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BACKGROUND PAPER NO. 2\*

Paper prepared by ITC on  
Marketing of Leather and Leather Products in  
Developing Countries

NOTE: This background paper is based on ITC's Report on Export Marketing and Distribution of Leather and Leather Products from Developing Countries submitted to the Panel at its Second Session.

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The development of foreign trade in leather and leather products from developing countries

1. During the period 1971-1977, developing countries made significant progress in their exports of leather and leather products. The share of exports from developing countries in the international trade in leather and leather products (SITC 611, 851.02, 831.01, 841.3 and 612.3 combined) increased from 17 per cent in 1971 to 32 per cent in 1977 expressed in terms of current value. However, there are significant differences within the individual product groups. For example, the share of developing countries in total imports<sup>1/</sup> of finished and semi-finished leather has remained at around 30 per cent during the period under review, whereas that of footwear increased from 9 per cent to 23 per cent, of leather apparel and accessories from 22 per cent to 54 per cent and of harness-makers goods from 18 per cent to 26 per cent during the same period. The share of developing countries in imports of travel goods, handbags, etc, (SITC 831.0), which rose from 23 per cent in 1971 to 43 per cent in 1977, must be considered indicative only owing to an insufficient breakdown by material.

<sup>1/</sup> This analysis is based on import data covering 36 selected industrialized and developing countries that accounted for from 87 to 94 per cent (depending on the products) of total world trade in leather products in 1977, excluding imports into socialist countries.

2. An analysis of the 36 selected markets revealed that, whereas the share of exports from developing countries in total imports of various leather products into industrialized markets has increased significantly, the corresponding share in importing developing countries has generally grown at a slower pace.

3. The degree of penetration by developing countries into a number of industrialized markets has reached a significant level. Thus, for instance, developing countries supplied more than 46 per cent of total imports of leather shoes into the United States and 23 per cent into the United Kingdom in 1977. In the same year, developing countries supplied 85 per cent of imports of leather apparel into the United States, 56 per cent into the United Kingdom, 46 per cent into Sweden, 41 per cent into the Netherlands and 35 per cent into the Federal Republic of Germany.

4. Developing countries that produce leather and leather goods have considerably smaller market shares in developing countries that import these goods, e.g., a 13 per cent share for imports of leather shoes, 24 per cent for leather garments and 4 per cent for harness-makers goods (1976 data).

5. An analysis by origin of the export performance of developing countries reveals a strong concentration in relatively few countries in Latin America and South East Asia. African countries with considerable raw material potential have so far made no significant contribution to world exports of leather products.

#### Export marketing problems facing developing countries

6. Assuming that the problems of supplies of raw material and production bottlenecks are resolved satisfactorily, developing countries are generally faced with a number of other problems. These can be classified into three broad categories:

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- Lack of knowledge of the structure and nature of target markets and the business methods used on these markets;
  - Lack of know-how and experience as regards sales strategies, demand analyses, price movements, etc;
  - Too strong a concentration on certain import markets and certain product lines.

The following paragraphs deal with some of these key issues.

#### Market research

7. There are no specific difficulties in finding market outlets for good quality raw and semi-processed hides and skins. The problems arise when outlets have to be found for finished leather and leather products. To enable developing countries successfully to open up markets for these products, they need to undertake market research in the consumer markets. Many countries have devoted insufficient attention to market research activities, with the result that manufacturers are often totally unaware of the requirements in the countries to which they are trying to export.

8. Market research must generally be carried out on an individual country basis. Various international agencies, such as ITC, can be of assistance by undertaking market research studies and development activities on behalf of specific countries. Market reports on leather and leather goods are also published by these agencies. National export promotion organizations or local leather federations or leather manufacturers' associations should also play an active role in the provision of market research services.

Price information

9. Generally, information on prices of hides and skins is best obtained from trade sources such as merchants and exporters/importers. Public auctions are held in trading centres where prices are established, usually monthly. Three main factors are taken into consideration in the determination of prices: quantities available, quality and demand.

10. Prices are published regularly in the leather trade press, for example, in the United States, the United Kingdom, France, Italy and the Federal Republic of Germany, on a weekly or monthly basis. Daily information on world prices may be obtained from press agencies, such as Reuter's, on a subscription basis. Thus the problem for exporters in developing countries is one of access to the published information. For larger enterprises, this may be solved through subscription. National trade promotion institutions or better still, trade associations in various leather sectors, should provide this service to their members.

11. In view of the wide variety of qualities of finished leather and of end uses, leather prices are not readily available from publications, with the exception of the Chicago Jacobson Price List in the United States. As with many products, prices are subject to negotiation between sellers and buyers.

12. It would be worth while investigating whether the regional leather centres<sup>1/</sup> could become focal points in the collection and dissemination of prices and in following price trends for hides, skins and leathers.

Fashion information

13. It is difficult for manufacturers in developing countries to keep abreast of fashion trends unless they make frequent visits to the major markets and consult with buyers, designers and suppliers of ancillary

<sup>1/</sup> See paragraph 23 of the report on the second session of the Panel held in Vienna, 5-7 February 1979.

items. Models that are copies from periodicals, catalogues and from samples on display at trade exhibitions are, of course, current fashion items, whereas manufacturers must produce models for the forthcoming season.

14. Fashion and style are important elements in the marketing of leather goods, and firms in developing countries that envisage exporting to the major world markets must give serious consideration to these elements. Fashions change from one season to the next, and buyers are not interested in items that do not follow current fashion trends.

15. Manufacturers must follow all aspects of fashion closely. They should endeavour to keep abreast of fashion changes by consulting fashion magazines, attending specialized exhibitions, etc. There are several other sources of fashion information for exporters in developing countries; particular mention should be made of buyers and importers who have to be well briefed in order to survive in this highly competitive field.

16. The dissemination of fashion information could be greatly facilitated by the creation of a "fashion information office" attached to the regional leather institutes. This type of office could play a crucial role in organizing and convening seasonal meetings, e.g., for manufacturers of leather goods in which the information on the latest developments concerning colour, materials and styles for the next season could be made available.

#### Training in export marketing management

17. The need for training in export marketing and management applies to the leather products' sector as it does in so many other sectors. It applies not only to technical matters related to exports but also to the need for more "export awareness" in the business community.



18. Many developing countries have institutes that arrange courses in export marketing, although these are often at an elementary level. In addition, individual firms often hold training programmes for their staff. However, specialized training in export marketing at an advanced level is usually available only in industrialized countries, many of which offer a number of scholarships for such study. United Nations agencies and other international organizations are also active in this field and provide a number of scholarships to requesting developing countries. ITC, for example, periodically organizes specialized courses in export marketing and trade promotion for the benefit of developing countries in Geneva and within its regional or national training programmes.

Medium- and long-term strategies for export marketing

19. There are a number of prerequisites to the planning of effective export marketing strategies for leather and leather products from a developing country: these are summarized below.

- Realistic appraisal of supplies of raw material and its quality;
- Realistic appraisal of the capability to manufacture specific types and qualities of leather and leather goods;
- Information on world demand and on individual markets and areas.

20. The first two items are matters that fall within the competence of UNO and UNIDO. The paragraphs below refer to the third item.

21. The outlook for trade in leather and leather products appears to be universally favourable in the long term. This constitutes an encouraging starting point for formulating export marketing policies and strategies for the future.

22. Marketing policies should be adapted to the changing international situation. Up to now, exporting countries have often pursued policies that have resulted in an over-concentration on industrialized markets. While these markets will sustain high consumption levels, their absorptive capacities are limited and their growth rates are slowing down. Intense competition has built up on these markets between domestic and foreign suppliers and between foreign suppliers themselves.
23. This competitive situation will grow more tense and precarious as more and more products flow from expanding new production units in the developing countries.
24. Therefore, new markets must be prospected, evaluated and opened up. This calls for a diversion of the effort and energy that created the dynamics of the current trade situation. The task of assessing the demand on world markets that have not yet assumed a profile and on those markets still to emerge is challenging. This is a common strategic problem and provides a compelling reason for the leather industries of developing countries to co-operate in the future for their common benefit.
25. A common strategy, designed to increase and expand markets, will create opportunities for the promotion of leather products in general as well as for those of the industries of individual countries.
26. A realistic inventory of the potential for leather manufacture, set against a soundly projected future market situation, is a prerequisite for the provision of useful guidance to individual countries and producers of different types of leather and leather products. Hopefully, this will be achieved through international co-operation and acceptance of interdependence.

International co-operation, specific marketing issues

27. Specific areas of international co-operation in the marketing of leather and leather products that require attention are: generic promotion, research and development, sharing of market information and joint ventures.

28. It is in terms of promotion that the idea of international collaboration within the leather industry has most often been mentioned. Promotion in the sectors producing hides, skins, leather and leather products can be undertaken by individual companies, at the national level, and at the international level. However, since generic promotion of leather benefits both industrialized and developing countries, any efforts in this field should include all producing countries.

29. A limited start in this area has been made with the introduction of the "leather mark" by the International Council of Tanners. However, this is by no means yet internationally recognized or widely used. One major drawback to the leather mark, in comparison, for example, to the wool mark, is that its use is not backed by a system of minimum standards and specifications and legal controls. Naturally, any future work on the generic promotion of leather will need to take account of such matters.

30. There are certain prerequisites to the promotion of leather through international co-operation. First, the desire to promote leather and to co-operate on an international level must exist in the producing countries: current relations between the leather industries in industrialized and developing countries are often rather strained. Secondly, promotion must be related to research and development. Thirdly, a forum must exist where matters can be discussed and through which later action can be channelled.

31. It is important to emphasize that promotion is not an isolated action and that it must be linked to appropriate research and development programmes. However, an adequate and standardized system of statistics, classification and grading is essential for promotion to be really effective. Such a system does not yet exist for hides, skins and leather, but it is under consideration by a committee of experts working under the auspices of FAO. This represents an important step in the right direction.

32. International co-operation in research and development is probably best achieved through an exchange of information between national and/or regional research institutes or centres.

33. Regional centres could play a pivotal role in the sharing of market information, especially that on price and fashion. Special "commercial intelligence" units would have to be created for that purpose within the centres.

34. The establishment of various forms of joint ventures between enterprises in target markets and producing countries is a form of co-operation through which producing countries benefit from improved production technologies, better products and assured markets. This type of co-operation could be especially rewarding at the early stages of developing production for export markets.



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