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"Easy to buy,  
and Easy to Sell"

## ConocoPhillips Shines a Light on its Stars

Lights, camera, action! According to marketers in attendance at the ConocoPhillips annual marketer's meeting, ConocoPhillips literally treated its marketers like stars. The venue was Opry Town / Music City USA, otherwise known as Nashville, Tenn., for those who were born well after Elvis was King.

Marketers say the opening ceremonies made them understand what it feels like to be nominated for an Academy Award. A "stars marquee" welcomed them when they arrived, and ConocoPhillips literally rolled out the red carpet. As its stars (the marketers) strolled down the red carpet to take their



(ConocoPhillips Marketers Meeting.) Front: Imogen Fronk, from Fronk Oil , followed by Ron Souza with wife Janet from Van De Pol Enterprizes, Inc.

seats of honor, they walked past a wall of ConocoPhillips managers applauding them, with flash bulbs of the paparazzi popping all around. The “stars” theme continued from there with other activity reminiscent of Hollywood and the Oscars, including film clips of its marketers in action, and leading right up to their participation at the marketer meeting.

Beyond being simply an excellent example of very well-orchestrated, feel-good theatrics, feedback from marketers indicated there was real substance to what ConocoPhillips had to say. Moreover, they felt there was meaning to ConocoPhillips treating its marketers like stars. In the words of several marketers, the message was simple: ConocoPhillips really values its marketers and is working hard to assure it’s the best company for them to do business with.

ConocoPhillips should celebrate these candid and positive opinions of its marketers because in *Jobbers World’s* experience, there are three layers of meetings that take place when a major hosts its marketers.

The first layer is the one the major orchestrates. This layer is the one under the bright lights and includes all the niceties, formalities, and generalities

designed to make the meetings enjoyable. It’s the meeting seen from the major’s eyes. As a result, it’s usually an excellent meeting where the major walks away feeling good and believing it got the job done. And although its distributors may have expressed some concerns, management usually concludes from this meeting that its marketers are generally happy, and left the meeting motivated and well equipped to sell more of their juice.

Then there is the second layer . Although it occurs at the same time and place as the first and includes the same marketers, this layer of the meeting is the one seen from the marketer’s eyes. It’s about what the

marketer thinks about the major’s meeting. It includes the marketer’s thoughts and reactions to what the major said and how they said it. It’s about how the major responded to questions, the number of questions asked, and how many times the same question (in different forms) had to be asked, and by whom, to try and get an answer. This meeting is also about the little things—like did the major start the meeting with a simple welcome, or were the first official words spoken on stage delivered by someone who sounded like a lawyer warning them about antitrust issues? A major’s ability to remember names (especially that of the spouse of the CEO or president who remembers theirs) can also set the



# JOBBERS WORLD

## Issue V

Jobbers World (ISSN 1547-3414) is the independent newsletter for and about lubricant distributors, published monthly by Petroleum Trends International, Inc. Printed in U.S.A.

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Subscriptions: U.S. and Canada, U.S. \$325 per year (12 issues). All other countries, U.S. \$405 per year (includes airmail delivery) payable by credit card, international money order, or check drawn on a U.S. bank in U.S. dollars. Contact the publisher for information about multiple-subscription discounts at [subscribe@JobbersWorld.com](mailto:subscribe@JobbersWorld.com) or 732-494-0405

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stage for the success of this meeting. There are many more subtleties and issues of style and substance that marketers look at when evaluating the second layer of the meeting. And although these and other issues can make or break a meeting, majors will rarely see any of them mentioned on an evaluation form.

Whereas the second layer occurred concurrent to the first, the second includes breakout sessions separate from those in the first. The majors are rarely, if ever, invited to these sessions. Instead, they include only old and new buds among marketers. These breakout sessions take place at lunch, in cars, cabs, private planes, boats, and on the links. They are usually after-hours and can run very late when held at clubs, bars, and casinos.

Although the first layer of the meeting is important, the second (the marketer's meeting) is, at the end of the day, more important.

So we heard about ConocoPhillips' first meeting. It was great. There were lights, cameras, and action. No doubt ConocoPhillips' management team walked away from that meeting feeling its marketers are generally happy and that its marketers left the meeting motivated and well equipped to sell more of their juice.

### **Now for what happened at the Second Layer of the ConocoPhillips meeting.**

Lights, camera, action! According to marketers in attendance at the ConocoPhillips annual marketer's meeting, ConocoPhillips literally did

treat its marketers like stars. In the words of many marketers *JobbersWorld* spoke with about the meeting, it was great stuff and it made them feel like the focus was on them, and that ConocoPhillips truly does appreciate their business. Marketers said that rather than walking into and away from the meeting feeling like it was just one of many where the majors talk about themselves and what they will be doing, and just giving lip service to their marketer's questions, this meeting was different. ConocoPhillips really seemed to care.

Marketers say ConocoPhillips focused on them and why ConocoPhillips is the one to grow with. In addition, rather than avoiding sensitive issues, Tom Liberti, General Manager, ConocoPhillips Lubricants, along with others, reportedly faced market realities straight up (including the hit ConocoPhillips took from hurricanes last year). Marketers say ConocoPhillips "had the courage" to say what was true. They realized that when Mother Nature got mean and the market got tight, people did in fact move outside of the circle of ConocoPhillips brands in an effort to secure supply.

But beyond shining a light on the problems and lamenting over its bad luck, ConocoPhillips talked about how they are now back on track, and how they want to earn lost business back and grow by striving to be the easiest company to do business with. Marketers welcomed the candor and liked what they heard. In addition, they walked away from the meeting feeling ConocoPhillips will not only strive to optimize operational

efficiency, but will also now spend more time listening to and meeting customer's needs.

One sage marketer best expressed the sentiments of others when he described the meeting as a "refreshing change" from the many he has previously attended at ConocoPhillips and those of other majors. He says it would be hard not to be impressed (and honored) by the reception ConocoPhillips gave its marketers. But beyond what happened in the spotlights, this marketer and many others *Jobbers World* spoke with said the meeting was a dramatic change from the previous ConocoPhillips marketer meeting.

Whereas there was a good deal of negative energy in the air and marketers complained quite vocally at the previous meeting about missed orders, invoicing problems, buyback fees, national accounts, and other issues, complaints at this meeting were far and few between. In addition, the buzz at this year's meeting was very positive. In fact, some marketers who attended the marketer-only break-out sessions at the pubs and clubs during this meeting were talking about the fact that the list of issues tabled at the Lube Advisory Board meeting (LAB) this year was captured on only one page of poster board. This contrasted sharply with the five or six pages of issues carved into the board at the LAB meeting two years ago. Moreover, with only a couple of exceptions, marketers say this year's list comprised more manageable and attainable goals. As an example, marketers would like to see service levels integrated into

buyback fees (a structure similar to that of ExxonMobil and Chevron). Improvements in the price structure of supplemental was also talked about, as was the need to address European specifications and harmonization. In addition, there was also positive discussion about ways to improve market share.

Marketers even pointed to the number of people in attendance at the LAB meeting to illustrate how times have changed for the better. Whereas there were about 100 vocal marketers in attendance at the LAB session two years ago, only about 35 or so felt compelled to make the session this year. Rather than being a sign of disinterest, marketers say this is a positive sign suggesting that they don't have many bones to pick with ConocoPhillips.

Marketers were also complimentary of the breakout sessions. These sessions included talks about buy/sell arrangements, selling strategies, credit, insurance, and HDMO, PCMO, and industrial lubricants. The session on insurance was considered particularly valuable in that it identified tangible ways marketers can save money.

Another breakout session that got high marks was the one led by Thomas Waininger, the founder of WINNINGER Visionscope, a Minneapolis-based Think Tank. He is author of the best-selling books *MarketQuake*, *Price Wars*, *Full Price*, and *Sell Easy*. In addition, he recently published *BULLSEYE!*—What Market Leaders are doing to consistently HIT the BULLSEYE! Most ConocoPhillips marketers *Jobbers World* spoke with said Waininger is a dynamic speaker and really made

them think. Several did, however, add that it would have helped if there was a lexicographer present from the Oxford English Corpus to help translate some of the 15-syllable words he used.

Aside from this minor and somewhat tongue-in-cheek criticism, there were a couple of sardonic comments made about the session on "How to get a better credit line with ConocoPhillips." Several marketers said that in their minds, this session indirectly underscored the impact price increases have had on the marketer's inventory carrying costs. In fact, they said the primary reason marketers need to get a better credit rating with ConocoPhillips and other majors is because the numerous price increases the majors have pushed through make it necessary to pay significantly more for the same level of inventory.

The only other criticism that seemed to get any airtime in the shadows of the meeting was directed at the ConocoPhillips "heritage." Although on face value heritage sounds like a good thing—or at worst something benign—in this case it is viewed as something marginally divisive. Rather than working with one company managing several brands, some marketers say that integration of brands (brands brought in through acquisitions of "heritage companies," i.e., Kendall and 76) remains a challenge. According to these marketers, although the brands may be consolidated at the top level and managed as such by ConocoPhillips, its field sales reps still tend to hang on to the past and align themselves with the particular brand they came from. Although this is not considered a big issue, it was

mentioned by several as an issue that manifests itself in what can be unproductive power struggles among the heritage brand people.

So in summary, the second layer of the ConocoPhillips meeting, the one that really counts because it's what the marketers took away from the first meeting, was a good one. It was also apparently very consistent with what ConocoPhillips wanted to achieve in the first meeting. Most marketers said they left feeling pumped and believing that ConocoPhillips is a company that cares about them and is listening to their needs. Moreover, most marketers *Jobbers World* spoke with feel ConocoPhillips has a plan in place to assure it's the best company for them to do business with and grow.

But make no mistake about it, the euphoria does wear off, and when it does the third and most important layer of the meeting commences. This layer includes a much bigger audience with many breakout sessions. The success of this layer (and the two prior) is about the one-on-one interactions marketers will now have with ConocoPhillips field sales reps, customer and technical service reps, terminal line personal, order processors, LubeStream, senior and middle managers, and the marketer's customers, colleagues, and competition. Marketers say these breakout sessions will ultimately determine if the first and second meetings were real, or simply a Hollywood facade. But based on early word from the street, these meetings and their breakout sessions appear to be going well too. *Jobbers World* will keep you posted.



By Tom Glenn

## Caveat Venditor

Life is good. I distribute lubricants and the majors love me. In fact, they love me so much they keep sending me more and more national account business. I handle all of ABC's and XYZ's trucking business in the state, deliver lubricants to several of the largest mills in the country, and have more fast-lube business than you can shake a stick at. Sure, the buyback fees don't bring the margins I used to enjoy when selling direct, but so what? My business has been growing at a rate of 4% a year over the past 3 years, and my costs are less than the competitions' because I'm not paying car allowances, base salaries, or commissions for the same stable of sales reps they have. What's more, I live in a \$1.8 million home and just got back from a two-week vacation in Islamorada where I landed a 95-pound Wahoo.

Life is good. If I go with the flow, say what the majors want to hear, and take on more buyback business, I

don't need to spend much time hunting for my food. Instead, I can just sit here and harvest greens from the field of national accounts my major has sown. I have no complaints. While other distributors are moaning and groaning about buyback business, I say bring it on. The more the merrier!

Let the seller beware (Caveat Venditor). Times, they are a-changing. According to a number of marketers Jobbers World has spoken with over the past few months, some of the majors are starting to draw a clear and distinct line between how they view business on their marketer's paper and that which is on the major's paper as a national account. So before you book your next trip to the Keys on that '42 custom Hatteras, it might be time to take a good look at the real growth of your lubricant distribution business—less that which the major contributes

through national accounts. Because if the math from this exercise shows that the primary reason your business is growing is due to national accounts served up by the majors, there is a good chance the major will soon be asking some tough questions. According to some marketers, those questions are already coming, and they focus on the major trying to understand, and drive, what its distributors are doing to grow business with them on the distributor's paper. Because in this rough and tumble world of alignment, if a marketer is not working hard to grow business on its paper, it could very well lose a boatload of fish (national account business) to another marketer the major is doing business with who is. And if they do, not only could they get your fish, the major or its favorite son could even reach into your boat and grab the bait and fuel from your Hatteras.

# ExxonMobil Prunes

Word on the street for the past few months is that ExxonMobil would be trimming its sales staff. Marketers who appeared to be in the know were saying they heard an estimated 20% of ExMo's field sales people would be cut loose by year's end. In addition, some of these sales reps would find new homes with the favorite sons of the tiger: the golden boys of ExMo's channel partners.

Although it's hard to say if the 20% cut figure is over or under, one thing for certain is that there appears to be some pruning underway. Several marketers say their ExMo sales reps stopped by to show them their ExMo parting gifts and to bid them adieu. One marketer said some eight ExMo sales reps he has grown to know and love will be gone by the time the ball drops to usher in 2007.

It will be interesting to see if ExMo's staff cutting is about more than simply reducing its head count and cutting its costs. Because if you think about it, there could be more to the story. Imagine what might be going through your mind if you were a major looking to align your channel partners. What do you do with those big multibranded marketers? How do you convert their business from the competitor's brand to yours? Sure, you can spend the big bucks and offer them

conversion dollars, and yes, you can put the squeeze on them by keeping a tight grip on contract renewals. You can also motivate them to convert competitor gallons with many other carrots and sticks. But what about moving some of your soldiers into their camp?

What happens to the competitors'

about it; this former ExMo sales rep, who even answers its home by saying, "ExxonMobil—How can I help you?" is now working for a large multibranded distributor.

Hmmm... even if ExMo were paying the salary of this sales rep, the cost of conversions driven by the rep could very well be significantly under the



gallons when the major's sales rep is on the payroll of the ExMo's channel partner? How likely is it that this former ExMo sales rep and their other castaway colleagues from ExMo will sell Chevron, Shell, ConocoPhillips or other lubricant brands carried by a multibranded distributor? Think

\$1.00 a gallon bounty some majors put on the competitions' business. In addition, conversions driven by this strategy would certainly fly under the radar of the competition, who is often watching the scope to see big blips



By Maura Schreier-Fleming  
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## As the World Turns

I was recently interviewed on a radio show about the changing world of sales. Selling today is not the same as selling was 15 years ago. Some of the changes mean that salespeople have to do different things. So if you're doing the same things that you did years ago, you might not get the same results you got in the past. Here's how to sell and manage in today's world of sales.

Hit the ground running. Today's organizations are flatter and fewer people are doing more. That means even great sales managers have more to do than ever before. With their own responsibilities growing, sales managers have less time to coach their sales team on skills and strategies. I also see organizations that hire people for sales and then give them no sales training. What this means for sales managers is that you have to find other ways that will quickly lead to a new hire's selling success. One strategy is to actively look for what's working with

your current sales staff and share that information with your team. Look for those members of your team who are skilled in different parts of the sales process. Then ask them to specifically show the new hire how they prospect, how they open a sales call, how they develop their questioning strategy or other specific tasks. When the new hires ride with more experienced staff they will learn from them. Just make sure these experienced performers are showing your new hires what you want them to learn. Have a planning conversation before the sales calls.

Salespeople with overworked sales managers need to take on the mentoring challenge themselves. It's often up to you to be constantly looking for role models and mentors to help you with your selling. You've got to be proactive to look around and ask others how they're doing what you're trying to do. Ask them who they prospect

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for. Ask them how they manage their time. Ask them specifics about how they manage their business. You could also ask the less successful salespeople what they're doing. Just be sure you know not to do what they're doing. It's not working and it probably won't work for you either.

Use it or lose it. I am amazed when companies invest in training and never use what they learn. One would expect a manager to reinforce the training by incorporating it into the company's sales process. Most good sales managers do make sales calls with their sales staff. The training techniques could be applied during those sales calls. Yet all too often it never happens. I'll send out follow-up suggestions for four weeks after a program with ideas for management to reinforce what was taught. If your training doesn't include those pointers, sales managers can enlist their salespeople's help to incorporate new ideas into their selling. How can you do that? At the end of every training program, have your sales staff set objectives for how they're going to apply what they learned to their business. They should set no more than 3 objectives. Check that the objectives are specific and measurable. After all, you want to keep the objectives manageable. Have them pick one objective at a time and encourage them to just do it!

When you make joint sales calls you can discuss their strategy for implementing the objectives. Before each sales call ask the salesperson what they're going to apply. After the sales call during your debrief, discuss how it went and what they'll do differently during the next sales call. When management reinforces training, there is change. When management does nothing, everything stays the same with the exception of a training budget that was wasted.

On the go. As younger people enter

the workforce they bring different attitudes about employment to the workplace. Recent retirees had far fewer jobs during their careers than is predicted for today's workforce. Studies show that the average working American will have three to five careers and between 10 to 12 jobs during his or her lifetime.

Today the  
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supplier.

Selling before meant you had some assurance that the person you were successfully selling to would be around a while. In the old days you could catch your breath and not worry so much about the threat of competition at existing customers. Those days are gone. Today the musical chairs of job assignments means new people may have loyalties to another supplier.

You are more vulnerable to competition today because you don't have the long periods of time where you've built trust and created

customer loyalty. What can you do now? You can encourage your sales staff to build strategic alliances with more people within accounts so they can hedge their bets when people leave or change jobs within the company. People won't stay forever today. Don't expect them to. Does your staff spend the time to build the relationships at different levels of the organizations they're selling to? Do they have contacts in purchasing, engineering, production and other areas impacted by a selection of a lubricants supplier? Today you have to take the time to create a network of contacts within an organization.

Much has changed in the world of selling. The more things change the more they stay the same. Successful selling is still about building trust with your customers and helping them make the best buying decisions. That's one thing that should never change and hopefully it never will.

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**Mark Minges**  
Chief Operating Officer  
POLARIS Laboratories, LLC

## Bring Data, Not Donuts

One of the biggest mistakes a lubricant marketer can make when visiting a client, is not having anything useful to talk about. If a marketer simply walks into a client's office, extends a handshake and a box of pastries with a friendly, "How's everything goin'? How much lubricant are you going to need next month?" – not only has the marketer missed the boat, they've walked right off the pier, fell into the ocean and drowned.

The most effective marketers bring data – not doughnuts – to the sales table. They show up prepared to present solid information that supports money-saving solutions only they can provide.

Oil analysis is a great tool for generating that data – whether a customer is currently using it or not. Most who are, would welcome any help you can provide in interpreting the data and implementing the maintenance recommendations made by the laboratory. A reputable lab will be glad to answer your questions and help you identify any

issues the customer should address. And if a customer isn't using oil analysis, there are numerous reasons to sign them up.

All of the largest oil companies provide oil analysis programs as a value added service. Most of these programs are contracted through an independent laboratory under a private label. Unfortunately, most lubricant marketers are hesitant to bring oil analysis to the table because they know little about it. Educating yourselves about oil analysis and the money-saving solutions it can bring to your customers opens the door to numerous sales opportunities.

Use oil analysis data to objectively evaluate the effectiveness of a customer's lube program - is the customer buying the right type of oil for a particular application and/or



maintenance goal? Let's say a fleet manager at a surface coal mining operation is using a low or mid-quality diesel engine oil in a group of haul trucks that typically make multiple short runs with heavy loads. And he wants to extend his drain interval by 20%. But the oil analysis data indicates that it will take a better quality oil with a higher TBN and a better anti-wear package to safely extend the drain enough to achieve that goal.

The oil analysis data gives you the opportunity to point out some very important factors the

customer might not have taken into consideration. High levels of silicon (dirt) indicate extreme environmental contamination. Excessive dirt increases engine wear as indicated by the steady increases in iron values. Short trips with heavy loads at high operating temperatures promote oxidation or fluid degradation, which increases viscosity, prevents additives from working and speeds the formation of acids. TAN steadily increases while TBN decreases, which tells you the lube won't be able to neutralize acid formation for the desired drain interval. All things considered, using a higher quality lubricant is more than warranted.

Oil analysis also presents numerous opportunities for both conversion and consolidation. What better way to convince customers to switch from another supplier's products to yours than by using oil analysis to compare them. Monitoring wear, contamination and additive performance establishes product quality and adds credibility to your sale.

Consolidation is a savings solution in more ways than one. Using a single lube across multiple units strengthens customer buying power – purchasing in bulk earns the customer bigger discounts and reduces his storage and disposal costs. It also substantially decreases the possibility of lube mixing or topping off with the wrong lube – which can be staggeringly expensive to correct. In the end, you've used oil analysis to prove product quality, eliminate waste, improve efficiency

and save money. The customer will remember that the next time his lube program goes out for bid. When a marketer truly has the customer's best interests in mind, trust develops and relationships become cemented.

Some of the best lubricant marketers I've ever encountered call me on a regular basis and ask, "Can you help me out with this customer?" We show them how to utilize statistical analyses and problem summary reports to show their customers the issues at hand. They can then present the right solution for a particular situation, with the support of good, hard data. Instead of just selling oil, they're now showing the customer how to solve contamination problems, reduce lubricant degradation, extend drain intervals and ultimately, extend the life of their equipment.

I will make the statement that even in today's market, "oil is cheap." When all is said and done, lubricant and filtration costs amount to only about 3 – 5% of a typical operational maintenance budget. The remaining 95 – 97% goes straight to labor, repairs and replacement costs.

Convincing the customer to use a quality lubricant and monitor their equipment through oil analysis will ultimately result in more savings than the increased cost of a better lubricant and the cost of a good oil analysis program. Using oil analysis changes the maintenance manager's everyday practices. It allows the early detection of problems responsible for a large portion of maintenance expense. Reduce those expenses

once considered inherent to everyday operations and paying a little more to upgrade lubricants or maintain an effective oil analysis program becomes a lot less painful.

The best marketers in the world don't sell products, they sell themselves. I know from my experiences with marketers, if it's a person that is knowledgeable about their industry, my industry, their products and is able to offer solutions to my problems for a fair price, I will do business with them for a long time. Salesmen are a dime a dozen, good marketers are worth their weight in gold.

*Mark Minges has been involved in oil analysis for over 27 years. His experience ranges from owning and operating a small fleet of Class-A trucks to repairing and maintaining off-shore drilling platforms in the Gulf of Mexico.*

*Minges began his career with POLARIS as Vice-president of Sales and Marketing, moving to Chief Operating Officer three years ago to capitalize on his strengths as a data analyst and technical consultant. He's conducted laboratory testing, sold testing services and now works with OEM's and design engineers to continually improve POLARIS' auto-commenting, flagging and severity limits.*

*Minges is a member of the Society of Tribologists and Lubrication Engineers (STLE), the American Society of Mechanical Engineers (ASME), as well as the Technical Maintenance Council (TMC). More information is available at [www.polarislabs.com](http://www.polarislabs.com) or contact Mark directly at [mminges@polarislabs.com](mailto:mminges@polarislabs.com).*

# Consumer Automotive

## United States – Mass merchants

The price of conventional PCEO increase by an average of \$0.25 a quart in the mass merchant channel of trade over the past three months. The price of mid-tier PCEO moved up an average of \$0.35 a quart, and the synthetics increased by \$0.24 a quart, as shown below:

**Average Mass Merchant Price (\$/quart)**

PCMO Tier	Jan. 06	Mar. 06	May. 06	July 06	Nov. 06
Conventional	1.74	1.84	1.91	2.02	2.27
Mid-tier	2.53	2.69	2.90	2.91	3.26
Synthetic	4.77	4.81	4.92	4.94	5.18

On average, the shelf price of Castrol Syntec increased the greatest over the past three months. The price of a quart of Syntec in November reached an average of \$5.86 a quart, up from \$5.31 a quart in July. This represents an increase of \$.055 a quart, or 10.4% over the period. The average price of Mobil 1 at mass merchants also went up significantly over the period. Whereas the average price of a quart of Mobil 1 in July was \$5.58 a quart, it reached \$5.95 a quart in November.

Although the shelf price of Mobil 1 increased in every retail chain in our price survey, it should be noted that the price of Mobil1 in the largest retail chain increased by \$0.66 a quart over the past three months.

## PCEO Prices at the Leading Mass Merchants, Nov. 2006

Leading Retail Chains - (\$/Qt.)

Type and Brand	A	B	C	Average
<b>Synthetic</b>				
Mobil 15000 EP	▲ 6.46	-	n/a	▲ 6.46
Mobil 1 (5W-30)	▲ 5.92	▲ 5.99	▲ 5.94	▲ 5.95
Castrol Syntec	▲ 5.72	▲ 5.99	-	▲ 5.86
Mobil 5W-30 New Vehicle	n/a	-	-	-
Quaker State synthetic	3.97	▲ 5.59	-	▲ 4.78
Maxlife synthetic	▼ 4.48	-	-	▼ 4.48
Valvoline SynPower	n/a	-	-	-
Pennzoil Platinum synthetic	3.97	-	-	3.97
Store brand	2.97	-	-	2.97
<b>Average</b>	<b>▲ 4.78</b>	<b>▲ 5.86</b>	<b>▲ 5.94</b>	<b>▲ 5.18</b>
<b>Mid-tier</b>				
Castrol synthetic blend	▲ 3.57	▲ 3.99	3.59	▲ 3.72
Castrol high mileage	▲ 3.37	▲ 3.49	▲ 3.39	▲ 3.42
Valvoline Durablend	▲ 3.44	-	-	▲ 3.44
Pennzoil SUV/Truck Minivan	n/a	-	-	-
Valvoline Maxlife	▲ 3.22	-	-	▲ 3.22
Quaker State 4x4	▲ 3.16	-	-	▲ 3.16
Pennzoil High Mileage	▲ 3.19	-	-	▲ 3.19
Castrol GTX Start up	n/a	-	-	-
Quaker State High Mileage	▲ 2.92	-	-	▲ 2.92
Mobil 7500	n/a	-	-	-
Quaker State syn blend	n/a	-	-	-
Mobil high mile syn blend	n/a	-	-	-
Store brand syn blend	1.74	-	-	1.74
<b>Average</b>	<b>▲ 3.08</b>	<b>▲ 3.74</b>	<b>▲ 3.49</b>	<b>▲ 3.26</b>
<b>Conventional</b>				
Castrol GTX 10W-30	▲ 2.84	▲ 2.99	▲ 2.79	▲ 2.87
Valvoline 5W-30	▲ 2.78	-	-	▲ 2.78
Pennzoil	▲ 2.48	▲ 2.89	▼ 2.14	▲ 2.50
Motorcraft	2.22	-	-	2.22
Quaker State	▲ 2.18	▲ 2.59	-	▲ 2.39
Mobil 5000	▲ 2.22	-	-	▲ 2.22
Havoline	▲ 2.16	-	-	▲ 2.16
Exxon Superflo	▲ 1.88	-	-	▲ 1.88
Shell	-	-	▲ 1.79	1.59
Store brand	▲ 1.54	▲ 1.79	-	▲ 1.67
Independent brand	▲ 1.24	n/a	-	▲ 1.24
Mobil Drive Clean	n/a	-	-	-
<b>Average</b>	<b>▲ 2.16</b>	<b>▲ 2.57</b>	<b>▲ 2.24</b>	<b>▲ 2.27</b>

# Auto Parts Stores

The price of PCEO in the auto parts store class of trade also increased significantly over the past three months. The greatest increase was realized in the synthetic PCEOs. The average price of synthetic PCEO reached \$6.19 a quart in November, up from \$5.40 a quart in July. This represents an increase of 12.8% for the period. The average price of mid-tier and conventional PCEO also increased significantly over the period, as shown below:

Average Auto Parts Store Price

PCMO Tier	March	May	July	Nov
Conventional	2.04	2.20	2.16	2.61
Mid-tier	2.89	3.08	3.07	3.63
Synthetic	5.14	5.35	5.40	6.19

In addition to price increases, another very noticeable change in the auto parts store class of trade over the past few months is an apparent reduction in the number of SKUs these stores carry in the motor oil category. To illustrate this point, note the products highlighted in red in the table to the right and on the previous page. Whereas these products were available in July, they were not in November. Although this does not necessarily indicate the products have been eliminated from the chains planogram, it's certainly a development Jobbers World will be monitoring and reporting on over the next quarter.

Another significant change in the auto parts store class of trade speaks to the reduction of SKU's evident in the mid-tier product space. As noted by the red "n/a" in the pricing tables, a significant number of products are missing in action during November 2006 from the mid-tier space. Again, although the absence does not necessarily mean they have been eliminated from the chains planogram, there does appear to be a possible trend in the making.

## PCEO Prices at the Leading Auto Parts Stores, NOV. 2006

Leading Auto parts Chain-a (\$/quart)

Type and Brand	A	B	C	D	Average
<b>Synthetic</b>					
Royal Purple synthetic	-	▲ 6.99	7.59	-	▲ 7.29
Mobil 1 EP 15,000	▲ 6.99	▲ 7.29	▲ 7.39	▲ 7.29	▲ 7.24
Mobil 1 (5W-30)	▲ 5.99	5.99	▲ 6.49	▲ 6.29	▲ 6.19
Valvoline Synpower	▲ 5.29	n/a	n/a	n/a	▲ 5.29
Pennzoil Platinum synthetic	▲ 5.79	5.79	4.99	-	▲ 5.52
Quaker State synthetic	n/a	▲ 5.99	n/a	▲ 5.99	▲ 5.99
Castrol Syntec	▲ 5.99	n/a	▲ 6.29	▲ 6.29	▲ 6.19
Valvoline Maxlife synthetic	n/a	5.79	0	n/a	▲ 5.79
Coastal synthetic	n/a	n/a	0	n/a	n/a
Store brand synthetic	-	n/a	▲ 4.79	-	▲ 4.79
Havoline synthetic	n/a	-	-	-	n/a
<b>Average</b>	<b>6.01</b>	<b>6.31</b>	<b>6.29</b>	<b>6.47</b>	<b>6.19</b>
<b>Mid-tier</b>					
Castrol synthetic blend	▼ 3.49	n/a	▲ 4.09	▲ 4.29	▲ 3.96
Valvoline Durablend (5W-30)	n/a	3.79	▲ 3.99	-	▲ 3.69
Pennzoil High Mileage	▲ 3.59	▲ 3.79	-	-	▲ 3.69
Mobil Clean 7500	▲ 3.59	▲ 3.19	-	▲ 3.99	▲ 3.59
Castrol High Mileage	n/a	▼ 2.99	n/a	▲ 3.99	▲ 3.49
Castrol Start Up	▲ 3.49	n/a	-	n/a	▲ 3.49
Quaker State 4x4	-	n/a	-	n/a	n/a
Quaker State High Mileage	n/a	▲ 3.49	-	▲ 3.59	▲ 3.54
Valvoline Maxlife High Mile	▲ 3.69	▲ 3.99	▲ 3.79	n/a	▲ 3.82
Coastal High Mileage	▼ 2.79	n/a	-	n/a	▼ 2.79
Mobil new vehicle blend	-	n/a	-	n/a	n/a
Mobil high mileage	n/a	n/a	-	n/a	n/a
Valvoline Racing 50Wt.	-	n/a	-	-	n/a
Havoline high mileage	n/a	-	-	-	2.36
Store brand high mileage	n/a	n/a	▲ 3.09	-	▲ 3.09
Havoline synthetic blend	n/a	-	-	-	n/a
<b>Average</b>	<b>▲ 3.44</b>	<b>▲ 3.54</b>	<b>▲ 3.74</b>	<b>▲ 3.97</b>	<b>▲ 3.63</b>
<b>Conventional</b>					
Pennzoil	▼ 2.69	▲ 2.89	▲ 3.09	▲ 3.29	▲ 2.99
Valvoline	2.79	▲ 2.99	▲ 3.09	-	▲ 2.96
Quaker State	▲ 3.19	▲ 2.99	▲ 2.89	▲ 2.99	▲ 3.02
Castrol	▲ 2.79	▲ 3.09	▲ 3.19	▲ 3.29	▲ 3.09
Mobil Clean 5000	n/a	▲ 2.49	n/a	-	▲ 2.49
Havoline	▲ 2.29	-	n/a	-	▲ 2.29
Exxon Superflo	▲ 2.19	▲ 2.19	n/a	▲ 2.59	▲ 2.32
Amalie	-	-	▲ 1.99	-	▲ 1.99
Motorcraft	▲ 2.59	-	-	n/a	▲ 2.59
Store brand	1.69	▲ 1.99	▲ 1.89	▲ 2.19	▲ 1.94
Coastal	1.69	n/a	-	-	1.69
Shell Formula	n/a	▲ 2.09	-	-	2.09
Value Tech	-	-	n/a	-	1.29
<b>Average</b>	<b>▲ 2.43</b>	<b>▲ 2.59</b>	<b>▲ 2.69</b>	<b>▲ 2.87</b>	<b>▲ 2.61</b>

# CITGO's Marketer Meeting Said to Focus On Profitability

CITGO held its marketer leadership meeting in October, and word on the street is that the atmosphere of the meeting focused on two issues. One issue in the mind's of marketers JW spoke with was characterized as communications to manage the damage caused by the inflammatory rhetoric of Venezuela's President Hugo Chavez in his speech before the United Nations General Assembly on September 20. In that speech, Chavez denounced the talk given the day before by U.S. President George Bush, saying, "Yesterday the Devil was here, in this very place. This table from where I speak still smells like sulfur... in this same hall the president of the United States, whom I call 'The Devil,' came here talking as if he owned the world."

Based on what a number of marketers took away from the CITGO meeting, it seems many at CITGO would have preferred if Chavez's speech was about reducing the smell of sulfur coming from the exhaust of his Mercedes Maybach 57S rather than our president. But instead of messaging the message



into something classically confusing and undeniably deniable, CITGO lubricants group did the best it could to serve up sound bites and slicks to tell "The CITGO Story" and say they were "Here Today, Here to Stay." In addition, CITGO ran with the *We are All Americans* story by telling its marketers that "Through our hard-working employees and long-standing alliances with our network of independent entrepreneurs, the business performance and on-going community outreach efforts of CITGO are highly beneficial not only to our

employees, customers and other business associates but to American society in general."

Okay, Okay... All good stuff and true; CITGO does employ thousands of Americans and it does work with our communities. In addition, it operated as an American company from 1910 to 1986. But in the minds of marketers JW spoke with, Chavez's 43 words shifted CITGO from being proactive and well-liked in the marketplace, to being on the defensive.

*continued on next page*

Beyond the big headline news about 7-Eleven's decision to drop CITGO (which may or may not have been driven by Chavez's comments), lubricant marketers say they are still feeling backlash from Chavez's speech. Although we will likely never know if these are just the isolated reactions—which detractors would say are coming from just a handful of xenophobic, protectionist, right-wing extremists—negative reactions to the comments sure seems to have gotten the attention of the CITGO lubricants group. As such, "damage control" reportedly comprised a significant percentage of airtime at its marketer leadership meeting.

That was the first big takeaway many marketers said they got from the leadership meeting.

The next big takeaway from the meeting was that CITGO has new leadership in place (Karl Schmidt, General Manager, Lubricants), and his leadership is going to move CITGO into a position of profitability. Rather than mincing words, marketers say CITGO made it clear that it was not enjoying the margins it desired and it would be changing the way it did business to assure future profitability. Marketers JW spoke with remain unsure how CITGO will change its strategy and tactics to achieve its goal. They did, however, interpret CITGO's comments to mean it will demonstrate a more disciplined approach to pricing moving forward.

## Valvoline Makes it "Easy to buy, and Easy to Sell"

There is an old saying that "if it aint broke don't fix it." But certainly if it is broke, maybe it should be fixed. And according to some of the financial information released in Ashland's annual reports, 10-Ks, and other public filings over the past two years, it would appear the time was right for Valvoline to make some changes. And the changes they have made and plan to make are bold and applauded by many of their distributors.

As a back drop to these changes consider that in October 30, 2006, Ashland Inc. (NYSE:ASH) announced preliminary income from continuing operations of \$56 million, or 79 cents per share, for the quarter ended Sept. 30, 2006, the fourth quarter of its fiscal year. Net income for the quarter was \$200 million, or \$2.82 per share. James J. O'Brien, chairman and chief executive officer, commented on these number by saying "I'm generally pleased with our September quarter results. While there are many items that impacted our results, our businesses performed well with the exception of Valvoline." OUCH!!!!

The release went on to say that "Valvoline recorded an operating loss of \$14.6 million for the September 2006 quarter as compared with operating income of \$10.3 million in the year-ago quarter. Valvoline's sales and operating revenues increased 12

percent over the September 2005 quarter to \$379 million, as price increases began to take effect in the marketplace. Valvoline's results for the 2006 quarter included charges of \$4.4 million for asset impairments, primarily related to the closing of 33 Valvoline Instant Oil Change® stores, and \$1.7 million for severance costs. The 2005 quarter included charges of \$1.2 million for severance costs and environmental remediation. Volumes declined 7 percent versus the year-ago quarter. Valvoline's performance for the quarter reflected lower margins, as persistent high costs for base lube oil, additives and packaging were not fully offset by price increases in the marketplace.

If you think Valvoline's performance in the September 2006 quarter was just a hiccup, consider the past and what Ashland published in its 2005 Annual Report when it said, "Valvoline faced severe pressure in fiscal 2005, with rapidly escalating raw material costs, deep competitive discounting and a decline in the U.S. lubricant market. These factors reduced sales volumes and led to a 14-percent decline in operating income for the year 2006, Valvoline will act to protect and regain volume."

Although the Agreed Final Judgment issued in October by the United States District Court for the Eastern District

of Kentucky to award Valvoline \$5 million in damages from Windward Petroleum Inc. and its affiliate, may help to improve its financials, Valvoline is clearly making significant changes to protect and regain volume. Specifically Jobbers World is speaking about changes Valvoline advised its marketers it would be making to its programs and pricing.

Word on the street is that Valvoline did a road show at the end of September and into October to announce a new model for growth. As a backdrop to the model, Valvoline reportedly acknowledged to its distributors a need to change because the market is changing. The market changes cited included higher crude costs, tighter supply of base stocks, rapidly escalating raw material costs. In addition, Valvoline reportedly spoke to the issue of increasing competitive pressure from low priced suppliers

According to Jobbers World's sources, the principle of the new model is clear; Valvoline wants to make its products "Easy to buy, and Easy to Sell." To this end the company advised its distributors it will restructure its pricing, provide more time for selling in the field, reduced administrative costs and burden, simplified sales presentations, and offer higher rewards for growth. Based on what marketers are saying, these changes make it clear that Valvoline means business. And if you look at the business end of the changes, what follows are some pragmatic differences in how Valvoline will go to market.

First, it will eliminate most marketer programs, including; Equipment Program, Distributor Incentive

Fund, Strategic Alliance Program, Regional Development Fund, Temporary Competitive Allowance, and its Business Development Fund. Valvoline has also eliminated its national car dealer program, and installer incentive program.

Other changes in Valvoline's new model for growth reportedly includes a new delivery allowance schedule (buyback fees). Unlike all other majors who offer relatively fixed buyback fees, Valvoline historically based its fees on a percentage of the contract distributor lubricant

price. For example, it would offer an x% reimbursement on the contract distributor price for bulk lubricants, and a y% reimbursement on Synpower Chemicals. Marketers typically express approval of this model because it incorporates a built in escalator. If the price of the product goes up, so does the buyback fee. Changes to Valvoline's new model for growth include a new delivery allowance schedule which bumps up buyback fees. The schedule reimburses at a rate of 8% and 12% for packaged and bulk lubricants, respectively.

*continued on back page*

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Another interesting change to Valvoline's model is its effort to define what a "national account" is. Although one might think such a definition is a given, it's actually not in the lubricants business. In fact, because the term is so nebulous and so loosely used, many marketers say the definition of a national account is any account the majors feel is big enough to get their interest in selling to direct. In some cases this definition might even be used to capture the business of a chain of eight fast lubes in a single county.

Well stand up and give a round of applause for Valvoline! They actually had the courage to draw a line in the sand to define what constitutes a "national account." According to marketers, Valvoline now defines a national account as one that meets one of the following criteria:

- **The top 100 car dealers, quick lubes, tire stores, or general repair garages.**
- **An account consuming greater than 40,000 gallons a year**
- **Multi-state, multi-distributor accounts.**

And if defining national accounts is not seen as a gutsy enough move, consider this. Valvoline's new model for growth also says it will move any existing national accounts not meeting the above criteria from its books to the books of its distributors.

In addition to the aforementioned changes to Valvoline's new model for growth, Valvoline's also sweetened the incentives in its distributor growth fund and growth bonus programs.

The final change to the Valvoline model may be the most significant

in the short term and set the tone for Valvoline's level of interest in retaining and gaining business. This change speaks to price. In what marketers perceive to be Valvoline's efforts to be more competitive in the marketplace, it has reportedly reduced the price of its conventional lubricants. This reduction reportedly provides for a \$1.00 off on conventional lubricants in bulk when purchases exceed 18,878 gallons.

Initial reactions from marketers is that Valvoline's new model for growth is a significant move in the right direction. First, they see its decision to eliminate most of its programs as a positive step. They say these programs tended to make it overly complicated to do business with Valvoline. In addition, the programs added a cost burden to its products because the cost of programs was inextricably bundled with the cost of its lubricant. As expected, they also give a thumbs up to Valvoline's efforts to define national accounts and its efforts to sweeten the pot of its growth based programs and buy back fees.

Initial reactions from marketers about Valvoline's price decrease, however, got mixed reviews. As expected, a number of marketers said any price relief on Valvoline lubricants is very much welcome.

Others, however, noted that this price decrease comes on the heels of Valvoline's most recent price increase. And when you look at the net of those changes, together with the estimated cost/value of the programs Valvoline dropped, some marketers say they are either unimpressed or cautiously optimistic about what the price decrease will ultimately mean in the marketplace.

But even with some doubts about the impact of the price decrease, there is general agreement among marketers that Valvoline is making some bold moves in the right direction. And most importantly, they say these changes are reflective of Valvoline's willingness to listen to its distributor's and customer's needs and to make the changes necessary to compete in a changing market.

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