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MARKETING PLASTICS THE KETER WAY

MAKING IT THROUGH 1992

TRADE WITH GERMANY– BEATING THE BOYCOTT?

Keter's chairman of the board Joseph Sagol

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LEAPING INTO A MOLD

Polytec, a start-up in the Galilee, is trying to take on the heavy guns of the specialized business that makes molds for plastic injectors. If they succeed, they could become a helpful catalyst for the entire plastics industry.

It began with a careful analysis, took an imaginative leap, and may end as the corner-stone of a much stronger plastics industry in the Galilee.

Molds and mold-making form part of the basics of a sophisticated plastics industry. When Polytec, a start-up in the Tefen area of the Galilee, wanted to get into mold-making, they asked consulting engineer Amir Ziv-Av to give their strategy a tighter focus.

Ziv-Av looks like a careful, considered man who weighs each sentence separately to judge its correspondence with fact. One gets the feeling that once the facts are known, elegant and even radical solutions seem obvious to him. Once a member of the Keter management team (see previous story), he has a great amount of industrial experience that ranges from the most complicated technical detail to definitions of comparative advantage in manufacturing.

His argument went like this: nearly anybody can buy an injector or have a mold made for him in Portugal, Germany or the Far East and get into business. It all depends on the design of the product and its marketing; because with very low labor costs and roughly similar costs of machinery and raw materials, there is no specific place with superior advantages for manufacturing.

"There are increasingly long delays in getting high quality molds for plastic injection from the best mold-makers in the world."

On the other hand, plastics are an interesting industry because of the steady growth in the field. Demand is growing because so many more components in major industries like automobiles are being made of plastic. This gives an advantage to companies with good design and marketing skills.

Then he came by an interesting fact. There are increasingly long delays in getting high quality molds for plastic injection from the best mold-makers in the world. Mold-making is a skilled job. Much of it is done by master machinists whose value lies in a high level of manual skill and in a wealth of experience.

And another factor: the longest delays are for very large or sophisticated molds. Here too is a high poten-

tial for profits, because greater sophistication allows the mold-maker to become much more deeply involved in his customers' manufacturing needs.

But the capital investment necessary for large molds – the kind that throw off an entire dashboard for a car, for example – is very high. So the focus had to be on small but technically very demanding molds.

Now for the leap of the imagination. Ziv-Av, acting for Polytec, approached Zimmerman, a German firm which is among the biggest and most sophisticated makers of large molds in the world. His proposal to Zimmerman went like this: "Take the dashboard of the car, for example. This is a big mold which you at Zimmerman make, but then it needs a lot of small molds for things like switches, buttons and ashtrays. If we can make the small molds for you, you will always be our preferred customer, first in line and first in attention. And in the meantime, we would very much like to learn from you a little about your technology and a lot about the ways you mesh with your customer."

Zimmerman liked the idea enough to put in a first urgent order. For Polytec, this could be the beginning of a valuable relationship.

The boss at Polytec is unusual for a start-up. Jacob Markovetzky is 71 years old. His basic attitude: "I have worked for 55 years in this field and still don't know enough."

The initiative to start Polytec came from industrialist Steff Wertheimer (who has an interest in the company that publishes LINK). Markovetzky jumped at the opportunity to train a team of young craftsmen. "I'm trying to set up a team here...In order to produce you must cultivate a group of highly skilled specialists. Within three years we want to get to the level of the (best) European manufacturers.

"You need to have tradition. We had to move quickly and the quickest way to get into a subject is to work with those who have mastered it already."

"Complete automation of the process is unlikely in the near future, since the complex and sometimes near-intuitive knowledge of the master mold-maker has not yet been systematized."

Despite Markovetzky's appreciation of the gap between his people and the master craftsmen at Zimmerman, the team from Tefen was apparently good enough to persuade the Germans to take on Polytec.

Other deciding factors were costs and speed. "A deciding factor for them (at Zimmerman) was that our working hour costs about half of theirs."

The arrangement with Zimmerman is "an opportunity to produce molds for Europe. That's very important. In addition to Zimmerman, there will soon be other companies. First, we have to set up a healthy unit here, from which it will be possible to set up more companies and factories."

If it all works out, the idea behind Polytec is to set up a core of excellent producers who can provide an essential lever to the entire plastics industry in Israel, and more specifically, in the northern Galilee region. Plastics exports stood at $315 million in 1989 with a strong upward trend. With roughly equivalent raw material and machinery costs all over the world, producers must excel in design and the kind of manufacturing efficiencies that allow them to use less raw material in each product and to inject the raw material into the mold at a higher speed.

There are a few manufacturers of molds in Israel but big producers like Keter, for example, still import their molds from abroad. According to one estimate, Israeli plastics producers import about $40 million worth of molds each year. If Polytec does in fact become a first-class mold-maker, its expertise, precision and knowledge about the best molds can help manufacturers improve both their efficiency in manufacturing and design.

Ziv-Av says that it is possible to "introduce a certain 'Lego' element into mold-making," so that each mold would not take up too much of the time of the master craftsmen whom he hopes will grow up in the Galilee. But complete automation of the process is unlikely in the near future, since the complex and sometimes near-intuitive knowledge of the master mold-maker has not yet been systematized.

So far, Israeli plastics producers have managed to establish themselves principally in the agricultural and home goods industries.

In the agricultural field, for example, an executive at Plastro Gvat, a leading irrigation manufacturer, said that selling irrigation pipes is "just like selling air. Anybody with an extruder can make them, so there is hardly any point in selling them abroad unless they are part of a complete irrigation package. The real added value is in all the tiny devices that actually release the water onto fields with drip irrigation systems."

But there are many more markets where the added-value will come with design and manufacturing efficiencies. Kibbutz manufacturers who control over half of the local plastics industries are always on the look-out for an extra edge in these areas to compensate for their weakness in marketing.

So if Polytec does in fact produce what it has promised, it could help build up a pool of demanding customers, or the beginnings of a cluster of industries that would need its skills to sell more abroad. (*M.E.*)