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MARKETING ACTIVITIES OF THE PARTICIPANTS OF THE UKRAINIAN LUBRICANTS MARKET

Ukrainian Lubricants Market is very attractive and the situation will start to change significantly in the near future. According to experts European Lubricants Market size in 2011 was approximately 7 mln t [1]. With annual demand of more than 400,000 metric tons, Ukraine is easily the second-largest lubricant market in Eastern Europe, ranking only behind Russia [2]. It produces very little of that volume (approximately 35 % from all sales). The main problem is a deficit of base oils and low technological level of production that does not meet modern standards. Overall competitiveness of the domestic oil considered low.

Ukraine's lubricants market is evolving quite rapidly. It has a good appeal due to several circumstances: sufficiently elastic demand, relatively high capital turnover, and high capacity (between 320 and 400 million dollars). Import accounts for around 65% of the market demand. Present there are nearly 130 brands of finished lubes competing in Ukraine, most of them imported by small trading firms targeting the premium segment of the automotive and industrial markets. Consumption of oils showed a continuous growth, 5 % to 7 % annually, until the 4th quarter of 2013. After which domestic manufacturers witnessed 12 % drop in sales, primarily of imported oils. This is first of all due to a changing structure of the vehicle fleet, reporting a shift towards imported motor cars, including new motor cars – modernized vehicle fleet requires high quality synthetic oils that are so-far not provided by home manufacturers. Secondly, most of western products have approvals from the global car manufacturers. The structure of grease use in the Ukrainian economy shows a prevalence of industrial oils and greases. In Germany, for instance, the share of industrial brands equals to 14.8 %, whereas in Ukraine 39.4%. Motor oils account for 54.9%, and plastic greases for another 5.7 %. The relationship between industrial oils and motor oils will be approaching that reported in Europe with a growth of the vehicle fleet and closure of loss-making machine-building production facilities, according to forecasts.

The quality of lubricants used in Ukraine is generally low. Nevertheless, demand has begun shifting to higher quality products as the country begins to replace old vehicles and out-of-date equipment. A high share (around 70%) of low-quality SA and SE motor oils is another feature of the Ukrainian market, common to all post-Soviet territories, whereas in the United Kingdom this share does not exceed 5%. This is because motor cars made in the CIS (Commonwealth of Independent States) and used motor cars for which nobody would buy expensive high-quality oils are still prevailing in the Ukrainian vehicle fleet structure.

The large number of participants in the market creates intense competition. To stay in the market brand marketing support to carry their products. Most brands on the territory Ukraine are foreign brands that invest heavily in advertising and PR (public relations) various actions involving their brands. For example, Company "Hado" has its own team to participate in Yalta Rally car race and Company Orlen launched a powerful advertising campaign across Ukraine and arranged a charity rally to help orphans. There are many brands participating in exhibitions such as «SIA». All this is a powerful marketing support of their products.

The list of trademarks used in the Ukrainian market contains around 130 items (the amount hardly to be found in any other European country), 35 of them being trademarks from the CIS countries. Apart from global brands, such as ESSO/Mobil, Shell, Castrol, Texaco, Chevron, and BP, gaining popularity in some regions are Addinol, Valvoline, AC Delco, Agip, ELF, and Comma. Stiff competition among oils is clearly evident in the passenger car sector. As of the end of 2013, Azmol stood out as the absolute leader with 10% of the market. Coming next is Leol having only a few per cents less. Import brands, such as Mobil, Esso, Shell, and Castrol account for a somewhat less market share. With the growing import volumes, competition between importers and Ukrainian manufacturers is becoming increasingly intense, imported products competing with domestic ones only for particular product types. Importers stay in the high end of the market because they cannot compete on price with products from the Ukraine and the rest of the former Soviet Union. Imported synthetic/semi-synthetic motor oils, for instance, are no competition to domestic oils, being in a different quality niche. However, Baltic and East European manufacturers are hard on the Ukrainian manufacturers’ heels. At the same time, cheap products for use in agricultural equipment and in industry are supplied from Russia and Belarus, ousting the domestic products from the market. The market of industrial oils and greases is still the most sluggish, resisting to any major breakthroughs; therefore the products in this market retain the lowest price.

So as a conclusion I want to say that Ukrainian lubricants markets is still developing and there are great opportunities for marketing, and developing new marketing techniques.

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