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# Soap Manufacturing Value Chain, Analysis, Issues and Solutions: A Study of Faisalabad Soap Manufacturing Firms

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**Abstract:**
The know-how of soap manufacturing supply value chain is very important because soap products have become an integral part of an individual's day to day life. The finished product reaches the ultimate customer through a variety of production steps and industry involvements, along with supply value chain networking. The value addition at each step fulfills the demand of the manufacturer and customer along with market competition dynamics. Faisalabad is the largest soap producing hub after Karachi where the production reaches above 1, 00,000 ton every year. This paper highlights the important aspects of soap value chain in which value addition takes place in every step. Moreover, the issues are also highlighted along with the solutions of these issues currently facing by the soap industry of Faisalabad. The data is obtained through 26 personal interviews by the researcher with the owner of the firms which include micro, small, medium and large setups of soap manufacturing with different product line. The major importance of getting the know-how of the soap manufacturing value chain is to highlight the issues faced by the soap firms in achieving ideal level of quality which equally competes with the multi-nationals products and become aware of the constraints from the grass-root level of raw material purchasing to transforming it into highly quality finished products for the customers.

**Introduction:**
The soap industry throughout the world is improving very fast with diversifying through great innovation and quality with each passing day in its business into variety of products and services. Soap products like soap noodles, detergents, dish-wash bars, bath soaps, liquid soap, body shower gels, etc have become an important part of every one's daily life. These products in their product line are the unique feature of selling throughout the globe. These products are the best source of supply value chain which comes up from various sources of processing. Soap comes to the market after different set of processes such as mixer, duplex, steel frames for cutting cakes, pans for cooling for paste, bubbling cattle and packaging. The chain involves forward integration with transportation and packaging industry, to supply the finished products to the retailers and finally to the customers. Value chain directly gets involve since the raw-material either form local or foreign source reaches to the manufacturing setup.

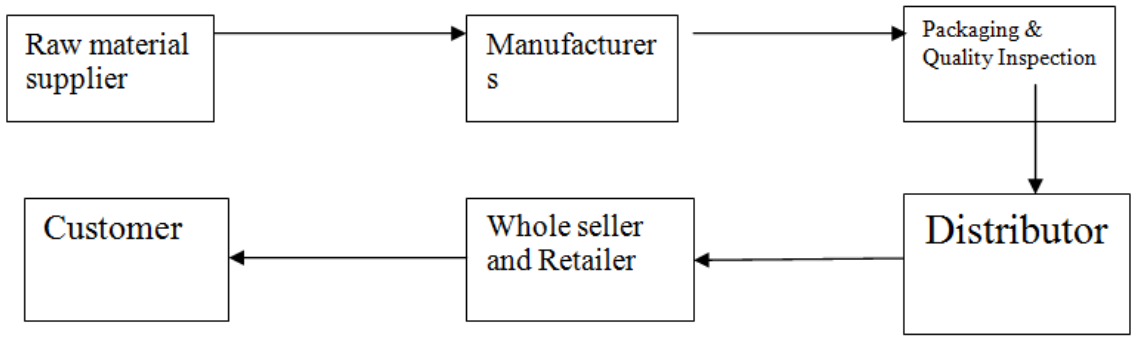
Two types of linkages were observed during the survey. They are:
**Vertical integration:** Vertical integration has two dimensions backward and forward. In backward ties the raw material manufacturing firms are closely connected with their vendors and suppliers. Manufacturers and customers provide specifications to their subcontractors, vendors and suppliers. In forward ties, being the part of domestic value chain soap firms in Faisalabad is connected with distributors, whole sellers and retailers. Process of order flow and specifications starts from the buyers who order and specify the product after that manufacturing process is monitored.

**Horizontal Integration:** There are two types of horizontal ties as observed in Faisalabad, bilateral ties and multilateral ties; the former exist between two firms dealing in the same product. It is noted that such ties are rare in Faisalabad mainly because of lack of trust and fierce competition among firms and the latter exist among more than two firms to achieve mutual goals. There is strong evidence of multilateral horizontal ties among firms in Faisalabad soap clusters as its seen at different occasions in past formation of Faisalabad soap manufacturing association (FSMA) in 1990 by separating its entity from Pakistan soap manufacturing association (PSMA), facing challenges of quality by multi nationals, existence of dry port of International facilities and development of FIA (Faisalabad International Airport) through FCCI.

There is cut throat competition among firms in the cluster. Most of the firms are producing low quality products. The organizational structure of small firms is lack of facilities and operations are run by either the entrepreneur himself or by a low level supervisor. Entrepreneurs are not having any management and technical skills which are one of the reasons of no international linkages of the sector.

**Figure 1.1 Value chain of Soap manufacturing**




**Source:** *Author Survey, 2012*

**Soap Value chain**

The value-added supply chain represented in Figure 1.1 is categorized into different stages.
The stages of value-added chains are represented into two categories:

- Primary Activities
- Supporting Activities

Primary activities include:

- ❖ Raw-Material accumulation (local, foreign or both)
- ❖ Manufacturing ( Mixer, Duplex, Cutting Pans, Bubbling Cattle, etc)
- ❖ Packaging and Quality inspection
- ❖ Distribution

Supporting activities include:

- ❖ Equipment and Technology
- ❖ HRD and Administrative support
- ❖ Firm infrastructure
- ❖ Physical support

The major benefit associated with the value chain networking is that it continuously improves the performance and productivity of its members. The soap value chain is a perfect fit, thereby improving the structure, designs and supply of the soap industry. These primary and supporting activities add value to the process of transforming raw-material into finished soap product. Figure 1.1 highlights the process of soap industry's value chain.

**Primary Activities**

***Identification of Inputs***

Soap manufacturing firms in Faisalabad have to identify various sources of raw-material such as tello, animal skin, acids, oils, fats, silicate, toxics, caustic soda, etc from various parts of the world especially from Australia, New Zealand and USA. In Pakistan, they are conveniently available in Karachi (Soldier Bazar) and Faisalabad (Goal-Sabanwala, Karkhana Bazar). The local sources of raw-material are widely available but it is not up to the mark to compete with major brands. There is a good market of local raw-material as many of the micro, small and medium sized soap firms work with them with huge volumes.

**Operation Activity**

Input (raw-material) from different markets are supplied to the manufacturing units of soap firms for processing as Faisalabad is blessed with an International airport, dry port, goods station, railway station, etc. The raw-material is treated with chemicals and equipment usually locally manufactured which process the raw-material and transform them into semi-finished soap which is then used by processing units. Faisalabad soap firms face major constraints of technical and financial problems which will be highlighted in detail in the latter part of the paper. Lack of technical competence, financial sources, unskilled worker, etc are the major reason of restricting the process of finished goods as per the demand and market requirement. At this point, multi-national firms score with producing quality and standard soap product line in the market which helps them to extract lion's share of profit from the market. In local manufacturer's case, the finished goods are imported from various countries at higher price for domestic use creating imbalance.

**Processed soap output**

The semi-finished soap is processed to finished soap and further developed into soap products such as soap

noodles, detergent powder, dish wash bar, bath soap, etc which are in high demand in rural and urban areas.

**Marketing Activity**

The soap manufacturing firms in Faisalabad lack in marketing activities as they use traditional mode of marketing through posters, cable-TV adds, etc but few of the large firms equally compete with the multi-national's advertising approaches. The soap firms in Faisalabad totally emphasizes on distributor's wishes of advertising and promotions for the customers. The soap firms should concentrate on the competitive-edge through marketing and quality assurance.

**Packaging and Distribution**

The soap firms hardly invest on packaging of their products. Most of the soap firms in Faisalabad outsource packaging. The graviour and flexo industry in Faisalabad is well-developed and established to counter the needs of packaging but unfortunately they hardly produce quality wrapper of packaging. Mostly firms copy each other's brand to compete in the market which gives a set-back to the local industry. The soap manufactures should expand both domestically and capture the international markets through exports. If manufacturers concentrate on marketing they can have international agents, intermediaries who have a great knowledge of the native markets, have wide network channel and manage value chain.

**Supporting Activities**

As Faisalabad is the largest producer of soap in Pakistan but it fails to capture market share in the global market. On the other hand, the textile industry of Faisalabad is recognized all over the world for its quality and material. In spite of large potential, the soap industry lacks supporting activities, which in return reduces the potential to capture high market share and the export market.

Despite of the large markets of suppliers of raw-material and buyers of soap products in Faisalabad, the manufacturers failed to capitalize the opportunity and unable to capture the domestic and International markets. The main reason being the energy crisis which are haunting the industry from last one decade on continuous basis. The load shedding of power and gas shortage has turned this potential industry into a recession. Moreover, inability of local manufacturers, undeveloped infrastructure and support activities restrict them in improving the quality, making them compete with the multi-national giants soap products in foreign markets even in the domestic market.

Supporting activities such as up gradation of technology and equipment are the major factors in soap value chain process. The lack of modern equipment, technology in the local market, restricts the firms in producing competitive products. The Faisalabad does not have a vocational technical college which specifically gives the modern knowledge of soap machinery and equipment up gradation. The shortage in supply of skilled and experienced manpower to handle the soap units acts as a drawback for the supply value chain process.

The irregular and costly supply of raw-material also create large problem leading to heavy loss and closure of firms. During the last few years, small firms have faced drastic recession because of costly raw-material, energy crisis and strikes.

In a nutshell, weak physical supply, shortage of finance, no R & D facility, undeveloped IT support, and lack of knowledge related to modern soap units, unskilled labor, etc reduce the scope of growth and development in the soap industry of Faisalabad. The value chain of soap industry to achieve maximum level of productivity and quality is based upon these supporting activities, which help to identify the potential of growth and expansion in local and International markets.

**Literature Review:**

SME's in Pakistan face cluster of problems. Such problems are due to various reasons usually falling under political, economical, social barriers. Ayyagari, Benk & Kunt (2003) comes up with an opinion that importance of SMEs in formal economy is due to differ environment factors like low cost entry and better credit sharing network with larger SMEs. Rangone (1999) take the argument to next stage by showing the importance of resource based theory implication for small firm owners and executives. He also added two main objectives of modern SMEs, first, using resource based theory as competitive advantage, Second, proposing a way for strategy analysis based on resource based theory.

Kuwan (2005) argued that one of the major barriers for SMEs success is not implementing knowledge management in a systematic manner. Furthermore, he highlighted 11 Critical Success Factors (CSFs) for the success of SMEs. Such factors help in sorting issues and implementation of successful solutions. Fink (1998) sorted out that IT (Information Technology) can only help SMEs in that turmoil times. He suggested SMEs should focus on IT benefits, Organizational culture, IT suitable for the firm, suitable IT resources within organization and external resources. Man & Chain (2002) had given a secret of success of SMEs through their model which comprises of four competitive scope elements including organizational capabilities, entrepreneurial

competencies, scope and performance.

Jose (2008) suggested that quality management approach can help SMEs to overcome problems. He emphasized on synergic relationship, orientation, consumer choice and most importantly total quality management (TQM). The result showed positive relationship between TQM and consumer choice for the SMEs as an encouraging factor. Kartiwi & MacGrgor (2007) recommended the importance of ecommerce in SMEs by arguing that SMEs are not adopting the approach of ecommerce as large organizations are adopting which creates hurdle to prosper for them. Also, his research highlighted the one each major barrier faced by developed and non developed countries like technical and organizational issues respectively. Garstenfled & Roberts (2000) highlighted the importance of Environment Management System (EMS) which is currently not adopted by SMEs. EMS will help SMEs to improve corporate environment performance within a firm.

Acz, Morck, Shaver & Young (1997) added that SMEs also face challenges of globalization in the present world such as barriers of entry and property right protection. Such barrier can be eradicated by strategic partnership with existing Multi-National Corporations (MNCs).

Archer,Wang & Kang (2008) emphasized the importance of supply chain in SMEs. Furthermore, they emphasized that there is a need of education for SME management to educate regarding e-business for the up gradation of supply chain and its online solutions.

Rothwell & Dodgeson (1991) highlighted the importance of external linkages for modern SMEs. With such linkages SMEs can enjoy behavioral advantages and entry in the innovation process. It will also benefit to the human resource of the SMEs with broad diversity linkages for technological development. Beck & Kunt (2006) suggested that small firms face larger barriers of growth because of lack of access to external financial resources. Financial institutions development can help to grow SMEs in the long run and facilitating them for the external debt access. Rocha, Farazi, Khouri & Pearce (2011) highlighted major constraints such as lack of SME transparency, lack of information of credit and finance and weak creditor rights.

Lin & Li.Y (2001) had given example of developed China for SMEs, by promoting growth of financial institutions lead to overcome the difficulty of SMEs by providing them financial resources to the SMEs. De Maeseneire & Claeys (2007) also suggested that financial problems get worse by lack of information regarding financial aspects with lack of collateral characterize international investment , home bias financiers and capital gearing methods bank often use to evaluate financial projects give rise to financial constraints. FDI finance gap also give negative affect to internationalize strategy and affective performance.

Cooney (1996) believe that innovation plays a role of a trump card in the smooth growth of SME sector. There are no doubt barriers of innovation for SMEs such as high taxes, cost, expensive culture of innovation and lethargic attitude towards it. For such barriers, state support agencies play a crucial role for eradication of such barriers.

One of the most important business success variables are honesty, reputation and friendliness of along with SME owner in the market recommended by Benzing & Kara (2009). They also suggested some internal problems to be solved according to the entrepreneurial skills such as unreliable labor, inability to maintain good records and a weak economy.

Malairaja & Zawdie (2004) argued that lack of technology transfer also one of the constraints of SME growth and development. This can be sorted out by learning and skill development strategies and focus on technology policy. He also suggested that joint ventures are often useful for technology transfer. Cho (2003) highlighted that technology transfer can work smoothly through foreign direct investment (FDI).

Ye & Wang (2011) emphasized university-industry collaboration for the growth of SME sector in the developing countries. SMEs can benefit from enterprises output of technology and knowledge which directly enhance the innovation capabilities of SME.

Courault & Doeringer (2008) suggested that cluster networking approach is one of the solutions to the restrictive problems of SMEs. He recommended the transformation of France's apparel industry based upon agglomeration economies of common skills and direct co-ordination lead it to a successful cluster in the world.
Dyker (1998) highlighted the technology up gradation of SME through combining factors such as foreign-owned firms, the franchises, the high-tech small and medium sized enterprises. Such factors in West upgraded the industry with a great deal also the SMEs benefit from this. Government involvement in technology up gradation of organizations is worth dynamic and beneficial such dynamism is created by the technology ministry and technology policies of the country.

**Issues and Solutions**

After analyzing the data by the author through personal interviews with the owners of 26 firms it can be inferred that the following issues are currently faced by the soap industry and they need to be sorted and up graded to meet the international standards. It can be infer that such issues are the major hurdle in achieving market leadership. There are cluster of issues faced by the Faisalabad soap industry but most important of them are as following:

**1. Energy Crisis:** At present, Pakistan is facing a serious energy crisis. This leads to the negative impact on the economy and every sector associated with energy. The shortage is badly affecting industry, commerce and daily life of people. Most of the Pakistani SMEs are victim of the energy short fall which has affected the productivity adversely. Electricity shortage is normally affecting the business but on the same time gas load shedding in winter and summer has also affected working of the soap industry. The short term solution of generators is widely used but the cost of production increases and the manufacturer has to cut the margin of profit as a result.
**2. Unstable Condition**: Unstable political situation of politics, inflation, production cost and economic slump, the unrest in the public and the business community, war like situation in northern areas and Pak-Afghan borders affect the industry continuously. The investors are not interested in investing in any kind of soap and raw material.
**3. Trend change of customer:** The trend of the customer is changing very quickly but the domestic soap industry is not responding according to the present demand and trend change. The main problem is that the multi-national giant's awareness campaigns and advertisement of the product have attracted the target segment of the small firms. The local soap industry manufactures do not believe in advertisement as it is very costly and due to this they can't be able to capture more market and the understanding of the customers.
**4**. **Raw material price:** The prices of raw material of soap such as those are fats, oils, tallow, acids, fragrance, etc. Pakistan is not stable and low as compared to the other countries. So, the Pakistani soap industry produces more expensive products as compared to the others which reduced the foreign demand and made it difficult to compete in the local market. Another problem is the unstable exchange rate of US Dollar which impacts the raw material prices as the imported raw material used in soap has the better quality.
**5. Cost higher than sales:** with the inflation touching new heights in Pakistan the customer segment is also affected due to low buying power of people. Moreover, the inflation reduced the sale of the manufacturers and makes the cost higher. It leads to soap manufacturers are not able to reduce the gap between the sale and the cost of production. Multinational giants have come up with small packs on fewer prices of their brand products which also affected the local producers of the soap.
**6. High repair cost:** In the research it is also seen that the soap industry does not have the proper skilled people to run the advanced machines and whenever they face problems of operating they have to call foreign technical engineers and it increases the expenses of repair cost. It gives an idea that the formal skilled labor is also not available to the Faisalabad soap industry and the labor is informally trained. There is a definite need of skilled workers in that industry as the soap manufacturing deals with the sensitivity of skin and body regarding the customer as well as the employee working in soap industry.
**7. Tax regulation:** The research survey showed that the tax regulations for local soap industry are very high as compared to the international giants which are working in Pakistan. It's also revealed by the Faisalabad soap manufacturing association (FSMA) that the tax on textile sector are less than the tax in soap sector. Most parts of the world the cosmetics and house hold products are tax free for their manufacturers but in Pakistan the tax regulations are strict and high.
**8. Lack of government support**: During the research, it was found that the government is not interested in supporting the local soap industry especially the SMEs working in soap sector by imposing the heavy taxes, import duties and custom duties. Since the birth of Pakistan there is not even a single budget by the Government in which soap industry is given priority. Added to it, there is no policy making for the local soap industry in terms of lifting it from the present crisis.
**9. Manufacturing cost is high:** It was also found during the survey that that the manufacturing cost of producing soap is very high as compared to that of India, China and Iran. That results in less export opportunities for the local producers.
**10. No banking Support:** It was also observed that the business owners of soap industry don't take the loan from the bank due to the interest charges and religious views on interest. Most of the soap producing community of Faisalabad is related to Sheikh community and they are very religious in their practices and they do not accept commercial banks loans or running finance on interest.
**11. Dealers delayed payments:** The research showed that the dealers do not pay their payments on time which shakes the interest of the business men. Normally credit of 15 to 45 days is the norm of the local soap industry market but it's not observed by the dealers which results in the late payments. The mechanism must be systematic as all the dealings and agreements are done verbally.
**12. Labour problems:** The study has shown that the labor is not skilled and their working attitude is also questionable. During survey it was a common complaint from the owners of soap manufacturing that the labor is not honest in terms of work and loyalty with the work. Absenteeism is commonly observed in the labor. The common practice of obtaining advance before recruiting on the job has affected the owners as most of the workers do not pay it and move on in the market. Theft and labor turn over complaints from the labor were also observed during the structured interviews from the owners. The whole labor community in soap industry is based on passive learning which means learning by doing.

**13. Lack of Research & Development:** the study shows that the research and development are not practiced in local soap industry and the manufacturers are also not interested in producing products of quality and less cost. Among the 32 firms visited only 3 of them have a separate department of R & D but most of the others do not consider it as a trump card in achieving success in the local and international market. At present, Multinational firms are producing liquid hand soap and dish wash soap but the local firms are not able to think of this because of no R & D. As the firms do not emphasize on R & D, they do not produce quality according to the mark.

**14. Transport expenses:** It was noticed that the delivery of the goods is the responsibility of the manufacturer which adds expense of the manufacturer to the distributor. As the prices of petrol and diesel are getting higher such expense has become a major issue for the local producers. Most of the manufacturers cannot crack deal as it is not agreed by the distributor to bear that cost.

**15. Strikes:** The SME sector is also suffering from some serious social issues of labor they include debts, advance payments, low wage rates and salaries and labor turn over which results in serious reaction of labor against the firm and the owner. Normally strikes are held because of inequality of labor by the management of the firm. Local associations also time to time announce strikes against the government policies or internal issues which do not allow smooth sailing of business.

**16. Need of palm oil generation:** Multinational soap industries make the soap raw material through the palm oil which results in good quality of soap and they enjoy competitive advantage in the market because of this but the local soap manufacturers use the fats and acids instead of palm oil. Faisalabad Soap Manufacturing Association (FSMA) has requested the government to setup a palm oil generation process or remove the custom and import duty on Palm oil so that the local soap industry may also produce better quality soap in the country but the government always turns a deaf ear to this suggestion.

**17. Lack of reach in Afghan market**: This study has shown that the biggest market for the local soap manufacturers was Afghanistan since 1980s but from the last 5 to 7 years Afghanistan market was limited because of export restrictions and India's influence on the economy of Afghanistan. At present, India and Iran are ruling the soap market of Afghanistan because of less prices and better quality.

**18. Copyrights and trademarks:** In local industry there are no proper implementation of law regarding trademarks, copyrights and cheating. Faisalabad soap industry has also fallen a victim to this as the quality producers of soap are worried that their packaging is copied with the same logo and name and its sale in the same market which not only reduces the share but also affect the goodwill of the company. People usually make the product of other brands and sell them into the market and earn the profit but damage the goodwill of the brand, even multi-national companies also face such issues but they cannot take action as there are no proper evidences.

**19. No capacity building:** during the research it was surveyed that there is a great deal of space in capacity building in the soap industry. It was observed that there is no change in entrepreneurial capabilities and infrastructure. Machines used in 1980s or used by the ancestors are yet to be replaced. Major reasons are lack of investment in the business and reluctance towards adding new technology in the production. The low price production goal is the focus of majority of the firms.

**20. No horizontal and vertical linkages:** it was also highlighted during the research that there is a definite need of horizontal and vertical linkages in soap industry. The suppliers are not knowledgeable to understand the requirements of the international standards. The customer segment of the domestic soap industry is aware but its feedback is never collected and analyzed by the producers. Such situation shows that the soap industry is lacking in horizontal and vertical linkages.

**21. Lack of trust:** there is a lack of trust among the owners of soap industry. They are divided into three categories regarding their size and business. Political interference is also there as most of the owners are a part of political parties. Firms in the same industry do not trust the other firms. So there is no strategic alliance among them. The association is also divided in groups as most of the members do not consider yearly elections transparent and they boycott the association. Every owner is looking for the personal gain and he does not care the industry and its future.

**22. No formal planning:** As majority of the entrepreneurs is less educated, they are unaware of the managerial skills of planning. They believe in present. They do not care the future change in that market. As visionary entrepreneurs always take problems as challenges but the entrepreneurs from the soap industry are lacking skills of effective planning to cope up future oriented challenges. A collective vision is the need of time for the industry.

**23. Lack of formal Quality Assurance System:** it was also highlighted in the research that most of the firms in Faisalabad soap industry are lacking formal quality assurance system. Only 6 out of 32 are using proper QAS approach while others are working without proper laboratories and quality inspection equipment. Very few of them go for a proper quality audit. One industry out of 32 is ISO certified others are not close to it. Research also suggests in future most of them are not seriously looking for QAS or implementing quality audit. One of the reasons of not implementing QAS is the low capability towards financial and technical terms.

**24. Direct Impact on other related Industries:** Current decline of soap industry has not only affected the soap industry but also the industries related to it such as packaging industry (Graviour, Flexor and Hard paper) as the productivity of soap industry is directly related to it.

**Recommendations:**

Based on the findings that are studied from the research following are the appropriate measures recommended to improve the deteriorating situation of the soap industry of Faisalabad and to make it competitive for the international competition that Pakistani soap market may compete in the world market according the modern pattern Following are the key recommendations for the uplift of soap industry of Faisalabad:

**1. Continuous supply of electricity and gas:** it was highlighted from the research that the major problem faced by the Faisalabad soap industry is the energy crisis; soap manufactures are not able to reduce the cost of production because of shortage of electricity and gas, and their prices are equal to the multinational companies. Gas load shedding of continuous three days a week has been the order of the day since 2009 and yet it requires a solution of the problem.

**2. Establishment of training and research center:** a training center is required in the soap industry of Pakistan where labor can learn modern soap manufacturing techniques which are used all over the world by the soap industries. When a manufacturer of soap imports a new machine and it causes some operative issue there is no one able to run that machine because of lack of knowledge by the technical community. Labor have no knowledge to handle such type of advanced machines and because of high repair cost machine is not in a position to function effectively. Research and development is very important because those industries that don't make the innovation into their product are left behind others; So, development of the R&D department is very important for the industry. One out of thirty two industries visited arrange training for their employees and has an international equipped center of Research and Development.

**3. Quality Assurance System:** There are not sufficient quality systems adopted in the soap industry. There is also lack of quality inspection system in the soap industry. Only one company has an ISO certificate. No proper interests of the owner in maintaining quality their focus is only the price. There is a definite need of QAS system applications in the soap industries which is only possible by doing quality audit from different companies and takes their suggestions in practice.

**4. Islamic banking:** The owners of soap industry are reluctant towards involving banks in their operations because of high mark up on loans and lengthy procedure by banks but they want interest free loans. Majority of the soap manufacturing owners in Faisalabad are from "Sheikh" caste and are very close to their religious values and traditions and do not like interest involvement in their business. There is a need of a definite setup by the Islamic banks to target such type of customers and lend loans to them.

**5. Improvement in the law of copyrights and trademark:** Copyrights and trademarks are most important elements of creating a brand. If anyone steals the copyrights or trademarks of a company, he must be punished. Local Police and District authorities should take aggressive steps against those who steal the copyrights and trademarks of the others. Most of the owners complain that there is no proper law implementation in the market so everyone is ready to cheat our major brands such as Time soap Premium can be found as Time Premium Plus, Time Special premium, Time Classic Premium, etc. Such violation of law must be taken very seriously and the culprits must be punished for this.

**6. Improvement in advertisement and awareness:** The Faisalabad soap industry does not spend much on the advertisement. They don't know and understand about the benefits of the advertisements. Only advertisement is a factor which makes the awareness in the customers mind. The domestic producers of soap industry must spend a part of investment on advertisements because advertisement is a factor that increases the sale level according to current market scenario.

**7. Reduction in Tariff Taxes:** Government has imposed very heavy taxes on soap industry. Government should remove the heavy burden of taxes and gives some relief to the soap industry. Soap industry earns heavy profits and it can stand by its own if government reduces the tax tariff. Local producers of soap must be given shelter from the tax authorities as they have to bear very expensive import of the quality raw material. Not only the taxes imposed on the soap industry but also heavy import and excise duty must be minimized by the Government authorities to support them whole heartedly. Reduction in these major areas will make the domestic soap industry more competitive and it will compete with the multinational brands in a fierce manner.

**8. Technology up gradation:** The local soap industry used traditional ways to produce the soap. The machinery which was used in 1980's and 1990's is still in operation. The industry must adopt to the modern technology because advanced technology will lead towards advanced manufacturing. It can be only possible if Government waives duty on the imported machinery of soap as it previously gave benefit to the textile sector of the country.

**9. Establishment of Formal industry Association:** Faisalabad Soap Manufacturing Association (FSMA) is the major representative of the soap sector industries of Faisalabad. At present, there is a lack of trust and unity in the association. The association is divided in many sectors because of different groups have different personal

requirements. Individualism is dominant in the association. Pakistan soap manufacturing association (PSMA) has different issues to FSMA hence there is a need of a formal association because problems of Punjab are not the same as problems of Karachi.

**10. Networking of firms:** Faisalabad soap industry is lucky to fall in the category of organized cluster but it is lacking in networking of firms at a large scale. Faisalabad is equipped with modern dry port and transportation means but still in networking it faces some issues. Networking with International bodies is also one of the major issue in its uplift. US AIS and UNIDO do regular projects in Faisalabad and surroundings but it never forms a network with soap industry. Resource insufficiency is also one of the major hurdles in networking. There is not even a single work which is outsourced. Every firm keeps its secret within its boundaries..

**11. Linkages of firms with benchmarks:** There is a need for SME producers of Soap to develop close linkages with industry benchmarks. At present, there is only Gai Soap which is the benchmark of the soap industry others are far from their standards in terms of quality and standard. Gai soap has been kind towards the small soap industry development but the small sector is divided in various groups and they could not enjoy the favor from the benchmark industry. Benchmark linkage is one of the ways to develop the industry otherwise the small scale SMEs will not survive in the competition of quality and price.

**12. Trend setting is the need of time:** Customer awareness and change of trend are the major challenges which must be coped up to survive in the current market situation. Detergent liquid and hand wash are the major items which are in the market to satisfy customer taste. For the change in trend the soap industry must be well equipped in technology and technical knowledge. Traditional production of soap cakes is not the future oriented product at one stage the small industry must look for it. Countries like Thailand and Malaysia have developed their soap sector on the basis of liquid soap and they are well established not only in their country but also in the foreign market.

## Conclusion

The soap industry around the world is improving at a rapid pace. Faisalabad (Pakistan), the biggest producer of soap hub in the country is far behind in the global market.

The papers outcome is based on the processes involved in value-chain and highlights the potential that Faisalabad soap industry can achieve competitive advantage and can be a dominant market force in the global competition. It has all the guts to compete with the high value multi-national products. Moreover, the value chain of Faisalabad soap industry contains two main activities i.e. primary and support activities which help an industry to add value but unfortunately with the above discussion these activities are not mature to achieve core-competency in the global soap market with various hurdles restricting it to prosper.

And lastly, this paper is just a tip of an ice berg in highlighting the factors, which are affecting the development of supply value chain of Faisalabad's soap manufacturing industry.

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