard to buying stocks Peter Lynch said, "Spend at least as much time researching a stock as you would choosing a refrigerator." And this Sioux proverb is also a good admonition: "When you realize that you are riding a dead horse the best strategy is to dismount."

So, the saying that immediately jumps into my mind when I read the Freedonia report is this: "The trend is your friend."

In sailing, there's nothing like the feeling of the wind at your back and clear horizons ahead, the sail taut, catching the wind. The wind at your back makes everything easier. Catch the wind. The trend is your friend.

I recently picked up a hitchhiker on a rural highway. He'd been walking near fifteen miles when I came along. Heavy laden with a rather hefty set of baggage, he said he hadn't minded most of it until this last portion where he came up a rise and was now walking into a headwind. It had been a beautiful day, but it's tough to walk into the wind. And we all know what happens when you spit into the wind.

I've never been a surfer (other than body surfing in Puerto Rico) but I understand the principle. Surfers watch the incoming waves with an eye to the big ones that will give the biggest thrill. They paddle with the trend and position themselves to make a run. When it all comes together, the rush and roar of riding the wave gives an incomparable thrill. The trend is the surfer's friend. Successful surfers go with the flow, not against it.

Summing Up

It's a simple message that oil change professionals can profit from. The trend is toward more sophisticated technologies, and high tech lubricants will be increasingly required in the future, as well as desired. Promoting a properly priced premium synthetic solution is the primary way to benefit from this trend.

*"U.S. Synlubers Outlook Promising", George Gill, Lube Report from Lubes 'N Greases, April 7, 2010