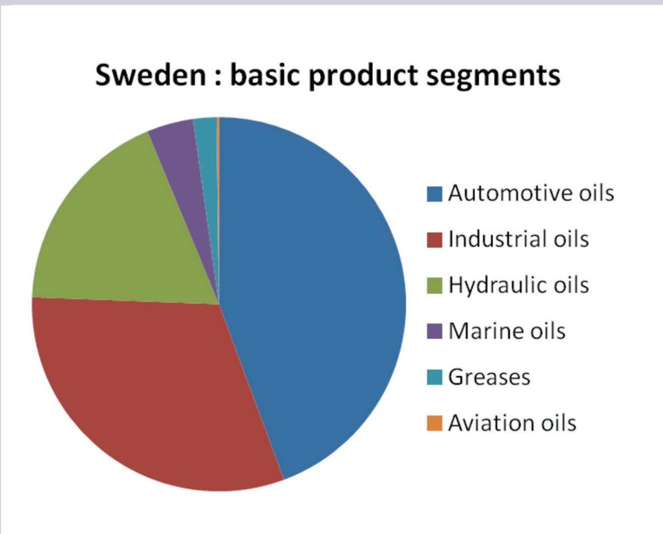
Lubrication in Sweden, the same but different!

The dynamics of the lubricants market in Sweden has undergone considerable changes over the past years. In contrast to most other parts of Europe, the biggest share of branded lubricants is supplied by the major oil companies rather than by independent blenders. This is somewhat difficult to analyse however since many of these large international companies have chosen to supply their products via distributors rather than approach the different industries themselves. When statistics were more clear and easier to obtain, almost 90% of all lubricants sold in Sweden were supplied by the Major Oil Companies (MOCs).

Now, why should this be? To begin with, Sweden does not have a huge population. In fact only 9 million souls live in a land the size of California. From our location in Gothenburg, we are actually closer to Milan in Italy than we are to the northern parts of Sweden. And this means that the resources needed to cover the entire country are bigger than most companies are willing to invest compared to the potential profits involved. Reliable statistics have proven to be difficult to collect in an ever increasingly globalised marketplace but the general consensus is that the market size and segmentation have been reasonably stable for quite some time now. The total consumption of lubricants in Sweden is estimated to be somewhat short of 200,000 metric tonnes per annum with a rough product segmentation split as follows: Nothing particularly spectacular here!



Historically speaking, the quality of lubricants required for Swedish conditions has been determined by three significant factors, the Arctic winter, the relative sophistication of Swedish industry and consideration for the natural environment. Sweden is in a very strange place in a global perspective. Rather than looking at a conventional map of Europe, have a look at a globe from a bird's eye perspective over the North Pole. If we consider the world north of the 60th latitude, we see that not many people live there. Apart from Scandinavia, you will find Iceland, Greenland, the North West Territories of Canada, part of Alaska and the coastal strip of Siberia. In fact, 90% of all people living north of the 60th latitude live in Scandinavia. And Sweden is by far the biggest country there. In addition, we can discuss whether or not the populations in Canada and Siberia are actually "living" there or if they are there to work, to extract the natural resources, oil, minerals etc. In the Southern hemisphere, there is absolutely nothing south of the 60th latitude apart from Antarctica! So a populated Scandinavia is somewhat unique.

The 60th Latitude (source http://en.wikipedia.org)

Anyhow, living or working in such an environment demands functionality at extremely low temperatures and lubricants have to work under these harsh conditions, no matter whether they are used in special equipment for mining operations or regular passenger cars for normal families. Everything has to work, even in winter. Many of the global car manufacturers have chosen to run trials in the north of Sweden and this includes, of course, how lubricants perform in such an environment. Sweden has continually been (and still is) at the forefront of technical innovation and this has also put a high demand on the quality of lubricants. Within the automotive industry, in mining and metallurgy, bearings and gears, paper and pulp, hydro-electric power, forestry, electronics, telecommunication, to name just a few, Sweden has been able to boast about its world class industries. The demand for peak performance products rather than commodity lubes has therefore been a high priority in both the finished products and their production processes, and concepts such as preventive maintenance were introduced in Sweden well in advance of most other places. And last but not least, interest in protecting the natural environment has been high on the agenda for Swedes, both at work and in their private habitats. Environmentally 'friendly' lubricants were

AXEL's Swedish grease plant on a cold winter's day

therefore introduced and the concept of sustainability developed at a very early stage. Products offering long component life, reduced friction and/or containing renewable raw materials help Swedish industry live up to their environmental quality standards and targets. Swedish industry was also one of the rst to consider recycling both when it comes to products and packaging.

In the past, only the big international oil companies had the knowledge and resources to be able to develop the peak performance products required in Scandinavia. They also had of ces in every single Scandinavian country and they were able to provide the products, the logistics and the services to meet the needs of all the individual industries. And they communicated in the local languages. Today, it is quite different! These oil companies have changed their *modus operandi* quite signi cantly. More often than not, they have one main of ce and one central warehouse in Western Europe. Some of them have even moved their service organisation and call centres into Eastern Europe. The Swedish market is perhaps too small to warrant local resources. Many of them have exited the fuels market, selling off their petrol stations and developed a series of distribution channels to supply their lubricants to industrial customers. So, at the end-user interface, instead of famous name oil companies , you now nd different, more local operations such as, Statoil, Preem (Chevron/Texaco), OK/Q8 (Kuwait Petroleum), Nordic Lubricants (BP/Castrol), Univar (Shell), G.A. Lindberg (Mobil) etc. But make no mistake, the great majority of the products themselves are still MOC technologies and more often than not still promoted under their original brand names.

And so, even be it less obvious today, the Swedish lubricants market is still dominated by the big global players. However, because of their change in attitude, there should be considerable opportunities for the more entrepreneurial independent company. There are already a number of interesting independent players making a name for themselves where most of them have chosen to concentrate on speci c markets, foodstuffs, agriculture, mining, whatever. There are also a number of specialised international independents trying to expand their geographical markets and setting up shop in Sweden. So the market is changing. With high quality products able to perform in cold climates and which can contribute to sustainability in one way or another, most Swedish industries are willing to listen to a good story. The total cost of operation rather than the cost per litre of the lubricant is the key to success. A good night s sleep rather than a can of cheap sticky stuff!

These changes mean that there should be a considerable opportunity for UEIL to increase their in uence of the Swedish market. There will be more independents providing a more stable base for a possible local organisation. Today, there are only three members: Nynäs, Binol and Axel Christiernsson, all active in their own speci c area. Nynäs specialises in naphthenic base oils, Binol in vegetable based lubricants and Axel Christiernsson in lubricating greases. Sweden is, of course, part of the European Union and Swedish companies are dependent on legislations and rules dictated by the central powers and help from the UEIL to monitor and affect the political decision making process should be interesting and valuable. Likewise with the technical speci cation bodies, CSR issues, etc.
Opportunity knocks!

Graham Gow,
Business Development Manager, Axel Christiernsson International AB, Nol, Sweden
graham.gow@axelch.com

LINK
www.axelch.com