

Case Study #2: Lube Stop, Northeast Ohio

Differentiating in a Declining Category Using Sustainability

It takes real vision to lead a company that competes in a mature category with average annual volume declines of -3% to -5%. I found out about how sustainability was used as a key point of difference in driving share and sales for Lube Stop in a phone interview with the President of the company, Tom Morley, on August 31, 2009.

Lube Stop was founded in 1985 and is the oldest privately owned quick oil change company in Northeast Ohio. Lube Stop employs 240 people operating in 37 locations in the Cleveland and Akron-Canton areas. In December of 2007, Tom formalized the company's sustainability efforts with the Lube Stop Sustainability Program, but the sustainability story starts back in 2004.



2004 is when Tom joined Lube Stop. Initially, cost efficiencies were the primary goal of the first sustainability initiatives and the company was able to realize significant benefit, both financial and environmental, from those early efforts. One example Tom spoke of included identifying a new way to procure premium oils (e.g., high mileage and full synthetic) that about 20% of Lube Stop customers request. Traditionally, this oil was distributed to Lube Stop locations in retail packaging, the typical one-quart bottles. This resulted in a significant amount of packaging that needed to be disposed of each year. Tom and his team were able to negotiate with suppliers to begin supplying the oil in bulk. It was then stored on-site in translucent holding tanks to ensure that employees knew when supplies were running low and it was time to reorder. This single change resulted in \$104,862 of annualized savings in cost of goods, which represents a very nice bottom line benefit. The environmental impact was even greater, eliminating the need for 388,943 plastic bottles and nearly 40,000 cardboard cases, both of which Lube Stop had previously been paying to dispose of.

After these successful internally focused efforts, Tom hypothesized that consumers in Northeast Ohio might embrace a more sustainable oil change option. It all started with a frightening fact he had learned when he joined the industry: the oil from a single oil change has the potential to contaminate over one million gallons of fresh water. With that fact in mind, Tom set out to launch the ECO-GUARD® Oil Change Service using re-refined oil. Success for ECO-GUARD® was not guaranteed as the initial price was an 11% premium over the base service and there were significant negative consumer perceptions about re-refined oil. The negative consumer perceptions of a "used" product persist despite the numerous environmental benefits of using re-refined oil. Re-refined oil produces fewer greenhouse gas and heavy metal emissions when burned as fuel. Other environmental benefits of re-refined oil include the reuse of existing base oil supplies and reducing the risk of improper disposal of used motor oil. Re-refining is the highest use for used motor oil and is recommended by the EPA



and U.S. Department of Energy.¹ Additionally, re-refined oil is approved for use by all major auto manufacturers, including Chrysler, Ford, GM, Honda, Mercedes-Benz, Toyota and VW and is covered under new vehicle warranties. Tom believed that the Lube Stop consumer, a consumer that lives in the shadow of one of the greatest reserves of fresh water in the world, Lake Erie, would embrace this new environmentally superior option. Tom was right.

Just one year after its introduction in May of 2008, ECO-GUARD® now represents 46% of the oil changes performed at Lube Stop. This success has allowed Lube Stop to lower the price to only a 5% premium over the base service. When I asked Tom about his goals for ECO-GUARD® he told me, “I think that we can grow this to about 75% of our total sales. And I want to use this success to support the growth of re-refined oil across the industry so that we can get the cost down even more to be equal to our base service, then there is no reason to not choose the ECO-GUARD® service. Which of course is only available at Lube Stop.” I could almost sense the smile on Tom’s face at the other end of the phone with that last sentence. With ECO-GUARD® Tom is building real differentiation between Lube Stop and their biggest competition, Valvoline, which does not offer a re-refined product or an environmentally positioned service.

But perhaps the biggest success of the Lube Stop Sustainability Program is not ECO-GUARD® but the fact that Lube Stop’s sustainability efforts have been embraced by its employees. This was illustrated by Tom’s recounting of the reason Lube Stop was one of only nine Ohio companies to receive the 2008 Governor’s Award for Outstanding Achievement in Environmental Stewardship. Tom told me that it all started with an assistant manager who found out about the award from a mailer he received at his retail location. He then took the initiative to call the home office to make Tom aware of the award and worked with Tom to prepare the application that showcased Lube Stop’s efforts in going above and beyond basic environmental compliance.

When I asked Tom about what was next for Lube Stop’s Sustainability Program, he said that as a regional company they do not yet have a person dedicated to the Sustainability Program but that is not out of the question in the future. Tom said, “If we had a dedicated person, their first project would be to look into the major industry certifications such as ISO 14001.” I agree with Tom’s future focus on ISO certification. While there are thousands of certifications out there, ISO is an internationally recognized leader in setting standards, including environmental, for businesses.

I believe that Lube Stop is a great example of a mid-sized company that is making a significant difference by incorporating sustainability into their business thinking and strategy. And they are benefiting from that effort with sales that are outpacing the category by 3-5%. While there is room for future improvement, specifically on better-defined goals for the Sustainability Program, clear tracking of metrics and tying employee compensation to sustainability metrics, the success in a short four years is significant and likely to continue.

¹ Source: <http://www.ciwmb.ca.gov/usedoil/ReRefined/Facts.htm>, referenced Sept. 8, 2009

