

LUBES'n'GREASES

EUROPE – MIDDLE EAST – AFRICA

TAKING THE PULSE OF POLAND'S LUBES MARKET

Poland may not be among the first nations that come to mind when considering the European market. But in some ways it is among the continent's most interesting lubricant markets.

It is emblematic of the "new" and expanding Europe, having joined the European Union in 2004. With a population of 38.5 million, it has also become a destination for manufacturers moving factories out of Western Europe in search of lower labor costs – a trend of particular interest to lubricant marketers.

Poland also holds a few surprises for those with impressions based on international headlines. For one, despite its well-known industrial heritage, today it features primarily a service economy. Whether due to the labor turmoil in 1980 that bore the trade union Solidarity, or the visions of Lech Walesa capturing the presidency from the Gdansk shipyards in the early 1990s, images of Poland are often tied to heavy manufacturing.

In fact, however, services account for an estimated 64 percent of national gross domestic product, while the industrial sector accounts for just 31 percent. In addition, Poland's economy has gone from one of the most robust in Central Europe to one that suffers from slow economic growth and high unemployment.

Poland's lubricant consumption mirrors this economic profile. Approximately half of the total lubricant demand of 250,000 metric tons is consumed in the industrial segment. Some of the end uses that are largest and requiring the broadest range of products in the Polish lubricants market are machinery manufacture, iron and steel, coal mining, chemicals, and shipbuilding.

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By Ian Butcher



GROWING AUTO FLEET

The country's vehicle fleet has a range of ages and makes that create a diverse market for automotive lubes. Of the vehicles registered in Poland, about 40 percent are more than 11 years old, and 20 percent are more than 15 years old. Vehicles manufactured after 2002 represent less than 15 percent of the total population. However, in 2005 vehicle production was reported at more than 600,000, an increase of 4 percent from 2004. This increase was observed for all types of vehicles and led by a strong internal demand.

Fiat is the leading automotive original equipment manufacturer (OEM) in Poland, with more than 46 percent of overall vehicle production. Some models of the brand are produced in Poland exclusively and then exported all around Europe. Volkswagen and Opel follow, accounting for 25 percent and 21 percent of production, respectively.

The combination of old and new vehicles requires engine oil marketers to find the right balance between covering top and lower tiers and avoiding too much product line complexity. The range of OEMs requires the right coverage of product specifications in any given package. The OEM lineup also creates inroads for some lube marketers. FL Selenia – an Italian lube marketer with historical links to Fiat – is active in Poland using the Fiat lubricant brand.

LOCALS IN THE LEAD

Breaking down the market by supplier, Poland is served – in large part – by two domestic lubricant companies and a handful of global players. The leading suppliers are the Polish companies PKN Orlen and Grupa Lotos. Lotos holds the leadership position in all three of the key market segments: consumer automotive, commercial automotive, and industrial. Orlen is strong in commercial and industrial but it lags in the consumer segment. Orlen and Lotos are the only two domestic base stock refiners, and their finished lubricants positions emanate partly from that status.

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In contrast, several multinational lubricant suppliers, none of which have a base stock position in the country, have strong lubricant positions in Poland. The list includes Exxon-Mobil – mostly through the Mobil brand position – Shell, BP, and Total.

Richard Lucas, managing director of PMR Consulting, summed up the market thus: "Poland's lubricants market – like others in Eastern Europe and Russia – is rapidly growing, with plenty of opportunities for high value-added suppliers who know exactly what their clients want and understand the competitive landscape." (PMR Consulting, with offices in Krakow, is Kline's KnowledgeNet partner in Poland.)

In both consumer and commercial lubricants, the multinational suppliers have focused on top-tier synthetic lubricants and other higher performance products. These products have found wider acceptance in the last two to three years due to changes in the Polish vehicle population. The domestic companies, although having the top-tier products in their portfolios, have been competing in the conventional space. ❖



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