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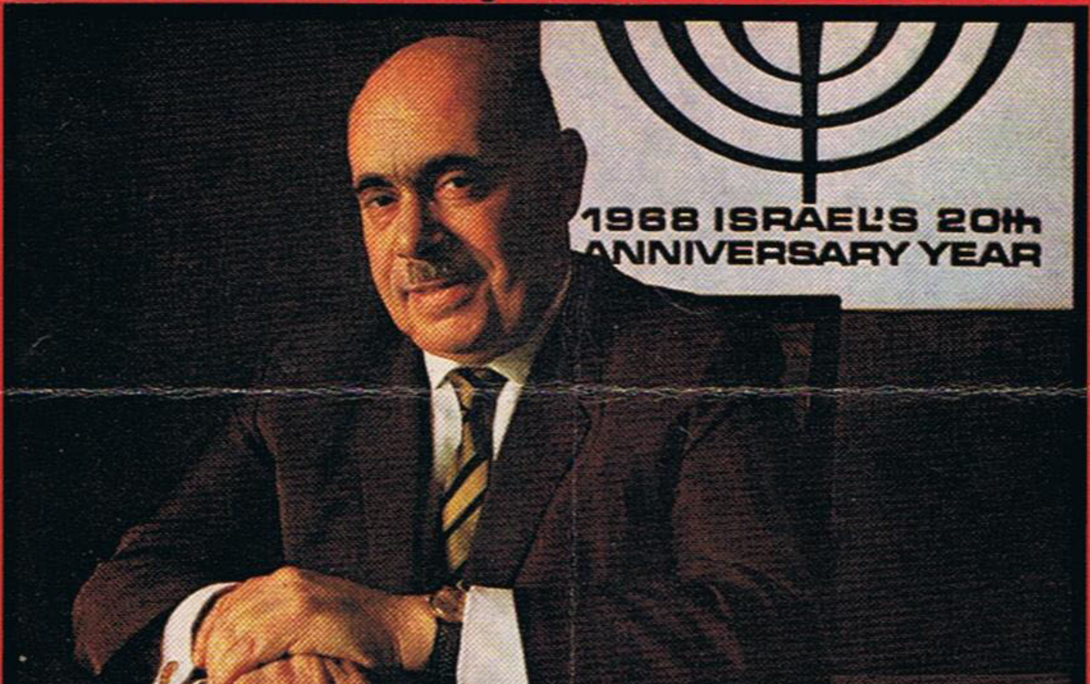
marketing

Inside: Save us from our legislators
Metrication/Ladybird/The TV outlook



El Al's Ben-Ari and Anglo-Israel trade

Although Israel is the UK's biggest Middle Eastern market, we do not fully
potential as a manufacturing base for supplying the European, African and Far

The structure of business in Israel today can best be summed up in the words of an American visitor: "You Jews used to be the world's worst soldiers, worst farmers, and best businessmen. Today you are the best farmers, the best soldiers, and the worst businessmen."

This statement is not as outrageous as it may, at first sight, appear. Carve a country out of rock and dust and you start with basics—security and food. On defence alone the country spends some 30% of its GNP—about 2,500 Israeli pounds (IL), or £300m. Agriculturally, after 20 years, Israel is self-sufficient enough to supply 75% of its own foodstuffs, to organize its fruit and vegetable exports in a single body (Agrexco) and its traditional citrus exports in the Citrus Marketing Board. This is a far cry from the shouting traders in Carmel market, but the two forms of selling, the one co-operative and specialized, the other uninhibited and individual, are typically Israeli.

Industry is only just on the brink of catching up. It accounts for 23% of GNP, but some 70% of it is fragmented in scattered little factories and stores. Business in Israel is a carpenter in Jaffa market, diamond polishing centres, two boys selling roses in the street, a tailor-come-retailer, a store selling both sports goods and lavish perfumes.

It would be dangerous to say that Israel is poised on the edge of a consumer boom. A mini boom started with victory a year ago—and it hasn't settled down. After a deep recession two years ago, Israelis suddenly seem to have found their spending power. And they spend rather than save. There is inflationary fever, yes, and because of it the government has recently imposed a voluntary loan scheme that will draw some £35·7m. from the private pocket. The average wage may sound low at IL 500 per month (approx. £60), but the contrasts in monetary rewards are small. Most women work—and enjoy equal pay. Incomes rose by 0·4 per cent between January and October last year, but prices have been static for over three years. A heavy purchase tax on cars pushes the average retail price up to about £1,000: but there are some 120,000 private vehicles on the roads for a population of some 2·7m.

Because the society is not yet at one with itself, a foreign trader can have fun finding a way to sell to all sectors.

Here, everybody is an expert in everything, and criticism is not easily taken. The cab driver will argue with you that the address you want is non-existent because he has never heard of it, but when you eventually persuade him to find it he refuses to take a tip.

If a UK businessman wants to buy, sell or invest in this enticing but at times exasperating country, he had spoonful in doses of medicine. The way it was solved is an object lesson in using metrication to increase efficiency. The exact equivalent of a teaspoonful is 3·6 c.c., an unworkable fraction. So the new standard was fixed at 5 c.c. Traditionally, there are four teaspoonfuls in a tablespoonful, so the new tablespoonful should have been 20 c.c., which is an uncomfortably large dose.

Instead, the industry decided to 'think metric'. It started with a 5 c.c. dose which the public could measure exactly with a plastic spoon provided with the medicine. Instead of a tablespoon equivalent, it settled on a 10 c.c. dose that could be taken as two plastic spoonfuls, and the standard medicines were strengthened in proportion. Invalids have less medicine to swallow; and pharmacists can put more doses in a standard bottle.

To date, chemists are the only group of retailers who have thought through the problems of metrication. Will other trades be affected to the same extent?

At this point, I should mention that very few people in marketing have yet begun to take metrication seriously. Though some firms have apparently set up committees or have representatives on committees covering their trade as a whole, few seem to have made any progress, less are willing to talk about it, and nearly all are keeping their metrication plans—or lack of them—a close secret even from their own PROs.

Fantastic problems

One PRO representing a national supermarket chain had not heard about metrication and thought I was referring to decimal coinage. After consulting his masters, he told me: "We are waiting to see what happens. After all, it may never come off." Actually, the one thing that is clear about metrication is that it *will* come off. How and when is another matter.

For instance, it is clearly going to knock the milk industry sideways. Apart from having to agree a pint equivalent with the government, they will be faced with the expense of replacing tens of millions of pint bottles, not to mention crates. Bottle-filling machinery will have to be modified. So will metering equipment. There will also have to be consultation with refrigerator manufacturers to make sure that future generations of domestic refrigerators have compartments suited to the new bottles.

But again, little thinking has been done. Two major dairy chains were only able to say: "It's early days yet. But we're keeping an eye on things."

Breweries will be faced with the problem of agreeing an equivalent for the pint. They will also have to replace millions of bottles and hundreds of thousands of barrels and containers. The machines that put the beer in the barrels will have to be modified. So will the dispense equipment that automatically measures pints and half-pints in pubs. And what is to happen to spirit measures now fixed at a sixth or a fifth of a gill? "The problems are fantastic," said one brewery spokesman. "We haven't begun to delve into the ramifications."

Avoiding chaos

The oil industry? "Millions and millions of pounds" was the nearest estimate one oilman could give to the question: "How much will it cost?" Road, rail and ship storage tanks will have to be recalibrated. So will metering equipment. A committee of the Institute of Petroleum is considering the problems, and though no announcement has been made, it seems likely that petrol will be sold to the motorist either in units of five litres or by money value. Either way, tens of thousands of petrol pumps will have to be changed. Even the airlines on the pumps are going to have to be recalibrated in kilo-Newtons per square metre.

Foodstuffs? Several firms told me it was 'too early'. But here again, an enormous amount of thinking needs to be done. What standard is to replace the half-pound and pound sizes? Will it be equally convenient for both sugar and cheese, as well as bacon, flour and jam? Millions of housewives have recipe books, all itemized in Imperial. If they need, say, two ounces of margarine, they take a half-pound pack and quarter it. Will they be able to do that with the metric equivalent?

The lines least affected will be those already sold not by weight but by the pack. These include soaps, detergents and a host of prepacked foods. Many of them are already marked with both Imperial and metric weights to facilitate marketing in a wide range of countries, both metric and non-metric.

Least likely of all to be affected are canned foods. Here, the market is dominated by American can sizes, and it is unlikely that these will be superseded. The only change will be that the quantity packed will be marked in grammes, not pounds and ounces.

Surprisingly, too, the number of cans per case will stay in dozens. "This is a number than can be divided by 6, 3, 4 and 2," says the H. J. Heinz Company, "thus permitting the most economic pattern for shipping cartons. Using a unit of ten, there are serious limitations on packing patterns, and studies of this in the past have clearly demonstrated wastefulness in fibreboard. It is pertinent to note that most metric countries use 6, 12, 24, 36 and 48 rather than 10, 20, 30 and 40."

Perhaps the trade most directly affected by metrication is that of the weighing machine and scale manufacturers. Mr. A. J. Herbert, President of their National Federation, has strong views on the subject. "We are fully in favour of metrication," he says. "All we want is to avoid chaos."

Failure to consult

He complains of the government's complete failure to consult his industry on both planning and timing. It has decided that decimalization and metrication cannot take place at the same time because the public is incapable of grasping them both together. As the changeover to decimal currency will continue into 1973, and metrication has to be completed by 1975, there will be only two years for changing weighing equipment. In the whole country, there are only 1,200 service mechanics.

"After changing all the scales for decimalization, we reckon it's crazy to change them all again," says Mr. Herbert. "As soon as all the greengrocers and butchers have paid up, we'll have to ask them for another fiver or tenner to go metric. It's barmy."

Strong words. But then, it's a pretty barmy situation. Industry is well catered for. But unless a retail programme is phased in, it may easily find itself out on a limb. The possibilities for chaos are limitless. The government must give top priority to working out a programme for the public changeover. ■

exploit either the goodwill that exists for British products or the country's Eastern States with which Israel has good trade relations. By Pamela Ferguson

better leave his pinstripe suit at home. Business is done in an open-necked shirt. Learn to argue—it's just a type of discussion—but don't make the mistake of using metaphors, because this is one form of speech that is plainly not understood. But the sheer friendliness of the people makes business a pleasure, and English, French or German will get you anywhere.

Until a few years ago, local manufacturers were protected from foreign competition by excessively high import duties. Today, with a gradual easing of duties on foreign products, local manufacturers are beginning to raise their standards, vary their lines, give a little more thought to packaging. I remember that only two years ago a graphic designer presented a prospective client with a dummy packet for his tea range. The client was appalled. "Packet shmacket: why should I spend extra money on fancy wrappings when my tea is only one of two brands on the market?" His reply would be very different today.

Israel is Britain's biggest single market in the Middle East. One of the strongest links in the Anglo-Israel trade chain is in diamonds. Last year the UK sold £28·4m worth of rough diamonds to Israel and bought £3·07m worth of polished diamonds back. Trade figures for all products in the first quarter of this year show that UK exports to Israel are roughly 50% higher than the same period last year, and imports from Israel are about a third up on last year. UK exported and re-exported goods worth over £50m to Israel in 1967. For the first quarter of this year the figure stood at £22·9m. Israel exported over £32m worth to Britain in 1967—roughly the same amount she exported to the US, a country with four times the population of Britain and a Jewish population 12 times as large.

According to George Chalmers, First Secretary (Commercial) at the British Embassy in Tel Aviv, 350 British businessmen visited Israel in the first quarter this year—compared with 700 for the whole of 1967.

But what does Israel gain from buying British? Prices have risen since devaluation, although Israel devalued her currency by the same amount. One of the leaders in the clothing manufacturing and retail trade, Mr Shalom Matzkin, told me in Tel Aviv that prices from his British suppliers rose by 7% immediately after devaluation. There was no letter of explanation—which obviously annoyed him—but it will not make him stop buying British. His own goods sell in Britain in Richard shops and GUS.

Over 60% of the textile machinery in Israel is British made. This will rise with the growth of the industry—provided that prices are competitive. One result of the April economic conference was that a fashion committee was formed to enable Israel to benefit from the know-how of world leaders. There is talk now of setting up a fashion school and a fashion institute in Israel.

In May, Hardy Amies, Eric Crabtree of Cresta, and Louis Mintz, managing director of Selincourt, were all in Tel Aviv. For Mintz this was a follow-up to his April visit, and now back in London he is organizing subcommittees to promote British links with the Israeli rag trade. He also spoke about a Hardy Amies scholarship scheme for young Israeli designers to study in Britain. For Amies there could be a design tie-up with a local manufacturer.

This is one sector of British industry that could really benefit from, and give benefit to, Israel. Apart from Amies, there are other British designers who could exploit the obvious attraction out there of British styling, British brand names. Import duties on clothes are too high to make straight exporting profitable—with certain exceptions—although duties will be cut on man-made fibres and cottons later this year. The local market is eager for part tie-ups and licensing agreements with Britain. The sort of trading pattern established by Marks & Spencer could well be repeated: it involves buying from certain manufacturers, training of staff on an exchange basis, regular orders, and the sort of quality control system for which M & S is famous.

What Israel needs is to find a way to lessen the gap between exclusive boutique lines and racked floral prints in supermarkets. The country also needs to find a line that will catch world buyers' eyes by being typically Israeli. Crabtree thinks it should be in swimwear (it could be in the camouflage raincoats that Shalom Matzkin has just started to export to Britain).

Israel grows most of its cotton requirements, but has to import all wool and acrylics. Average firms have to export 50% of their output to exist.

Restless youth with spare cash, seeking status symbols

Three Carnaby Street traders visited Israel last year. Local businessmen told them they were crazy, as there was a 300% purchase tax on their goods. Two left the country but one stayed, defiantly, and sold £60,000 worth of goods in eight months. Apparently simple denim slacks were selling for as much as £10 a pair.

Who bought the stuff? Apart from an influx of tourists after the war (60% increase), to an outsider it would seem unlikely that Israeli youth would have either the spare cash or the interest to be so extravagant. But this is where they surprise you. The Israelis are highly status-symbol conscious, and British goods spell prestige. The way in which youth is involved in this was made even more apparent recently, when Peter Stuyvesant cigarettes went on sale. Imported cigarettes sell at twice the price of local brands—so the manufacturers aimed their advertising campaign at the higher income brackets. The campaign was a disaster. What they failed to realize was that imported brands—despite the price—are most popular among the youth, again for status-symbol reasons.

Food is another area in which Britain could do some tough selling. Obviously climatic conditions do not impel the Israeli housewife to spend as much on basic food as does her English counterpart—salad, eggs and yoghourt form the staple diet, rather than bread and sausages. But she still needs to be introduced to convenience foods. There is a great liking for English food, and so little of it—or any imported food for that matter—is on sale. Import duties are high.

The Israeli housewife is as brand fickle as any American

The biggest departmental store in Israel, the new Kol-Bo Shalom (Clore/Wolfson investment), sells tinned kippers from England, as well as confectionery from Marks & Spencer, English tea, coffee, men's clothing, teenwear and silver goods. Imported jams have just been liberalized—they sell at twice the price of local jams, but Chivers is already an extremely popular purchase.

According to Asher Rosenbaum, deputy managing director, the store's turnover is expected to touch £2½m this year. Business increased by 30% after the war. The store complex also acts as an import and wholesale agent for other stores.

The difference in supermarkets this year, compared with 1966, is unbelievable. They have been transformed from a fighting mass of humanity to a scene of organized, smoothly run interiors with long counter displays and spot promotions. Supermarkets control about 30% of food retailing: tiny shops on corners are still very characteristic of Israel.

The Israeli housewife is similar to her American counterpart — brand fickle, but for the opposite reason. The American housewife has a magnitude of choice: in Israel the choice is small, unexciting — but improving. Salad may be the most accepted breakfast food, but Kelloggs cornflakes—exported from Britain—are on sale at nearly 6s a packet. This is the only breakfast cereal available.

Wanted: British skills, consumer and capital goods

Eating habits are varied enough for plenty of cross pollination—if you know how to go about it. Take falafel for example, a typically oriental dish that is now a national favourite after a mass campaign three years ago. Similarly, margarine was an unknown commodity to the oriental and North African groups a few years ago; but after a great introductory promotion scheme it is now a daily purchase.

The delicatessen side of food retailing—traditionally Jewish and central European—is just beginning to emerge in Israel, and local innovators are cashing in on it. One big success story is that of a firm called Beititzhak, on a co-op village, that produces high quality jams and pickles under the brand name 778. According to an economics journalist, when 778 products first appeared on the market everybody was very pessimistic. Who could afford such delicacies? But the market was obviously there, and although the firm is small it has been successful enough to start exporting its products.

Involvement in Arab trade will inhibit some British businessmen from even considering Israel. Or will it? It is impossible to estimate the extent of British investment and trade in Israel for this very reason. Officially any product that sells in Israel is blacklisted in the Arab block. The occupied territories are too sensitive a problem to discuss in terms of trade. But they do give Israel an extra million people to sell to and buy from.

Leyland is reluctant to talk in London about its Israel interests, yet it is one British firm that epitomizes the three ways in which foreign companies can make maximum use of the Israeli market. Its plants produce cars, trucks and buses for the local market; buses for exporting to Rumania as part of the Israel/Rumania trade pact; and the engine for Israel's only car, the Sussita, which has a Triumph engine and a fibreglass body.

The Sussita is symbolic of how British skill can flourish in Israel—the combination of imported know-how with local production, materials, and skilled labour. The possible Hardy Amies tie-up is a similar example. So is the recent investment made by Ranks, Hovis, McDougall.

RHM is in the process of setting up an accelerated freeze-dried plant in South-east Ashkelon, one of Israel's development areas. This is a joint investment project with an offshoot of the Histradut (the TUC of Israel). The Histradut also has other sidelines in co-op supermarkets and stores. The plant, the first that RHM has established outside Britain, will process indigenous fruits and fruit juices for export to Britain and elsewhere.

Gideon Lahav, director of the metal, electric and electronics division at the Ministry of Commerce and Industry, spoke about another sector of local industry that could benefit from British know-how—computers. Israel's first computer, the Elbit ($5,000), was sold seven months ago. "What this country is in need of is experts" says Lahav, and adds that the trouble with most British businessmen is that they still think of Israel in terms of citrus and diamonds.

Here is a market for British design

Furniture is another field where British skill could bloom. Ralph Rurka, an Englishman now based in Tel Aviv as director of the Israel Industries Advisory Committee, is a past chairman of the London Furniture Manufacturers' Association. He says British expertise could teach the Israelis a new approach to design, economy in the use of materials, utilization of indigenous materials (marble, olive wood, filigree brass), utilization of local skills, and utilization of a highly developed local plastics industry. But, Rurka warns, "anybody coming here contemplating big tycoonery and mass production is doomed to failure".

The furniture industry is just as fragmented as other sectors. There are more manufacturing units than in Britain. An average factory employs about 50, and one of the largest units is on a kibbutz. As in clothes, the Israelis still need to learn the art of producing stylish medium-priced goods, the medium price level in Israel being, of course, very much lower than it is in Britain. But this can only come with rapid merging and subsequent rationalization.

Big industries Zim and El Al: a profitable year

On the heavier side of industry, it has been said that Zim shipping line is casting its eye towards the Clyde for new vessels—the start of a five-year development programme. Michael Tzur, of Zim, was brought in from the Ministry of Commerce and Industry a few years ago to pull the line out of the doldrums. Zim now concentrates on freight, and is enjoying its first profit since the start of the phasing out of passenger services.

One of the biggest industries in Israel—and the biggest foreign currency earner—is El Al airline. It is on the brink of diversifying into the hotel industry, and is working on a scheme to promote Israel as a half-way-house for world trade.

El Al's lively 48-year-old president, Mordechai Ben-Ari (on the front cover), joined the company in 1950 as manager of the freight and mail department, when the airline was just beginning to emerge from its role as immigrant carrier to start its first commercial routes into Europe. Today its fleet comprises only Boeings, but with seven aircraft it is still a tiny airline by international standards. The airline's recent purchase of two new Boeings, and two "jumbo jets" for the 70's, is the biggest single investment Israel has ever made.

El Al's achievements have far outstripped its limited capacity. Transatlantic traffic increased by 446 per cent in the last decade, and the airline still holds the New York to Tel Aviv non-stop flying time record. Next year Ben-Ari hopes to initiate the first non-stop flight between New York and Bucharest. His own marketing skills have been invaluable in promoting off-season travel—he initiated the new $399 winter group fare from the USA.

Ben-Ari became vice-president in 1960, and was elected president exactly a year ago. He is best known for his creative thinking on the economics of aviation—in 1963 he initiated the idea of group fares in world aviation, at an IATA conference. During his one year in office he has helped the airline recover from its post-war losses to achieve its highest profits in 20 years—£750,000.

But the airline's biggest marketing bonanza is the re-acquisition of the Red Sea air corridor (result of the June war) which cut flying time from Tel Aviv to Nairobi—only served by El Al—from 9 hours to 4½ hours. The airline has started to re-exploit the route, with Tel Aviv as the transit link between Europe and Africa, America and Africa.

The building of the 42 inch oil pipeline, and also possibly of a "dry land Suez Canal" containerisation system, both linking the Mediterranean with the Red Sea, will—with El Al's efforts—pinpoint Israel as a world communication centre.

Mergers—a must if industry is to progress

Locally, however, Israel's industry badly needs to catch some of Britain's urge-to-merge fever. But the country's economists are more than aware of this. The home market is small: industry can only progress if it gears about 40% of its output for export, and it cannot do this in a fragmented state. The manufacturers' association—a combination of our own IRC and CBI—is actively promoting mergers. Economic adviser of the association, Baruch Ber, said that they were inviting industrialists to the conference table—and encouraging foreign partnerships. "Until now," he added, "mergers have been hindered by the tax system." He hoped that the new law to remove capital gains tax from the merged companies would be passed before the autumn.

Israel is an attractive country for investment. Loans can be raised of up to 80% of all equipment. Capital and profit can be transferred at any time.

So, Ber is encouraging foreign specialists — especially those who are already trading with Israel—to step in and act as catalyst between local manufacturers. Rationalization, vertical integration, a base for diversification and central buying facilities are what Israel's industry needs—a pattern similar to her agricultural structure. It is only this that will make her competitive in foreign markets. ■