BUSINESS CASE STUDY

Local production at risk from factor markets

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Soliver was established in 1957 in Choueifat, Lebanon, and started production in 1965. Soliver produces all kinds of glass bottles and jars, distributing both locally and internationally. The company was a pioneer in the glass-working industry in the Middle East, but the aftermath of the Civil War in the late 1990s brought increasing costs, from damaged infrastructure to high prices of raw materials.

In June 1998, Soliver had to lay off 85 of its 248 factory workers for "economic reasons", which resulted in all the workers protesting. Even after the issue was resolved, Soliver had to close down its factory due to increased cost of utilities. The company was later able to reopen its factory, trying to minimize costs mainly by recycling glass cullet and making its factory more automated. Still, in 2013 it had registered losses of almost $5 million and is currently looking for a way out.

In 1998, Soliver's high costs were caused by an increase in prices for factor markets. Tariffs on imported raw materials were high, and by the time these payments were added to the cost of labor, raw materials and utilities, prices of products were rising above market value. This made it harder for Soliver's products to compete with the cheaper Egyptian ones on the market. These factors persisted until 2013, with the exception of labor costs, which were decreased by automation, and raw material costs, which were decreased by recycling glass.

After reopening from the 1998 closure, Soliver made a complete overhaul to its factory and became the first company in the Middle East to produce lightweight bottles. In addition, it started to focus on having the latest equipment and training their workforce. Soliver acquired ISO-9001 accreditation in 2008. These are the main reasons that the company managed to survive that long, despite relatively high costs compared to Egyptian and competitors.

High cost of utilities and labor, along with strong competition from countries like Egypt, caused heavy financial losses to the company, but with focus on innovation and quality control, Soliver was able to avoid bankruptcy.

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