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# Leather Export of Bangladesh, "The Current Scenario"

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Prepared for  
Chairman  
Internship and Placement Committee

Prepared by  
Farida Easmin  
ID NO.1997-10-034

Institute of Business Administration  
East West University

June 28,2001



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Chairman  
Internship and Placement Committee  
Institute of Business Administration  
University of East-West

Dear Sir:

Here is my report on Leather Export of Bangladesh, "The Current Scenario". This report complies my finding during internship program at Taurus Group Ltd.

The finding is based on primary data collected from extensive interviews held with leather export related persons. Some secondary data has also been used to supplement and support the finding from primary data.

The preparation of this report gives me a unique opportunity to apply my theoretical knowledge of marketing in practical field. I have thoroughly enjoyed working on this interesting topic and shall be available for any further clarification you may require.

Sincerely yours,

*Farida Easmin*  
28/6/01

Farida Easmin

ID-1997110034

## **Acknowledgement**

I could not have completed this report without help and support of a lot of people. Although space constrains me to put every one's name here, I shall at least put in the names of those without whose help this report would never have seen the light of the day.

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## EXECUTIVE SUMMARY

This report is based on a 12-week internship program at TG, the leading leather export company in the country. The report is divided into four parts –the profile of Leather Industry in Bangladesh, Prospects of Leather Export of Bangladesh, Problems of Leather Export of Bangladesh, organization part and the project part. . The main object of the project was to find out what is the reason of decreasing leather export, where is the problem of leather export of our country.

TG Ltd is one of the leading leather exporter groups of Bangladesh. TG Ltd is the flagship of the leather-buying house. It is the single largest leather buying media in Bangladesh based on the success of TG Ltd, the group has embarked on a vertical expansion program in to leather export such as crust leather, Finished leather, leather shoe with this end in view, TG Ltd was set-up in March 16, 1985 as the 100% Export oriented leather and leather goods trader in Bangladesh. The office is situated at Dhaka, Zigatala near Hazaribagh tannery area. In Feb. 1987 to 1998 the company undertook a massive expansion program to increase sales capacity. Presently, TG Ltd has a capacity of selling 1 million sf finished leather export monthly. It exports varieties finished leather such as Cow, Buffalo, Goat China Kid, Drum Dyed etc The company has developed its competitive facilities company to its competitors.

The mission statement of TG Ltd “To become the best leather export Buying House company in the World”.

The structure of the organization is given in the annex. The managing director is at the top most position in the organization all the function of the company are carried out through six distinct functional areas or departments headed by six senior officers. These are -

1. Finance
2. Information technology
3. Export section
4. Marketing
5. Customer's service
6. Human resources-corporate affairs

For the project part, both primary and secondary information were collected. Primary information were collected through questionnaire and interviews with shippers, buying houses and buyers. The secondary information was collected from various sources. The sample size was for shipper 70, buying houses 30, buyer 20 were selected randomly from the database list of TG.

The specific objectives of the project were to find out

1. What is the problem of leather export
2. Where is the main obstacles of leather export
3. How we procure the problem
4. How we can increase leather export of the world

The findings of the survey are as follows

- 1.raw materials problem
- 2.delay shipment problem
- 3.quality problem
- 4.lacking information technology
- 5.price negotiation with buyer and shipper
- 6.Finance problem
- 6.environmental problem.
- 7.child labor problem
- 8 Technician problem
- 9 Machinery's problem

From the above findings, I will recommend the organization to increase in the TG Ltd as soon as possible .But shipper and buying houses have not same agreement to increase leather export.

# **Leather Export of Bangladesh” The Current Scenario”**

## **Chapter 1 INTRODUCTION**

### 1.1 Background of the Report

This report is based on a 12-week internship program at TG, the leading leather and garments export company in the country the report is divided into two parts –the organization part and the project part. The project parts, the main object of the project was to find out what is the reason of decreasing leather, where is the problem of leather export of our country.

### 1.2 Purpose of the report

The prime objective of the internship program is provide prospective graduates with on the job exposure and an opportunity to apply theoretical knowledge so far received into real life situation and the objective of the internship report is to meet the requirement for the degree of BBA

Specific objectives of the organization part of this report are as follows:-

- 1.To have an overview of the organization
- 2.To find the organization profile and departmentation
- 3.To identify the corporate culture

4.To have a detail knowledge of the activities of Marketing Department of an organization

### 1.3 SCOPE

This report deals with the export and marketing division of the organization. The primary emphasis was given to Marketing Department and its activities

### 1.4 Methodology

Both primary and secondary information were collected. Primary information was collected through questionnaire and interviews with shippers, buying houses and buyers. The secondary information was collected from various sources. The sample size was for shipper 70, buying houses 30, buyer 20 were selected randomly from the database list of TG.



## Chapter 2 The Organization

### 2.1 Background of the company

TG is one of the leading leather exporter groups of Bangladesh. TG is the flagship of the leather-buying house. It is the single largest leather buying media in Bangladesh based on the success of TG, the group has embarked on a vertical expansion program in to leather export such as crust leather, Finished leather, leather shoe with this end in view, TG was set-up in March 16, 1985 as the 100% Export oriented leather and leather goods trader in Bangladesh. The office is situated at Dhaka, Zigatala near Hazaribagh tannery area. In Feb. 1987 to 1998 the company undertook a massive expansion program to increase sales capacity. Presently, TG has a capacity of selling 1 million sqft finished leather export monthly. It exports varieties finished leather such as Cow, Buffalo, and Goat etc. TG is one of the leading leather finished export trader of Bangladesh. The company has developed its competitive facilities company to its competitors.

Although a little bit land is sufficient for the present venture. The promoter has decided to purchase about 3 acres of land for expansion for footwear in the future. Such a piece of land has been spotted in the Gazipur district. The proposed site is about 40 KM from Dhaka-Tangail road. The distance of Zia International Airport from the site is 25 KM. The finished goods will be air freighted to Europe, America and Japan.

TG is the largest buying media of buying leather house. The financial and operation result of TG for the period 1997 to 1999 are summarize bellow.

At the early stage of TG. It has earned on a specific area to grab the potential market in 1987 it started to export varieties leather where the operate their business. It also inherited a professional and technically competent management and work team in all its functional areas who had also been involved in the leather- buying house for a long time.

TG has been operation more than 15 years with initial focus on leather leading expert. The first two years of service were very difficult for the

company as it was a new buying media for Bangladesh. The employees were unskilled and as a result TG suffered losses due to low capacity Utilization and unleading performance for leather export.

At first stage, many buyers can call their order for on adequate leading performance, low skill level, and lack of knowledge, poor infrastructure and too many types of order that TG at that time did not have the capacity to export.

Table 1

Historical performance TG		
Particulars (TK) in million	1997 to 1998	1999 to 2000
Turnover	3.25	2.25
Net profit after tax	1.25	1.00
Fixed Assets	1.20	2.00

## 2.2 Break through in Korea Market:

The 1<sup>st</sup> order was followed by an order from Korea for 10,00000 sf was canceled due to quality problem of tannery, low service for buyers. However, recently the Korea market for normal leather exported to decline due to recession. As a result TG's buyers suggested diversifying the leather product line like quality, thickness, grading etc.

## 2.3 Expansion of capacity for European Market:

In September 1998, the Company decided to diversify its customer base and began to Search orders in European market. Second order was obtained and the result was very successful. During 1999, TG net profit was 3 million and no order cancel with this backward linkage facility, TG. Was able to export

All type of finished leather as buyer's requirements. Significant investments were also making in Human Resources in order to be able to take advantage of the augmented capacity. An intensive recruitment and training program was started in order to achieve minimum productivity level as quickly as possible. Unfortunately the new capacity came an-stream just as the political scenario began to heat up at the end of 1995 and from the beginning of 1996 the country's state of affairs was highly unstable. For instance Chittagong port the largest Seaport of the country was paralyzed for a month can sequentially, everything remained at a stand still. The confidence of Buyers was shaken and there were a lot of incidents of order cancellation. Due to these reasons the factory was not able to operate on at full capacity of leather export during first half of 1985.

#### 2.4 Major Breakthrough in the Italian Market:

20,00000 Sft onward was required in1987. Major break through was made in the Italian Market expecting leather export. The main reason was broken good relation with tanneries, Rawhide problem, delay shipment problem etc.

The financial Result of TG Ltd over last five years are shown in the Table 2

Table 2

Particulars	1995	1996	1997	1998	1999
Sales Gross Profit	\$76240	\$73432	\$73233	\$80875	\$85239
Fixed Assets	\$9775	\$15000	\$17245	\$20034	\$24314

## 2.5 Strategic posture:

Strategic management at TG is currently limited to financial planning. As the pioneering firm in a new industry of Bangladesh management is primarily concerned with seeking better operational control through the meeting of budgets. This is the first of four sequential phases in the evolution of strategic management within a firm. The phases are described below.

Phases 1: Basic financial planning: seeking better operational control through the meeting of budgets.

Phases 2: Fore cast, based planning: Seeking more effective planning for growth by trying to predict the future beyond the next year.

Phases 3: Seeking increased responsiveness to markets and competition by trying to think strategically.

Phases 4: Strategic management: Seeking to manage all resources to develop competitive advantage and to help create a successful future, this phase also includes a consideration of strategy implementation and evaluation and control in addition to phases 3's emphasis on strategic planning.

## 2.6 Mission:

Narrowly defined TG'Ltd mission is to become a successful exporter of leather from Bangladesh. However, the narrow definition doesn't state "the fundamental, unique purpose that sets a part from other trading of its type." In their annual reports to the shareholders management states that, "TG is not positioning itself as the sufficient leading exporter in the market, to best utilize its' accumulated strengths and experience. Furthermore, human resource development and the "Constant need to up grade the levels of know how and technology" are also constant goal of the company management. Large investments have also been made to increase the level of vertical

integration of the company.

Investigation to increase the level of Vertical integration of TG Ltd along with investments by the company, in improving tannery technology, reflect a corporate mission to be able to offer customers complete one product development and from within the same group they are able to develop the leather that they need.

## 2.7 Objectives:

At present TG Ltd doesn't appear to have any corporate or business objective. However, in the company's annual report for the year ended December 31, 1999, management states the following goals for the organization.

## 2.8 Market Exploration:

TG Ltd needs to identify the appropriate leather selector buying house.

2.8.1 Original trading company: TG Ltd, operates as an original trading company where, by and large, its customers provide base patterns and prototype last upon which modification have been made by TG Ltd with in-house expertise.

2.8.2 Human Resource and Development and training: TG needs to continue to invest in developing new skill employees as well as upgrade existing skills.

2.8.3 Strategic: To achieve TG mission and objective management, in their 1999 annual Report to the put forward the following strategies:

2.8.4 Ensure Dedicate supply of Major Raw Materials leather: Improving leather quality capability of tanneries so that TG will enjoy an unbroken supply of finished leather and leather goods and also achieve competitive advantages in quality and price of the main raw material, leather.

2.8.5 Create experienced and skilled workforce: Emphasis on training and continuous human resource development will increase productivity and skill level of the workforce. Thus TG will be able to increase profitability and also access new strategy segment.

2.8.6 Explore New Markets: - TG Ltd increase new market in America, Japan also TG Ltd matches it with the appropriate buyer the company could recruit an experienced knowledgeable professional.

2.8.7 Policies: To establish itself as an integrated source of quality leather TG has instituted policy of continuous investment in human resources development Added to the investments in marketing and Research and development, TG's management believes that this focus on people will allow them to achieve the company's mission of becoming a vertically integrated manufacturer of world quality finished leather.

2.8.8 Program: To ensure TG's strategy of developing a dedicated supply of the major raw material leather of tannery has made substantial investment for buyers. This is expected to benefit by creating a captive consumer for the former and a dedicated supplier for the leather in achieving greater vertical integration within TG, management has embarked on an ambitious capital investment program to have leading capability of major leather quality.

Management has already successfully implemented its program of capacity expansion to create economics of scale with TG Ltd. TG Ltd operates with a trading sense of commitment to the achievement of corporate mission and objectives. The company has a high level of management expertise that is expected of on affiliate

The structure of the organization is given in the annex. The Managing Director is at the top most positing in the Organization all the functions of the Company are carried out through six distinct functional areas.

1. Finance & Information Technology.
2. Marketing.
3. Customer Services.
4. Industrial Operations
5. Human Resources.
6. Research & development.

#### 2.9 Finance department:

Its department activities are carried out through sub departments.

Financial Accounting.

Management Accounting.

Information Technology.

#### Activities performed by financial Accounting Department

1. Keeping record of all financial transactions.
2. Preparation of financial Statements for Internal and external purposes.
3. Maintaining Insurance, Provident fund etc.
4. Commission submission and handling.

Activities performed by Management Accounting. The main function of this department is to provide information for decision-making.

1. Collecting commission from shippers bank.
2. L/C Received from Bank.
3. Commission Receive from Bank.
4. Maintenance Information Technological cost.

2.10 Research and development: Research and development efforts in the buying house involve both the materials, principally leather, that one used in a leather goods. However, TG. Themselves carryout R & D efforts in leather good comfortable, light weight, & durable.

TG. Director, along with the General Managers supervise production closely.

#### 2.11 Market Exploration:

TG. Needs to identify the appropriate product and price niche in order to best utilize its accumulated strengths and experiences. It could be made of experienced and knowledgeable industry professionals who can promptly and accurately gauge the capability of TG and match it with the appropriate buyer. The matching service is most important both for TG as well as the prospective buyer in order to identify the product niche where TG enjoys the greatest comparative advantage.

#### 2.12 Information System (IS)

The management of TG is knowledgeable and appreciates the value of IT in the success of the company's operations. TG uses adequate PC work stations and most of them are high speed Pentium processors Presently, the company



has no Local Area Network (LAN). Window based Accounting Software packages are currently used for job costing,

accounts payable and accounts receivable. The database management system (DBMS),

FoxPro is currently in use. The system is utilized for complex reports and query. In addition, the system allows the administrators to access and process information to some degree for the running of the business. The FoxPro based application is being developed at the current time by outside contractor. The spreadsheet Excel for Windows Version 97 is being used for statistical and financial calculating. The spreadsheet is also used to create worksheets for the monthly analysis of job costing and for preparation of monthly financial statements.

### 2.13 Human Resource Management (HRM)

The top management of TG consider the most important stakeholders of the company is its employees and workers since they know that these people like other stakeholders also invest by committing valuable resources i.e. their work and career. TG is one of the few companies in country that is non-unionized.

Over the years the management of TG has entered into several agreements with both national and international organizations in order to develop its human resources. TG has hired several consultants from this internationally reputed institution who served for couple of months at different periods to train-up the workers. TG also sent its employees to this institution for further

training in designing.

Conclusion: TG has been successfully buying house for both leather and garments. They have survived as export buying media during last ten years. They are in the third position of buying house association for their providing. TG is the leading multinational buying houses in the country this is a great achievement for them.

TG aim is to provide a better service to his customer it has a broad range of products and it's enjoy the market leading position in leather export. It has a good management team and disciplined work force. To become the number one buying house in the country, it is sub grading its plants, recruiting the most skilled and efficient executives, introducing up to date IT materials etc. Recently it has announced its decision of merger with shoe export with America.

- Business enterprises are aimed at making high profit, out of this desire, they try to increase sale. This is the natural and main objective of every business organization. This is practicable for any product or service and they are trying to produce more productivity during the business period. But since most of the business enterprises are entering into the market competition has forced the private companies the introduce their products to the consumers by their productivity, market strategy, business policy and the level of competition is very high for make a future prospective market. But in the footwear market also there is **nothing** different than any other industry. Now a day there is also going on much more competition So every day coming on new companies and their new fashionable shoe and making new design for the consumers wants and demand they are finding new ideas on the product, new views for business policy and new though for developed the product in the market. All of are gathering together to fight and to come out with success.

TG Ltd has taken the marketing strategy of serving multiple buyers. In spite of bulk orders available from the Adel chi of Italy, the largest buyer

Of TG Ltd, the management of TG Ltd is also pursuing to obtain orders from other buyers of other countries in order to avoid dependency on only one buyer and thus to diversify risk potentials. The marketing organization of TG Ltd is still not developed and institutionalized.

#### 2.14 Labor:

Bangladesh offers one of the most competitive labor rates in the world with a large pool of educated, young people willing to work. With wage rates escalating even in countries such as Thailand, Korea etc., industries such as footwear manufacture with high inherent labor content, are no longer feasible in Developed or in Newly Industrialized Countries (NICx). Moreover, the natural advantage of women in the industry due to their greater stitching abilities in Bangladesh and the advent of the garments industry have created a large labor force. In countries like Japan and Germany shoe factories are being forced to close down due to the high wage costs and the inability to attract new workers.

#### □ 2.15 Price:

The Price of shoes varies according to the design, style, material and lot of other variables. So it is very difficult to define the price of the shoes. Prices are quoted at FOB basis. These price range from 2 to 1 dollar.

#### □ 2.16 Export Sales:

Being an export oriented industry, until 1997 TG had to export most of its production. Generally the company exports through buyers of different countries. However, the management has a long-term strategy to develop its own brand name and hopes to open its own outlet in different

countries in the future.

The products sold at the Duty Free Shop of Zia international Airport the shop is under direct export and payments are taken in foreign currencies only. In the international market, to reach ultimate customers, TG uses agents as middlemen. Presently, TG has an agent for the Italian market named Kaponi & Kaponi. The role and commission structure of agents in different markets i.e. Italy and Japan varies. Since TG is presently substantially involved in the EU market a distribution channel in the EU countries for footwear

## 2.17 SWOT ANALYSIS OF TG LTD:

Measurement skill of SWOT analysis

Completely satisfied + 4

Somewhat satisfied +3

Neither satisfied nor dissatisfied +2

Somewhat dissatisfied +1

dissatisfied + 0

The analysis on the strengths, weaknesses, opportunities and threats faced by TG Ltd major competitor is bellow.

2.17.1 Strengths: -

**1.** - Strong and reputed backward linkage Leather export Trading Company.+2

**2.** Better mass merchandising of leather export in the world.+3

3. World wide leather export capability. +3
4. System for conducting leather export business on the world wide web, or e-mail address for many or most of the leather goods companies. +2
5. A Goodwill on behalf of buyers +3
6. Better leather buying houses of the world on behalf of leather goods companies +3
7. A strong financial resources to grow leather export Business. +4
8. Better price policy and leather quality than its competitors. +3
9. Building A good relation with buyer of leather and shipper since TG Ltd is the mediator of them. +3
10. A good information technological system for correspondences with leather export buyers. +1

#### 2.17.2 Weakness:

1. Delay shipment always (not follow JIT system) -- 4
2. Less expertise information technology information. --3
3. Not 100% Satisfaction leather on behalf of buyer. --3
4. Lack information for R&D. --4
5. Lack of human resources management for leather export. --2
6. Weak brand image for leather export buying houses of the Global leather export market. --4
7. Too much expensive to get leather export information market situation. --2

### 2.17.3 Opportunities

1. less leather price than European countries+3
2. Increasing leather export market America. Canada and Japan+2
3. Less trade barrier than other countries+3
4. Increasing new Technology for finished leather.+3

### 2.14.4 THREATS

1. price is too much high than other countries—2
2. Increasing leather substitute product like rexcin--3
3. We do not export 100% good quality leather--2
4. Increasing child labor in the tanneries--4
5. We do not any attempt to develop Environmental protection plan.—4

STRENGTH	WEAKNESS	OPPORTUNITIES	THREATS
+2	-4	+3	-2
+3	-3	+2	-3
+3	-3	+3	-2
+2	-4	<u>+3</u>	-4
+3	-2	+11	<u>-4</u>
+3	-4		-15
+4	<u>-2</u>		
+3	-22		
+3			
<u>+1</u>			
= 27			

	S	W	O	T
S	+27	+27 <u>-22</u> +5	+27 <u>+11</u> +38	+27 <u>-15</u> +12
W	X	-22	-22 <u>+11</u> +11	-22 <u>-15</u> -37
O	X	X	+11	+11 <u>-15</u> -4
T	X	X	X	-15

Present Situation = Strength VS Weakness  
 $27-22=+5$  Good

Future Situation = Opportunities VS Threats  
 $+11-15= -4$

Over all situation =  $(S-W) - (O-T)$   
 $= (27-22) - (11-15)$   
 $= 5-4= +1$

## CHAPTER 3

### Profile of Leather Industry of Bangladesh

#### 3.1 World demand for leather goods is increasing.

World demand for leather goods increasing. Higher standard of living and rapid population increases may account for this phenomenon. This rising demand coupled with enhance of new customers in the import market will open up new opportunities for the local leather goods company. The labor intensive of this company of the country will continue to enjoy the benefits of low labor costs.

The labor-intensive process of finished leather making is becoming highly expensive in developed countries. Moreover given the fact that leather exported to Italy are subject to a 27% import duty when sent from these developing countries vs. no duty when sent from Bangladesh. This may increase order received by locals as the large foreign producers will shift their production to Bangladesh so that finished product can be resold with no duty being imposed on them.

#### 3.2 Demographic causes: -

During the present years, the leather goods industries changed considerably. From a global viewpoint, it was always a growing branch of industry. The reason for this is the population growth and a higher standard of living, which is coupled to an increased demand for leather goods. The demand for leather goods only increased in the industrial countries North America, Japan and EU countries are the major markets for the leather shows. Maximum Bangladeshi finished leather export to



These leather goods industries countries.

### 3.3 Economic causes: -

Bangladesh Economy: According to interrelationships between control of economic activity and ownership of production factors, a mixed economy prevails in Bangladesh characterized by different mixtures of market and central planning control and public and private ownership of resources. The overall state of the economy greatly influences the strategies and performance of various industries and competitors within each industry. Economic forces in the macro environment surrounds industries like export leather. The most prominent indicators, which measure the health of an economy like Bangladesh, are growth in GDP, interest rates,

Inflation rates, savings rates and trade and budget deficits or surpluses. These indicators are highly interrelated. Bangladesh falls into low-income countries according to World Bank categories of economies. GDP of the country grew by an estimated 5.79 percent in fiscal 1996/97 (June0July), which was indisputably a good year for the agricultural sector, estimated to have expanded by 6 percent. This was offset by a disappointing performance in the industry sector, which grew by only 3.6 percent. Interest rate prevailing in the country is quite high compared to other economies and adversely affect the decision making involved in major expenditures for plant and equipment. The Government of Bangladesh has a policy. There is no ban for capital and profit repatriation for joint venture partners and FDI owners. Although several incentives for the export-oriented manufacturing nits are being offered, addressing serious bottlenecks in infrastructure and bureaucracy, improving legal environment and law and order situation, and removing uncertainties in the economic policy is crucial. These weaknesses raise the cost of doing business, thus constraining growth in private investment and hampering competitiveness and diversification of the manufacturing units as a whole.

### 3.4 World Economy:

Most of the economies of the world are presently facing an economic recession pressure. Major markets for industrial products like Japan, ASEAN and EU countries are no exception to this. Reactionary conditions in this market mean lower demand for luxury products such as leather goods, which obviously have an adverse impact on the export of leather. Recession in the Japanese market has reduced leather's sales significantly in recent years and forced the company to explore new markets in North America.

### 3.5 EU countries:

Germany is the most important market for consumption of leather good, followed by Italy, France and United Kingdom. The Netherlands ranks the fifth position. The French and the Belgians are the highest consumers per capita in volume. In South European countries consumption of leather goods per capita is relatively low. The most important producing countries of footwear are Italy followed at a distance by

Spain and France. Many manufacturers in countries like Germany, United Kingdom, Belgium and The Netherlands source some of their products from abroad in an effort to compete with the imported products. The most important importer among EU countries is Germany (about 30% of volume) followed by France and the United Kingdom. China is by far the leading exporter to EU in volume. In value this position is taken by Korea.

### 3.6 Exchange Rate:

Exchange rate fluctuations are crucial factor for export-oriented manufacturing units of the country like, The official exchange rate was devalued by 4.6 percent vis-à-vis the US dollar in seven steps in FY97. This was not adequate to avoid a 4 percent appreciation of the real effective exchange rate in the fiscal year 1997 which is likely to have contributed adversely to the competitiveness of Bangladesh's export

Including the leather and leather products export. The recent sharp Devaluation in Southeast Asian competitor countries must have further seriously eroded Bangladesh's competitiveness. Pursuing a competitive exchange rate policy, together with continued trade liberalization, will be important for strengthening the economy's export base in FY98. The wage rate structure in the private sector is almost left to the market forces. Given the large supply of the ordinary workers, the wage rate has been pushed down.

### 3.7 New Markets Opportunity in USA:

There exists good market opportunity and tremendous prospect for export leather if it can make a breakthrough in the USA, the single largest market for leather goods in the world. Being the largest importer of finished leather, in 1996. A wide variety of leather is offered for leather goods in the US retail establishments.

## Chapter 4

### Prospect of leather Industry of Bangladesh

It is difficult to accurately estimate the local market for leather goods on the basis of trend extrapolation, apparent consumption or any other statistical method due to lack of data relating to past levels of consumption, income and prices for a reliable period of time. But it is obvious that leather goods in general have now become almost an essential item like food, clothing and shelter, particularly for the upper and middle segment living in the urban areas of the country. The total pair of shoes to be used in Bangladesh would depend basically on the level of income and size of the upper and middle class in our society. This is more so in case of consumption of leather goods, which are both expensive and sophisticated. Therefore, for demand estimation, people belonging to the upper and middle class of the society whose monthly income is taka 5000 and above has been considered.

The current population of Bangladesh is around 120 million. Out of this, as per the Statistical Year Book of Bangladesh 1996 about 10.87 percent belong to the upper and middle class. For demand estimation purpose, 10% has been considered to represent the upper and middle class excluding babies who use different types of leather goods. In this case, around 12 million people represent the upper and the middle class. Assuming each pair of quality shoes will last for at least two years in view of the fact that the upper and middle class prefer to move here and there in vehicles instead of walking, on simplified basis the current market size of quality leather shoes will increase at least at this rate if not move. On this said basis, the projected demand for leather would stand at 20 millions sqft per month

There are about 110 leather goods and leather footwear factories in Bangladesh registered with the Board of Investment (BOI) with an annual production capacity of 7.70 million pairs of footwear and 1 million leather suitcase or bag and 1 million hand bag to cater to the local requirement. The

actual production is about 5.50 million pairs of different types of leather footwear. BATA, one of the largest Multinational Company in the country, share about 40% of the market. The rest is shared by small and medium sized local units in the unorganized sector, imports and very insignificantly by the export-oriented shoe manufacturer of the country. By taking the above-mentioned supply position into consideration and comparing it with estimated demand scenario, there is still a supply unorganized/non mechanized units of the country. The recent

Allowing the export-oriented shoe-manufacturing units of the country to sell 20% of their annual export volume has created

4.1 Development: - They are able to develop the leather that they need, and then make the shoes that they require as well. This allows quality and price advantages to TG due to the leadership position of the leather industry. One of the major reasons for the shift of the Italian customers has been the guaranteed supply of leather.

Apart from leather, TG also has sources of other raw materials like components and accessories from local supporting industries. This give TG reduces raw material cost and improve efficient through reducing led time.

#### 4.2 Favorable Government policy and incentives:

Recognizing the importance of the leather sector from the points of additional employment generation and export earning enhancement, the Government of Bangladesh has clearly identified the need for supporting the sector and facilitating its rapid growth. The objectives and strategies of the GOB to promote the growth of the leather sector consists of a series of measures, series of measures, incentives, schemes and policy initiatives are highlighted below:

1. Augmentation of foreign exchange earnings through increased export.
2. Increasing employment in the sector particularly employment of women.

Increasing the availability of trained technical manpower and skilled labor to cope with the export production through up gradation of existing facilities such as College of Leather Technology & promotion of new ones.

3. Promoting shift towards more finished leather capacity by encouraging Balancing Modernizing, Replacement & Expansion (BMRE) of existing units.
4. Planning & promoting better pollution control methods for the future. Foreign collaboration is liberally allowed for production of all leather products, auxiliaries, machinery and components.
5. Liberalization of import of capital machinery making it duty free, simplification of procedures for import of various components and consumable required for
6. Manufacture of quality products.
7. Providing easier access to capital and finance for modernization as well as promotion of new ventures.
8. Declaration of leather industry as 100% export-oriented industry entitling it to all the benefits enjoyed by the garments industry.
9. Export of raw-hides and wet blue have been banned and import of raw materials have been liberalized with the introduction of facilities such as duty drawback, special bonded ware house system for duty free import of raw materials and chemicals etc.

Other specific export incentives provided to the exporters in Bangladesh are as follows:

- Low conversion costs due to cheap labor.
- In the global footwear industry the use of Computer Aided Design (CAD) and Computer Aided Manufacturing (CAM) is quite established in manufacturing of quality leather goods. With the use of CAD and CAM, it is possible to make the learning times shorter and shoes can be manufactured economically in small, customized basis. LEATHER manufactures low volume output, which is required by the buyers at the face of economic recessions in major importing countries.

#### 4.3 Product design and development capabilities:

TG has developed over the years more than four hundred styles of leather for various markets and customers and therefore, offers a wide choice to show the potential buyers. This is the goodwill of TG. Regular participation in international trade leather helps to keep TG abreast of new trends and fashions as well. The development can start from leather, due to the in-house tannery, and there is a separate dedicated facility and staff for making samples only.

The augmented capacity of TG has created economies of scale for TG whereby cost can be amortized over larger volumes, thereby reducing unit fixed costs. Moreover, the increase in capacity now makes TG a viable potential supplier for the volume buyer in

the USA and Europe as TG can now fulfill their requirements. TG is also now able to rationalize its raw material purchasing and obtain bulk discounts thereby improving its cost advantage further.

#### 4.4 An experienced and skilled workforce built-up over time:

As the first entrant in the exporter of leather, TG has built up over the years a team of experienced and skilled managers and around ~~1500 workers of~~ each of 90% are women has been able to increase productivity and

capabilities. The emphasis on training and continuous HRD as well as the continuous transfer of technology and know how in the form of expatriate technicians has paid off well for the company. These increased skill levels have helped to access new product segment, which certainly has an upper edge with the competitors.



## Chapter 5

### Problems of leather export of Bangladesh

#### 5.1 Environmental Causes

The leather manufacturing industry is notorious for polluting the environment in Bangladesh. Enactment and enforcement of stringent pollution control laws and environmental regulations have significantly augmented the business cost of leather industries in developed countries. This is the main reason for shifting of the leather industry from developed countries to developing ones like Bangladesh.

Presently, manufacturers who produce environmentally sound products have a competitive advantage in the Western markets when emphasizing the environmental soundness of the product in the information to the general public. Consumers more take the environmental soundness of the product into account. For the manufacturer to prove this, sound production may therefore, open new market opportunities. For example, for finished leather marketed in norms he can comply with or hallmarks he could apply for.

Environmentally sound production may therefore, open new market opportunities. For example, for footwear markets in some EU countries there, an eco-label available for the product group 'shoes'. The EU is trying to promote cleaner production through awarding of financial incentives. On the other hand, EU as a whole (and some member states specially) use financial instruments to discourage the entrance of polluting products in the

market. This happens through the establishment of specific taxes. A very special tax is the "eco-tax" which is placed on energy consumption. While the EU as a whole has to date not been able to agree on such a tax, several member states apply such a tax. It is not unthinkable that measures such as the eco-tax will increasingly be applied to products that originate in developing countries and are not eco-friendly.

## 5.2 Technological Causes

Technological forces are not only the fastest unfolding but also the most far-reaching in extending or contracting opportunity for an established company. The level of technology involved in finishing leather or producing quality leather goods is much more involved compared to that for making crust leather. It also applies to be true for manufacturing value-added products progress in footwear compared to manufacturing finished leather.

Technological progress in leather production depends on the development of materials tools and machinery. Currently, a revolutionary change in product development occurred with the introduction of CAD-CAM systems (Computer Aided Design/ Computer Aided Manufacturing). Although it is difficult for companies like to adapt with these sophisticated systems in a country like Bangladesh, but for effective and efficient production of high quality and high margin products, must strive to introduce these systems in the future.

The technology in the leather industry is stable and medium-level. Due to the high labor and manual inputs required the leather industry does not lend itself to complete automation and . Fashion element yielded in the outsourcing of intermediate products i.e. shoe upper, by the quality she manufacturers in the developed countries. Whereas, cost and environmental factors yielded in gradual migration of this industry over the last few decades from high labor costs countries in the North to lower labor-cost countries in the South. This exemplifies the fact, that availability of low cost, productive labor is a major determinant of success for this industry. Today, the traditional shoe making nations such as Germany, Italy, Spain, Korea have been displaced by new payers such as China, India, Taiwan and countries like Bangladesh. The need of the day is a transfer of the know-how that exists in countries like Italy, Japan and Korea to the developing countries like Bangladesh. Although the technology is mature and not very expensive, what is critical is

the managerial and technical ability to complete this transfer. This will not only allow maximum utilization of domestic resources but also allow Bangladesh to enter new market segments internationally.

TG, being a modern footwear manufacturer, uses automatic equipment like cutting knives, skiving machine, color sprayers, stitching machines, lasting machines, dryer's etc. It has its own R&D department though it is not yet developed to compete internationally in the changing fashion-oriented footwear market. But there is a continuous pursuit of developing different designs and mainly patterns. As countries like UK, Italy, Germany and Czech Republic use high technology but there labor cost is high and this is a disadvantage for them. But, countries like India, Bangladesh and Korea also use advanced technology but their interest in importing from these countries. Another advantage that leather goods units in Bangladesh have is that they are gradually opting locally made spare parts. This will help a lot in reducing capital expenses for efficient production.

### 5.3 Political Causes

Bangladesh is riddled with incidents of civil unrest and political turmoil due to the poor relations between the ruling party (Awami league) and the major opposition (BNP). Incidents highlighting this futile relationship include walkouts from parliament by whichever party is in opposition and strikes organized by them. Each party seeks to make political capital out of other's mistakes. The political scenario of Bangladesh has began to heat-up at the end of 1995 and from the beginning of 1996 the prevailing situation of the country's state of affairs were highly unstable and in consequence everything remained standstill virtually paralyzed exports and shaken the buyers confidence. Consequently, TG was not able to operate at full capacity during first half of 1996 and thereby, could achieve only 31.80% capacity utilization in terms of pairage of the total capacity. This resulted lower earnings in 1996 than expected. While the political environment of the country has been stable since the parliamentary elections, there have been threats of oppositions-led strikes which should not be ignored in decision

making of companies like tannery's orders due to longer lead times and uncertain delivery dates-eventually will deteriorate the overall performance of the company. Political and legal developments can expand or limit a company's freedom of action and make the environment more hostile or

more supportive of its activities.

Since the right to protest publicly is well entrenched in the Bangladeshi culture and therefore, the risk of political upheaval is ever present and has serious effect on exporters like TG. Exporter have specific dates of delivery, and political constraints such as strick, labor strikes, transportation strikes sometimes makes it impossible for tanneries to meet the delivery dates of it's buyers. This leads to cancellation of orders and loss of money and goodwill. Bureaucracy and red tape are also obstructions for Bangladeshi companies in Bangladesh and TG is no exception. Again corruption at various stages of the Government, a common phenomenon in Bangladesh, is also and obstruction to the performance of TG.

#### 5.4 Cultural Causes

Leather Goods is a fashionable item demanding frequent changes in design and pattern. Consumption of footwear varies time to time among different countries due to cultural diversity among the nations. The elements of culture in the footwear industry may include values and attitudes, manners and customs, material elements, aesthetics, education etc. Being an export-oriented footwear manufacture, it is very important for TG to examine the cultural diversities among countries for exploring different market segments. For example, in Japanese market for footwear, the ultimate users are highly quality conscious but less price conscious. Moreover, customers in Japan prefer traditional Japanese designs to be built in their shoes due to their nationalist perception. Unlike the Europeans they are not fond of shoes with pointed end and sharp features.

Although TG presently has the capability of designing and development of patterns for leather footwear, it difficult for them to compete at the international competitors who are very close tom the fashion arena and market for leather footwear.

#### 5.5 Legal requirements in the international markets:

As of 23<sup>rd</sup> of March 1996, shoes may only be offered for sale if they display the legally required description of materials used. This regulation has translated the Directive

94/11/EC of the European Parliament and the Council of the European Community into

German law and applies throughout the EU. According to this rules the main material used in the shoe, i.e. uppers materials, lining, outer sole and in sole must be uniformly described. The aim is to provide the consumer with more precise information.

Presently, shoe exports from Bangladesh enjoy preferential treatment over most of the global competitors. The preferential treatment in the form of quota and duty-free import facilities is given to Bangladesh in all the major EU countries, Japan and Russia. While the other major exporting countries like Taiwan, China, Korea, Vietnam, India, Philippines and Pakistan are all subject to 27% import duties for EU countries and Japan. However, by the end of 2005, Bangladesh shall face stiff competition in the global market due to phasing out of the aforesaid quota and duty-free import facility.

#### 5.6 Country of origin problem:

Bangladesh has traditionally portrayed and often projected itself, as a country prone to natural disasters such as flood, cyclones. The culture of aid-

dependence has created an image in overseas as a nation totally incapable of helping itself and having to depend on foreign donors. In some cases, the contribution of the Western media was also biased. Moreover the large population was viewed as a liability due to low levels of literacy and high poverty, rather than a potential asset. Therefore, Bangladesh is not readily acceptable as a reliable source of finished consumer products such as footwear due to lack of credibility in terms of experience and quality capability. Like all the exporters, TG also faces difficulties in attracting potential overseas buyers.

#### 5.7 Environmental uncertainty:

Future prediction is difficult for companies like TG. The degree of complexity in its external environment is complex in the leather footwear trade. For example, TG's strategy to expand in the Japanese market failed due to economic recession in Japan. Therefore, environmental uncertainty is a threat to the strategic managers of TG because it makes it difficult for them to develop long-range plans and to make strategic decisions to keep the corporation in equilibrium with its external environment.

#### 5.8 Global competition is intensifying:

According to the International Leather and Footwear Journal, currently the major fluctuation of cheap world imports, were from China, Taiwan, India and Korea. Thailand, Indonesia and Brazil have been also able to make remarkable inroads on the basis of their lower costs. China's being one of the largest manufacturers of footwear sometimes follows a dumping policy to acquire the market by driving out the other low cost exporters in the Western markets. With the abundant availability of quality leather and competitive labor India is also dominating in the medium and lower price segments. It is true that procedures of developing countries such as Bangladesh tend to be associated with the manufacturing and exporting; they do not have much ]

ontrol over downstream operations. Lack of burgeoning power in dictating final prices; reduces margin. Bangladesh's current low position on the manufacturing-marketing chain implies that short term rapid growth will occur in the "copy-cat" industry with lower priced mass-market products being source from Bangladesh. Therefore, unless TG focuses its trading and marketing capabilities towards quality and product differentiation it could not avoid being a branded rather just a low cost producer in the long term.

Chapter 6  
Project Part

**Leather** export of Bangladesh is not eatable according to EPB'S report. We **cannot** increase our leather export as we do not get sufficiently information **About** leather export information as reason of some obstacles.

**The main factors of decrease of leather export the following reason from the survey.**

1. Raw materials problem.
2. Quality problem.
3. Machinery problem.
4. Services problem.
5. Co-operation between tanneries and buying houses problem.
6. Information technology problem.
7. Environmental protection problem.
8. Child labor problem.
9. Price problem
10. Just in time shipment problem.
- 11.Stricke problem.
- 12.Unskilled Technician.



13. Finance problem.

14. Substitute product

Sapling design

Definition of population

The total group of people who related leather export section like Buying House tanneries, leather buying association EPB

Elements

A person who involve leather export directly of EPB. A person who is executive of tannery or buying house.

Units

For Leather export person survey, tannery buying house Leather buying association buying house association and leather export buyers

Survey Area

Dhaka city at Hazaribagh area, Gulshan for leather export buyers.

## Sampling frame

This refers to lists, indices, maps and other records of a population from which a sample can be selected. the Sample frame in this research was the list of pediatricians obtained from the database of TG.

This refers to least indicates maps and other records of the population from who is a sampled can be selected

## Sample

A collection of some, but not all, of the elements of the population under study, used to describe the population.

## Selecting the sample method

There are two major sampling methods

1. probability sampling method

2. non-probability sampling method

Probability sampling method was follow by systematic ways for some selected leather export per sols who the organization perceived as the opinion leaders in this field for the selection of other export person simple systematic sampling method was followed.

## Sample size

The target was to cover 100 shippers, 100 Buying houses and 100 Buyers . But due to time constrain 70 shippers, 30 buying houses and 20 buyers were covers.

## Sampling plan

### Selection of population unit

The sample units were selected simple randomly from the buying house register list, Shipper register list. The sample units of buyers selected by randomly from Panpacific Hotel, and Sheraton Hotel.

## Survey plan

Information was collected through questionnaires and interviews. Questions were open-ended, dichotomous and multiple-choice question. The survey incorporated face to face interaction from which answers were elicited.

## Survey Questionnaires: -

The draft Questionnaires for the survey was designed for the basic of objective of the survey. A pretest on drafts questionnaire was carried out. The pretest on questionnaire was done in order to test the suitability of the survey questionnaire and to estimate the time required for filling of the questionnaires. The pretest questionnaire thoroughly reviewed and analyze incorporation the modifications.

## Data Analysis

**Field Editing:** After the collection of questionnaires, they were checked for any inconsistencies.

**Computer Analysis:** Data were finally analyzed SPSS Software package

### 6.1 What types of Suggestion applied:

Association can just maintenance the rules of their organizations. But they do not solve the Economical problem (like Machinery problem), Quality problem, or strike problem. Govt should do to increase leather export by changing their political policy. (Like to Reduce strike, less Restriction for international business, to easy getting loan from bank for purchasing Machinery etc.), to assist gathering information from Intonation market situation, to easy communicate with others countries for business purpose. On the other hand, other countries businesspersons enter our country easily for business purpose.

6.2 Substitute product: Raxin product like leather product. So, we get Raxin bag, shoe, and cheaper then leather. So, Raxin is substitute of leather. So to increase raxin demand to decrease leather demand.

### 6.3 Raw materials problem:

Raw materials is not available in our country. Raw materials problem is the main problem to produce leather export. 85% of tanneries have told Raw materials problem is the main problem to reduce leather export.

	Percent
Very much problem	82%
Problem	15%
Some what Problem	3%
Not very problem	0
Total	100%

### 6.4 EPB's information is not sufficient for leather export:

Most of the buying houses supported that EPB do not carrying out properly activities for leather export they do not collect sufficient data for leather export market information from International leather export market.

## 6.5 Delay shipment:

**Most of the Tanneries follow delay shipment, which is tremendously Effect leather importers for this reason, Buying houses do not keep their commitment of their buyers/ the reason of delay shipment as bellow**

- a) Raw materials problem.
- b) Machineries problem.
- c) Product processing problem.
- d) Cargo shipment problem.

Raw materials are not available in the tanneries. Their Raw materials less than buyer's orders. Most of the tanneries faces raw materials problem always.

## 6.7 Environmental problem:

Environmental protection plan is the main factor for buyer's satisfaction plan for any tanneries. This problem faces buying houses for their buyer's. Most of buyer's do not go visit the tanneries as because of environment problem.

#### 6.8 Child Labor problem:

Child labor is another problem for buyers. Most of the buyer's dissatisfy for child labor of the tanneries.

#### 6.9 Quality problem:

Bangladeshi leather technology is not Highly qualified because lack of qualified technician like Pakistani technician. So, finished leather is not quite good finishing .on the other hand, full pieces raw materials less than side pieces Raw materials those are not carrying out quality product. We import chemical from other countries that is most expensive for us. All machines even machineries parts we have to import from other countries. So, all of the reasons do not give good quality export leather.

#### 6.10 Strike problem:

Strike problem is the too much effect for delay shipment schedule problem. On the other hand, Buyer's do not move easily form tannery to tannery or they do not move easily others place. So, They do not take impression for doing business for a long time for political reasons.

#### 6.11 Price problem:

Most of the buying hours order cancels from tanneries as reasons prices problem. The average per square feet leather price is \$1.70. But most of the buyer's offer average price is \$1.60.

#### 6.12 Cooperation between buying house and tanneries problem:

Buying house always work on behalf of buyers. Sometime, tanneries direct offer to buyers. For this reason tanneries and buying houses do not build up good relation between them. Tannery thinks always, buying houses work on behalf their buyer but they do work also on behalf of tanneries.

#### 6.13 Information technology problem:

Though leather export is a international term business. So, Information is main sources of increasing leather export. But we do not know today's leather market information as because of lack of information technology.

5. Research and development problem: We do not the all leather export market information because lack of the market research and development. If our research and development will strong then our leather market will be strong.



The Factor to be consider while importance leather market:

Rank	Factors	Mean value
1	Delay shipment problem	3.2
2	Raw Material	2.1
3	Price problem	2.2
4	Environmental problem	2.4
5	Quality problem	3.3
6	Machinery problem	3.2
7	Information technology problem	2.1
8	product schedule problem.	3.1
9	Political problem	3.4
10	Child labor problem	1.2
11	Service problems	1.2

## Chapter 7

### Data Analysis

#### 7.1 For shippers:

1. Do you know that export of leather from Bangladesh has substantially decreased in the year 1998-2000?

	Frequency	Percent	Cumulative
Yes	50	71.43%	50
No	0	0	50
Do not know	20	28.57%	70
Total	70	100 %	

2. Do you think EPB is carrying out its activities properly to support leather export?

Yes	Frequency	Percent	Cumulative
No	5	7.14%	5
Yes	50	71.42%	55
Do not know	15	21.44%	70
Total	70	100%	

3. Do you have sufficient raw materials for export leather?

	Frequency	Percent	C.F
Yes	5	7.14%	5
No	65	92.86%	70
Total	70	100%	

4. Do you sometimes delay in shipment?

	Frequency	Percent	C.F
Yes	60	85.71%	60
NO	10	14.29%	70
Total	70	100%	

5. Do you sometimes run short of working capital?

	Frequency	Percent	C.F
Yes	50	71.42%	50
NO	20	28.58%	70
Total	70	100%	

6. Do you have to pay export tax ?

	Frequency	Percent	C.F
Yes	70	100%	70
NO	0	0%	70
Total	70	100%	

6 Do you consider the tax rate as?

	Frequency	Percent	C.F
Very high	40	57.14%	40
High	20	28.57%	60
Moderate	10	14.29%	70
Low	0	0%	70
Total	70	100%	

7 Do you feel the need for environmental protection plan ?

Yes	Frequency	Percent	C.F
Yes	65	92.85%	65
NO	5	7.15%	70
Total	70	100%	

8. Do you have a child labor in your factory?

Yes	Frequency	Percent	C.F
Yes	50	71.42%	50
NO	20	28.58%	70
Total	70	100%	

9. Do you think that child labor is of the major reasons of buyer's dissatisfaction to word our product?

	Frequency	Percent	C.F
Yes	5	7.14%	5
NO	65	92.86%	70
Total	70	100%	

11. Do you think that the child labor issue is discouraging foreign buyer's?

	Frequency	Percent	C.F
Yes	10	14.28%	10
NO	50	85.72%	60
Total	70	100%	

12. Do you think that it is appropriate to use child labor under the socio-economic condition of our country?

	Frequency	Percent	C.F
Yes	15	21.5%	15
NO	50	71.5%	65
Do not know	5	7%	70
Total	70		



13. Do you face any problem with buying houses?

		Percent	C.F
Yes	50	71.42%	50
NO	20	28.58%	70
TOTAL	70	100%	

**7.2 FOR BUYING HOUSES:**

**1. Do you know that export of leather from Bangladesh has substantially decreased in the year 1998-2000?**

	Frequency	Percent	Cumulative
Yes	20	28.57%	20
	5		
No		0	25
	5		
Do not know		25%	30
Total	30	100%	

**2 Do you think EPB is carrying out its activities properly to support leather export?**

	Frequency	Percent	Cumulative
Yes			
No	10	14.28%	10
		77.5	
Yes	15		25
		20.0	
Do not know	5		30
Total	70	100	

3. Do you have sufficient raw materials for export leather ?

	Frequency	Percent	C.F
Yes	25	35.71%	25
No	5	64.29%	30
Total	30	100%	

4. Do you face any problem with suppliers?

	Frequency	Percent	C.F
Yes	25	35.71%	25
NO	5	64.29%	30
Total	30	100%	

5. Do you sometimes delay in shipment?

	Frequency	Percent	C.F
Yes	29	41.42%	29
NO	1	58.58%	30
Total	30	100%	

6. Do you sometimes run short of working capital. ?

	Frequency	Percent	C.F
Yes	29	41.42%	29
NO	1	58.58%	30
Total	30	100%	

7. Do you have to pay export tax?

	Frequency	Percent	C.F
Yes	30	100%	30
NO	0	0	30
Total	30	100%	

\* Do you consider the tax rate as?

	Frequency	Percent	C.F
Very	3	4.28%	3
High	7	10%	10
Moderate	15	21.42%	25
Low	5	64.35%	30
Total	30	100%	

9. Do you feel the need for environmental protection plan?

Yes	Frequency	Percent	C.F
Yes	30	4.28%	30
NO	0	95.72%	30
Total	30	%100	

10. Do you have a child labor in your factory?

Yes	Frequency	Percent	C.F
Yes	5	7.14%	5
NO	25	92.86%	30
Total	30	100%	

1. Do you think that child labor is are of the major reasons of buyer's dissatisfaction to word our product ?

	Frequency	Percent	C.F
Yes	30	4.28%	30
NO	0	40	30
Total	30	100%	

12.Do you think that the child labor issue is discouraging foreign buyer's?

	Frequency	Percent	C.F
Yes	25	72.5	25
NO	5	32.5	30
Total	30	100	

13. Do you think that it is appropriate to use child labor under the socio-economic condition of our country ?

	Frequency	Percent	C.F
yes	26	45%	26
NO	4	55%	30
	30	100%	



### 7.3 FOR BUYERS:

1. Do you have any leather import business with the tanneries of Bangladesh?

	Frequency	Percent	C.F
Yes	15	100%	15
No	0	0%	15
Total	15	100%	

2. How long do you business with Bangladesh?

Year	Frequency
0 - 5	9
5 - 10	4
10 -20	7
Total	20

3. Have you faced any problems with shippers?

	Frequency	percent	C.F
Yes	10	66%	10
No	5	34%	15
TOTAL	15	100%	

4. Please mention positive sides and negative sides of leather export?

Positive sides

1. Quality is not so bad
- 2 More varieties product capacity
3. More cheaply finished leather than Italy, America, Canada and Australia finished leather cost.
5. Price is not so much high
6. Technology is not so bad.

## Negative sides

1. Delay shipment
2. Quality problem
3. Raw materials problem
4. Finishing problem
5. Selection problem
6. L/C amendment

#### 7.4 Personal observation:

Besides my findings from the questionnaire and interviews held with the shippers, buying house. I also made some observation in courses of my informal discussions with them.

- Shippers, buying house are very interested to increase leather export all over the world.
- Some shippers told me, political problem, Raw materials problem, Information problem is the major problem of decreasing leather export.
- **Some buyers told me, leather quality is not than before but shipment schedule problem is the very important for us. Price could not be reasonable for us.**
- **Sometimes, shippers and buying houses do not maintain their contract term as regard of purchase order. So, buying houses the purchase order from one shipper to another for this reason, not building up a strong relation with shippers and buying houses. On the other hand, buying houses always work on behalf their buyers. When buyer visit the tannery, most of the tannery direct offer to the buyers. This rule is integral for the tannery. That's why buying houses and shipper do not maintain their good relation.**
- Some buying houses told me, leather buying houses association do not take any action for illegal business rule. Here terms is "Might is Right" This is not a business rule.

- Shipment schedule problem as for political reasons. Many times strike hampered shipment schedule.
- Most of the tanneries do not have qualified technical. They work the tanneries as their good experience. So, Pakistan, Italian, Korean technician work in the tanneries.
- Most of the tannery want to protect environmental protection plan. Govt. has to attempt to solve the environment protection plan.
- Some tanneries face financial problem. They got the loan from Bank but they did not pay the loan timely. So they liable the Bank as reasons of financial problem. So, they do not working after paying the Bank loan.
- Many tanneries and buying house did not know child labor problem is the socio problem of our country.

## 7.5 Findings

### 7.5.1 Shipper

2. Raw materials, Price, Environment problem is the main factor of decreasing leather export. We will have to import Raw materials from other countries.
3. Substitute product: Raxin product is demandable for world market. So, leather export shift decreasing is one of the reasons.
4. We have to solve environment protection plant. We have to remove all tanneries from out side Dhaka city.
5. Since all of the tanneries machine import from foreign countries and too much expensive. Govt. should not charge any tax of the machineries import. Govt. should also some Machineries parts import so that tanneries will get machineries parts available in our country.
6. Maintenance good relation with shippers and buying houses.
7. Follow JIT Shipment schedule (tannery, buying house and cargo company)
8. Easy of getting information from world market about present market situation.
9. There will not be any child labor in tanneries.

10. Govt. should do terms of the loan condition easily so that tanneries get opportunities about financial problem.

11. We have to export good quality leather.

### 7.5.2 Finding for buying house

- **Delay** shipment is the main factor for leather export buyer dissatisfaction. So they will have to follow JIT system.
- **Quality** of leather export is essential problem for buying houses. So they will have to know about leather quality.
  - Buying houses must know about the information technology system for getting information quickly.
- Buying houses have to know global leather market information always.
- Buying houses have to maintain reasonable price from buyers and shippers sides.
- Buying houses must have adequate leading performance to expert Buying media between buyers and shippers.

### 7.5.3 Finding for buyers

- Buyer must know Bangladesh leather market situation
- They must faith about their buying houses who always work on behalf them.
- Buyer must know Bangladesh business legal and restriction
- Buyer must good relation with their buying houses.



## 7.6 Recommendation

Bangladesh export leather market is good to global leather market as because of leather quality is not so bad, price is reasonable to world leather market, Bangladeshi leather maintain standardize with international leather market.

So we should avoid delay shipment, we will have to follow JIT system developing environmental protection plan, importing raw materials from India Pakistan or other countries.

# Appendix

## - Manual Questionnaire -

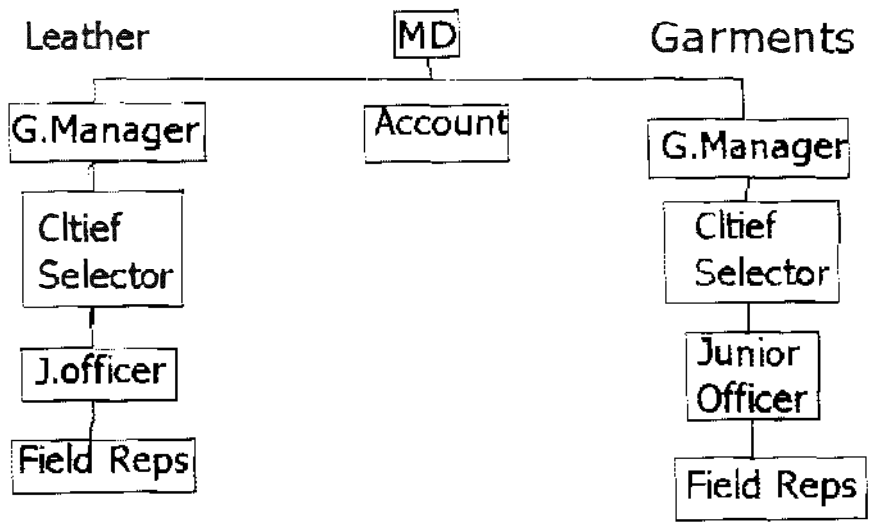
### 6.16.1 Shipper

1. This Question is aimed to know decreased leather export trained line.
2. This Question will try to find out how much helpful of EPB for shippers, Buying houses or leather section.
3. This Question is aimed to know raw material shortage always or not. Raw materials is the always initial factor for leather export decreased.
4. This Question aimed to know relation between tanneries and buying houses.
5. This question aimed to know delay shipment factors. Actually, only delay shipment shipper or others factors.
6. This Question aimed to know financial shortage. Govt. will help to solve financial shortage so that shippers get loan easily than before loan tanneries and condition.
7. This question aimed is to know, about export tax. Govt tax is very high or moderate or low.
8. This question aimed is to know protection of the environment. Shippers, buying houses, and buyers, or any leather section persons self to protect environment of tanneries areas
9. This question aimed is to know the factors of the environmental protection plan, obstacles and solve these obstacles.

10. This question aimed is to know about child labor is not acceptable for any tanneries.
11. This question aimed is to know child labor is the major reason of buyer dissatisfaction.
12. This question aimed is to know child labor is not acceptable to under socio economic condition of our country.
13. This question aimed is to know about child labor is not acceptable for any tanneries.
14. This question is aimed is to know child labor is the major reasons of buyer dissatisfaction.
15. This question is aimed is to know child labor is not acceptable to under socio economic condition of our country.
16. This question is aimed to know finding factor for increasing leather export.

Organization chart

2001



13/3/2001

## Survey questionnaire

Sl. No –

Dear Leather Export Persons:

I am a student of BBA program of the institute of Business Administration of East –West university. Recently I am undertaking my internship program at Taurus group Ltd as a part of my course and conducting a research on decrease the leather export trained line. I want to your opinion in it. All your answers and opinions will be kept completely confidential. Your assistance will be greatly appreciate.

### For shippers

1. Do you know that export of leather from Bangladesh has substantially decreased in the year 1998-2000?
2. Do you think EPB is carrying out its activities properly to support leather export?
3. Do you have sufficient raw materials for export leather?
4. Do you sometimes delay in shipment?
5. Do you sometimes run short of working capital?
6. Do you have to pay export tax ?

7. Do you consider the tax rate as?

environmental protection plan?

9. Do you have a child labor in your factory?

10. Do you think that child labor is of the major reasons of buyer's dissatisfaction to word our product?

11. Do you think that the child labor issue is discouraging foreign buyer's?

12. Do you think that it is appropriate to use child labor under the socio-economic condition of our country?

13. Do you face any problem with buying houses?

Buying houses:

1. Do you know that export of leather from Bangladesh has substantially decreased in the year 1998-2000?

2. Do you think EPB is carrying out its activities properly to support leather export?

3. Do you have shipper sufficient raw materials for export leather ?

4. Do you face any problem with suppliers?

5. Do you sometimes delay in shipment?
6. Do you sometimes run short of working capital.?
7. Do you have to pay export tax?
8. Do you consider the tax rate as?
9. Do you feel the need for environmental protection plan?
10. Do you have a child labor in your factory ?
11. Do you think that child labor is one of the major reasons of buyer's dissatisfaction to your product ?
12. Do you think that the child labor issue is discouraging foreign buyer's?
13. Do you think that child labor is one of the major reasons of buyer's dissatisfaction to your product ?
14. Do you think that it is appropriate to use child labor under the socio-economic condition of our country ?

### **For buyer**

1. Do you have any leather import business with the tanneries of Bangladesh?
2. How long do you business with Bangladesh?
3. Have you faced any problems with shippers?
4. Please mention positive sides and negative sides of leather export?



## **Manual of the Questionnaire:**

### **shipper**

1. This Question is aimed to know decreased leather export trained line.
2. This Question will try to find out how much helpful of EPB for shippers, Buying houses or leather section.
3. This Question is aimed to know raw material shortage always or not. Raw materials is the always initial factor for leather export decreased.
4. This Question aimed to know, Buying houses got any problem with buyer for tanneries.
5. This question aimed to know delay shipment factors. Actually, only delay shipment shipper or others factors.
6. This Question aimed to know financial shortage. Govt. will help to solve financial shortage so that shippers get loan easily than before loan tanneries and condition.
7. This question aimed is to know, about export tax. Govt. tax is very high or moderate or low.

1. This question aimed is to know protection of the environment. Shippers, tanning houses, and buyers, or any leather section persons self to protect environment of tanneries areas .

2. This question aimed is to know the factors of the environmental protection plan, obstacles and solve these obstacles.

3. This question aimed is to know about child labor is not acceptable for any tanneries

4. This question aimed is to know child labor is the major reason of buyer dissatisfaction.

5. This question aimed is to know child labor is not acceptable to under socio economic condition of our country.

6. This question aimed is to know about child labor is not acceptable for any tanneries.

7. This question is aimed is to know child labor is the major reasons of buyer dissatisfaction.

8. This question is aimed is to know child labor is not acceptable to under socio economic condition of our country.

9. This question is aimed to know finding factor for increasing leather export.

## 6.16.2 Buying Houses:

1. This Question is aimed to know decreased leather export trained line.
2. This Question will try to find out how much helpful of EPB for shippers, Buying houses or leather section.
3. This Question is aimed to know raw material shortage always or not. Raw materials is the always initial factor for leather export decreased.
4. This Question aimed to know, shippers got any problem with buyer for tanneries.
5. This question aimed to know delay shipment factors. Actually, only delay shipment shipper or others factors.
6. This Question aimed to know financial shortage. Govt. will help to solve financial shortage so that shippers get loan easily than before loan tanneries and condition.
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8. This question aimed is to know protection of the environment. Shippers, buying houses, and buyers, or any leather section persons self to protect environment of tanneries areas .

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15. This question is aimed is to know child labor is not acceptable to under socio economic condition of our country.

16. This question is aimed to know finding factor for increasing leather export.

### 6.16.3 Buyers

1. This question aimed is to know satisfaction of leather quality. Business policy, is appropriate for buyers on not.
2. This question is aimed to try identify negative sides or positive sides of leather export of Bangladesh policy is appropriate is better or not.
3. This question aimed is to know why Bangladeshi leather exporting leather quality is good of this competitive another leather exporter.
4. This question aimed air to know volume of leather export increase factors.
5. This question aimed is to know performance of EPB for shippers and buying houses.

# Bibliography

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