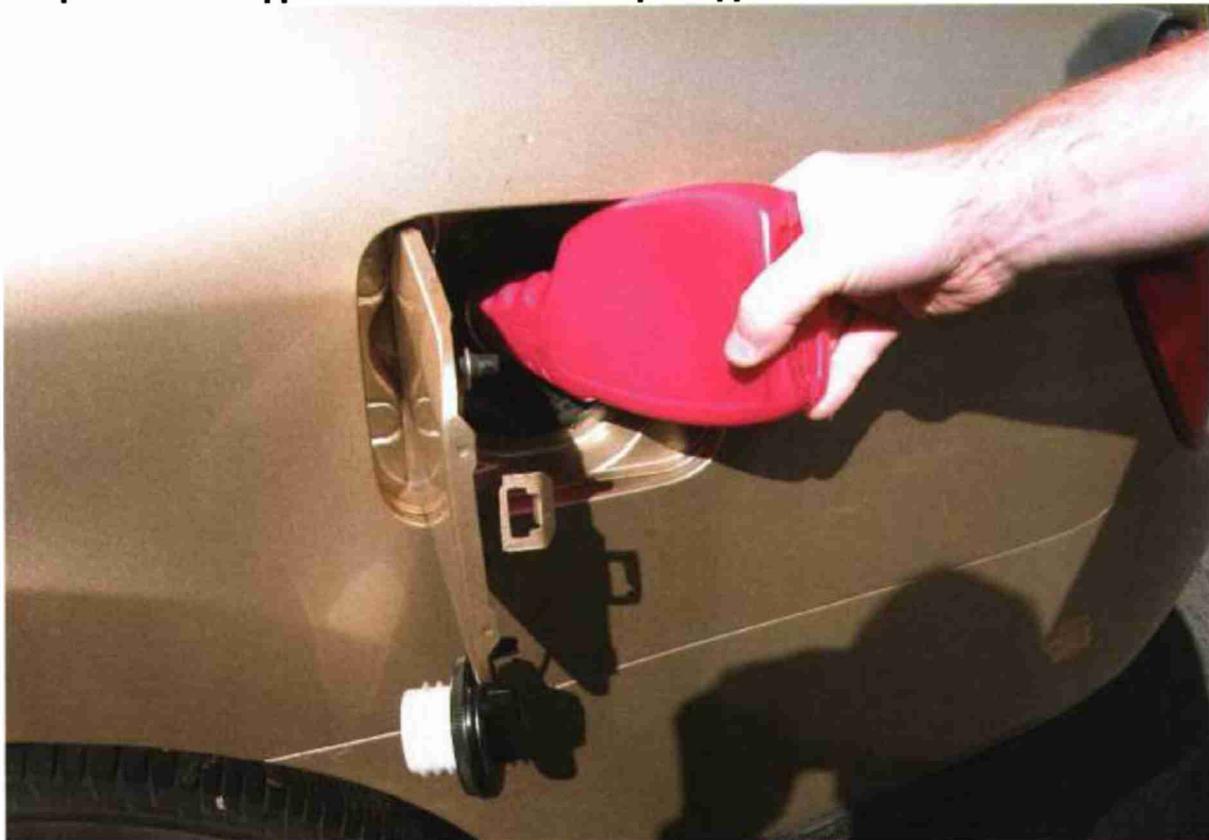




# Aided, not addled by ADDITIVES

**With the fuel additives category you can turn challenges – consumer confusion and high fuel prices – into opportunities. Here, the major suppliers of additives discuss how.**



**L**ead substitutes are leading the fuel additives category – a category which is enjoying unprecedented double-digit growth in service stations.

With the phase out of LRP (lead replacement petrol) in 2005, sales of lead substitutes have quadrupled in the past three years. By rights, sales should keep growing for a while longer before levelling off. However, a lack of knowledge on the part of some motorists and the current

period of high fuel prices seem to be holding the market back.

According to the Australian Bureau of Statistics' Motor Vehicle Census for 2005, of the more than 12 million petrol-powered vehicles on the road, 1.55 million (or 13%) are meant to be fuelled by leaded petrol.

It seems that, despite the apparent success of lead substitutes, many of the owners of these vehicles are not



adding a lead replacement product when they fill up with unleaded petrol.

"We suspect that a large number of motorists that should be using a lead substitute are not," said David White, Marketing Manager, Valvemaster.

"We still get many calls about lead replacement," said Robert Marshman, National Accounts Manager, Nulon Products.

"Some motorists are running their older vehicles on higher octane fuels, but they are not running well."

The need for octane and the need for lead are often confused because lead in petrol increased the octane rating and because they are both common in older (pre-1986) vehicles. (Most older vehicles were designed for higher octane fuels but nearly all were designed for leaded fuels).

## Octane Rating

The octane rating relates to how much the fuel can be compressed before it spontaneously ignites. The compression ratio of the engine decides the octane rating needed in the petrol. Higher compression ratios deliver greater horsepower and need higher octane. Petrol with an octane rating lower than a car is designed for can cause 'knocking'.

As well as increasing the octane quality, lead forms a solid material on valve seats. With lead removed from petrol, and without a lead substitute, vehicles are susceptible to exhaust valve seat recession (VSR). VSR can cause valve burning and loss of performance and, if allowed to go unchecked, will ultimately result in loss of compression and engine failure. The other materials used to enhance the octane rating, including ethanol, do not protect valve seats.

The major suppliers of lead substitutes – Flashlube, Nulon and Valvemaster (AS Harrison) – make strong claims for their respective products.

"Valvemaster acts as a solid lubricant in much the same way lead does, without any loss of performance," said David White.

"It was designed by the company that made the lead for petrol and was used to formulate LRP. Valvemaster is the only product recommended by all four major oil companies and all major motoring associations."

"Our distributors advise that they sell more 50ml Flashlube Valve Saver Fluid units than any other product,"

said Ian Humphreys, Marketing Manager, Flashlube.

"Valve Saver Fluid was originally designed to replace lead for vehicles running on LPG, and has been in the Australian market for 10 years. Our LPG kits, with fluid, are now number one in Europe. It was the first upper cylinder lubricant in Australia to contain a lead substitute. It greatly reduces valve seat recession and provides all the lubrication qualities of leaded petrol."

"Nulon Lead Substitute makes unleaded petrol (ULP) safe for use in all vehicles that were designed to operate on leaded petrol," said Robert Marshman.

"It has been tested to, and passed, the stringent and demanding requirements of Australian Standard AS4430.1-1996 Engines designed for leaded petrol to operate on unleaded petrol. The Australian Standard is there to protect consumers."

All suppliers agree that the low penetration of lead replacement products in the market is an opportunity for suppliers and retailer alike, and that high fuel prices make this a marketing challenge.

High fuel prices are affecting the market in a number of ways. Firstly, it looks like people are driving less and some may have stopped altogether. According to the Department of Industry, Trade and Resources, total petrol volumes sold in Australia fell slightly in 2004-05 (-0.4%) after strong growth in 2003-04 (+5.8%). The decline is more severe in recent months with year-on-year sales in March 2006 down 4.4%, followed by a drop of 5.9% in April.

High fuel prices also mean that people who should be buying a lead substitute and are not are less likely to do so, and people that are buying a lead substitute are doing so less often.





**“For the service station retailer, there is a substantial opportunity to sell a lot more of a high value product with a good margin.”**

**David White. A S Harrison.**



For the service station retailer, all this means that there is a substantial opportunity to sell a lot more of a high value product with a good margin, but it will take a bit more effort on the part of retailers and suppliers.

“This is an opportunity for fuel retailers but they need to be better informed and, in turn, to inform the customer,” said David White.

“And, we can help,” Mr White added. “We supply pump crowners, POS material and counter displays, as well as brochures to inform customers.

“To be proactive, console staff could be on the lookout for old cars and ask drivers if they are using a lead substitute. If neither the retailer nor the customer is sure whether the car needs a lead replacement product, they can call the Valvemaster hotline.”

“It is tough for service station operators to extract more fuel-related dollars from customers,” said Flashlube’s Ian Humphreys.

“Flashlube is positioned to be more attractive to customers with its small one-shot pack. We also have a new hang-sell merchandiser which holds a range of Flashlube products – 12 bottles of Valve Saver Fluid, and six bottles each of our new diesel and petrol injector cleaners.”

To drive sales, Flashlube is undertaking a new TV advertising campaign in the second half of 2006. The adverts will build on the brand recognition created around Valve Saver Fluid, and will use the slogan ‘feel the difference’.

“The messages will be around performance and fuel saving, aimed at a broad demographic,” said Ian Humphreys. “The aim is to change the brand people use, their attitude to fuel additives – how and why to treat fuel – and how often they use fuel treatments.

“Because fuel is a grudge purchase we need to make using a fuel additive a positive action. Complementary press advertising will have the theme ‘treat your car’.

“Just as the ‘treats’ for people are in the impulse locations in C-Stores, ‘treats’ for cars need to be there too.”

The advertising campaign will promote Valve Saver Fluid and Flashlube’s new fuel injector cleaning products.

The hang-sell merchandiser lifts sales by being in front of the customer,” added Mr Humphreys.

“And, small pack sizes are better on the front counter where they are less susceptible to theft.”

**In sight, in mind**

In fact, the fuel additives category needs to be accorded the respect it deserves.

Repco C-Direct’s sales figures show that the petrol and convenience (P&C) channel is the main outlet for fuel additives, and that fuel additives account for one-third of sales of automotive products in P&C. With a gross margin of between 40% and 50%, and an average value of \$15, the dollar margin on sales is one of the best in the store. But, as service station shops have transformed into convenience stores, nearly all automotive products have ended up down the back out of sight.

“This needs to change,” said John Fisher, Sales Manager Retail Products, Wynn’s Australia Pty Ltd. “Fuel additives



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need to return to the forecourt where people are filling up, sit on the shelves they pass on the way to the console.

“The security issue can be addressed with modern solutions.”

“Retailers could try to develop a dispenser unit on the forecourt with assistance from manufacturers,” added David Heming, National Key Account Manager, Repco C Direct.

“Why not experiment with different concepts such as dummy bottles, pump headers and counter units. Retailers could offer a discount off the price of fuel with the purchase of an additive as a promotional tool.”

Managing Director ET Performance Products, Andrew Holdsworth, suggests placing additives next to motoring magazines.

“The best retailers focus on well-established and accepted brands, stock the right product range, and don’t hide them away down the back,” said Jarrod Bryant, Repco’s Category Manager for Oils & Chemicals.

Mr Bryant recommends the following basic range:

- ✓ Petrol and diesel injector cleaners;
- ✓ Standard and high-performance octane boosters;
- ✓ Lead substitute;
- ✓ Fuel system cleaner.

You may ask, ‘Why push products that might imply that the fuel in the underground tanks could be of

better quality?’ But, there is a much wider range of vehicles on the road than types of fuel. For example, some older cars and many late-model high-performance cars are designed to run on high octane fuel.

“When we first brought 104+ Octane Boost to Australia from the United States, super leaded petrol had an octane rating of 97 and when unleaded petrol was introduced it was only 91 octane,” said Andrew Holdsworth.

“However, many imported cars were designed for higher octane fuel. This need was partly met by lead replacement petrol at 96 octane then premium unleaded at 95 octane, but some marques need 98 octane.

“The refiners have introduced 98 octane petrol, but there is more to it than that.”

Mr Fisher agreed: “The octane booster market is for car owners that want high octane and upper cylinder lubrication.”

And Mr Holdsworth pointed out that there is still a need for an octane booster combined with a valve saver



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**The benefits from fuel additives are better maintenance and fuel economy.**

**Diesel Power also combats low sulphur effects, and prevents and kills algae."**

**Bill Matchett, Applied Australia.**

for many older cars: "104 has a five-action formula: it boosts octane, cleans the fuel system, lubricates the fuel system, cleans combustion components, and lubricates the combustion system."

### High fuel prices – an opportunity

Performance car owners are fairly insensitive to price – the car comes first – so the high price of fuel is having less of an impact on octane boosters. On the other hand, high fuel prices are affecting the general motorist and their decisions about fuel additives that clean fuel system components.

Flashlube sees the current market as an opportunity and has introduced petrol and diesel injector cleaner products that are being ranged in Woolworths/Safeway service station stores and through United Convenience Buyers.



"The high price of fuel is changing consumer spending and how they think about fuel additives," said Wynn's John Fisher.

"They are looking for savings but may now think twice about buying an additive if they can't afford the extra dollars. Others are taking a longer-term approach and see the value in fuel savings from using injector cleaners."

According to the Department of Industry, Trade and Resources, automotive diesel volumes sold in Australia grew strongly in 2003-04 (4.1%) and 2004-05 (5.0%).

"Diesel fuel is a growth fuel, not just in trucks but also in

passenger vehicles," said John Fisher.

"This is creating a growing market for additives such as EDT (Enviro Diesel Treatment) which cleans the injectors and keeps the fuel system clean, as well as adding lubricity to low sulphur diesel.

"EDT is used widely in the industrial market, and is accepted in the 4WD market ..... and we will be developing the retail market in the second half of 2006."

Bill Matchett is Consumer Products Divisional Manager with Applied Australia Pty Ltd which has marketed Diesel Power and Petrol Power in Australia for 25 years.

"The benefits from fuel additives are better maintenance and fuel economy, said Mr Matchett.

"In addition, Diesel Power combats low sulphur effects with an upper cylinder lubricant, and prevents and kills algae with a biocide.

"Diesel Power is one of the leaders in the heavy vehicle market and this flows back to the 4WD market."

"Car owners do not seem to understand the benefits the way 'truckies' do."

That might be changing with sustained high fuel prices.

"I get many calls about fuel economy from people that are worried about the price of petrol and want to reduce their fuel bills," said Nulon's Robert Marshman.

"And, they are not put off when I tell them the best product costs \$20 for every five to ten thousand kilometres. They just want something that works.

"Nulon Total Fuel System Cleaner is designed for cars that have clocked up more than 80,000 kilometres by which stage carbon has built up on intake valves and combustion chamber, and blocked the fuel injectors.

"Cars become a bit harder to start and do not idle well, and fuel economy deteriorates.

"With the price of petrol so high this year, it's a good time to talk to customers about fuel economy and to sell them products that can save them money.

"It's a real opportunity for service stations," concluded Mr Marshman. ■



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