

Assessment of Marketing Challenges and Opportunities of Ethiopian Tanneries in Addis Ababa

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ADDIS ABABA UNIVERSITY SCHOOL OF GRADUATE STUDIES

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BY; SEYFEDIN NUREDIN

A THESIS SUBMITTED TO;

**THE SCHOOL OF GRADUATE STUDIES OF ADDIS ABABA UNIVERSITY IN A
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MASTERS OF ARTS IN MARKETING MANAGEMENT EDUCATION IN THE
DEPARTMENT OF BUSINESS EDUCATION**

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ACRONYMS

ADLI	Agricultural Demand-Led Industrialization
CSA	Central Statistics Authority
FAO	Food and Agriculture Organization of the United Nations
ELIA	Ethiopian Leather Industries Association
EU	European Union
GTZ	Gesellschaft für Technische Zusammenarbeit
IHATIS	International Hide and Allied Trades Improvement Society
ILRI	International Livestock Research Institute
LLPTI	Leather and Leather Products Technology Institute
LMA	Livestock Marketing Authority
MoA	Ministry of Agriculture
MoTI	Ministry of Trade and Industry
NBE	National Bank of Ethiopia
PASDEP	Plan for Accelerated and Sustained Development to End Poverty
TBoARD	Tigray Bureau of Agriculture and Rural Development
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industry Development Organization

ABSTRACT

The Leather and leather sub-sector occupied a place of importance in the Ethiopian economy with a potential for employment, development and as a source of foreign exchange. There are large and diversified numbers of livestock population which make the sector more competitive in both local and foreign markets. These and other related opportunities are not properly utilized due to lack of effective marketing integrations and sustainable quality raw materials. Measures to resolve these challenges were limited because of less emphasis given to continuous marketing research. The objectives of the study were to assess the existing marketing opportunities and challenges of the Tanneries and identifying and analyzing both domestic and export marketing problems with the aim of increasing marketing capabilities in both domestic and export market.

The study was conducted based on the data gathered from 10 tanneries found in Addis Ababa and the available relevant secondary data with the aid of close-ended and open-ended questionnaire. The analysis of the marketing challenges and opportunities was made with the help of explanatory description and SPSS software tools. Efforts were made to uncover the existing marketing opportunities and challenges of the tanneries. In addition, overall problems related to the marketing mix variables of the tanneries were also identified and analyzed. Furthermore, activities carried out by the company to overcome some of the challenges were mentioned. Regarding to the marketing opportunities; Ethiopian's endowments in high livestock population, institutional supports and the growing demand for leather products in the world market were identified. On the other hand, the study revealed the poor quality raw materials supplied to the tanneries, the low demand for finished products in export markets and other related problems as major marketing challenges. Promisingly, attempts were made to tackle these problems by hiring skilled man power and importing technology to produce competitive products. Therefore, to increase the success and competitiveness of the tanneries in both local and foreign markets, identifying the right target markets, improving the quality and sustainability of raw hides and skin, facilitating backward integration and marketing chain coordination, harmonizing the flow of products, using integrative marketing communications and preventing environmental pollutions were recommended.

CHAPTER ONE

INTRODUCTION

1.1 Back ground of the study

The emergence of modern tanning in Ethiopia dates back to 1918 and 1927 with the establishment of ASCO and Darmar Tanneries, respectively. Between 1954 and 1976, Dire, Mojo and Combolcha tanneries were established. (Darge, 1995 as cited in Ahmed, 2000)

Ethiopia possesses one of the largest populations of livestock in the world, i.e. 41 million cattle, 25 million sheep and 23 million goats. However, the resource is not fully utilized and only 2.7 million hides, 8.1 million sheep skins and 7.5 million goat skins are sold to the market. (MOTI, cited in The Embassy of Japan in Ethiopia, 2008)

Leather is one of the main industrial sectors in Ethiopia and has been given high priority in the export development strategy as well as in the industrial policy of the Government. The United Nations Industrial Development Organization (UNIDO) has provided long-term support to the leather sector in Ethiopia and this has, in the past, encompassed capacity building support to the establishment of the LLPTI and the provision of equipment and advisory services. The ongoing project aims at promoting the private sector with reference to the leather sector, through a service structure able to strengthen its capacities and to become a factor of competitiveness. It also aims at building basic managerial and operative capacities of the LLPTI, providing services and related activities, assisting the LLPTI in the launching of its first training courses and supplying technical assistance in relation to the management of its plants. (UNIDO EVALUATION GROUP, 2008)

Ethiopia has a well-established tanning industry that is supplied by ample raw materials from the large national herd. The export of semi-finished leather (and more recently some finished leather) is important and leather is the 4th largest export commodity of the country. In the past, UNIDO has given considerable assistance to the Leather and Leather Products Industry (LLPI) in the form of upgraded effluent treatment plants for tanneries, machinery and equipment installation for shoe and leather goods factories and a raw hides and skins improvement

programs. The assistance of UNIDO during this previous co-operation contributed to the tanning industry evolving from being a producer of semi-finished products to one of producing finished leather. This in turn allowed the manufacturers of leather products to produce quality products that were more in line with market demand. The tanning industry is the backbone of the sector while the leather products and footwear sub-sectors are still in their early stages. In its Export Development Strategy, the Government has identified the leather and leather products manufacturing industry as having high value added items that could have a significant contribution to the economic development of the country. (UNIDO EVALUATION GROUP, 2008)

Ethiopia's development goals are laid down in the Plan for Accelerated and Sustained Development to End Poverty (PASDEP) and its industrialization goals are set out in the Industrial Development Strategy. PASDEP is the country's second poverty reduction strategy paper, drafted for the five-year period 2005/06-2009/10. It has a much more explicit focus on private sector development, competitiveness, and growth than its predecessor. The Industrial Development Strategy, which was approved in 2002, is regarded as the country's first-ever comprehensive industrial development strategy. It recognizes the need for deep institutional reforms of the national institutional system, which is characterized as non-transparent, bureaucratic, anti-democratic, etc. The Plan spells out how "developmental" enterprises are to be supported. (Altenburg, 2010)

Given the limited size of local markets and the need to generate foreign exchange, there is a clear focus on export industries. Export-led industrialization is also one of the lessons the government has learnt from the successful development of Taiwan and Korea. Again, the main emphasis is on high-value agriculture (horticulture) and agro-processing industries (leather products). Export industries benefit from favorable land lease rates, soft loans, tax incentives, subsidies for participation in trade fairs and international missions, and other services. Differential interest rates are offered for different products. Today the sector consists of 800 registered hides/skins traders and about 6,000 tanneries and leather goods factories (World Bank Group 2006). Until recently, foreign investment in leather tanning was not allowed, and only in the last two or three years has foreign investment in tanneries and footwear production got underway. (Altenburg, 2010)

1.2 Statement of the problem

The Leather and leather sub-sector occupied a place of importance in the Ethiopian economy with a potential for employment, development and as a source of foreign exchange. Since they have considerable economic significance, much effort is required to improve their capability by understanding the existing marketing challenges and opportunities. Particularly, the quality and sustainability of raw materials supplied to the tanneries should be ensured to satisfy the domestic and foreign markets. The limited studies conducted in the leather industry indicated poor competency, inefficient resource utilization, low quality raw materials and others. However, there is no detail study on the current marketing attributes of the tanneries.

Therefore, this study is designed to assess areas related to the marketing challenges and opportunities of the tanneries that can play a great role in identifying, targeting and positioning the company offers.

1.3 Objectives of the study

General Objective:-

To assess the existing marketing opportunities and challenges of the Ethiopian Tanneries in Addis Ababa

Specific Objectives:-

- ✓ To analyze the marketing practice of tanneries in Addis Ababa to tap the domestic and export market.
- ✓ To identify and analyze both domestic and export market problems.

Thus, the following questions were addressed by the research: -

- ❖ What are the types of product mix of tanneries and their market destinations?
- ❖ What are the marketing challenges and opportunities of the tanneries?
- ❖ How the marketing mix of the tanneries look likes?

1.4 Rationale of the study

Change is a fact of life for all people, including marketers. The firm may face different challenges due to changes in consumer tastes and expectation, technological development, political and legal environment, competitors' actions, economic and social – cultural trends, as well as pressure from suppliers and distributors. But, in addition to anticipating different challenges, marketers need to be flexible and able to convert these challenges in to opportunities.

The type of the product the company will offer the channel in which the firm distributes its product, the price level in which the company will set and the promotion mix that the firm will use to reach its customers is highly depends on the market opportunities and challenges.

Hence, this situation of relative importance of the subject initiated the present study. Therefore, this study designed to assess the marketing opportunities and challenges of the Ethiopian tanneries and to pave the way for the management in utilizing the comparative advantages and minimizing /if possible eliminating/ the existing obstacles of the companies in particular and the sector in general

1.5 Expected contributions of the study

The expected contributions from this study were the following:

- ✓ Anticipating future marketing events and conditions in determining the best way to achieve organizational objectives.
- ✓ Implementing planning activities devoted to achieving marketing objectives of the Ethiopian tanneries.
- ✓ Facilitating for the effective formulation of the marketing strategy for Ethiopian tanneries.
- ✓ To serve as inputs for other companies who are engaged in leather industry.
- ✓ Finally, the finding of this study also expected to contribute to the national revenue of the country as a whole.

1.6 Scope of the study

This research attempted to identify the major local and export marketing challenges and opportunities of the tanneries. The study was conducted based on the data gathered from 10 tanneries found in Addis Ababa and the available relevant secondary data through the aid of close-ended and open-ended questionnaire with the aim of increasing marketing capabilities in both domestic and export markets. In addition, institutions involved directly or indirectly with hides and skins which are the core products of the tanneries, have been assessed to generate relevant data. Furthermore, the study intended to provoke discussion and supply of data on the existing marketing opportunities and challenges of the tanneries which contribute towards future policy and decision making.

1.7 Limitations of the study

The study was conducted in specific are (a case study in a selected (10) tanneries). Thus, the finding of this study cannot be understood as a generalization to all other tanneries available in the country. However, the recommendation made based on the finings can be used as a source of information for all stakeholders.

In general, inconsistency of data on the same issue, lack of specific and sufficient data on the marketing circumstances, poor cooperation of the firms to provide satisfactory data and information were the major drawbacks of the study.

1.8 Organization of the study

With the scope of the study as elicited above, this study was organized systematically to demonstrate the facts in the most comprehensive manner. The entire effort would include five chapters organized as follows. Chapter one incorporated an introduction consisting of background, rationale, statement of the problem, objectives, scope, significance and limitation of the study. The second chapter demonstrate the methodology used in conducting the study. In chapter three the review of related literature presented. Data analysis presented on chapter four. Finally, the conclusions of the study and the possible recommendations based on the finding were presented in chapter five.

1.9 Operational definitions

According to Rosenstein (2010), **Tanning**, which transforms perishable raw skins and hides into durable leather, derives its name from the use of the tannic acid found in tree bark. Tanning requires the scraping of hair and epidermis from skins, which are then impregnated by soaking in a tanning solution made of water and tanbark.

Leather, generally, is made from hides and skin of animals. Therefore, leather industry depends on the availability and supply of hides and skin, which are obtained from livestock animals such as cattle, sheep, goats and pig. **Hides** are gotten from large mature animals, **skin** are obtained from small animals while **kips** are skins of immature animals (Aganga, 1985 cited in Akanni and Yibrale, 2008)

Tanning leather involves a process which permanently alters the protein structure of skin so that it cannot ever return to raw hide. Making raw hide does not require the use of tannin and is made simply by removing the flesh and fat and then the hair by way of soaking in an aqueous solution (often called liming when using lime and water or bucking when using wood ash (lye) and water), then scraping over a beam with a somewhat dull knife, and then leaving to dry, usually stretched on a frame so that it dries flat. The two aforementioned solutions for removing the hair also act to clean the fiber network of the skin and therefore allow penetration and action of the tanning agent. (Answer.com)

CHAPTER TWO

RELATED LITERATURE REVIEW

2.1 Types of tanning

- **Mineral tanning :-** Mineral or chrome tanning is performed on skins which will be used for softer, stretcher leathers, such as those found in purses, bags, briefcases, shoes, gloves, boots, jackets, pants, and sandals. Hides which are tanned with minerals are pickled first in an acid and salt mixture. From there, hides are soaked into a chromium-sulfate solution. This process is much faster than vegetable tanning, and is usually a 1-day project. (http://www.essortment.com/all/leathertanning_rdcu.htm5\)
- **Vegetable Tanning:-** Hides which have been tanned with a vegetable tanning agent solution produce flexible, but stiff leathers, such as those used in luggage, furniture, leashes, belts, hats, and harnesses. Vegetable tanning consists of stringing hides on large frames, located inside large vats, and exposing them to tannin, a natural product found in the bark, wood, leaves and fruits of chestnut, oak and hemlock trees. Hides are transferred to many different bins during this step, each containing a stronger solution of tannin. Vegetable tanning prevents the skin from decay and shrinkage. (http://www.essortment.com/alleathertannin_rdcu.htm5\)
- Vegetable tannins are obtained from the bark, wood, roots, leaves, fruits and growths of certain plants. In the past, the bark of oak and spruce trees was widely used in Europe and occasionally willow bark. Vegetable tannins can be classified by origin: barks, type of wood, fruit, leaves and gallnuts. (<http://www.kb.nl/cons/leather/chapter1-en.htm>)
- **Aldehyde tanning:-** For the manufacture of chamois leather, skins are kneaded with fish oil, a procedure nowadays carried out in a vat. In the past this was done with pounders, usually driven by a mill or by foot. After being kneaded (12-36 hours) the skins are stacked in a warm place (35-40 °C) and turned from time to time. The resulting oxidation generates heat which in turn releases acrolein (an aldehyde) that is bound by polymerization to the skin fibers. Superfluous fish oil is then removed. Because it is washable, chamois leather was used from a very early time to make clothing. It was generally made from sheepskin but the

skins of red deer, roe-deer, reindeer and goats are also suitable. For the manufacturing of chamois leather the grain has to be removed. (<http://www.kb.nl/cons/leather/chapter1-en.htm>)

- **Synthetic tanning (syntans):-** The rise of the chemical industry has led to the development of synthetic tannins. The different types of synthetic tannins are classified according to their usage. Some are suitable for pre-tanning, others as combination tannins (used together with other tannins), replacement tannins, retannins, and tannins to shrink leather, tannins for producing alum-tawed leather, and tannins with a bleaching, dispersive or neutralizing effect. (<http://www.kb.nl/cons/leather/chapter1-en.htm>)

2.2 Leather manufacturing process in the tannery

Depending on the type of hide used and the desired end-products, the steps taken during tanning can vary greatly. Castillo and Rao, (2003) subdivided the leather manufacturing process in the tannery as follows:-

- (1) **Raw hide salting and classification:-** The raw hides, which come from local slaughterhouses, are salted- cured to prevent microorganism attack and putrefaction and make the hides storable for a prolonged period. After the curing process, which takes about 2 weeks the hides are inspected and classified according to four different grades.
- (2) **Soaking and Liming:-** The salted hides are soaked and limed to clean the hide, remove salt, dung, blood and dirt and protect the hide from bacteria. The liming process removes the hair. The hides are then swept free of salt and placed in wooden drums filled with water and chemicals including liming agents for about 22 hours. After this process the hide is called limed pelt.
- (3) **Fleshing and Lime splitting:-** In this process the pelt is put into huge fleshing machines with a sharp blade that scraped off the fats, muscle, connective tissues after which the pelt is paid out on a conveyer belt and excess fats and flesh were trimmed physically by two workers.
- (4) **Chrome tanning:-** This process converts putrecible hides into stable material called leather. The pelts are placed on wood lined drums and treated with chrome sulphates and basifying agents that reduce the acidity. After this process, which takes 24 hours, the leather is called wet blues.

(5) **Sammying**:-This process reduces the water content from 70 % to 50-55% by feeding wet blues into a machine containing two opposing rollers which squeeze water from the hide and partially stretch them.

(6) **Chrome splitting**:-The chrome splitting machine has a sharp band knife blade which cuts horizontally through the leather separating it into (a) grain or upper layer and (b) flesh split or lower layer.

(7) **Shaving**:-Here the hide's thickness is made even by a machine having shaving knives fitted on a roller which shave leather that exceeded specified thickness.

(8) **Wet blue sorting**:- where leather is categorized into different categories

(9) **Retanning**: - where wet blue leather is placed on wooden drums filled with mixture of water and chemicals, including tanning oil and dyes

(10) **Sammying**/setting out reducing moisture and stretching. [This process reduces the water content from 70 % to 50-55% by feeding wet blues into a machine containing two opposing rollers which squeeze water from the hide and partially stretch them. /Dr. Olivia la O' Castillo and Dr. Purba Rao, (Nov, 2003)/].

(11) **Vacuum drying/Hang drying**. [Drying:- after tanning and dyeing in a bath, the moisture content of the leather is about 65-70%. This must then be lowered to around 15%. When leather is being dried care must be taken to allow the water molecules to evaporate while leaving the fat molecules in place. Leather can be dried in a variety of ways. Formerly it was hung in drying lofts fitted with shutters and sometimes there were several such floors (drying towers). Leather liable to heavy shrinkage (particularly chrome-tanned leather) is pegged out on stretching frames and tunnel-dried. / <http://www.kb.nl/cons/leather/chapter1-en.html/>]

(12) **Staking /Dry milling and toggle drying**. [Staking: - While the leather is still damp it is flexed from the middle to the sides with a blunt knife on a flat table. This makes the leather flatter and larger and improves its softness. Nowadays this is usually done by machine with blunt, rotating blades of a working cylinder. / <http://www.kb.nl/cons/leather/chapter1-en.html/>]

(13) **Crust sorting and trimming**

(14) **Finishing.** [**Finishing:**-After it has gone through all previous processes the leather is ready to be given a finishing touch: as meant to smooth the color of the grain, to make the leather pleasant to the touch, to adjust the dry finish or a finishing coating (the finish). A finishing coating may embellish the leather without affecting its character, but it can also be so thick as to make the leather look like imitation leather. On the whole the dry finish reflection characteristics of the leather, to smooth away any blemishes, and to protect the sensitive grain from damage. (<http://www.kb.nl/cons/leather/chapter1-en.html/>)

2.3 Historical development of leather and leather product

The history of livestock production and the hides and skins they provide are inextricably linked with the history of human development. It is likely that humans have always exploited animals for various purposes. Initially perhaps, wild animals would have been killed simply to prevent those attacking settlements. Later, they would have been hunted or trapped to provide food, fuel for lighting and other materials for tools and clothing. The first attempts to use hides and skins must have been quite crude and may have involved no more than collecting the hair, fur or wool and using it to form soft bundles to make mattresses and pillows. Larger numbers of better quality hides and skins probably started to become available with the domestication of livestock during the Stone Age (Leach, 1995 cited in Berhe, 2009).

Leather and the leather industry have been around a long while - there are those who claim it is the second oldest profession in the world. Going back a few millennia, when our earliest ancestors decided that sitting on hard rock wasn't a soft option, they turned to other materials to create more comfortable seating, as well as warmer bedding and some more acceptable form of clothing to go out in. Animal skins became the fabric of choice and, at some time or another, they discovered that various treatments applied to the raw hides and skins helped to stop the destruction, through bacterial action, of the by-product of their food supply. (Courtesy of World Leather Magazine)

Leather is made from animal skin, generally the skins of mammals. Evidence that prehistoric man used skins or leather comes from tools and images on rocks and cave walls. Sometimes prehistoric leather objects are found: a 6,000 year-old leather bowl, a 4,000 year-old shoe from

the Buinerveen (the Netherlands) or leather items belonging to a man who lived in the Alps some 5,000 years ago. (<http://www.kb.nl/cons/leather/chapter1-en.html>)

The reputation of the leather industry across the centuries could be described as one of tolerated usefulness, with a wonderful end product. As the industry enters the 21st Century, it is now recognized as a major industry of great economic importance on an international scale. Yet there are those who still wish to tar it with a negative brush, unwilling to recognize it as a modern, even high tech, sector. The industry, as well as its national and international associations, needs to make the public aware of just how seriously it takes its responsibilities while producing a host of products in one of the world's finest natural materials. As the last century came to a close, the worldwide industry had gone through a period of fundamental change. The enactment of environmental legislation in countries across the world had become faster, stricter and more restrictive. It was applied to industry in general and in some cases to the leather sector in particular. Those tanners who could not cope with the new legislation went out of the industry, those who remained invested heavily in order to meet new standards and prosper. Machinery builders introduced new technology to the advantage of the leather producers and the result has been the creation of an industry which, in general, can be proud of its achievements. . (Courtesy of World Leather Magazine)

To those who work in the sector, it may seem trite to remind people that the raw material of the leather industry is based on the premise of turning the food industry's waste product into a desirable, useful and sustainable range of end products. Despite this truism, there are vocal minorities who wish to disseminate the idea that the tanning industry rears cattle for their hides. Whilst it is also a truism that the hide dealer and tanner prefer to receive raw material in the best condition, those same campaigners try to create the notion that the leather industry has some responsibility for bad farming and husbandry methods. The fact that poor raw material is exactly what the industry does not want escapes them. The international leather industry even has its own organization, IHATIS, the international hide and allied trades improvement society, with the sole purpose of promoting better animal welfare and food preparation methods in order that the food and agriculture industry appreciates that its waste by-product has a value. [It is worth reminding national associations in the supply chain of the leather industry that it behaves them to

be active members of IHATIS in the new world of instant communications.](Courtesy of World Leather Magazine)

Critics who target the raising and husbandry of livestock and the meat industry in general blithely ignore the realities of different cultures and the needs of developing countries. In many of the world's poorest economies, domesticated animals - cattle, goats and sheep - frequently represent the wealth and well being of local populations. Sustaining those animals is of crucial importance, even to being the line between living and starvation. In the year 2000, for instance, the havoc in Mongolia wreaked by the failure of the rains and the resultant lack of grazing has been devastating, with the loss of hundreds of thousands of animals. The drought has effectively crippled the country's people and economy. Those who target the food and leather industry, damning businesses which trade at any level in both sectors, often justifying their arguments and actions on isolated instances of poor or unacceptable practice, should beware the consequences of their actions in their zeal to promote a lifestyle based on a world without meat, dairy products or leather. (Courtesy of World Leather Magazine)

2.4 The environmental considerations of the leather industry

Significant steps have been made by the global leather industry with regard to environmental matters. In the manufacturing stages, a high level of quality control ensures that the best use is made of hides and skins and the chemicals required in their conversion into leather. Overall chemical and water use has thus been reduced, reducing the level of waste for treatment. Many new techniques have evolved specifically to reduce pollution before any form of treatment. Specifically JIT techniques and alternative methods of preservation are used to reduce the use of salt for preservation. Biotechnology is employed in process to reduce the levels of chemicals and energy used. There has been a significant move away from non-biodegradable products, and the phasing out of products suspected of causing environmental damage. Pollution is also being reduced by making use of previous wastes as a source of new raw materials. Hair, off-cuts, and other manufacturing wastes are being converted in fertilizers, added value products and energy. Products that were not taken up in processing, such as residual chromium from tanning, are being reprocessed to create new tanning materials. Even waste waters from some sections of

manufacture are being recycled and used again within manufacture. (Courtesy of World Leather Magazine)

The industry is strongly regulated regarding emissions such as waste water, solid wastes and air emissions. Comprehensive effluent treatment systems ensure that waste water discharge limits set by relevant authorities are met. Treated effluents are scrutinized by regulatory authorities, and every tannery needs to meet stringent discharge parameters to both surface waters and sewers. Any solid wastes for landfill from direct manufacture, or from treatment of effluents, are also regulated. Disposal is carefully controlled, with emphasis on alternative uses with gasification techniques and energy generation moving to the fore. Air emissions have also been closely addressed. The use of solvents has plummeted over the last ten years, being replaced by newly developed water based auxiliaries. For degreasing operations, solvents have been replaced by aqueous degreasing technology. Odor, overspray and air borne particles can all be treated by specialized extraction, chemical and biological treatment systems. The industry is proactive in addressing environmental issues and in investments in clean technology. The use of best available technology continues to reduce the use of water, chemicals and energy in process, convert waste into new raw materials, and treat residual waste to international standards. (Courtesy of World Leather Magazine)

2.4.1 The issue of chrome

The use of chromium in the leather industry merits a separate article on its own, and this is planned for a future issue. However, as part of the overview of the industry, the use of chrome is also considered. Chromium III salts are used extensively in the tanning process. Approximately 90% of the leather manufactured is tanned using chromium III. This is because chromium is the most efficient and versatile tanning agent available and it is relatively cheap. It has been used in the leather industry for almost 100 years and when it was introduced as an alternative to vegetable tanning extracts from oak bark and similar sources, it heralded a new era for the leather industry. It reduced the time taken within the tanning process from months to days, and offered leathers with properties that were previously unattainable - for example tolerance to heat - without which it would be almost impossible to make leather shoes by mechanical means. (Courtesy of World Leather Magazine)

The leather industry only uses chromium in its safest and most stable form - chromium III. However, due to misconceptions about chromium and a failure to recognize the distinctions between chromium III and chromium VI, which is generally understood to be toxic, the tanning industry has often been placed under unwarranted pressure by regulatory bodies with regard to both the use and disposal of chromium and chromium-containing materials. Chromium VI compounds are not used by the tanning industry. The toxicity of chromium III is similar to that of common salt, and standard chemical references quote: "Chromium III compounds show little or no toxicity." Much of the chromium III used in the tannery is recycled or reused, and most of the chromium III which enters the tannery waste streams is removed on-site by precipitation as the insoluble chromium III hydroxide which may then go to landfill. Chromium will only exist in the environment as chromium III. In soil, chromium VI is rapidly reduced to chromium III by its oxidative action upon organic material. (Courtesy of World Leather Magazine)

2.4.2 The aesthetics of leather

In matters of taste, the consumer is king. It is for the international industry to continue to show ingenuity and innovation to meet the desires, needs and demands of the consumer, whether in footwear, clothing, upholstery and furnishings or leather goods of every description. It is also a matter for the leather industry at large to be conscious of the fact that there are always alternatives. To remain competitive in the world market - and competitive in this instance includes subjective concepts as well as objective measurement, every link in the leather chain has to remain vigilant, manufacturing to the standards the public is entitled to expect in the 21st Century. (Courtesy of World Leather Magazine)

2.5 An Overview of Ethiopian Leather Industries

2.5.1 Historical Development of Hides and Skins Marketing in Ethiopia

The emergence of modern tanning in Ethiopia dates back to 1918 and 1927 with the establishment of ASCO and Darmar Tanneries, respectively. Between 1954 and 1976, Dire, Mojo and Combolcha tanneries were established. (Darge, 1995 as cited in Ahmed, 2000)

Ethiopia has a huge livestock population consisting of cattle, sheep and goats. Hides and skins are one of Ethiopia's most important export products. Already in 1928, the country's first tannery and shoe factory was established. The Derg banned exports of raw hides and skins, forcing tanneries to move up the value chain and to export semi-processed products. These became Ethiopia's main manufactured export product, accounting for 74% of all manufacturing exports in 2002 (Ethiopian Economic Association 2005, 24). Exports of semi-processed leather as well as finished leather products, such as shoes and bags, have grown steadily, reaching an annual average of US\$ 83 million in the period 2004/5 to 2007/8 (ecbp 2009). Today the sector consists of 800 registered hides/skins traders and about 6,000 tanneries and leather goods factories (World Bank Group 2006). Until recently, foreign investment in leather tanning was not allowed, and only in the last two or three years has foreign investment in tanneries and footwear production got underway. (Altenburg, 2010)

The traditional method, which was dominated by ground drying, sun drying, bathing/soaking of hide, pole drying, smoking and pegging of sheep and goat skins on walls, shifted to frame drying of hides and skins. Consequently, two categories were developed, "butchery" for Addis Ababa slaughterhouse hides and "non-butchery" for hides obtained from other sources. A differential price scheme was set for the two categories so as to promote the production and supply of better quality raw material and to discourage the improperly preserved hides from reaching the central market. These achievements were attained as the result of the activities of the Livestock and Meat Board (LMB), including the employment, training and assignment of improvement technicians for hides and skins at potential provinces, preparation of hides and skins (H&S) preservation manuals, establishment of market centers, monitoring the construction of slaughterhouses and drafting H&S regulations. (Ahmed, 2000)

The Second Livestock Development Project (1973 - 1981) was aimed to improve the livestock marketing infrastructure and quality of HS, has played a significant role in establishing the HS extension and regulatory service. The project's major achievement was the construction and supervision of 58 slaughterhouses with attached HS sheds throughout the country and the deployment of staff for the HS improvement and monitoring. To facilitate the trading of HS, Legal Notice No. 433 of 1973 was brought into law by the Ethiopian Standard Authority (ESA). The Ministry of Agriculture (MOA) was delegated by ESA to implement the standards. The MOA issued its trade regulation Legal Notice No. 25 of 1975 to regulate and license HS traders and their premises, to conduct routine inspections and to provide certificates for raw hides, skins and pickled products destined for local and export markets. (Ahmed, 2000)

The leather and leather products sub-sector is one of the most promising manufacturing industries in Ethiopia. Due to its strong backward linkages with the rural economy, it has considerable potential for poverty reduction. To date it has created about 10,000 jobs in the formal industry (ecbp 2009), plus a much greater number in informal handicraft and trading activities. (Altenburg, 2010)

Already in 1994, six state-owned enterprises formed the Ethiopian Leather Industries Association (ELIA), which today is an industry association with 43 members, including basically all large tanneries and leather product manufacturers. ELIA organizes specialized trade fairs and exhibitions and helps to match export deals with foreign customers. (Altenburg, 2010)

In 1998 the Ethiopian Leather and Leather Products Technology Institute (LLPTI) was established, with support from the Italian government. LLPTI is now the main service provider for tanneries and the leather processing industry. It provides consultancy and training in areas relevant to the industry, including factory management, marketing and branding, effluent treatment, and laboratory testing of quality parameters. In 2009 a benchmarking programme was set up to work more systematically on productivity enhancement. (Altenburg, 2010)

LLPTI also offers standard training modules for the many hundreds of micro and small producers in the country. The Institute is expected to recover 25–30% of service costs from user fees. To encourage exports, the National Export Development Committee, chaired by the Prime

Minister, sets export and productivity targets. These are negotiated with large enterprises – both private and state-owned – on a case-by-case basis, and individual targets are agreed upon. Participating companies benefit from a range of government incentives – e.g. tax holidays for exporters and tax-free import of machinery – and support services. In 2004, the government offered land for an industrial zone. In it the military built semi-constructed plants, which were handed over free of charge to producers on the basis of business proposals (Redi 2009 as cited in Altenburg, 2010).

Moreover, the Engineering Capacity Building Programme has been mandated to design and implement, in collaboration with the major partners and stakeholders, a leather value chain upgrading programme which addresses problems simultaneously and in a coordinated manner. The programme consists of ten work packages including an ecto-parasite control programme for livestock, investment promotion and matchmaking services to attract foreign buyers support for international exposure of Ethiopian firms, firm level support for productivity improvement, introduction of quality management systems, and capacity building for ELIA and LLPTI, among others. The programme includes a twinning arrangement between LLPTI and German leather technology centres. In parallel, UNIDO is assisting the government in promoting synergies among the small footwear producers and traders in local clusters such as Mercato. All these activities taken together, the government offers a quite comprehensive and reasonably integrated sector strategy. (Altenburg, 2010)

2.5.2 Unique Features of Ethiopian Hides and Skins

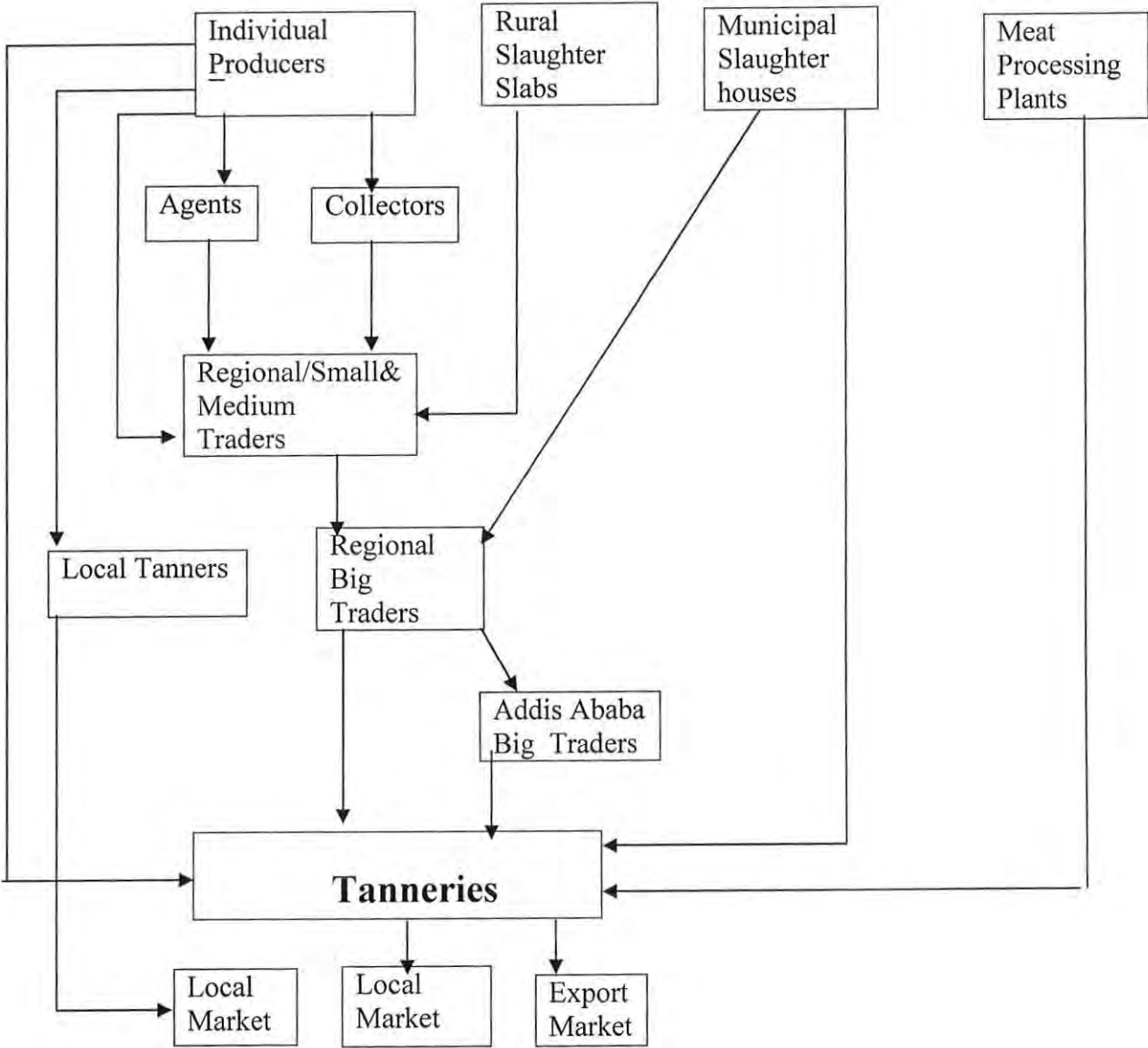
Ethiopian HS have good reputations in the international leather market for their unique natural substance of fitness, cleanness, and compactness of texture, thickness, flexibility and strength. The cattle hides, identified as “Zebu type”, are popular for their fine grain pattern and fiber structure that are well suited for the production of quality upper leather. The highland sheepskins known as “hair sheep/selale type” are considered to be the world’s finest and have a highly compacted texture. They are excellent raw material for high quality leather for dresses, gloves, sports gloves and other garments. This unique feature of the Ethiopian sheepskins enables them to fetch higher prices in the international leather market. Goatskins from the highlands are categorized as “bati-genuine” and those from the lowlands as “bati-type” in the international

market. “Bati-genuine” is associated with highest quality class goatskins in the world. The particular characteristics of Ethiopian bati-genuine goatskins are their thicker, highly flexible and clean inner surface and are known world-wide for being excellent raw material for producing high quality suede leather. (Ahmed, 2000)

2.5.3 Marketing of Hides and Skins

The marketing of hides and skins starts at the producer/consumer level and passes through a chain of middlemen until it reaches the tanneries (Fig.1). The market chain for raw hides and skins consists of the primary producers/consumers, who are the initial sources (individual meat consumers, rural slaughter slabs, municipal slaughter houses, abattoirs, meat processing plants), agents of traders, collectors, local tanners, regional medium/small traders, regional/Addis Ababa big traders and tanneries. The individual consumers who kill animals in their backyard sell the hides and skins either to agents, collectors, or directly to regional small/medium traders. After preservation by air-drying or wet salting, the hides and skins are passed on to big traders and then to the tanneries. The tanneries can be supplied directly from the slaughter premises, regional big traders or Addis Ababa big traders as well. The tanneries process the HS received from their suppliers either in the green (fresh), air dried or wet salted states to semi-finished or finished stages for both local and export markets. The market structure for raw hides and skins is illustrated in Figure 1.

Figure: 1. Market Structure for Hides and Skins



Source: (Ahmed, 2000)

2.5.4 Preservation of Hides and Skins

Hides and skins ready for market are preserved either by air-drying or wet salting. In areas like Addis Ababa where the tanneries are located close to the sources of the raw material, it is supplied directly to the tanneries in a fresh state without being preserved. Air-drying is the traditional system of preservation in Ethiopia, while wet salting was introduced to the country about two decades ago (Devasy, 1990). According to the 1990 National Leather and Shoe Corporation annual report, 77.8% of the hides purchased by tanneries in that year were air-dried, 4.4% wet salted and 17.8% fresh. Likewise, of the total sheepskins 14.4, 80 and 5.6% were air-dried, wet salted and fresh, respectively. With regard to goatskins that reached central market only 0.8% was fresh, 25.6% wet salted and 73.6% air-dried. At present, since the demand for wet salted raw material by tanneries has grown over the last two decades, the proportion of skins reaching tannery gates in wet salted form has shown a significant growth. It is estimated that 20% of the county's total hide supply is green/fresh, (from Addis Ababa Abattoir and slaughterhouses) and the remaining 80% air-dried. In the case of sheepskins, 8 and 92% are fresh and wet salted, respectively, while 2% of the total goatskins collection by tanneries is green, 75% wet salted and 23% air-dried. (Ahmed, 2000)

2.5.5 The Export Policy Issues in Ethiopia

According to the Ministry of Trade and Industry, the Federal Government Proclamation cited as the "Export Trade Duty Incentive Scheme Establishing Proclamation No. 249/200 I" introduced the export trade duty incentive scheme. The duty incentive schemes established for exporters are:

- a. Duty Drawback Scheme** - Under this scheme exporters are refunded 100% of the duty paid on raw materials or semi-processed goods used in the production of commodities upon exportation of the commodity processed. The duty includes all indirect taxes and duties paid on raw materials and semi-processed commodities imported or produced locally.
- b. Voucher Scheme** - A Voucher Book is a document prepared by the Customs Authority, which is used to import raw materials required to produce exportable products duty free. The voucher is issued by the Customs Authority based on the predetermined amount of taxes and duties by the Ministry of Trade and Industry based on the export plan and input-output

coefficient approved. The ministry of Trade and Industry issues the voucher entitlement certificate and determines the amount of voucher to be issued based on the export plan and input-output coefficient submitted by the exporter and transfers the same to the Customs Authority.

c. Bonded Manufacturing Warehouse - Beneficiaries of the Bonded Manufacturing Warehouse Scheme are producers wholly engaged in exporting their products who are not eligible to use the Voucher Scheme and who have license from Customs Authority that enables them to operate such warehouse. Persons that can be beneficiaries of the Bonded Manufacturing Warehouse Scheme are person who have fulfilled the following condition:

- Have manufacturing license;
- Have warehouse that has fully complied with all requirements provided for by Customs laws and regulations;
- That have paid allowances to the customs officials assigned in the warehouse and license fees as determined by law;
- Present evidence showing that they have insured the warehouse;
- That can provide their annual export plan showing the type, quantity and value of the products they intend to export during the year and the raw materials they import to use in such products;
- Submit input output coefficient;
- In addition to input and output coefficient submit a memorandum showing the amount of raw material wasted in the course of production process, the amount and type of by-product to be supplied to a foreign or local market, the input used out of the raw material imported in the production of the by-product in percentage, during the execution of the annual production plan. The execution of the Bonded Manufacturing Warehouse Scheme etc.

d. Cost Sharing Scheme - In addition to export trade duty incentive scheme, the ministry of Finance and Economic Development has issued a directive in June 2004, in which Government supports and encourages organizations engaged or planned to engage in export focused activities through cost sharing on salaries paid to foreign experts hired by these

organizations.

The directive is meant to exempt income tax to be paid on salaries of foreign professional and experts hired by these persons or organizations. The objective of the scheme is to support and encourage the managerial and technical skill capacity building efforts being done by expert focused organizations hiring foreign professional and exempting income tax paid on their salaries. The beneficiaries of the Government Cost Sharing Scheme shall be those persons/organizations engaged in the following activities:

- Those manufacturing industries like textile and garments. Leather and leather products. Agro-Processing, Meat and Meat Products. Fruits and vegetables. Handcrafts industries that are generating or capable to generate foreign currency earning by exporting their products;
- Those e creating added value to domestic products to produce inputs and semi-processed products like packing, zipper, buttons, labelling, etc and supply them to direct exporters;
- Those organizations on project stage hiring foreign experts for civil, mechanical and electrical engineering works and providing consultancy services who upon commissioning production hall export their products

2.5.6 Environmental issues in Ethiopia

Ethiopia is an ancient country participating crop cultivation for centuries. As a consequence and because of population growth coupled with changing climatic conditions over the past several decades, environmental degradation has drastically affected the natural resources and socio-economic infrastructure of the country. It is worthwhile to consider the environmental challenges of Ethiopia in the rural urban setting. Although, the industrial sector is said to be at its infant stage in Ethiopia, the few that are in and around the urban centers especially Addis Ababa, (the capital city), are releasing untreated effluent/discharge in to the stream and other water bodies. For example, the textile, **tannery**, and iron tools industries are polluting the environment of the Akaki river system and underground water south east of Addis Ababa. (Girma, 2000)

In addition, lack of sufficient environmental awareness concerning the linkage between environment and development in general, weak participation of the people and community based organization in environmental management activities are some of the environmental challenges

Ethiopia is facing now-a-days. Furthermore, the 1995 Ethiopian constitution and the national economy policy and strategy have recognized and give due importance to environmental sustainability. The overall policy goal is to improve and enhance the health quality of life of all Ethiopians and to promote sustainable social and economic development through the sound management and use of natural, human-made and cultural resources and the environment.

The objectives of the environment policy in particular are aimed at:

1. Ensuring that essential ecological process and life support system are sustained , biological diversity is preserved and renewable natural resources are used;
2. Improving the environment of human settlement to satisfy the needs of their inhabitants on a sustainable basis;
3. Preventing the pollution of earth, air and water;
4. Ensuring the participation of the people at all levels in environmental management activities ;
and
5. Raising public awareness on environmental issues

Major responsibilities for protection of environment are vested on the Environment Protection Authority, which is a federal government organ. There are also other organs of the government with one or more responsibilities relevant to the protection and management of environment and natural resources. Forest, soil, land and wildlife issues are under the jurisdiction of the Ministry of Agriculture (MoA). Ministry of Mines and Energy (MME) and Ministry of Water Resources (MoWR) are respectively responsible for mineral, energy, and water resource management. Cultural natural heritage's are under the Ministry of Information and Culture. The National Meteorology Service Agency which is an autonomous public office and accountable to the Ministry of Water resources handles ozone layer protection and climate change issues. (Girma, 2000)

2.6 Marketing related concepts

- ❖ **Marketing:-** is an organizational function and a set of process for creating, communicating, and developing value to customers and for managing customer relationship in ways that benefit the organization and its stakeholders. (Boone and Kurtz, 2008)
- ❖ **Marketing:-** is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. (American Marketing Association, 2008)
- ❖ **Today's global marketplace:-** Several factors have forced marketers – and entire nations- to extend their economic views to events outside their own national borders. First, international agreements are being negotiated in attempts to expand trade among nations. Second, the growth of electronic business and related computer technologies is allowing previously isolated countries to enter the marketplace for buyers and sellers around the globe. Third, the interdependence of the world's economies is a reality because no nation produces all of the materials and finished goods its citizens need or consumes all of its output without exporting some to other countries. Evidence of this interdependence is illustrated by the introduction of the euro as a common currency to facilitate trade among the nations of European Union and the creation of trade agreements such as the North American Free Trade Agreement (NAFTA) and the World Trade Organization (WTO). (Boone and Kurtz, 2008)
- ❖ **Social responsibility in marketing:-** Companies can do business in such a way that everyone benefits –customers, the companies themselves, and society as a whole. While ethical business practice are vital to a firm's long-term survival growth, **social responsibility** raises the bar even higher. In marketing, social responsibility involves accepting an obligation to give equal weight to profits, customer satisfaction, and social well-being in evaluating a firm's performance. In addition to measuring sales, revenues and profits a firm must also consider ways in which it has contributed to the overall well-being of its customers and society. (Boone and Kurtz, 2008)
- ❖ **The competitive environment:-** As organization vie satisfy customers, the interactive exchange creates the **competitive environments**. Marketing decisions by individual firms influence consumer responses in the market place. They also affect the marketing strategies of competitors. AS a consequence, marketers must continually monitor their competitors'

marketing activities-their products, distribution channels, price, and promotional efforts. (Boone and Kurtz, 2008)

- ❖ **Segmenting consumer market:-** Market segmentation attempts to isolate the traits that distinguish a certain group of consumers from the overall market. An understanding of the group's characteristics – such as age, gender, geographic location, income, and buying patterns- plays a vital role in developing a successful marketing strategy. In most case, marketers seek to pinpoint a number of factors affecting buying behavior in the target segment. (Boone and Kurtz, 2008)
- ❖ **Marketing mix's:-** It can be defined as blending of the four strategy elements –product, distribution, promotion, and pricing-to fit the needs and preferences of specific target market. (Boone and Kurtz, 2008)

CHAPTER THREE

METHODOLOGY

The Leather and leather sub-sectors played a significant role in the Ethiopian economy by creating job opportunities, increasing foreign exchange currency and different contributions in improving the livelihoods of the society. There are large and diversified numbers of livestock population which make the sector more competitive in both local and foreign markets. These and other related opportunities are not properly utilized. Measures to resolve the challenges were also limited because of less emphasis given to continuous marketing research.

Therefore, assessing the existing marketing opportunities and challenges and identifying and analyzing marketing problems with the aim of increasing marketing capabilities in both domestic and export market was required.

For the purpose of this study, exploratory research was used in assessing the marketing opportunities and challenges of Ethiopian tanneries because of its purpose to gain background information and better understanding of the marketing opportunities and to clarify the existing marketing challenges of the Ethiopian tanneries.

3.1 Population and sampling technique

For this study, a convenience sampling was used to select respondents from the population. Here, the population of this study was around 23 different tanneries who are the member of the Ethiopian Leather Industry Association and found in Addis Ababa. The study was conducted based on the data gathered from 10 tanneries found in Addis Ababa and the available relevant secondary data with the aid of close-ended and open-ended questionnaire. Due to capital and other factors, the researcher focused on around 44 % of the target population. To make the research more relevant the researcher attempted to include different stakeholders of the leather industry in gathering important data and some information.

3.2 Types and methods of data collection

The study was conducted based on the data gathered from 10 tanneries found in Addis Ababa and the available relevant secondary data with the aid of properly structured close-ended and open-ended questionnaire.

In this study both primary and secondary data were used appropriately. The primary data collected through a questionnaire and interviews with respondents (top managers, marketing supervisors and other stakeholders) during data collection phases. On the other hand, the researcher also collected Secondary data from government records, syndicated research service, industry publications and related online sources.

3.3 Methods of data analysis and interpretation

The analysis of the marketing challenges and opportunities was made with the help of explanatory description and SPSS software. To summarize the data collected through questionnaire, interview and secondary data, the researcher used tables, percentages and graphs depending on the nature of the data. Particularly, the findings of some other related studies were also discussed briefly in relation to this study.

CHAPTER FOUR

DATA ANALYSIS

Table 4.1 Demographic characteristics of the respondents

Item No.	Item	Description	Frequencies	%
1	Position/occupation	Managerial	6	60%
		sales	3	30%
		supervisor	1	10%
		Total	10	100%
2	Educational level	Master & above	1	10%
		First degree	6	60%
		Diploma	3	30%
		Certificate	-	-
		Total	10	100%
3	Gender	Male	9	90%
		Female	1	10%
		Total	10	100%
4	Age group	18-30	2	20%
		31-45	6	60%
		46 & above	2	20%
		Total	10	100%

Source: Survey data

As indicated in the first item of the above table, most of the respondents are managers which signifies (60%) of the total, others (30%) of the respondents are salespersons and the remaining (10%) of the respondents are engaged in supervising activities. Regarding to their educational level, most of the respondents (60%) are first degree holder and followed by that of (30%) diploma holders. The remaining (10%) of the respondents are master and above master holders. As shown in the third item, the greater (90%) of the respondents are males and the remaining

(10%) of the respondents are females. The age group of the respondents also mentioned in fourth item. As indicated in the above table the greater number (60%) of the respondents are under the age category of (31-45), the other (20% and 20%) of the respondents are under the age category of (18-30), and above (45) respectively.

Therefore, by considering the above demographic variables we can say that the respondents of this research are male individuals who are engaged in managerial position and their educational level is first degree and above, and their age level is between (31 & 45). So, most tanneries in Ethiopia used relatively matured and educated individuals to perform strategic activities.

4.1 Marketing mix related attributes of the Tanneries

4.1.1 Types of products manufactured by companies surveyed

In the survey, respondents were asked in open-ended question about the types of products they produce for local and foreign markets. The various responses of the tanneries are summarized hereafter. Only some tanneries able to produce finished leathers and the majority of them are engaged in supplying semi-finished hides/skins. These products are Pickled, Wet Blue, crust, finished leather, finished glove leather for drive, sport Leather for shoe upper and garment, finished leather for lining, Leather garments and articles. In addition, the types of products produced and exported by all Ethiopian Tanneries are presented on **annex: 1**

The main sources of hides and skins of the tanneries are in rural areas where the major proportion of slaughtering is carried out at the household level or in backyards that are not equipped with any amenities for undertaking and following proper slaughtering, ripping and flaying procedures. A considerable number of the raw material is derived from slaughter slabs constructed either by local communities, regional governments or hides & skins development projects. Municipal slaughterhouses, local and export abattoirs and meat and meat products processing plants are other sources of hides & skins. (Ahmed, 2000)

According to Yacob (2000), there has been a marked growth in the establishment of new private tanneries in Ethiopia since 1992, though many of them do not operate at full capacity due to shortages in raw skins and hides supplies. Most of the skins and hides exported are semi-

processed (as pickled, wet blue or crest). Finished leather goods and articles are produced mainly for the domestic market and to some extent for the export markets.

In addition, the study conducted by the Embassy of Japan in Ethiopia (2008) point out that; there are only a few factories with the capacity to process the finished leather and therefore, the low value-added semi-finished hides/skins account for the majority of exportation. Ethiopia depends greatly on the semi-finished hides/skins because the European market prefers semi-finished hides/skins and prices them higher than finished leathers. It is, however, unsustainable and vulnerable for the Ethiopian leather industry to depend on the low value-added semi-finished leather, which is normally less expensive than the finished leather.

The leather industry in Ethiopia produces hides, pickled sheep skins, wet-blue goat skins, crust and finished leather, and leather products such as footwear, garments, gloves, bags, wallets and travel goods. The industry enjoys a plentiful supply of high quality raw material, including the finest and most sought-after varieties of leather, including Cabretta (hardy breed of highland hair sheep) and Bati Genuine (high quality goatskin). The highland bred sheep produces a skin recognized worldwide for its tensile strength, elasticity, and flexibility that is used in the manufacture of gloves for fashion and sport. Bati derives from goatskins, and is thick, highly flexible and has a clean inner surface. It is used in the manufacture of the finest (and thinnest) suede for the garment industry. (<http://ethiopianleather.org/sector.asp>)

Table 4.2 Export destinations

Responses	Frequencies	%
Africa	2	20%
Europe	4	40%
Asia	3	30%
Others	1	10%
Total	10	100%

Source: survey data

In the survey, respondents were asked their major export destination and biggest market. As indicated in table 3.2, the majority (40%) of the respondent’s export destination is Europe, 30% of the respondent’s export destination is Asia and the remaining 20% &10% of the respondent’s

export destinations are Africa and other markets respectively. Therefore, we can say that Europe is the major export destination or target market for the Ethiopian tanneries.

In relation to this, the country has solidified its reputation for producing world-quality hides and skins, as evidenced by recent export growth. In 2006, Ethiopia exported a record 17 million tons of leather and leather products worth US \$81 million. Data from the first half of 2007 show an increase in export value of 17 percent over the same period for the previous year. Major markets for Ethiopian leather and leather goods include Italy, the United Kingdom, Denmark, the Netherlands, Germany, Romania, Sweden, Finland, India, Pakistan, Thailand, Japan, Malaysia, and the United States . (<http://ethiopianleather.org/sector.asp>)

In addition, according to **figure 2**, which is compiled by the staff of National Bank of Ethiopia (NBE) Europe, remained the largest market for Ethiopians export during 2008/09 accounting for 41.7% of the country’s total export. Asia is the next largest market for Ethiopians export during 2008/09 accounting for 35.6% of the country’s total export. Among Ethiopian countries, **Italy** whose main imports included leather and leather products, coffee and textile and garments held the fourth place.

Figure 2: Directions of trade.



Source: NBE staff compilation

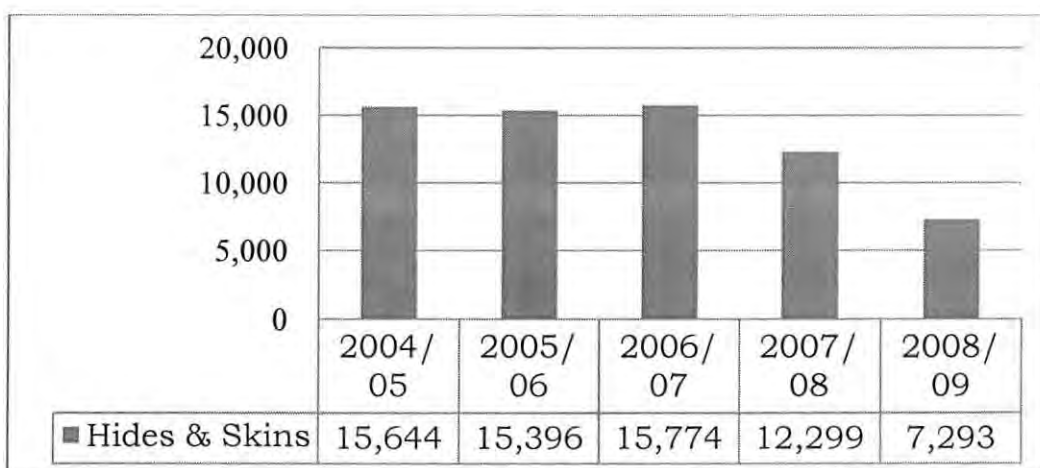
Table 4.3 Quantity of export

Responses	Frequencies	%
Increased	3	30%
Decreased	5	50%
Stagnant	2	20%
Total	10	100%

Asked whether the proportion of exported products since 2005 export has increased, decreased or stayed the same, significant (50%) stated that the quantity of export is declined. Three firms stated that export is increasing since 2005 and two indicated that they stayed in the similar quantity of exports since 2005. Thus, by considering this and other related data, we can conclude that the export volume of Ethiopian tanneries is decreasing from time to time. Some respondents mentioned the shortage of raw materials as a cause for the decreased volume.

In relation to this, Data compiled from the Ethiopian custom authority **figure 3** show that the quantity of exported hides and skins slightly increased from 2004/05 to 2006/07 but the dramatic decrease was observed between the year 2006/07 and 2008/09. This information also reflects the above conclusion.

Figure 3: Quantity of exported Hides & Skins



Source: Ethiopian custom authority

Table 4.4 Are the price of raw materials (hides and skins) are reasonable?

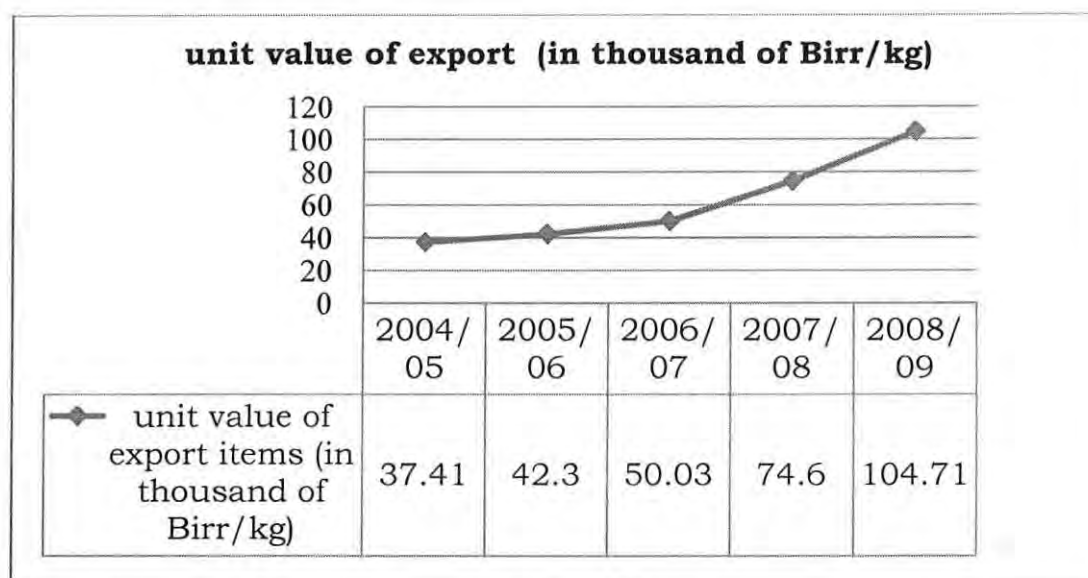
Responses	Frequencies	%
Yes	6	60%
No	4	40%
Total	10	100%

In the questionnaire distributed for the purposes of this research, firms were asked whether the price of hides and skins are reasonable or not. As indicated in (table 3.4) 60% of the respondents believed that, the price of hides and skins are reasonable and significant (40%) numbers of the respondents said that the price of hides and skins are not reasonable. Respondents were also asked to explain their reasons in an open-ended question. Be aware of that respondents sometimes identified multiple reasons for their responses. But, the most frequently cited reasons for the first response (yes) are an increase in the value of products than its production cost, positive demand for semi-finished and finished products, Government and other Institutional Supports are their most important reasons.

While, the most mentioned reasons for the second response (no) are low quality raw materials, costs due to value oriented customers which enforce to use new technology, skilled man power and other related factors are their major reasons.

Even though the price of raw hides and skins is seems unreasonable for some tanneries, based on the above response we can conclude that the price of hides and skins are reasonable in general.

Figure 4: Unit value of exported hides and skins



Source: Compiled from Ethiopian custom authority

On the other hand, according to **figure 4**, the Birr value of exports of skins and hides indicated slight increase up to 2006/07 and this was also followed by dramatic increase up to the end of 2008/09. Export volume data **figure 3** shows that the volumes exported did indeed increased from 2004/05 to 2006/07. However, this was followed by a decline after the year 2006/07. Therefore, the reason for the increase was not the result of increased volume of skins and hides but, rather an increase of the unit price and other variables of exported hides and skins. In this manner, the unit value of exported hides and skins is increasing in the market and it can create promising initiations for tanneries to export in bulk.

Table 4.5 Distribution strategy of the Ethiopian tanneries

Responses	Frequencies	%
Excellent	-	-
Very good	1	10%
Good	1	10%
Fair	3	30%
Poor	5	50%
Total	10	100%

As indicated in table (3.2.5) most of the respondents (50%) of them believed that the distribution strategy of Ethiopian tanneries are poor in terms of coordinating the flow of information, goods, and services among members of the marketing channel, and to make products accessible to final consumers at the right time. 30 % of the respondents stated that, the distribution strategy of Ethiopian tanneries are fair, and the remaining few respondents strongly believed that, the distribution strategy of Ethiopian tanneries are excellent and very good which accounts 10% and 10% respectively. Therefore, most of the tannery's distribution strategy is inadequate in harmonizing the flow of information, commodities, and services among members of the marketing channel, and to make products accessible to final consumers at the right time in the right quantity.

Corresponding to this, the marketing channel for hides and skins starts at the producers (butcherries, households, restaurant, & rural slaughterhouse and Industrial abattoirs/Terminal Market slaughterhouses/. Hides and skins that came from producers may pass through hides and skins traders and then hides and skins wholesalers until it reach the tanneries or it directly passes to the traditional tanneries. On the other hands, the marketing channel for hides and skins which started at the Industrial abattoirs/Terminal Market slaughterhouses will passes to hides and skins wholesalers and/or directly to the tanneries. Finally, tanneries may process the hides and skins received from their suppliers to finished or semi-finished stages for foreign and domestic markets. (Yacob, 2002)

Table 4.6 Promotional activities of the Ethiopian tanneries

Responses	Frequencies	%
Excellent	-	
Good	3	30%
Poor	4	40%
Fair	3	30%
Total	10	100%

Today's business environment is characterized by many diverse markets and media, creating both opportunities and challenges. The success of any Integrated Marketing Communication (IMC) program depends on identifying the members of an audience and understanding what they want. Without accurate, current information about existing and potential customers and their purchase histories, need and wants, marketers may send the wrong message. IMC must not only deliver messages to intended audience but also gathers responses from them. Besides, with the incredible proliferation of promotional messages in the media, today's marketers— who are also customers themselves— must find new ways to reach customers without overloading them with unnecessary or unwanted communication. (Boone and Kurtz)

Proportionate to this, from the 10 companies that responded to this question, 4 stated that they are poor in promotional effort in terms of informing, persuading, reminding and reinforcing their target markets, 3 stated that they are in a good position in promotional efforts in terms of those parameters and the remaining 3 firms stated that they are fair in persuading, informing, reminding and reinforcing their target markets.

Even though, these few parameters would not give appropriate result to judge the promotional effort of Ethiopian tanneries, by considering the above table, we can say that the Ethiopian tanneries are not using the benefits of promotions appropriately which can play a great role in the development of the Ethiopian leather sector in general and the tanneries in particular.

In today's competitive business environment Ethiopian tanneries are expected to facilitate different types of promotional activities like bazaars, shows, festivals, trade events or exhibitions which can exposes their offers to the target markets. Currently, the Ethiopia government,

tanneries and other stakeholders are showing a promising initiation in promoting the sectors. The recent All African Leather Fair, held at Millennium Hall, located on Bole Road, and presented on ETV on Tuesday, March 1, 2011 is a good example. As presented on TV, there were plenty of exhibitors offering both local and foreign made leather shoes. In addition to the 140 Ethiopian companies participating, 54 foreign companies from Asia, Europe, the Middle East, and other African countries exhibited their wares at the fair. No less than 30 countries were present at the exhibition, according to the organizers of the fair, who claimed to expect over 1,100 international visitors. Aside from Micro and small enterprises (MSEs), participants included various tanneries producing both semi finished and finished leather products, garment factories, manufacturers of luxury leather accessories, as well as agents for international producers of chemicals or other related materials.(Addisfortune.com)

Table 4.7 Local target marketS

Responses	Frequencies	%
Shoe manufacturers	5	50%
Leather product manufacturers	4	40%
Others	1	10%
Total	10	100%

Regarding to the local key target market of the tanneries, 50% of the local target market of the respondents are shoe manufacturers, 40% of the local target markets of the respondents are leather product manufacturers and the remaining 10% of the respondent's local target markets are others. So, the local target markets of the tanneries are shoe manufacturers, leather product manufacturers and in some extent other consumers.

In the survey, respondents were asked the following two open-ended questions and their various responses to the questions are briefly summarized below in (Table 3.8, 3.9, 3.10, & 3.11)

- ☐ Please indicate the main **challenges** your business is currently facing and **opportunities** recently available in *local & foreign market*?
- ☐ What *strategic* changes has your business undergone in order to exploit new opportunities or overcome barriers?

Table 4.8 Major local marketing Challenges identified by Tanneries

Challenges	No.	% of 10
☐ The Shortage of raw material supplies	7	70%
☐ Price increments even for poor quality raw materials	6	60%
☐ Competition in domestic market from cheap imported products	5	50%
☐ Lack of capital, skilled man power and technology to compete with those cheap imported products	4	40%
☐ Poor linkages among marketing channels	4	40%
☐ Poor marketing activities(creating awareness, identifying the needs and wants of the markets and others)	3	30%
☐ Negative attitudes towards domestic products	3	30%
☐ Lack of information on domestic markets due to less emphasis given to the R&D activities	2	20%
☐ Tough competition among the existing tanners	1	10%
☐ Tannery effluent	1	10%

A number of replies to the first question are reviewed in table 3.8. Considerably the most frequently quoted local marketing challenge is the Shortage of raw material supplies which hinders the expansions of domestic markets. This was pinpointed by 7 of the 10 tanneries (70%) that answered this question. Additional market related challenges identified were price increments even for poor quality raw materials, Competition in domestic market from cheap imported products and lack of capital, skilled man power and technology to compete with those cheap imported products. Several firms also mentioned competition among the existing tanners, the poor linkages among the marketing channels due to poor marketing activities, and lack of information on domestic market as a result of less emphasis given to R&D activities. Finally, firms also identified the challenge of negative attitudes towards domestic products which is the result of poor promotional activities in creating awareness to the target markets and the effect of tannery effluents

Consequently, the shortage of raw material supplies and its quality is the most important challenge for the tanneries in local and foreign marketing activities. Attributes related to shortage and quality affected the proper functioning of the marketing practice. As a result, tanneries are not able to compete with those products imported and available in cheap and reasonable price. Capital, skilled man power and technological challenges also weakened the tanneries effort to satisfy either the domestic or the foreign market. In addition, the tanneries lack appropriate promotional efforts to create awareness, understanding and attitudinal change of product attributes.

Table 4.9 Major export marketing Challenges identified by Tanneries

Challenges	No.	% of 10
➤ Low demand for finished products	8	80%
➤ Lack of capital to use skilled man power and technology to satisfy foreign market’s quality requirements.	6	60%
➤ Tough competition in export market	6	60%
➤ Poor backward integrations to minimize shortage of raw material supplies and production inconsistency	5	50%
➤ Shortage of raw material – raw hides, skins and semi finished leathers	5	50%
➤ Poor marketing activities(in segmentation, promoting, creating, and others related marketing efforts)	4	40%
➤ Lack of marketing experts and information on foreign markets	4	40%
➤ The dynamic changes(wants, demands ,preferences and other related attributes) of the market’s	3	30%
➤ Lack of well recognized branded products	3	30%

A variety of responses to the first question (major export marketing challenges) are summarized in table 3.9. Significantly the most repeatedly quoted export marketing challenge is the low demand for finished products in export market. This was identified by 8 of the 10 tanneries (80%) that responded this question. However, the recent positive demand for finished and semi-

finished leather products are not deniable. Other market related challenges identified were tough competition (quality, price, design, promotion etc...) in export markets which struggles to satisfy the market and lack of capital to use skilled man power and technology to satisfy those foreign market's quality requirements. In addition, firms also mentioned the shortage of raw materials (H&S) and poor backward integrations to minimize shortage of raw material supplies and production inconsistency as a bottle neck for foreign markets expansion. Firms also referred different types of challenges in export marketing activities like lack of marketing experts and information for foreign markets, poor marketing activities(in segmentation, promoting, creating, branding and others related marketing efforts). Lastly, the dynamic changes of consumers wants, demands, preferences and other related attributes) of the market's also among the challenges of the Ethiopian tanneries in the foreign markets.

Thus, those different marketing challenges in local market can hinder directly or indirectly the smooth functioning of export marketing activities as well. Particularly, the low demand for finished products in the world market remained an obstacle for a long period of time. This fact also naked by different studies conducted in the leather sector. Besides to this, lack of continuous marketing research in identifying the right target market and satisfying them based on their requirements is similarly a big challenge for the Ethiopian tanneries. These also hinder the maximization of marketing research benefits not only in the above elements but also in applying the appropriate marketing mix variables of the tanneries.

In relation to this, Yacob (2002) identified two most important issues exporters complain about are government bureaucracy and the amount of money they have to pay, which does not equate with the services provided. In particular, exporters single out the Ministries of Agriculture, Foreign Affairs and Health as being unnecessarily bureaucratic where lack of commitment, absenteeism and preoccupations with workshops and meetings delay the provision of services on time. Part of the problem arises from each Ministry assigning only one individual to sign the documents. The absence of one signature means that the necessary document would be incomplete. Exporters also add that 'putting stamps and signatures on documents should not be that expensive.' In addition, government offices don't provide services after 5:30 PM and on weekends during which time their services would be unavailable.

Table 4.10 Major existing marketing Opportunities identified by Tanneries

Opportunities	No.	% of 10
Local resources availability due to a sustainable number of livestock	8	80%
The government and other institutional support	7	70%
An increased demand of leather products in the international markets	6	60%
The improvement of the leather industries and the nationwide economy	5	50%
The availability of diversified raw material for high quality leather	4	40%
Low operational costs for the business	3	30%

Although there are numerous local and export marketing opportunities which can create significant improvements for Ethiopian Leather Industry in general and the tanneries in particular, some of the existing marketing opportunities are summarized in table 3.10. Significantly the most frequently cited local and export marketing opportunities is the local resources availability due to a sustainable number of livestock. This was also acknowledged by 8 of the 10 tanneries (80%) that responded this question. Recently, the effort of the government and other different institutional supports are also a major market opportunities which can facilitate domestic and export marketing activities. In addition, an increase in the demand of leather products in the international market, the improvement of the leather industries and the national wide economy, the availability of diversified raw material for high quality leather and low operational costs to accomplish the business are some of the marketing opportunities available for the Ethiopian tanneries which require efficient and effective utilization for better enhancements.

Thus, the Ethiopian's endowments in high livestock population is a basic marketing opportunities for tanneries to undertake their business activities. The Ethiopian government and other different institutional supports also considered as a major market opportunities for the

sector because of their meaningful efforts in upgrading the development of the leather sector. In addition, an increase in the demand of leather products in the international market and the availability of diversified raw materials are some of the important existing marketing opportunities of the tanneries.

Relative to this, different existing opportunities are mentioned in the literature part. For instance, Ethiopian H&S have good reputations in the international leather market for their unique natural substance of fitness, cleanness, and compactness of texture, thickness, flexibility and strength. The cattle hides, identified as “Zebu type”, are popular for their fine grain pattern and fiber structure that are well suited for the production of quality upper leather. The highland sheepskin known as “hair sheep/selale type” is considered to be the world’s finest and have a highly compacted texture. They are excellent raw material for high quality leather for dresses, gloves, sports gloves and other garments. This unique feature of the Ethiopian sheepskins enables them to fetch higher prices in the international leather market. Goatskins from the highlands are categorized as “bati-genuine” and those from the lowlands as “bati-type” in the international market. “Bati-genuine” is associated with highest quality class goatskins in the world. The particular characteristics of Ethiopian bati-genuine goatskins are their thicker, highly flexible and clean inner surface and are known world-wide for being excellent raw material for producing high quality suede leather. (Ahmed, 2000)

Table 4.11 Business Strategies being adopted by Tanneries to overcome challenges

Strategies	No.	% of 10
Hiring skilled man power and importing technology to produce competitive products	5	50%
Exploring new domestic and export markets;	4	40%
Applying different types of promotional activities like creating an internet catalogue & attending trade shows	4	40%
Creating relationships with supportive institutions to acquire experience, training and marketing facilities	4	40%
Increasing the number of raw material suppliers to ensure the sustainable production and marketing of our products	2	20%
Tannery effluent reduction	1	10%

Regarding to the types of strategies, firms used similar strategies for domestic and foreign markets with slight modification for the export market depend on the nature of the products. In response to this question, some companies are not undertaking any strategies to overcome the above challenges or they were not willing to mention their strategy. On the other hand, some companies are undertaking different strategies to overcome the above challenges. Promisingly, the most repeatedly mentioned strategy was the attempt to hire skilled man power and importing technology to produce competitive products. This also recognized by 5 of the 10 tanneries and it also accounted 50%. Other marketing strategies namely exploring new domestic and export markets, applying different types of promotional activities like creating an internet catalogue and attending trade shows and creating relationships with supportive institutions to acquire experience, training and marketing facilities are the major Strategies adopted by tanneries to overcome the above and other related local and external marketing challenges. Lastly, increasing the number of raw material suppliers to ensure the sustainable production and marketing of their products and reduction of tannery effluents taught by their strategies.

Accordingly, tanneries carried out different strategies in responses to the above problems. Particularly, attempts to hire skilled man power and importing technology to produce competitive products were made by tanneries. In addition, product improvement, the expansion of domestic and export markets, applying different types of promotional activities like creating an internet catalogue and attending trade shows and creating relationships with supportive institutions were the major strategies attempted to overcome the above and other related local and external marketing challenges or problems.

Table 4.12 Level of satisfaction with all-rounded institutional supportive

Responses	Frequencies	%
Very satisfied	6	60%
Somewhat satisfied	3	30%
Neutral	1	10%
Very dissatisfied	-	-
Somewhat dissatisfied	-	-
Total	10	100%

Of the 10 companies that responded to the questionnaire, they are very satisfied by the training, experience sharing, technical follows up and other different incentives provided by supportive institutions. This was identified by 6 of the 10 firms (60 %) that answered this question. 3 of them are somewhat satisfied by those institutional supports and the remaining 10% of the respondents are indifferent towards those all-rounded institutional supports.

Even though it is difficult to judge the level of satisfaction, by considering this and other related relevant studies we can conclude that tanneries are satisfied by the training, experience sharing, technical follows up and other different incentives provided by all-rounded supportive institutions.

In relation to this, Altenburg (2010) mentioned that, the government with considerable supports from UNIDO, GTZ, and other international agencies, has taken up the challenge and engaged in a comprehensive upgrading programme. The leather and leather products industry has been

defined as a priority sector in Ethiopia's PASDEP and the Industrial Development Strategy. The government has worked out a specific five-year development programme for the industry (2006–2010). In addition, already in 1994, six state-owned enterprises formed the Ethiopian Leather Industries Association (ELIA), which today is an industry association with 43 members, including basically all large tanneries and leather product manufacturers. ELIA organizes specialized trade fairs and exhibitions and helps to match export deals with foreign customers.

Finally, Trade Incentives: As a beneficiary of the Africa Growth and Opportunity Act (AGOA) since 2000, most categories of Ethiopian leather exports to the United States enter the country free, while others receive preferential rates. Ethiopia also benefits from access to the European Union under the EU ACP initiative. In addition, several investment incentives are offered by the Government of Ethiopia to support investment in the country's leather industry.

(<http://ethiopianleather.org/sector.asp>)

Table 4.13 Tannery effluents

Responses	Frequencies	%
Effluents on water	9	90%
Effluents on soil	1	10%
Effluent on employment's health		
Total	10	100%

As indicated in table 3.13, from the 10 companies that responded to this question, almost all of them (90%) stated that tannery effluents on water will be the great concern and the remaining (10%) gives emphasis on the effects of effluents on soil. Thus, there is an effect of tanneries effluents on the environment. Particularly, the effects of effluents on water were directly and in directly affected the livelihood of the society.

In addition, although the industrial sector is said to be at its infant stage in Ethiopia, the few that are in and around the urban centers especially Addis Ababa, the capital city, are releasing untreated effluent/discharge in to the stream and other water bodies. For example, the textile, **tannery**, and iron tools industries are polluting the environment of the Akaki river system and

underground water south east of Addis Ababa. In addition, lack of sufficient environmental awareness concerning the linkage between environment and development in general, weak participation of the people and community based organization in environmental management activities are some of the environmental challenges in Ethiopia. (Girma, 2000)

Tanneries and leather finishing plants need for production a considerable amount of water which leaves the manufacturing system as highly polluted waste water. The most serious drawbacks of the tannery effluents are: their undesirable influence on the biological process in the recipient, undesirable taste and odour. Moreover, the tannery effluent may spread diseases or cause toxicity of the water. The major environmental aspect in the tanning industry comes from the early part of the production process. When the chrome tanned leather is manufactured from the cattle hide, the initial stages of soaking results in heavily polluted water containing mostly salt from the curing, including soluble proteins and manure. Also there is a high level of toxic waste water, which is released from the tanneries that goes untreated to the river systems. (Rao, 2003)

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The main objective of this thesis was to assess the existing marketing opportunities and challenges of the Ethiopian Tanneries in Addis Ababa. The specific objectives of this study includes analyzing the marketing practice of tanneries to tap the domestic and export market, identifying and analyze both domestic and export marketing problems with the aim of increasing marketing capabilities in both domestic and export market.

This study is based on the data gathered from 10 tannery manager's found in Addis Ababa and their relevant stakeholders and from the available secondary data with the aid of close-ended and open-ended questionnaire. The analysis of the marketing challenges and opportunities was made with the help of explanatory description and SPSS software tools.

Evidently, Ethiopia has the largest livestock population in Africa and even in the world which can create a meaningful positive change in the Ethiopian economy in general and to make the leather sectors more competitive in local and foreign market in particular. However, this study and other related efforts identified different challenges or obstacles that hinder the proper utilization or development of the leather sectors and its sub-sectors. In this research efforts were made to uncover the existing challenges and opportunities of the tanneries from marketing perspectives.

More than 23 Tanneries found in the country's Leather Industry Association. Only some tanneries able to produce finished leathers and the majority of them are engaged in supplying semi-finished hides/skins. These products are Pickled, Wet Blue, crust, finished leather, finished glove leather for drive, sport Leather for shoe upper and garment, finished leather for lining, Leather garments and articles. The markets of these products are both domestic and export customers. The local target markets of the tanneries are shoe manufacturers, leather product manufacturers and in some extent other consumers. The export markets of the tanneries are Europe, Asia, Africa, America, Oceania and others. Particularly, Europe is the major export

destination or target market for the Ethiopian tanneries. But, the export volume of Ethiopian tanneries is decreasing from time to time while, the price of semi-finished and finished hides and skins are showing a promising improvements. In most case, tannery's distribution strategy is inadequate in harmonizing the flow of information, commodities, and services among members of the marketing channel, and to make products accessible to final consumers at the right time in the right quantity. In addition, the Ethiopian tanneries are not successful in promotional activities which can play a great role in the development of the Ethiopian leather sector in general and the tanneries in particular.

This study and other related studies showed that the sources/raw materials/ of the tanneries and their marketing activities will start at individual consumers, rural slaughter slabs, municipal slaughter house, and/or industrial abattoirs. In this study tanneries indicated the shortage of raw material supplies as a challenge for their marketing expansion in both local and foreign markets. This was identified by 7 of the 10 tanneries which is 70% of the respondents. Due to this, sometimes tanneries were also forced to buy low quality hides and skins from their suppliers. Other local marketing challenges are Competition in domestic market from cheap imported products and lack of capital, skilled man power and technology that can facilitate the production of competitive offers in order to compete with those cheap imported products. Several firms also mentioned the existence of poor linkage among the marketing channels and lack of continuous marketing assessments. In addition, the negative attitudes towards domestic products and the poor promotional efforts to change the negative attitudes and to create awareness towards domestic products were also mentioned as marketing challenges.

Obviously, Tanneries and leather finishing plants need for production a considerable amount of water which leaves the manufacturing system as highly polluted waste water. Due to the increasing number of tanneries in the city, the needs to minimize or eradicate effluents also mentioned. Finally, the effect of tannery effluents also identified as one of the challenges which affects the livelihood of the society.

The study also showed different types of challenges in export marketing practices. Significantly the most repeatedly quoted export marketing challenge is the low demand for finished products in export market. This was identified by 8 of the 10 tanneries (80%) of the respondents. However, the recent positive demand for finished and semi- finished leather products are not

deniable. Other market related challenges identified were tough competition in export markets and lack of capital to use skilled man power and technology to satisfy those foreign market's quality requirements. In addition, firms also mentioned the shortage of raw materials (H&S) and poor backward integrations to minimize shortage of raw material supplies and production inconsistency as a bottle neck for foreign markets expansion. Firms also referred different types of challenges in export marketing activities like lack of marketing experts and information for foreign markets, poor marketing activities(in segmentation, promoting, creating, branding and others related marketing efforts). Lastly, the dynamic changes of consumers wants, demands, preferences and other related attributes) of the market's also among the challenges of the Ethiopian tanneries in the foreign markets.

Tanneries also made different efforts/strategies/ in order to tackle the above challenges. They also used similar strategies for both markets with slight modification for export markets. Promisingly, the most repeatedly mentioned strategy was the attempt to hire skilled man power and importing technology to produce competitive products. This also recognized by 5 of the 10 tanneries and it also accounted 50%. Other marketing strategies namely exploring new domestic and export markets, applying different types of promotional activities like creating an internet catalogue and attending trade shows and creating relationships with supportive institutions to acquire experience, training and marketing facilities were the major Strategies adopted by Tanneries to overcome the above and other related local and external marketing challenges. Lastly, increasing the number of raw material suppliers to ensure the sustainable production and marketing of their products and reduction of tannery effluents taught by their strategies.

Although there are numerous local and export marketing opportunities which can create significant improvements for Ethiopian Leather Industry in general and the tanneries in particular, some of the existing marketing opportunities are mentioned hereafter:

The Ethiopian's endowments in high livestock population is a basic marketing opportunities for tanneries to undertake foreign business activities. Besides, the Ethiopian government and other different all-rounded institutional supports also considered as a major export market opportunities for the sector because of their meaningful efforts (like training, experience sharing, technical follows up, different incentives and others) in upgrading the development of the leather sector. Furthermore, an increase in the demand of leather products in the international market

and the availability of diversified raw materials are some of the important existing local and export marketing opportunities of the tanneries.

In addition, the main emphasis is also given by the government to the leather industry and its sub-sector in a way that can make more competitive in export markets with the need to generate foreign exchange and to bring prosperity in the sector. Export industries benefited from favorable land lease rates, loans, tax incentives, subsidies for participation in trade fairs and international missions, and other services.

5.2 Recommendations

Based on the findings of this study, the following recommendations are suggested:

In order to be successful and competitive in both local and foreign markets, tanneries should be able to offer value-added products. To achieve this, the quality and sustainability of raw hides and skins supplied to the tanneries should be improved. This will require effective backward integration and marketing chain coordination. In addition, Farmers should take part in an important education programs and be provided with the necessary information to care their animals.

The distribution strategy of the tanneries is somewhat inadequate in harmonizing the flow of information and products among the members of the marketing channel and final consumers. For better enhancements, cooperation among the marketing channels, customers and all stakeholders should be considered in designing the distribution strategy of the firm.

There is a need to increase awareness towards the effect of tannery effluents on water, soil, employment and people's livelihood to the leather processing industry and the establishments of biological and chemical treatment in purification of tannery effluents. In addition, careful analysis should be carried out in purification and protection of waste materials.

The use of appropriate integrative marketing communication can create significant change in attracting, increasing and creating long term relationship with the target markets. In this regard, effective promotional activities were not observed in the tanneries. Particularly, the leather industry and its sub-sectors should design the promotional strategies in a way that can change the negative attitudes towards domestic products and provoke the demand.

In today's competitive and changing business environment conducting continuous marketing research is mandatory. Particularly, to undertake effective marketing activities and to identify the right markets in line with the firm's resources and capacity, conducting marketing research should be recognized by the leather industry and its sub-sector.

Local Tanneries that are competing with big companies with low capacity in many aspects may not be successful. Instead, it is better to focus on niche market.

Finally, the Ethiopian government is performing meaningful efforts in the development of the sectors by itself and facilitating conditions for other supportive institutions. In addition to this, the governments have to give emphasis in educating, preventing and environmental pollutions with the cooperation of all stakeholders before the happenings undesirable effects.

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ANNEX

Annex 1: Types of products produced and exported by Ethiopian tanneries

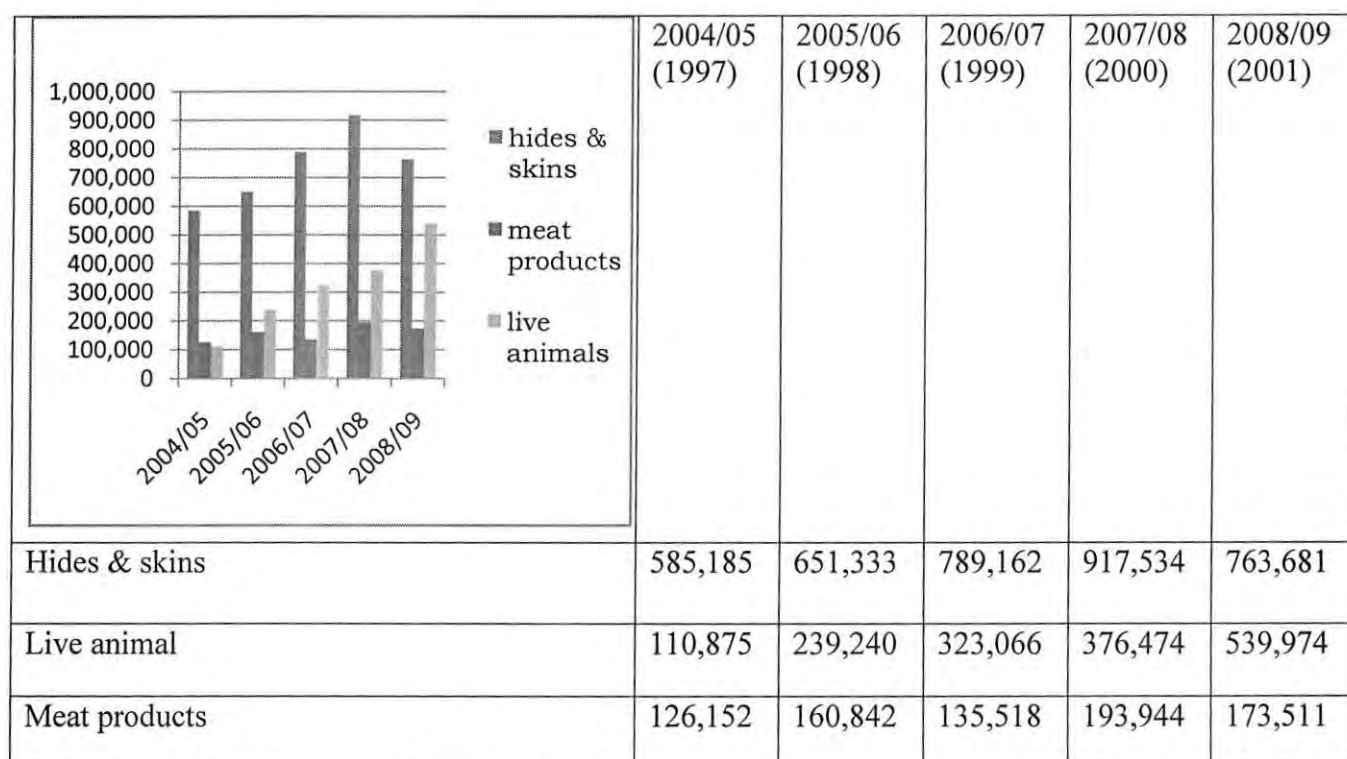
No	Company Name	Line of Business
1	Abay Tannery	Produce and export: Pickled sheep skin from sheep skin <i>and</i> Wet Blue from goat skin
2	Addis Ababa Tannery S/C	Produce and export: Wet blue, crust and finished leather from hides
3	Bale Tannery	Produce and export: Pickled, crust and all type of finished leather from sheep skin, Wet blue, crust and all type of finished from goat skin and hides and Exotic leathers
4	Bahr Dar Tannery	Produce and export: Crust and finished glove leather for drive and sport from sheep skin, Crust and finished leather from goats skin, Wet blue and crust from cow hide and Leather for shoe upper and garment
5	Batu Tannery	Produce and export: Pickled, crust and finished from sheep skin, Wet blue, crust and finished leather from Goat skin and Wet blue, crust and finished leather from hides
6	Blue Nile Tannery (Gaffar Enterprise)	Produce and export: Crust and finished (shoe upper, shoe nappa) from sheep skin, Crust, finished goat shoe upper from goat skin and Finished leather for garment and articles
7	Colba Tannery	Produce and export: Pickled, crust and finished form sheep skin, Wet blue, crust and finished from goat skin and Wet blue, crust and finished from hides
8	Debre Brehan Tannery	Produce and export: Crust from sheep and goat skins Finished leather –sports glove from sheep skin Finished leather – for dressed glove from sheep skin Finished leather –working glove from goat skin Finished leather for lining from goat and sheep skins
9	Desse Tannery	Produce and export: Pickled from sheep skin and Wet blue from goats skin
10	Dire Industries	Produce and export: Pickled, crust and finished from sheep skin, Wet blue, crust and finished from goat skin and Wet blue, crust, finished from hides
11	Ethio-Leather Industry PLC (ELICO)	Produce and export: Finished, gloving leather for dress and sports from sheep skin, Wet blue, crust and finished from goat skin, Crust and finished from hides and Leather garments and articles

12	Ethiopia Tannery S/C	Produce and export: crust and finished from sheep skin , Wet blue, crust and finished from goat skin <i>and</i> Crust and finished from hides
13	Gellan Tannery	Produce and export: Pickled and crust from sheep skin and Wet blue and crust from goat skin
14	Hafde Tannery	Produce and export: Crust and finished from sheep skin ,Crust and finished from goat skin and Crust and finished from hides
15	Hora Tannery	Produce and export: Pickled from sheep skin and Wet blue from goat skin
16	Kombolcha Tannery S/	Produce and export: From sheep skin: Crust for garment, Crust for upper, Crust for dressed glove, From goat skin : Crust for sued, Crust for working glove and From sheep & goat: Finished leather for garment, Finished leather for upper, Crust & finished leather for lining
17	Mersa Tannery	Produce and export crust and all types of finished leather
18	Mesaco Global	Process and export: Pickled, Wet blue and crust sheep and goat skins from the best origins of Ethiopia
19	Modjo Tannery	Produce and export: Pickled, crust and finished from sheep skin and Wet blue, crust and finished from goats skin
20	Sheba Tannery	Produce and export: Pickled from sheep skin <i>and</i> Wet blue from goat skin
21	Shoa Tannery	Produce and export: Pickled from sheep skin <i>and</i> Wet blue from goat skin
22	Walia Tannery	Produce and export: Pickled, crust and finished from sheep skin, Wet blue, crust and finished from goat skin <i>and</i> Wet blue, crust, finished from hides
23	Shefa Abdo Tannery	Process: Semi processed hides and skins for local market

Source: Ethiopian Leather Industry Association

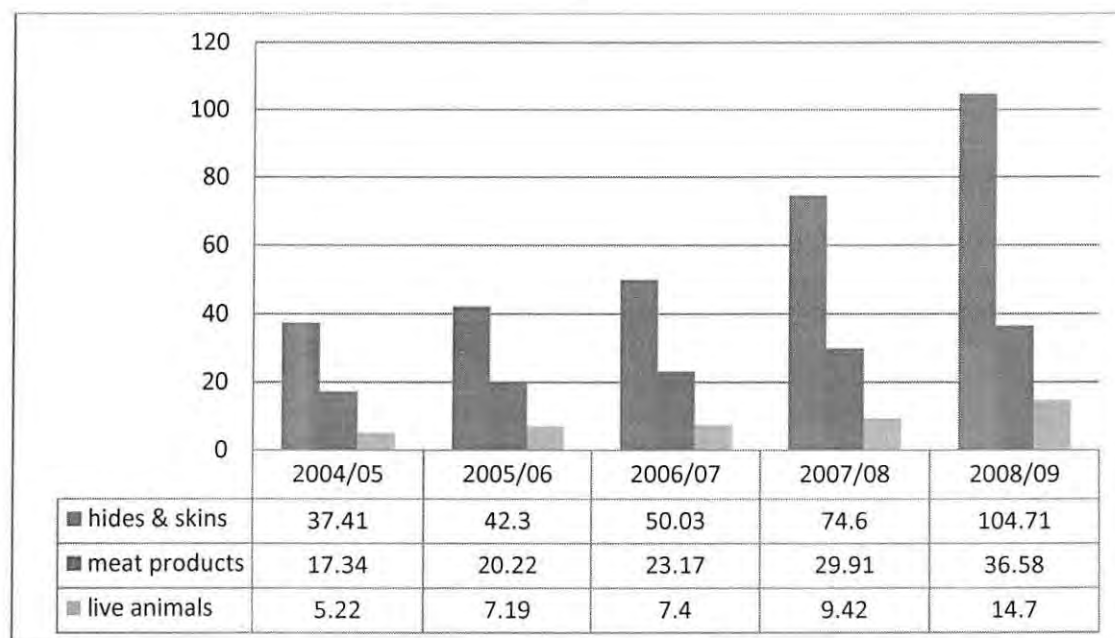
Annex 2: Value of exported products highly related to tanneries

(In thousands of birr)



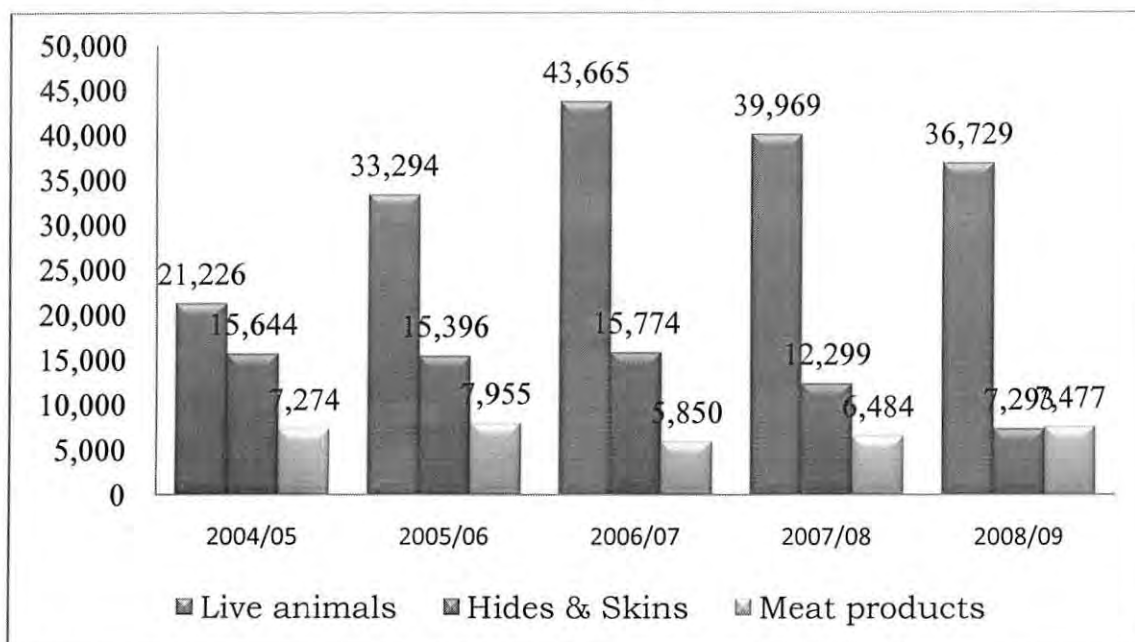
Sources: Ethiopian revenue & custom authority

Annex 3: Unit value of export items (In thousands of Birr/kg)



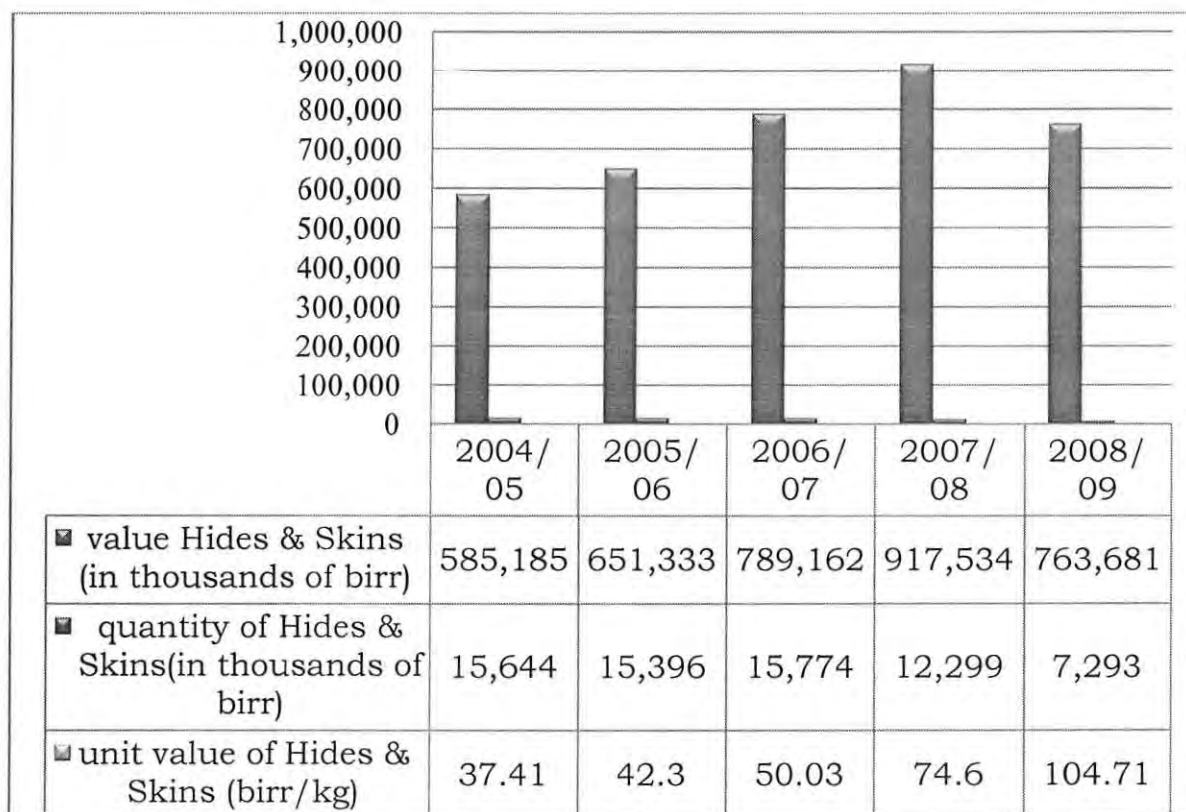
Sources: Ethiopian custom authority

Annex 4: Quantity of Major Tanner's and related exported products



Sources: Ethiopian custom authority

Annex 5: value, quantity and unit value of exported Hides and Skins



Sources: compiled from Ethiopian custom authority

Annex 6: Grading of cattle hides and calfskins in relation to defects

Origin of hides or skins	Grade by appearance	Characteristics
Large cattle	Grade 1	No defects visible in the butt; defects in the shoulder or belly assessed at not more than 5 defect units in total and 90-100% usable.
	Grade 2	Defect in the butt, shoulder & belly assessed at not more than 12 defect units in total of which not more than 8 in the butt and 80-89% usable.
	Grade 3	Defects assessed between 12 and 24 defect units at the most and 70-79% usable.
	Grade 4	Defects assessed at more than 24 defect units, the unusable area of the hide being at the most equal to 50- 69% of the total area
	Rejects	Hides of which more than 50% of the surface is unusable
calf	Grade 1	No visible defects, which are likely to depreciate the skin, appearing beyond 2.5 cm from the edges and 90-100% usable.
	Grade 2	Defects assessed to a total of 1-3 defect units and 80-89% usable
	Grade 3	Defects assessed to a total of 4-8 defect units and 70-79% usable
	Grade 4	Defects assessed at a total of more than 8 defect units, the usable area being at the most equal to 50-69% of the total area.
	Rejects	Skins of which more than 50% of the area is unusable.

Source: BoARD, 2007. Adapted from the National Standards; (Regulation No 12/1990 and ES 1199-2005, as cited on Berhe, June, 2009).

Annex 7: Assessment of questionnaires on the marketing scenario of the Tanneries

1. Position/occupation?
A) Managerial B) Sales C) Supervisor D) Other, specify -----
2. Your age group...
A) 18-30 B) 31-45 C) 46 & above
3. Education level?
A) Masters & above C) Diploma E) 12 Complete
B) First degree D) Certificate F) Under 12 G) Illiterate
4. Gender?
A) Male B) Female
5. Where do you get the **raw materials** (hides & skins) of your product?(circle more than one if appropriate)
A) Abattoirs D) Local collectors G) Addis Ababa traders
B) Farmers E) Brokers H) Others, specify-----
C) Restaurants F) Regional traders
6. Do you think the **price** of hides and skins are reasonable?
A) Yes B) No
7. If **No/yes** to question 6, why/how? _____
8. Please indicate the kinds of products you manufacture for sale.(circle more than one if appropriate)
A) Raw hides & skins, E) semi Finished leather I) Air dried
B) Wet blue F) Salted J) Others, Specify -----
C) Finished leather G) Pickled -----
D) Fresh H) Sun dried
9. Has the proportion of products you export changed since 2005?
A) Increased B) Decreased C) Stagnant
10. Who are your **target** markets?(circle more than one if appropriate)
A) Shoe manufacturers D) Other tanneries
B) Leather product manufacturers E) Others, please specify -----

C) Household consumers

1. Who is your **key** local target market?

A) Shoe manufacturers(specify)-----

B) Leather product manufacturers(specify)-----

C) Others, please specify -----

12. Where is the major export market of your products?

A) Africa B) Europe C) Asia D) USA E) Other-----

13. Which country is the **biggest** export destination for finished leather?

A) UK C) China E) India G) Do not know

B) Romania D) Italy F) Japan H) Other, specify -----

14. Are there any **challenges** for Ethiopian tanneries in **foreign** marketing practice?

A) Yes B) No

15. If **yes** to question 14, what is/are the challenges(s)? Rank the most important challenge from the least important challenge by giving **1st** to the most important challenge ,**2nd** to the next most important and so on.

A) ____ Price setting

F) ____ Shortage of skilled labor

B) ____ Mode of distribution

G) ____ Quality requirements

C) ____ Stiff competition

H) ____ Cost of R&D

D) ____ Promotional activities

I) ____ others, specify -----

E) ____ Branding

16. Do you want to **expand** the reach of your business to a national or even a global market?

A) Yes B) No C) Not applicable

17. Using modern and appropriate **distribution** strategy will require in satisfying target market. How do you see the distribution strategy of Ethiopian tanneries?

A) Poor B) Fair C) Good D) Very good E) Excellent

18. To be the key player in the global market, do we have an opportunities or comparative advantages?

A) Yes B) No

19. If your answer is **yes**, to the above question (Q.18) what is/ are those comparative advantages? (circle more than one if appropriate)

A) High livestock population

E) Investment Opportunities

- B) Conducive natural environment F) Others, please specify -----
- C) Government support -----
- D) All-rounded Institutional Support

20. How do you see the **demand** of local market?

- A) High demand B) Medium demand C) Low demand D) No demand

21. Please, specify the reason for the above (Q.20) demand

22. What technical and administrative **support** did you get from concerned Institutions? (Like *Ministry of Trade and Industry (MOTI), Ethiopian Leather Industry Association (ELIA), Hides and Skins Marketing Corporation (HSMC), Etc...* in the last five years?

- A) Training C) Different incentives E) Quality assurance
- B) Technical follows up D) Experience sharing F) Other -----

23. Please indicate your level of satisfaction with those (Q.22) supportive institutions?

- A) Very Dissatisfied C) Neutral E) Very Satisfied
- B) Somewhat Dissatisfied D) Somewhat Satisfied

24. Tannery **effluent** often contains highly odorous waste. Due to this fact, in Ethiopian Tanneries in which effect the environment and people's livelihood is most vulnerable?

- A) The effect of effluents on water.
- B) The effect of effluents on soil.
- C) The effect of effluents on employment and health.
- D) Other, please specify -----

25. Please indicate any suggestion or solution for improvement:-

26. Through **promotion** companies can inform, persuade, remind and reinforce their target markets. From this perspective, how do you see the promotional effort of Ethiopian tanneries?

- A) Poor B) Good C) Fair D) Excellent

General Comments

27. Please indicate the main **challenges** your business is currently facing and **opportunities** recently available in *local market* (e.g. raw material supply, skills shortages, competition from imports, government support, etc)

(**Opportunities**)

(**Challenges**)

28. Please indicate the main **challenges** your business is currently facing and **opportunities** recently available in *foreign market*

(**Opportunities**)

(**Challenges**)

29. What *strategic* changes has your business undergone in order to exploit new opportunities or overcome barriers (e.g. switch to more profitable products, increasing exports, etc)

DECLARATION

I, the undersigned, declare that this thesis is my original work, has not been presented for a degree in any other university and that all sources of materials used for the thesis have been dully acknowledged.

Declared by:

Name: Seyfedin Nuredin

Signature: _____

Date: _____

Confirmed by Advisor:

Name: _____

Signature: _____

Date: _____

Place and date of submission: Addis Ababa University, April, 2011