# Performance evaluation of Pakistan State Oil (PSO) as a Public Engine Lubricant Company: Market Research of PSO & Competitors in Karachi City

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**Abstract**

This report is based on the market research conducted for PSO's car engine lubricants. The contents include the methodology adopted for conducting research, stages of questionnaire development, findings and assessment of research result, Strategy plot and recommendations based on result assessment and strategy plot.

On almost all brand health parameters PSO lubes are not performing well. Brand adoption funnel suggest PSO lube brands have stuck at consideration to trial stage and following appeared as the main factors behind the bottleneck:

- Expensive brand
- Poor corporate image
- Does not offer good services
- Mechanics do not recommend it
- No advertising and no promotions

PSO brands also performing significantly lower than Shell on specific attributes (Pack, Quality, VFM and Purchase intentions) as highlighted and validated through hypothesis /significance test.

**Key Words:** Engine Lubricant, Market Research, Strategy Plot, and Brand Adoption Funnel

## 1. Introduction

PSO is the largest oil marketing company of Pakistan. It has market share in local market as below:

- 78% in Black Oil (Furnace oil)
- 57% in White Oil (Petrol and diesels)
- Overall approx. 65% market share in POL products

Improving market share of PSO'slubes products, strategic alignment with car manufacturers and strong presence & footprints of foreign brands are the current challenge in High End Lube Market. The Lube Oil Market Potential is Estimated as 365,000 MT per annum in which 33% contribution is of OMCs whereas 67% contribution is of Local, Smuggled, Fake and Imported oil.

## 1.1. Objective of the Study

Following objectives of the Business were determined during the interview with PSO officials and research objectives were determined based on business objectives.

| Business Objectives | Research Objectives |
|---|---|
| • **To become successful Competition** | • Measure the market share of: |
| • **Profitability** | • *PSO and its* |
| • **Opportunities:** | • *Competitors* |
| • ***Markets*** | • Factors influencing brand choice. |
| • ***End-Use Segments*** | • Awareness & Usage Levels |
| • ***Product Categories*** | • Place of purchase and oil change |
| • **Customer Expectations & Purchasing Criteria** | • Brand Preference & reasons |
| • **How to target customers effectively?** | • Performance of Each Company |
| • **Services to provide** | • Previous brand and |
| • **Learning from competitors** | • Reasons of switching |
| • **Distribution Channels** | • Pack, product, VFM and purchase intentions. |
| • **Promotional Measures** | • Brand images |

## 1.2. Problem Identification

An interview was conducted with PSO officials where following problems were identified regarding car engine lubricants:

- Lower market share of Carient and CNG Plus
- Poor corporate image in Consumer's Perception
- Buyers preference to other brands
- Low Efficiency of Distribution Network
- Low Product Awareness and promise

## 1.3. Research Approach

For conducting research, an approach was adopted which comprising of:

1. Literature Review & Client sitting
2. Qualitative Focus Group
3. Quantitative Survey

## 2. Literature Review

The purpose of literature review was to enhance the knowledge of product category and understanding client and its business. PSO website, annual report, literature & POS material was explored for getting product knowledge whereas, marketing team explained the current scenario and problems being faced by PSO. Following was the outcome of the activity:

- Understanding of manufacturing process at LMT - Korangi Industrial Area Karachi
- Production Capacity of 50,000 MT pa
- The local base oil of PSO, Shell & Caltex are same and blended with additives locally
- PSO internal perception about motor lube low market share is the lack of its lube's availability in the market

### *2.1. Focus Group Investigations*

The aim to conduct focus group discussion was to understand and drill down problem around, inputs for tool designing and attribute elicitations for quantitative phase. Male car owner cum users of SEC ABC, Decision makers of engine oil brand and those who have driven their vehicle at least once a week were selected as the member of focus group. Following were the findings of Focus Group:

- Poor brand and corporate Image
- Low brand Awareness
- Less promotional Activities
- Presence of Fake product

## 3. Research Methodology

Following methodology was adopted for consumer and retail segment:

| | Consumer Segment | Retail Segment |
|---|---|---|
| **Activity** | • Face to face interviews on a semi structured questionnaireof approximately length of 20 minutes | • Face to face interviews on a semi structured questionnaire of approximately length of 10 minutes |
| **Target** | • Males car owner cum users of age 20-50 years belonging to SEC ABC<br>• Use a car model of 1985 or later and drives themselves at least once a week<br>• Responsible for the maintenance of their vehicles and<br>• Decision makers of Engine oil brands for their cars | • Retailers and shop-owner cum salesman of oil-shops |
| **Location** | • In Karachi (n=200)<br>• At households and commercial /offices<br>• By researcher themselves as well as hiring a professional team of interviewers for the same | • In Karachi (n=50)<br>• At their shops<br>• By researcher themselves |

### 3.1. Consumer

- Segregation of city into 4 quadrants
- Listing of areas falling in each quadrant
- Filtering of area list on the basis of SEC ABC
- Selection of desired number of sample points
- Systematic sampling approach
- Identification of starting point of each surveyed area
- Random search at HH and around commercial
- Screening via screening questionnaire
- Main interview with qualified respondents

### 3.2. Retail

- Segregation of city into 4 quadrants
- Listing of retail pockets of the city
- Selection of retail pockets via random sampling approach
- Deciding number of questionnaire to be filled in each pocket
- Filtering retailer through screener
- Main interview with retailer

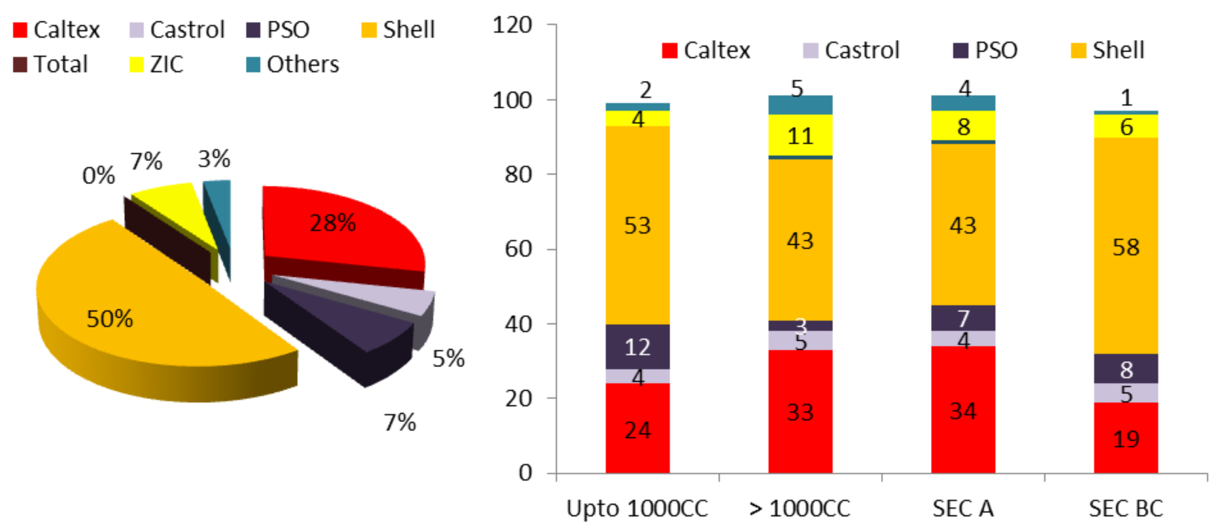
### 3.3. Sample Breakup

| CONSUMER | N | % of the sample |
|---|---|---|
| AGE SPLIT | | |
| 20-29 years | 84 | 42% |
| 30-39 years | 68 | 34% |
| 40-49 years | 48 | 24% |
| VEHCLE SPLIT | | |
| Up to 1000 cc | 105 | 53% |
| > 1000 cc | 95 | 47% |
| **Total Sample** | **200** | **100%** |
| **RETAILER** | **N** | **% of the sample** |
| Geographical spread | | |
| Karachi East | 10 | 25% |
| Karachi central | 17 | 42.5% |
| Karachi south | 13 | 32.5% |
| **Total Sample** | **40** | **100%** |

### 4. Data Analysis and Findings

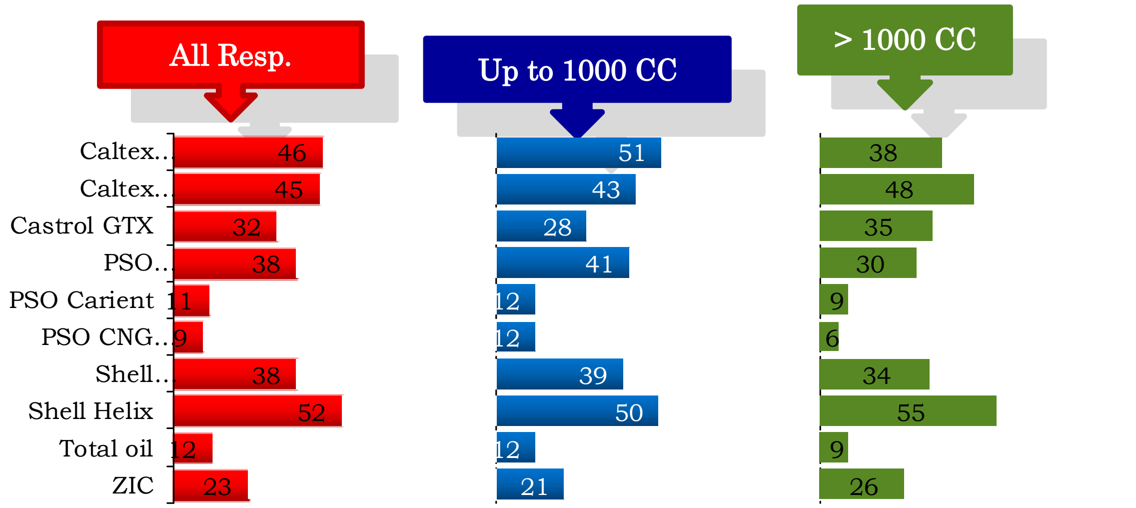
### 4.1. Awareness, Usage & Disposition

***Top of the Mind Brand Awareness***



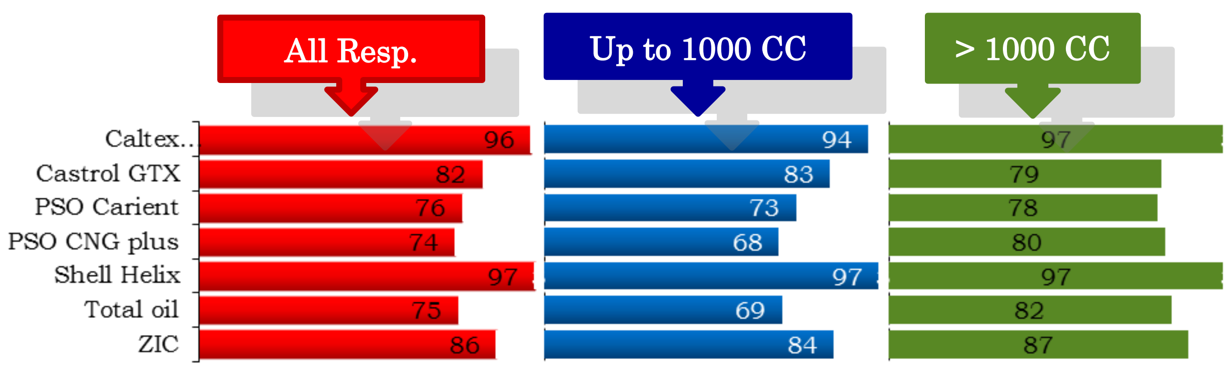

- Shell has the highest TOM recall followed by Caltex.
- PSO Lubes has comparatively low TOM – might be due to low advertising and promotions.
- However PSO lubes are comparatively better recall among car owners of Up to 1000cc as compared to car owners of Luxury car.

***Spontaneous Brand Awareness***



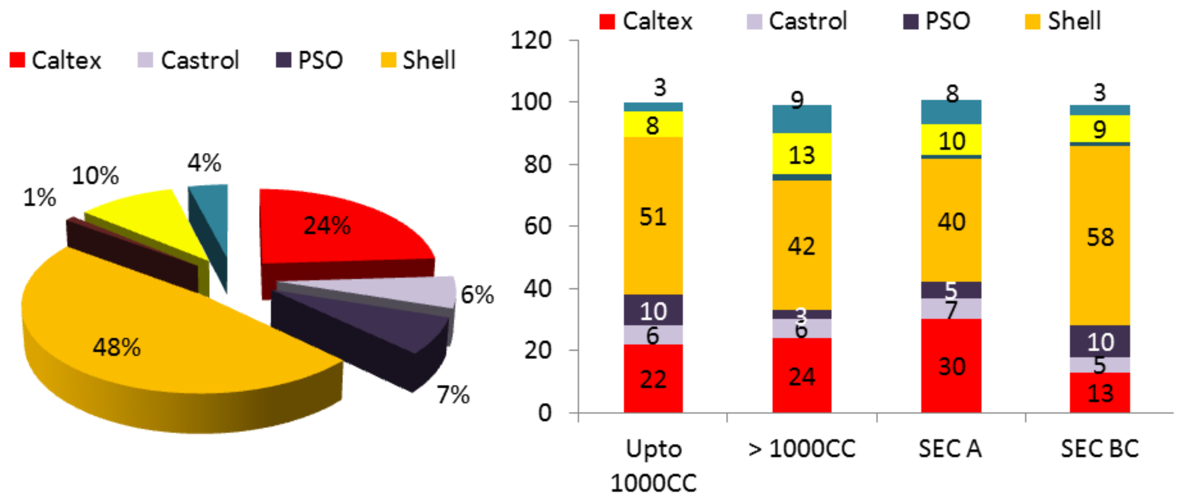

- On spontaneous awareness front, more than half of the respondents volunteered Shell Helix followed by Caltex Havoline (45%) and ZIC (23%).
- Although 38% did mention "PSO" spontaneously, however only few could mention their brand names - PSO Carient (11%) and PSO CNG Plus (9%).

***Prompted Brand Awareness***




- However when respondents were shown pack photographs of some selected brands and asked if they ever seen or heard these brands, the prompted brand recognition have risen significantly to all brands.
- However still there were 24-25% respondents who were not aware of PSO lubes even after exposed to their packs – Poor brand visibility even at frequent touch points could be the main reason.

***Brand used most often (A closer substitute of market share)***




- In Karachi market share seems rest with Shell, Caltex and ZIC.
- PSO is on the 4th position with the market share of just 7%.

***Brand Adoption Funnel***

**Absolutes**

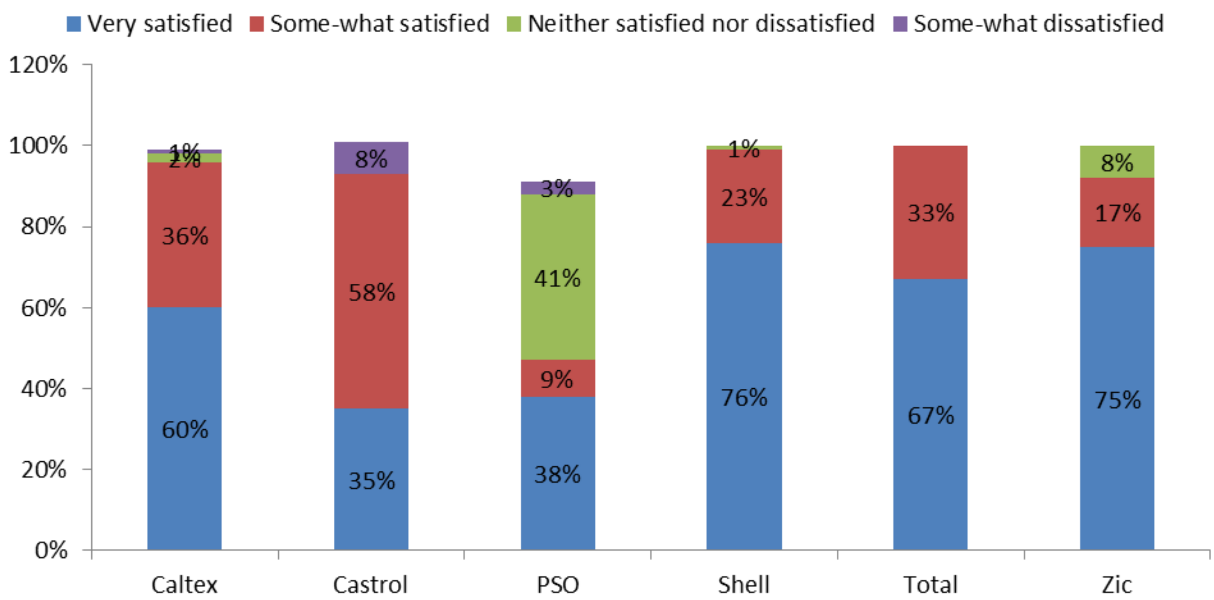
| | Awareness | Consideration | Ever Tried | Past 1 Yr. | BUMO |
|---|---|---|---|---|---|
| **Caltex** | 98% | 93% | 65% | 37% | 23% |
| **Castrol** | 82 | 52 | 51 | 13 | 6 |
| **PSO** | 90 | 76 | 17 | 8 | 7 |
| **Shell** | 99 | 93 | 73 | 61 | 48 |
| **Total** | 75 | 29 | 8 | 3 | 1 |
| **ZIC** | 86 | 38 | 22 | 15 | 10 |

**Conversions**

| | | | | |
|---|---|---|---|---|
| **Caltex** | 95% | 70% | 57% | 62% |
| **Castrol** | 63 | 98 | 25 | 46 |
| **PSO** | 84 | 22 | 47 | 88 |
| **Shell** | 94 | 78 | 84 | 79 |
| **Total** | 39 | 28 | 38 | 33 |
| **ZIC** | 44 | 58 | 68 | 67 |

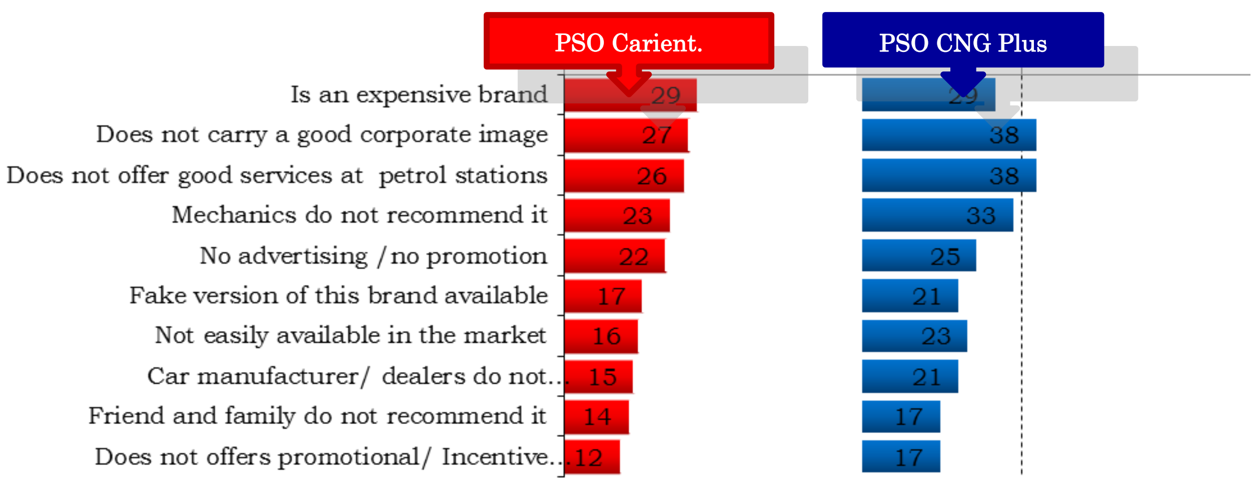
- Shell is remarkably performing well at each funnel stage of brand adoption ay both absolute and conversion levels.
- PSO has been stuck at consideration to trail stage and is identified as the major stage of the bottleneck

***Satisfaction with Current Brand***



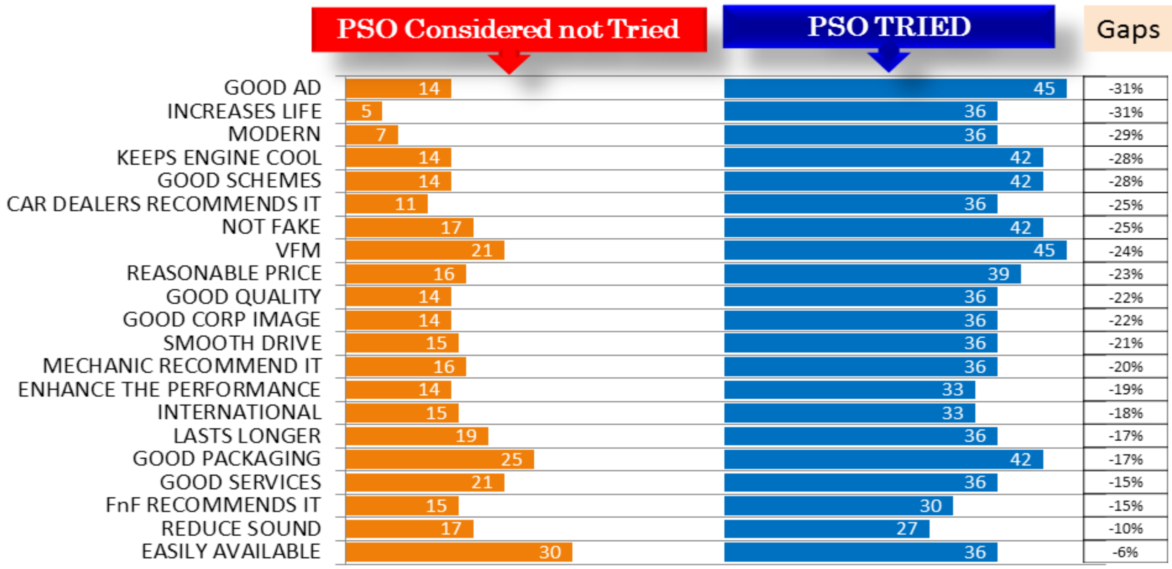

- Shell has the highest satisfaction (top box=76%) followed by ZIC and Total.
- It's alarming that existing PSO lube consumers are not as much satisfied as the consumers of other brands.

***Reasons for Non Trial***




- Expensive, poor corporate image, not offering good services at their pumps and mechanics do not push it are the major reasons and factors behind the bottleneck

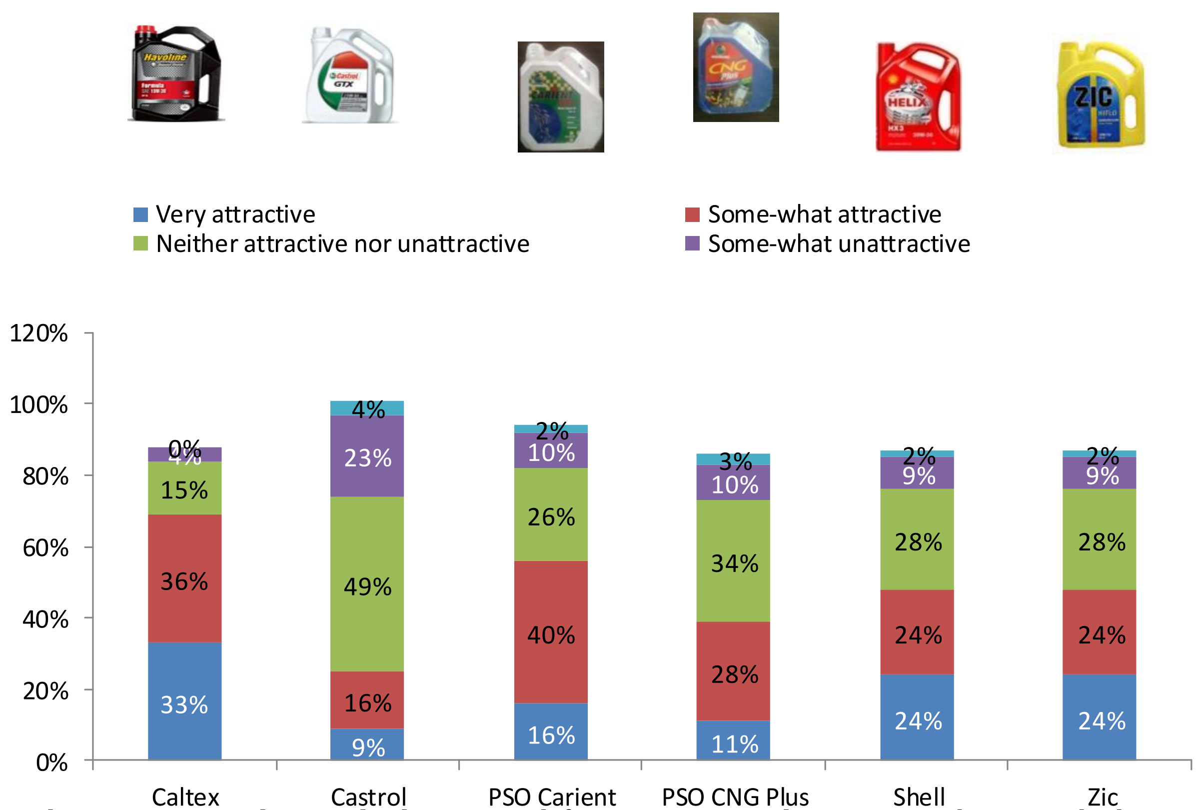
*Imagery Gaps*




- PSO considered but not tried segment has poor perceptions on various attributes as compared to Tried segment – Higher gaps were found at advertising, performance, modernity and conformity and price and quality parameters.

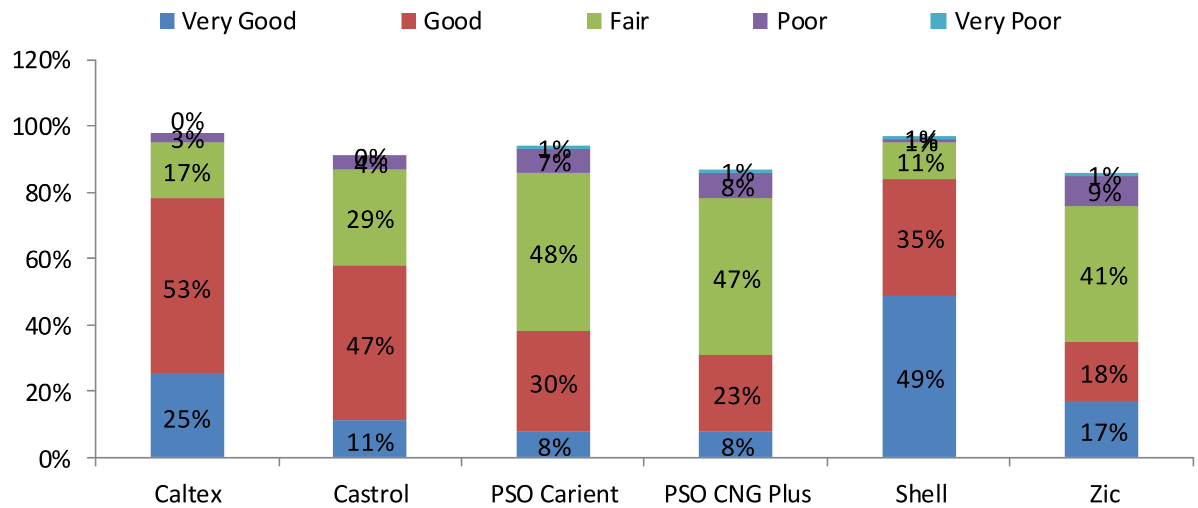
**4.2. Pack, Product Quality, VFM and Brand Imageries**

*Overall Pack Appeal*



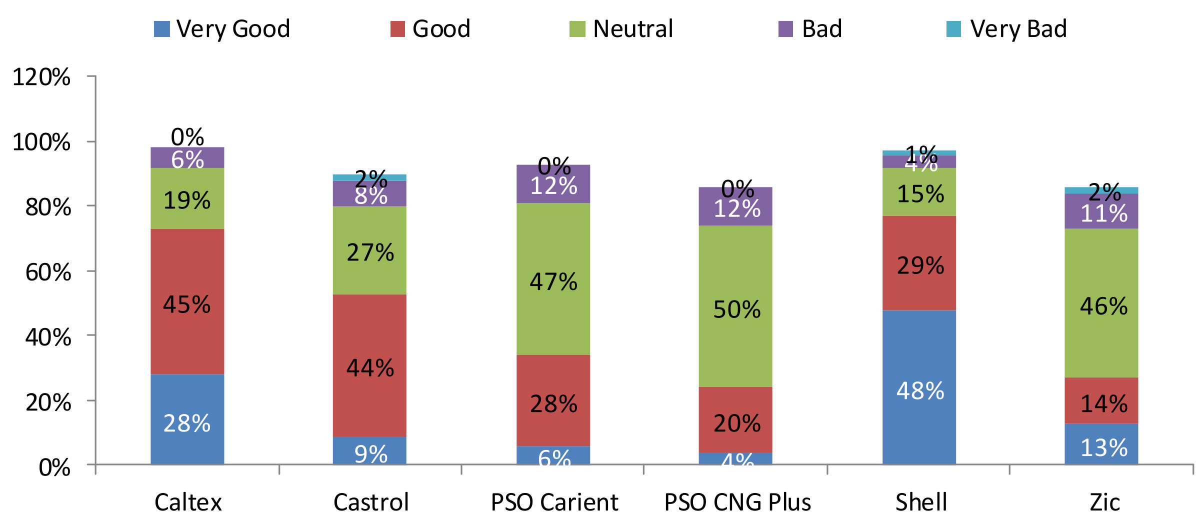

- Both PSO Carient and CNG Plus lagging on definite attraction and wow impact that seems high in case of Shell, Caltex and ZIC.

***Product Performance / Quality***




- On a quality parameters respondents put "Shell lubes" on the higher end of the rating scale while in case of PSO respondents seems reluctant to express their disposition towards PSO and PSO management should take care of it.

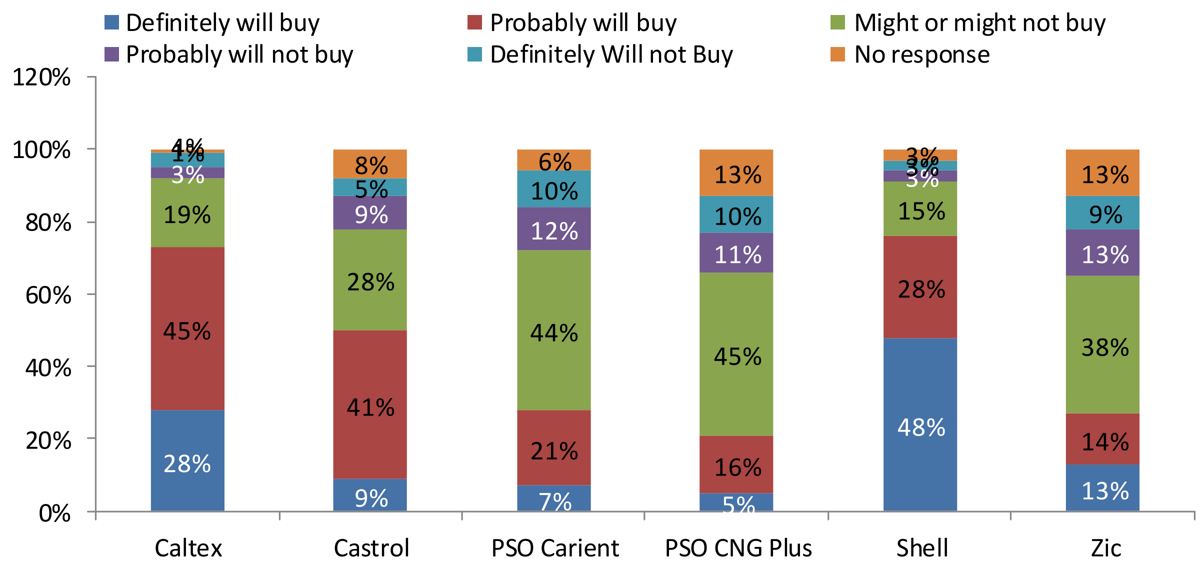
***Value for Money***




- PSO brands are seriously lagging on Value for money while shell is enjoying leading position at VFM parameter.

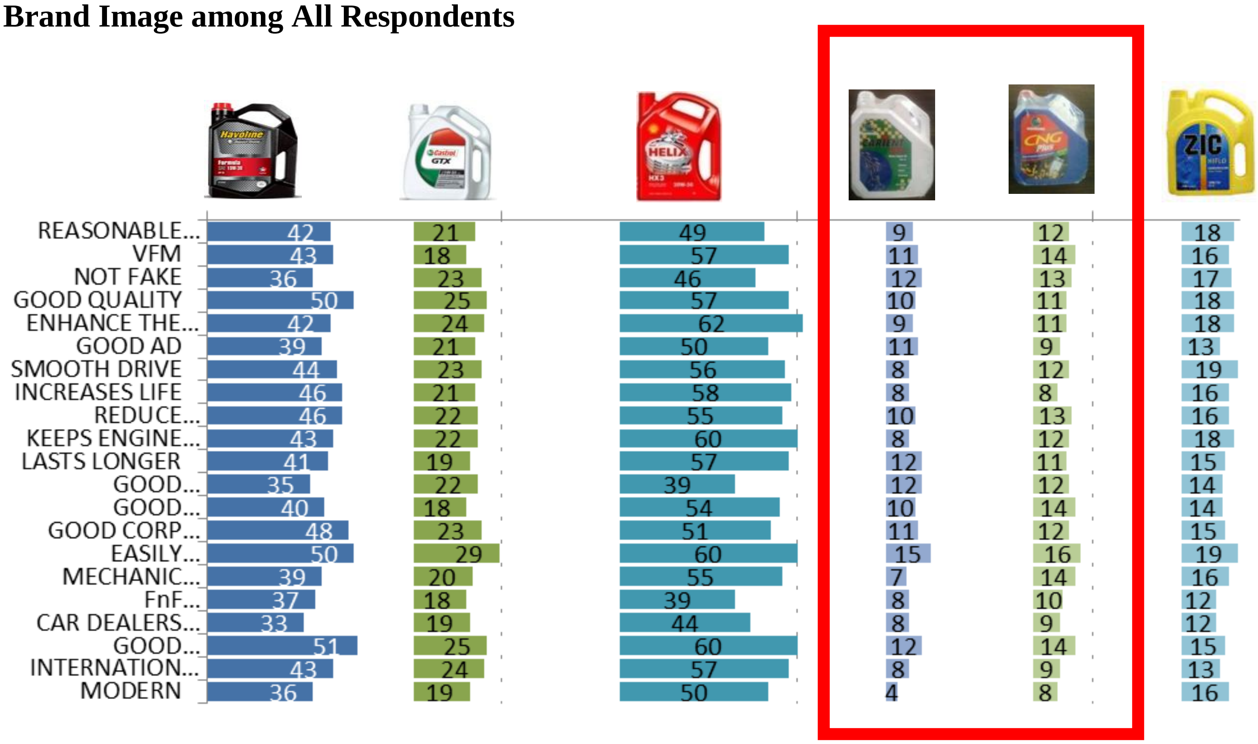
 

***Purchase Intention***




- The respondents look indifferent and not interested to PSO offers - However PSO Carient has slightly better purchase intent than PSO CNG Plus.
- Shell has the highest purchase intention – as evident from higher market share.

**Brand Image among All Respondents**

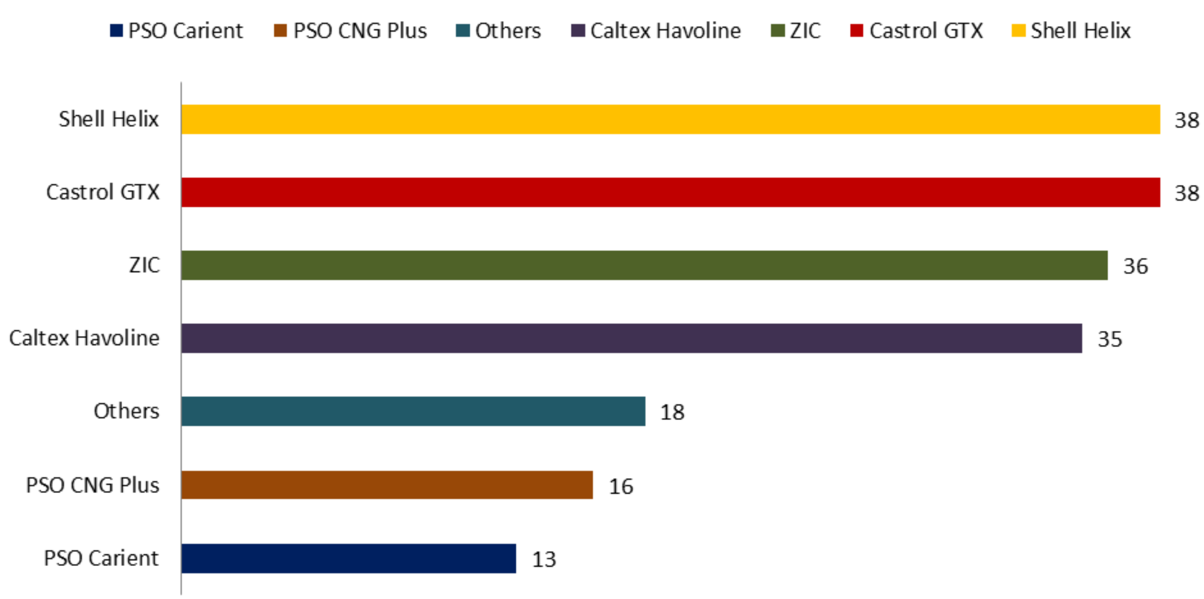


- Shell is leading the image of lube market on all functional and emotional cues. Caltex is closely following it while PSO brands are perceived even lower than ZIC and Castrol.

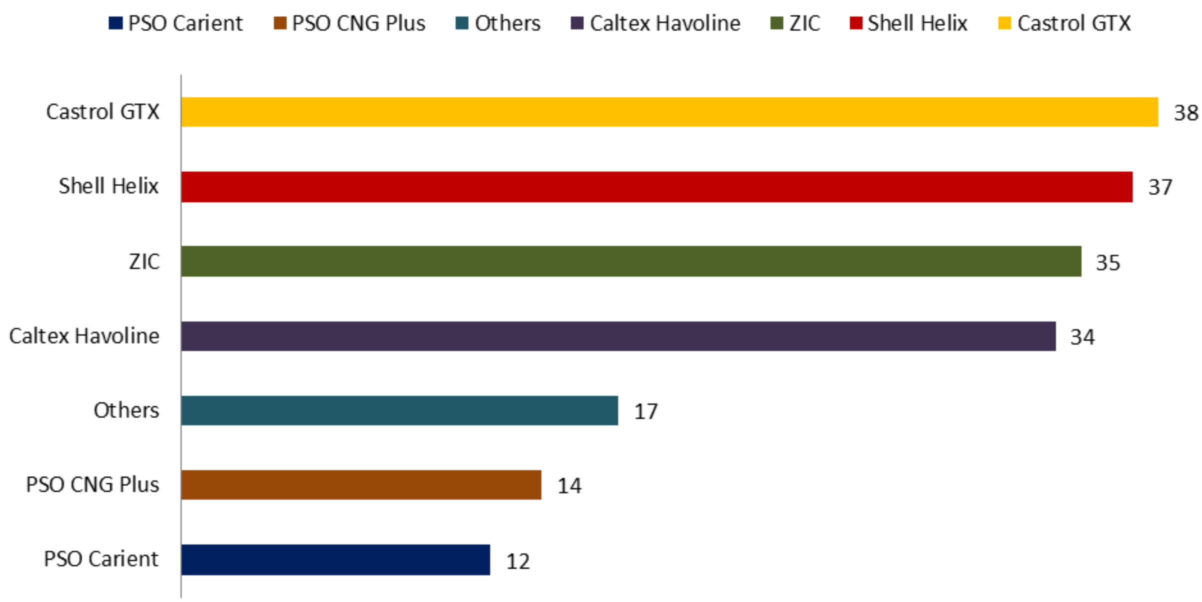
***Suggestions for Improvement***


- Improvement in quality, revision of pricing and providing the incentives coupled with the improvement in overall services are ultimate desire of the consumers.

***Available / Stock***

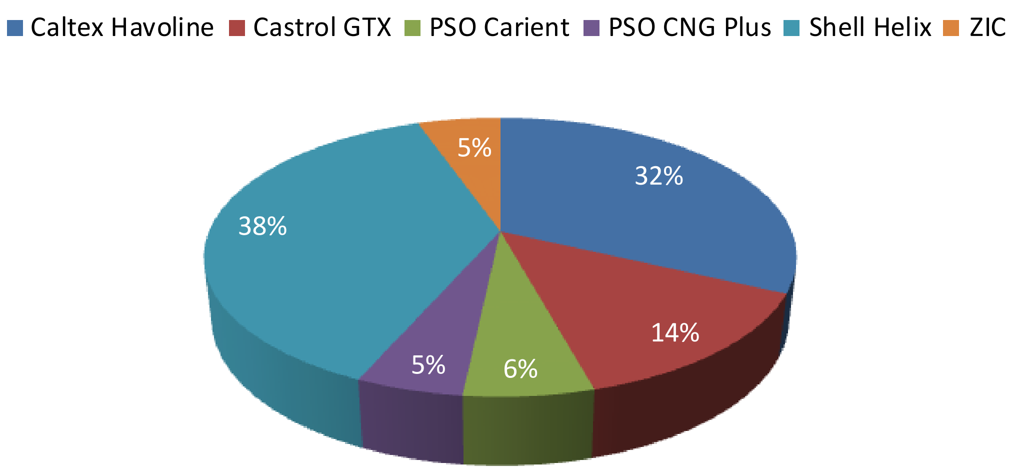


- The supply of PSO lubricants to retailer is very low. PSO can make lubricants available at retail shops



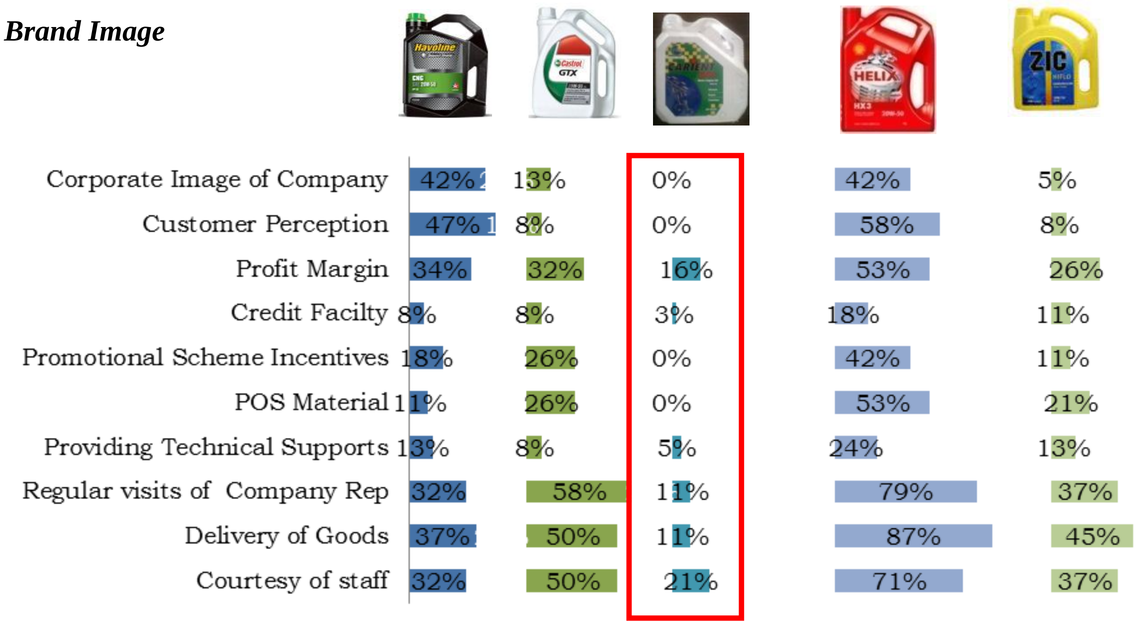

- Lowest stock is available in retail shops whereas other OMCs are aggressively targeting retail shops

***Selling Brand***




- Caltex & Shell lubricants are most and 2nd selling brands whereas PSO's are 3rd or least selling

***Brand Image***




- The brand image of PSO is the lowest. Shell Helix has strong brand perception followed by Havoline and GTX even ZIC has well brand perception than PSO.

**4.3. Competitor Profile Index**

A competitor profile index was established among PSO, Shell, Caltex and Castrol. The key factors were selected based on the research and weights were assigned to these factors according to their importance. Each company was then rated (on a scale of 1-10) against each of the factor on the basis of study and experience. The profile is given below:

| | | PSO | | Shell | | Caltex | | Castrol | |
|---|---|---|---|---|---|---|---|---|---|
| **Key Factors** | **Weight** | **Rating** | **Score** | **Rating** | **Score** | **Rating** | **Score** | **Rating** | **Score** |
| Market Share | 0.05 | 1 | 0.05 | 4 | 0.20 | 3 | 0.15 | 1 | 0.05 |
| Brand Perception | 0.10 | 1 | 0.10 | 4 | 0.40 | 4 | 0.40 | 2 | 0.20 |
| Financial Position | 0.05 | 4 | 0.20 | 3 | 0.15 | 3 | 0.15 | 2 | 0.10 |
| Market Presence | 0.10 | 3 | 0.30 | 3 | 0.30 | 2 | 0.20 | 2 | 0.20 |
| Distribution Network | 0.10 | 2 | 0.20 | 4 | 0.40 | 3 | 0.30 | 3 | 0.30 |
| Company Image | 0.15 | 1 | 0.15 | 3 | 0.45 | 3 | 0.45 | 1 | 0.15 |
| Customer Loyalty | 0.15 | 1 | 0.15 | 4 | 0.45 | 4 | 0.60 | 2 | 0.30 |
| Price Competitiveness | 0.10 | 3 | 0.30 | 3 | 0.30 | 3 | 0.30 | 3 | 0.30 |
| Advertising | 0.20 | 2 | 0.40 | 4 | 0.80 | 4 | 0.80 | 3 | 0.60 |
| **Total** | **1.0** | | **1.85** | | **3.45** | | **3.35** | | **2.20** |

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- CPI shows that Shell & Caltex are close competitors whereas, PSO is far behind both of them

**4.4. SWOT Analysis**

Strengths, weaknesses, opportunities and threats were identified on the basis of interview of PSO lube marketing team, literature review and research study. SOWT is shown below in tabular form.

| | | | |
|---|---|---|---|
| ***Strengths*** | ✓ Good quality product<br>✓ Ability to meet high demands<br>✓ State of the art lubricant terminal<br>✓ Wide coverage of country | ✓ Growing market<br>✓ Retrenchment by major competitors<br>✓ New Synthetic Oil market<br>✓ 50% retail dealers and mechanics contribution in lube sales | ***Opportunities*** |
| ***Weaknesses*** | ✓ Poor brand image<br>✓ Less advertisement<br>✓ Poor customer service at NVRO<br>✓ Poor housekeeping of NVRO | ✓ Low market share<br>✓ Customers are aware but not trying<br>✓ New competitors<br>✓ Less focus to retail shops | ***Threats*** |

**4.5. Hypothesis Testing**

The hypothesis testing was done on the pack appeal of PSO Carient vs. Shell Helix. The calculated results showed that PSO Carient is much inferior to Shell Helix.

**Calculation**

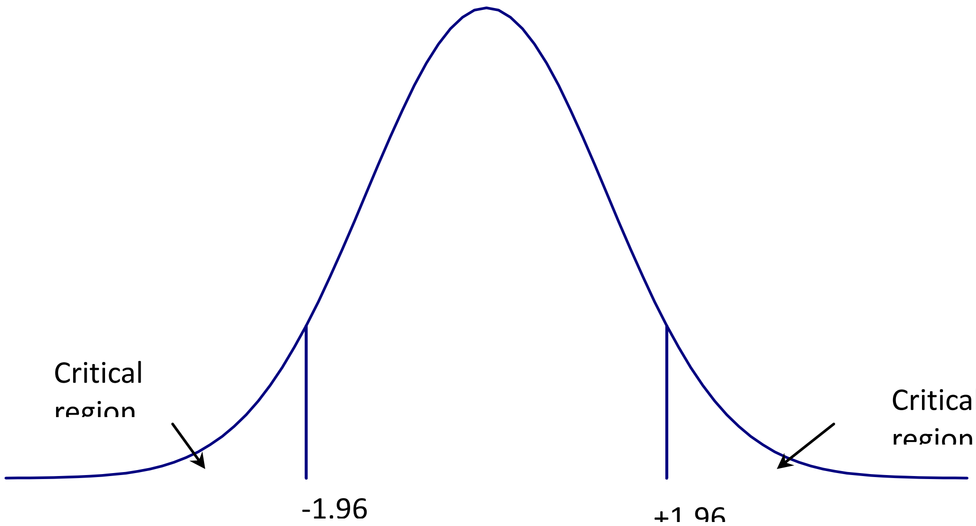
$$Test\ Value = \frac{Observed - Expected}{Standard\ Error}$$

**Hypothesis Statement**

$H_0$: µ1=µ2  H1: µ1≠µ2
At α=0.05

Since two tail α/2=0.05/2 =0.025 Z=±1.96

$$z = \frac{3.63 - 4.31}{\sqrt{\frac{(0.96)^2}{187} + \frac{(0.84)^2}{194}}} = -7.35$$




Since the test value is in the critical region therefore we reject null hypothesis and conclude that PSO Carient is significantly inferior at pack appeal.

| PACK APPEAL - MEAN RATINGS | | | | |
|---|---|---|---|---|
| | TOTAL | | | |
| | Valid N | Mean | Standard Deviation | Z-Val |
| AQ18A_HLX | 194 | 4.31 | 0.84 | |
| AQ18A_CRNT | 187 | 3.63 | 0.96 | -7.3474 |
| AQ18A_CNGP | 170 | 3.39 | 0.97 | -9.60639 |

| PRODUCT QUALITY - MEAN RATINGS | | | | |
|---|---|---|---|---|
| | TOTAL | | | |
| | Valid N | Mean | Standard Deviation | Z-Val |
| AQ18B_HLX | 194 | 4.34 | 0.8 | |
| AQ18B_CRNT | 187 | 3.4 | 0.79 | -11.5388 |
| AQ18B_CNGP | 172 | 3.33 | 0.8 | -12.0547 |

| VALUE FOR MONEY - MEAN RATINGS | | | | |
|---|---|---|---|---|
| | TOTAL | | | |
| | Valid N | Mean | Standard Deviation | Z-Val |
| AQ18C_HLX | 193 | 4.23 | 0.93 | |
| AQ18C_CRNT | 184 | 3.28 | 0.79 | -10.7065 |
| AQ18C_CNGP | 171 | 3.17 | 0.74 | -12.0926 |

| PURCHASE INTENTION - MEAN RATINGS | | | | |
|---|---|---|---|---|
| | TOTAL | | | |
| | Valid N | Mean | Standard Deviation | Z-Val |
| AQ18D_HLX | 193 | 4.2 | 0.99 | |
| AQ18D_CRNT | 185 | 3.03 | 1.04 | -11.1939 |
| AQ18D_CNGP | 171 | 2.94 | 1 | -12.0541 |

So both PSO Carient and PSO CNG Plus were found significantly inferior from shell Helix on all pack, product and VFM attributes.

**5. Conclusion & Recommendation**

On almost all brand health parameters PSO lubes are not performing well.Brand adoption funnel suggest PSO lube brands have stuck at consideration to trial stage and following appeared as the main factors behind the bottleneck:

- Expensive brand
- Poor corporate image
- Does not offer good services
- Mechanics do not recommend it
- No advertising and no promotions

PSO brands also performing significantly lower than Shell on specific attributes (Pack, Quality, VFM and Purchase intentions) as highlighted and validated through hypothesis /significance test.

IE matrix shows that PSO is in the 1$^{st}$ cell. It recommends the strategy "Market Penetration". PSO needs to do the following:

- Advertisement on electronic media, print media, and bill boards etc.
- Focus to Retailer shops as they are contributing 25% of total sale.

Although the survey results clearly identify the area of concern to Client however Since the study was conducted in Karachi only therefore it would be recommended PSO management to extend the scope of this study to other pertinent cities to check if brand health concerns present in other cities as well or these exists more prominently in Karachi.

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