Chapter Five

The Dead Sea Cosmetics Cluster, 2001

Overview

The Dead Sea lies in the Jordan Rift Valley, between Israel and Jordan. It is well known for its unique geographic location at 400m below sea level, the lowest point on earth. Fed by the holy River Jordan and mineral water springs, the Dead Sea is a massive reservoir of natural salts and mud.

As the name suggests, the Dead Sea is devoid of life due to an extremely high content of salts and minerals. Nevertheless, it is these same natural elements that give its water curative powers.

The Dead Sea is unique in that it contains three times more sodium chloride, thirty times more magnesium bromide and magnesium chloride, and a hundred times more calcium than the Mediterranean Sea.

The evidence concerning the cosmetic benefits attributed to Dead Sea salts and minerals is available in abundance. The Dead Sea cosmetic industry, which has developed both in Jordan and Israel, is based on the extracted rich mineral salts (Carnallite) and mud. Recent scientific studies carried out extensively, have come to confirm, and add to popular knowledge acquired in time, to show clearly that elements from the Dead Sea work in harmony to relieve various disease related symptoms and increase feelings of well-being. Interest in the use of Dead Sea minerals for producing modern cosmetics emerged in Israel in the early sixties and in Jordan in 1986.

Although this Jordanian cluster is considered relatively new to the market, it may have a promising and prosperous future if managed properly. The Arab Potash Company (APC-Jordan), primarily extracts rich mineral salts (Carnallite), and forwards it to the Numeira Company (established in 1997), the only supplier of Dead Sea raw materials and mud in Jordan. Today, the process of expanding and diversifying the range of Dead Sea cosmetics and toiletries and marketing the final products is being fine-tuned. Keeping up with the scientifically proven qualities of the Dead Sea minerals, the cosmetic industry has made every effort to ensure that the benefits of the minerals are extended to their products. They have constantly been developing new formulas for hair care, body lotion and skin care along with other toiletries and products to compete with similar lines of natural products in the international market.

Analysis

A. Factor Conditions:

With regard to factor conditions that may facilitate Jordan entering world markets, there are several competitive elements to be considered. Such elements include the wealth of unique Dead Sea minerals and mud, the availability of unskilled labor on low wages, adequate transportation and communication infrastructure, and the significantly lower prices of raw materials and products versus those available in Israel.

Nonetheless, there are negative factor conditions that hamper the performance of this cluster. These include high interest rates on loans, weak marketing skills available, and relatively high shipping costs from the port of Aqaba compared to other regional ports. In addition, most Jordanian producers are presently involved in preventing traders from exporting mud in bulk, which is an ineffective and inefficient use of resources.

B. Demand Conditions:

Hypothetically speaking, world demand for such products is believed to be relatively high due to the unique natural ingredients. With regard to demand conditions in the local market, the potential customer segment opts for imported high quality cosmetics. This segment is a potential target for Jordanian producers as well. Unfortunately they are facing major obstacles in terms of marketing their products. First and foremost, there demand for Jordanian Dead Sea cosmetics in the local market is insignificant, mainly due to the small size of the domestic market and the consumer's lack of confidence in domestic production. Faulty promotion and advertising plays a major role as well. Moreover, Jordanians tend to be price-sensitive consumers and prefer mud obtained directly from the Dead Sea free rather than purchasing packaged products.

In contrast with these demand conditions, the world market for cosmetics is quite popular and is increasing constantly. In 1998 this industry was estimated to be worth US$ 177.6 billion. Japan, France. Germany and the US attain the largest per capita spending on cosmetics respectively.

Japan holds the largest market for cosmetics, and the following case study about the Japanese market gives an insight into this market's dynamics. The case also reveals the best ways to penetrate this market. In terms of quality, customers are to be classified into various segments such as elite, Dead Sea shoppers etc. in order to help identify needs and demands. The Japanese are elite consumers preferring sophisticated products, and acknowledged brand names. Any decision to purchase such products is based on the combination of product quality and packaging. Packaging, and colors in particular, have a great influence on customers. The Japanese, in this case, usually prefer white colors for bath salts as a symbol of purity, hygiene and cleanliness.

Finally, for reasons of marketing and advertising it is extremely beneficial if not crucial for those involved in the industry to be aware of peak demand seasons. In Japan, it is known for example, that demand for such products reaches peak levels between March and September. In short, this example illustrates the extent to which the success of an industry is critically dependent upon understanding the demand conditions of a target market in addition to various customer preferences.

However, the following review defines the position of Jordan versus Israel in the balance between exports and imports of skin cream. In 1998, the Jordanian exports of skin cream to France were worth US$ 3,940 versus Israeli exports worth US$ 575,531. In addition to the fact that Jordanian exports of skin cream hardly came up to 2% of the Israeli share, Jordan imported skin cream from France at a value of US$ 59,661! This state of affairs emphasizes the poor performance of the Jordanian Dead Sea cluster.

C. Strategy, Structure and Rivalry:

Same Sea Different Strategies:

In the Dead Sea cosmetic industry, Israel is Jordan's main competitor. However, Israel plays a major role in the world market for Dead Sea products having a bigger share and more control over the market as a whole than the Jordanian industry. Similar as they may seem in terms of products and raw materials there are great differences between the performance of the Israeli and Jordanian clusters. To support this claim, a comparison between the entire Jordanian cluster and the largest Israeli manufacturer of Dead Sea products is described below.

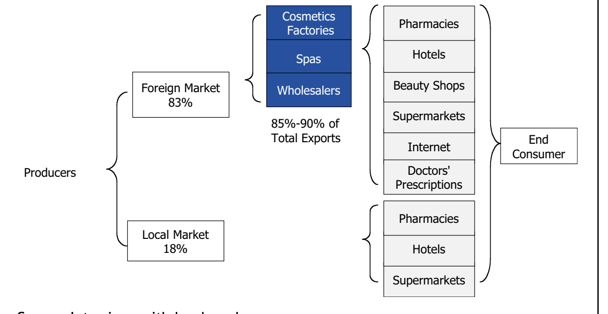
The sales of the largest Israeli company reached US$ 2.3 million only three years after its establishment in 1988. In 1999, the sales volume mounted to an estimated US$ 16.5 million, while sales for the entire Jordanian sector for that year reached US$ 4.1 million. To further illustrate the success of the Israeli company, it is worth mentioning that sales grew by 591% from 1991 to 1998. The total sales were expected to reach US$ 21.1 million in the year 2000.

In the Jordanian Dead Sea cluster, the export percentage reached 82% of the total sales, and the remaining 18% was directed to the local market. Despite this large export percentage, Dead Sea cosmetics make up a tiny percentage of the Jordanian cosmetic exports to foreign markets. Europe represents the largest recipient group, even though a large quantity of cosmetics distributed in Jordan is imported from abroad. In contrast, Israel exports 30% of total sales, and distributes the remaining 70% in the local market.

Major local producers are small-sized companies, mainly family owned businesses, concentrating on producing in bulk. To be specific, 80-85% of Jordanian Dead Sea related product sales are in fact low cost bulk sales. This strategy is based on the perceived belief that it leads to the accumulation of capital needed for upgrading into higher value added cosmetic products. Unfortunately, this belief has led to price-based competition and lack of cooperation amongst producers, particularly when entering international markets. Furthermore, marketing efforts to increase customer awareness about the benefits of the Dead Sea products are limited, and R&D for new high-quality product lines is insufficient.

Distribution Channels:

Regrettably, as shown in figure (5.1), Jordanian producers do not reach end consumers directly, as the exports of Dead Sea bulk materials target cosmetic manufacturers, spas, and wholesalers operating in foreign markets. In turn, to reach end consumers, wholesalers use the raw materials provided by the Jordanian exporters and manufacture products under their own brand name to be sold to retailers operating in their markets.

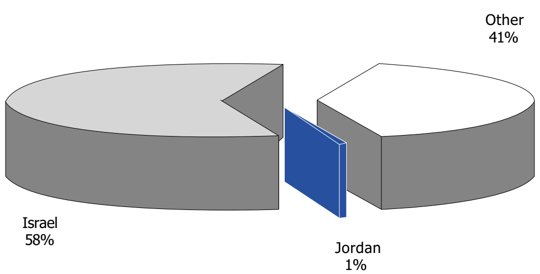


Source: Interviews with local producers

Figure 5.1: Distribution Channels for Dead Sea Cosmetics Producers

The role of Jordanian producers seems often, if not always, insignificant and limited rather than profitable in relation with American distribution channels. Jordanian producers sell their Dead Sea raw materials in bulk to wholesalers for only US$ 7 per 400g. Wholesalers then sell the Dead Sea product to retailers for US$ 30, and in turn, retailers sell it to the consumer for US$ 60. This is almost nine times the selling price charged by Jordanian producers. In short, Jordanian producers can potentially multiply their profits from US$ 17,500 to US$ 75,000 or better yet, US$ 150,000. This can be achieved by getting closer to the end consumer through distribution channels. Only one Jordanian company involved in the Dead Sea Cosmetic industry is currently attempting to set up distribution channels by establishing its own marketing research company in the USA.

Figure 5.2: Contribution to High Value Added Dead Sea Products



Source: Competitiveness Unit, MoPIC. 1998.

As a result of fragile strategies currently adopted in this cluster, such as producing low value added products, or weak cooperation amongst Jordanian producers, the share of Jordanian high value added Dead Sea cosmetic products in the international markets remains extremely low, not exceeding 1%, as illustrated in figure (5.2). Whereas Israel, the sole rival in ownership of Dead Sea raw materials, provides 58% of high value added products versus 41% representing the share of all other world-producers.

Unfortunately, this state of affairs perpetrates, whereby the majority of local producers stick to the fragile strategy of producing low value added products and restricting their exports to sales of Dead Sea materials in bulk, representing 80-85% of their total sales. Despite the fact that the quality of Jordanian raw material are superior to those provided by Israel, due to the high percentage of magnesium in Jordanian Carnallite, the value of Jordanian exports does not increase. In addition, the low cost of raw Carnallite, in Jordan US$ 218 as opposed to US$ 750 in Israel, and the low cost of mud per ton, US$ 253.5 in Jordan compared to Israel US$ 1,000, negatively affect the industry.

As such, capitalizing on the value of Dead Sea minerals is regarded as a missed opportunity in the sector. For example, Jordan sells to wholesalers in international markets fairly well packaged 150g tubes of mud, with a moderately acceptable scent, for US$ 1.75. However, if Jordan were to sell 400g of high quality packaged mud in tubes with an attractive scent, the price would increase to US$ 2.60, more than double the original price.

Even if the quality of mud was to stay the same, significantly higher revenues could still be achieved simply by packaging mud into 150g tubes, rather than resorting to sales in bulk. To be specific, selling a ton of mud in 150g packages produces a sharp rise in total revenues from US$ 2,050 to US$ 11,666. This amount of capital allows for the development of brand names.

Alternatively to selling Carnallite in bulk for US$ 480, packaging Carnallite into 500g tubes worth US$ 0.9 each, or better yet 1,000g tubes worth US$ 1.6 could increase profits. Consequently, total revenues increase from US$ 480 to US$ 1,600 by using 500g tubes, and US$ 1,800 when using 1,000g tubes.

Understanding potential customer segments is another key requirement for successful company strategy. By analyzing and defining the end consumer, the production of goods that meet consumer demand, and purchasing power, becomes significantly easier. Such a strategy would translate into greater chances of success in the market. In brief, a better understanding of consumers and their needs pinpoints market demand, thereby reducing the risk of low sales revenues.

The relevance of firm strategy and structure is illustrated in the following example, which can also be used as an indicator of the level of strategy in the Jordanian cluster. One of the leading competitors in the world market of cosmetics is L'Oreal. Its brand name is both recognized and acknowledged worldwide. L'Oreal held the second highest sales value (US$ 8.81 billion) in 1996, amongst the thirty top international cosmetic companies in the world. Unfortunately, L'Oreal entered the Dead Sea segment of the cosmetic industry in a joint venture with an Israeli company rather than considering Jordan as a potential future investment partner. Investment decisions of a sizable nature are often based on open long-term opportunities with the minimum amount of associated risk. When an international company such as L'Oreal wishes to make investments, it usually looks for a strong firm structure with apt strategies that are implemented properly and carefully. Hence, the Jordanian cluster falls short of meeting such requirements needed to attract the investment of multinational companies with brand names like L'Oreal.

In spite of the significant problems facing this cluster, especially in terms of strategy, a few Jordanian producers did succeed in penetrating foreign markets and receiving recognition abroad. In 1998, a Jordanian company received the 10th Golden American Award for Quality (New York/USA), as well as the 23rd International Award for best trade name (Geneva/Switzerland). Moreover, a Jordanian mud product was granted full points for quality, and after being tried, tested and compared to other non-Jordanian Dead Sea mud products and was certified as "best buy" by the widely acclaimed Style magazine.

D. Related and Supporting Industries (The Cluster):

Although local advertising costs are relatively low, and despite the significant assistance that JEDCO is extending by promoting the industry in international exhibitions, the Dead Sea Cosmetics cluster remains afflicted by crucial weaknesses that hamper its performance and success. Packaging quality is one of the deficiencies, which affects the Dead Sea Cosmetic industry. The local packaging providers fail to meet the required quality standards, delivery time, and do not have high-end design capabilities.

Packaging plays an essential role in all industries without exception. Hence, the success of some goods and products when entering world markets depends on the quality of the packaging itself and the manner in which it is packed. Thus, *packaging acts as a silent salesman.*

The importance of packaging in an industry rests on the fact that it represents the link between product and consumer. The design of the container has the power to initiate competitive advantages simply by creating added value. It develops stronger shelf presence, thereby positioning the brand. It acts as an advertising medium to reach its targeted consumer group, although it should be noted that long-term commitment is necessary. More precisely, container designs need to be constantly improved and developed, since markets continuously innovate and create new products.

As a result, international universities are now offering BSc. degrees in Packaging Science. Examples of such universities are Clemson and Michigan State University. Clemson University offers a four-year program, which stresses the scientific and technological aspects of either food packaging in specific, or packaging in general. Michigan State University offers both BSc. and Masters degree programs. The diverse school research program satisfies the needs of package users and supplier companies. The employment rate of graduates from such programs was 96.9% for the years 1998-1999, with salaries averaging US$ 52,000 per year.

Nevertheless, Jordanian universities do not offer BSc. degrees or Masters programs in packaging. Though the British Institute of Packaging in Jordan was established in 1997 to improve packaging quality, Jordanian universities should, nonetheless, acknowledge the significance of this sector for the Jordanian economy and seek ways to improve and enhance it.

Generally, packaging for cosmetics and toiletries is a growing industry in the world market, particularly since its evaluation at US$ 9 billion in 1999, and is expected to rise to US$ 10.5 billion in 2005. It is estimated that in 2002, 38 billion plastic pack units will be used in the cosmetics and toiletries industry. The demand for such packs is expected to reach 44.5 billion in 2005.

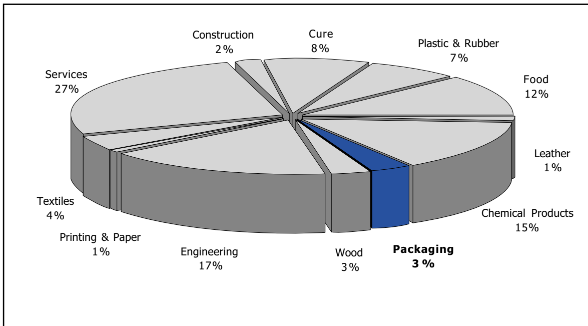
In effect, the growth of the cosmetic industry simultaneously leads to the expansion of the packaging industry and vice-versa. This relationship indicates the importance of supporting industries; poor performance of any of the related industries can negatively affect the performance of the main industry. The significance of packaging in the case of the Dead Sea Cosmetics Cluster is expressed by one producer saying, *as competition increases in the personal care market, manufacturers rely more on packages to get their products off the shelves and into consumer hands*.

As has already been mentioned, the highest per capita spending on cosmetics and toiletries is in Japan, followed by France, Germany, and USA. Nevertheless, the cosmetics market is marked by volatile demand conditions due to short product life cycles (2-3 years) resulting from changing trends. This increases pressure on the packaging industry to continuously innovate and differentiate cosmetic products through packaging.

The latest trend in packaging indicates the rise of a new segment because of the narrowing gap between what is considered a “mass-market” and a “prestige cosmetic” product line. Marketers focus on value added products, and with consumers being more educated about the products they require today, there is a strong demand for a mixture of prestige in a mass-market setting, known as the “Masstige” sector, while taking into consideration reasonable final prices.

There are numerous examples of successful international packaging companies, the most popular of which are Pechiney and Maypak. Pechiney is a well-known French company, which became an international leader in cosmetics and toiletries packaging ascertaining 11% of the global market assisted by its subsidiaries, Cebel and Techpack. Maypak on the other hand is a Malaysian company, which produces specialized packaging for the food industry, medical and pharmaceutical, chemicals and personal care, and industrial and electronics products. The company sustains a consistent quality philosophy employing a well-trained staff and sophisticated technologies. The effective transfer of the latest technologies to Maypak, and in turn the packaging industry, has been enabled through a joint venture with Japanese parties.

In contrast to the previously given examples of successful packaging companies, most Jordanian packaging producers fall short of required quality standards. Figure (5.3) displays the percentage of Jordanian companies with International Organization for Standardization (ISO) certification divided according to sectors. The figure clearly indicates that the number of companies with ISO certification is relatively low in the packaging sector compared to the other sectors.



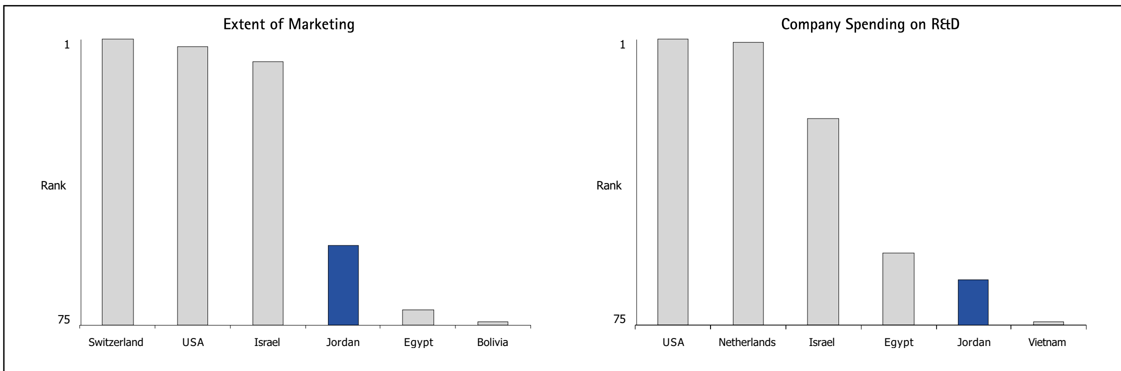
Source: Afaq Tassderieh - volume 9 - March 1990

Figure 5.3: Jordanian Companies with ISO Certification Divided According to Sectors, 1999.

Out of almost 91 companies producing (1.5 liters or less) plastic containers and plastic tubes currently operating in Jordan, only a small segment comes close to international standards. However, this number does not include manufacturers of large plastic containers and plastic tubes for agriculture.

Relevant to the Dead Sea packaging industry in particular, local Dead Sea Cosmetics producers essentially complain about the local packaging industry's commitment to quality, delivery time and high-end design capabilities. Naturally, the low quality of local packaging is a critical issue for the Dead Sea Cosmetics industry since it negatively affects product quality. One Jordanian producer complained that, *it took a Jordanian company 10 months of work on a design solely for (him), only to discover they could not offer the high quality of packaging (he) was looking for.*

In addition, the insufficient investment allotted to R&D in Jordan in general, and foremost in the packaging industry and the Dead Sea Cosmetics cluster, is cause for concern. Figure (5.4), which is based on information from the Global Competitiveness Report, compares the marketing skills and expenditures on R&D in 2001 for the private sector in Jordan versus other countries. Both elements are extremely important for firms entering the world market. However, as the figure illustrates, Jordan has a low rank both in terms of R&D expenditure, (55/75 countries), and in terms of marketing skills, (64/75 countries) thereby indicating low competitiveness in these areas. Israel, on the other hand, achieved a very competitive rank in terms of marketing skills, (22/75 countries).



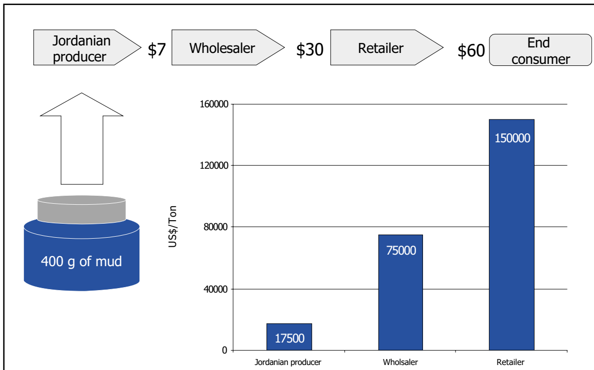
Source: Global Competitiveness Report, 2001 - 2002.

Figure 5.4: International Comparison, 2001

Hence, it is crucial for the packaging industry to consolidate critical elements such as R&D in order to adequately support and complement local industries, among them the Dead Sea cosmetics. The competitive edge of Dead Sea Cosmetics Cluster is conferred by the unique high quality of the raw materials used as main ingredients for this segment of the beautifying industry.

An acknowledged Jordanian producer stated that (he), *uses local packaging for products sold locally, and imports packaging for products sold in foreign markets.* Another admitted, *when I use foreign packaging, its impact on the volume of sales is 10 times more than local packaging.* The conclusion is that first time buyers give more value to the quality of packaging rather than the actual product. It is important then that the Jordanian Dead Sea cluster acts accordingly.

Figure 5.5: Effect of Packaging on Product Value



Source: Interviews with local producers.

This is demonstrated further in figure (5.5), which shows the effect of packaging on product value. The product in this case is good quality mud sold in units of 150 grams. High quality packaging can raise the wholesale price thereby increasing returns per ton from US$ 11,666 to US$ 17,336. Additionally, this can help the Jordanian Dead Sea cosmetics producers develop brand names.

Recent international requirements, particularly those concerning environmental issues, may accelerate the upgrading process of the Jordanian packaging industry. During the past five years, environmental packaging laws have been introduced in more than 20 countries, most of them in Europe and Asia. To gain export access to these countries, the major requirement is compliance with their laws.

Finally, the prerequisite for enacting sales over the Internet (e-commerce) reverts to the issue of quality packaging. In short, packaging companies cannot compete globally unless quality standards improve significantly. Such a situation should inevitably lead to the improvement of the Jordanian packaging industry as a whole.

Another factor with a major impact on shaping this part of the cluster is the entrance of Numeira as the only supplier of Dead Sea raw materials; namely Carnallite and mud. The APC established Numeira with the explicit objective of competing in the Dead Sea cosmetic sector. The main goals of the company are; lowering transportation costs, organizing sales, minimizing waste, and upgrading the process of cleaning and dying Carnallite. Prior to its establishment, the price of Carnallite from APC was US$ 126 per ton, while the mud was free. Presently, Numeira sells mud for US$ 253.5 per ton and Carnallite for US$ 218 per ton.

Jordanian private producers viewed this sudden and unexpected entry as a threat and joined forces to change the objectives targeted by the Numeira Company. This decision may be considered the first cooperative effort among Jordanian producers resulting in decreased individualism and increased cooperation.

E. Government:

As previously stated, and in accordance with Porter's diamond hypothesis, the role of the government is to create a healthy, competitive and investment friendly environment for domestic and foreign investors alike. This allows all diamond constituents to interact and work in harmony with one another.

The main role the government plays within this cluster is that of a regulator for Dead Sea supplies of minerals. This takes place through the subsidiary of the APC, i.e. Numeira, thus conferring monopolistic attributes over raw materials supply to one company in the market. This control factor caused major concern to Jordanian producers, and their fears seemed to translate into reality in 1998 when the 90% Numeira owned company ISAL entered the industry.[1] The main objective of ISAL was the production of high value added products. In brief, the main supplier for raw materials suddenly became the main competitor in the industry. Consequently, tension and mistrust dominated the cluster and undermined the potential good relations between supplier and producer.

Another important role of the government in this industry is monitoring the application of standards and measures, and quality control. Unfortunately, this role has remained unfulfilled; to date, the industry lacks set standards and measures to define the minimum product quality requirement. Consequently, the prevalence of poor product quality is inevitable, negatively affecting the industry particularly in export markets with strict standards and measures applications. The eventuality of a bad experience with a single Jordanian Dead Sea producer in terms of poor quality or business conduct will harm the reputation of the industry as a whole, leading to a decrease in foreign market share.

Finally, the role of the Ministry of Tourism and Antiquities (MoTA) in promoting the Dead Sea worldwide is relatively weak. Proper promotional coverage of the unique qualities of the Dead Sea would be particularly helpful in creating awareness and demand for Dead Sea related products.

Conclusion and Recommendations

In conclusion, key issues relative to the Dead Sea Cosmetic Cluster identify potential areas of investment and alterations. These issues revolve around two areas, the competitive environment and company strategies. In relation to the former, it is obvious that the absence of a healthy environment for competition is induced by two influential factors; the dominant role of the government within the industry, which creates continuous tension in the private sector, and the lack of trust between Numeira and private producers.

As for the second area of concern, firm strategies within this cluster are extremely deficient and negatively affect the performance of the cluster as a whole. This is mainly due to the over-reliance of producers on basic factors of production and their focus on bulk sales including the production of low-end products. Furthermore, companies within this cluster do not possess all the essential information and knowledge related to their field. For instance, they do not have sufficient data concerning customer needs and taste, optimal distribution channels, marketing mix etc. In addition, there are no medical research centers for Dead Sea products. Such

1 Please note that ISAL company was shut down in 2001.

centers are necessary to improve product quality, increase promotion, and create consumer loyalty to secure consistent sales. Lastly, and perhaps most importantly, there is a substantial deficit in high quality packaging and package design services.

The assessment of the current status quo of the Jordanian Dead Sea cluster indicates that there is an abundance of cheap raw materials, an abundance of unskilled labor, and a substantial deficit of high quality packaging. Furthermore, it is also obvious that supplying the local market is not a current priority on the agenda of Jordanian producers. Consequently, it is necessary to invest in high-end Dead Sea products and improve the general standard of quality including the quality standard of packaging. Moreover, centers for training and research should be established. Finally, advertising and promotion in the local market should be enhanced. Although the achievement of all that is needed to ameliorate the performance of this particular cluster may be difficult, it is still attainable! The subsequent recommendations if followed and implemented correctly, can help rectify the cluster and enhance its performance.

In terms of government-related recommendations, it is essential that the government guarantees free competition among producers particularly in areas concerning quality and prices of raw materials. It is also advisable that the government extends assistance to regenerate trust between Numeira and Jordanian producers in this cluster, in addition to increasing and improving its role in the promotional and marketing campaign for the Jordanian Dead Sea industry.

Producers need to reduce bulk sales and invest in high value added products since the highest profits are gained when selling high value added products. Moreover, value added products help establish and improve brand names, particularly under current international circumstances of growing demand for end products and falling demand for raw materials. To accomplish this, certain investments, affordable for Jordanian investors, should be undertaken to switch to the production of value added products.

The next issue concerns the effect of package quality on both domestic and foreign consumers. If the Jordanian packaging industry does not adjust and enhance packaging quality, Jordanian producers will resort to imports. Packaging is also essential for companies wishing to establish brand names. Hence, to address shortages and identify needs in the area, more interaction between cosmetic producers and plastics industrialists is required. This will also open up opportunities for investments in the packaging industry, particularly plastics.

Market information is another relevant issue that needs to be addressed. To develop marketing strategies, as well as identify potential markets, consistent market information needs to be collected and analyzed. Information is particularly critical for understanding the dynamics of various markets as well as consumers' mentality.

Moreover, producers should develop marketing strategies. Unfortunately, most companies have no clear marketing strategies and face increasing difficulty in selling their products both locally and internationally, particularly in the absence of a brand name. Marketing specialists can greatly benefit companies in this case. Furthermore, the establishment of a larger number of centers for Dead Sea medical research is a pre-requisite for maintaining a high market profile and good sales levels. Sales in foreign and local markets, cannot be secured without the support of medical attestation of the uses and benefits of such products as Dead Sea

Cosmetics and toiletries. The research centers may be established with the joint financing of all Jordanian Dead Sea manufacturers, and any independent investors.

Finally, cooperation between producers should be increased. Maintaining a certain price level is in the interest of all manufactures of Dead Sea products. Low selling prices hurt the entire industry. Consequently, prices need to be coordinated. Cooperation is also very useful in marketing and advertising. This can be achieved through meetings with all manufacturers present to decide on specific price levels. No producer should be allowed to sell a similar product at lower prices than what is agreed upon. Furthermore, producers should elaborate on common marketing strategies and advertising campaigns targeting both the local and international market. This initiative should be coordinated with MoTA.

Box 5.1: Dead Sea Cosmetics Cluster Analysis Impact:

JNCT was the first agency to provide a database on the Dead Sea Cluster. The Dead Sea producers, acting collectively, rather than individually, gathered the data estimates necessary to complete the analysis and cooperated in supplying the JNCT with their findings.

When the Numeria Company — the only Dead Sea raw materials supplier — established a subsidiary specialized in producing Dead Sea products, the move was viewed as a threat and created apprehension among the producers. Consequently, JNCT convened a meeting between Numeria and representatives of Dead Sea cosmetics producers, which culminated in a preliminary agreement that was satisfactory to both parties and tried to remedy the issue of discrimination against the producers.

Following the analysis, JNCT conducted several workshops, during which issues obstructing the performance of Dead Sea producers were highlighted. For example, the producers complained that they faced financial problems when importing the packaging necessary for exporting their products. They said they were required to deposit a check at the Customs Department equivalent to the value of the imported packaging. Fortunately, the JNCT, in collaboration with the Customs Department, succeeded in changing the policy to allow producers to deposit a check worth only one third of the total value of imported packaging, thus facilitating the process for producers.