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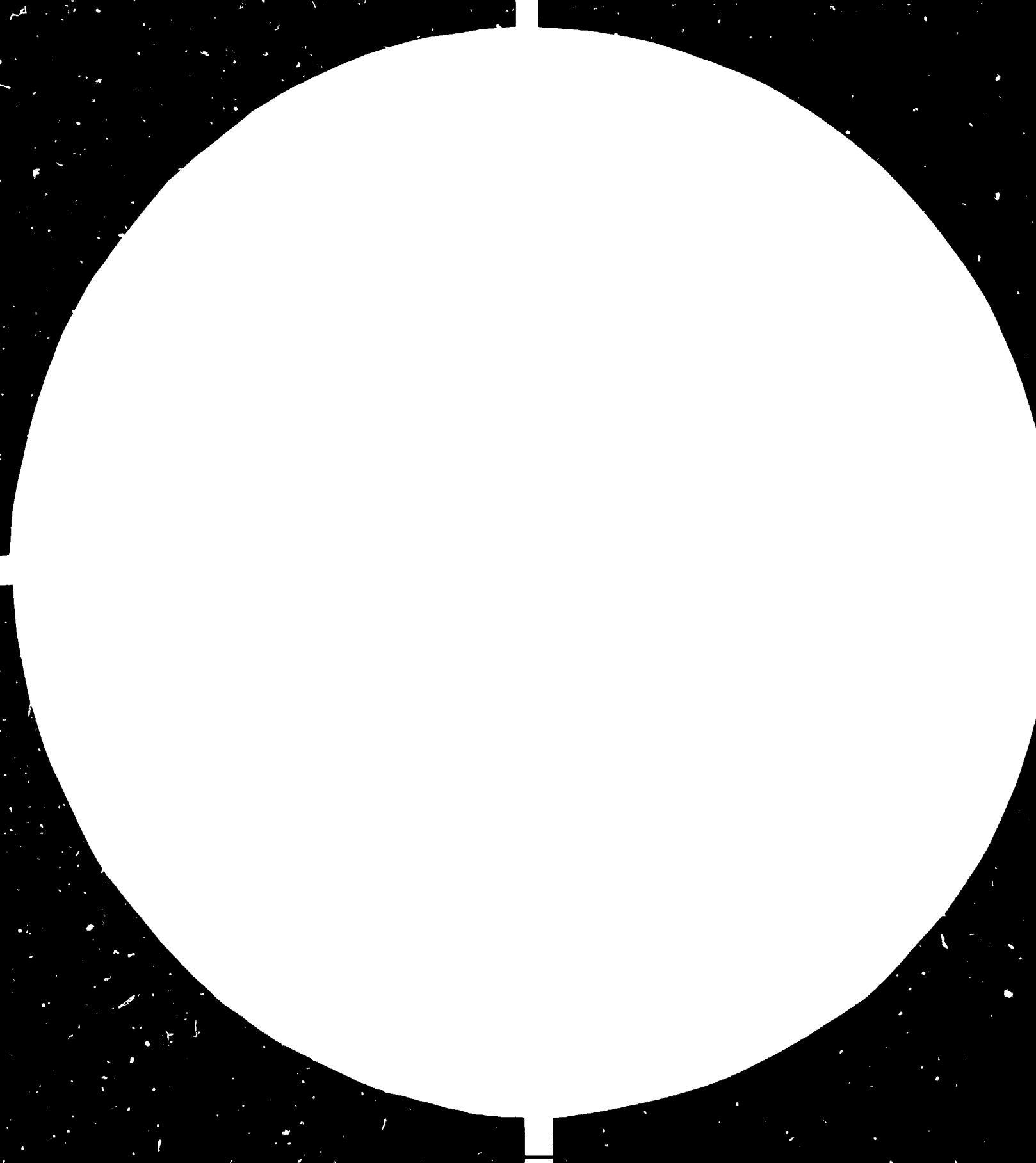
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1.0 25

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Microcopy Resolution Test Chart, NBS 1010-A, is available from the National Bureau of Standards, Gaithersburg, MD 20899. The chart is available in two forms: a 10 cm x 10 cm sheet and a 20 cm x 20 cm sheet. The 10 cm x 10 cm sheet is available in black and white or color. The 20 cm x 20 cm sheet is available in black and white. The chart is used to measure the resolution of microcopy systems. The resolution is measured in line pairs per millimeter (lp/mm). The chart consists of a grid of patterns, each consisting of five vertical bars and five horizontal bars. The patterns are labeled with their resolution values: 1.0, 1.1, 1.2, 1.4, 1.6, 1.8, 2.0, 2.2, 2.5, 2.8, 3.2, 3.6, 4.0, 4.5, 5.0, 5.6, 6.3, 7.1, 8.0, 9.0, 10.0, 11.2, 12.5, 14.3, 16.0, 18.0, 20.0, 22.4, 25.0, 28.0, 31.5, 36.0, 40.0, 45.0, 50.0, 56.0, 63.0, 71.0, 80.0, 90.0, 100.0, 112.0, 125.0, 143.0, 160.0, 180.0, 200.0, 224.0, 250.0, 280.0, 315.0, 360.0, 400.0, 450.0, 500.0, 560.0, 630.0, 710.0, 800.0, 900.0, 1000.0.

# 13134

RESTRICTED

DECEMBER 1982  
ENGLISH.

LEATHER AND LEATHER PRODUCTS  
INDUSTRY DEVELOPMENT  
DE/URT/78/010/011  
UNITED REPUBLIC OF TANZANIA.

TECHNICAL REPORT: ASSISTANCE IN  
THE MARKETING OF LEATHER AND LEATHER  
PRODUCTS TO TANZANIA LEATHER  
ASSOCIATED INDUSTRIES CORPORATION

Prepared for the Government of the  
United Republic of Tanzania by the  
United Nations Industrial Development  
Organisation acting as Executing Agency  
for the United Nations Development Programme

Based on the work of Roger S. Chambers  
Marketing Expert

United Nations Industrial Development Organisation

VIENNA

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This report has not been cleared with  
the United Nations Industrial Development  
Organisation which does not, therefore,  
necessarily share the views presented.

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CHAPTER I

U N I D O

PROJECT IN THE UNITED REPUBLIC OF TANZANIA

JOB DESCRIPTION

DP/URT/78/010/11-06/31.7.D

Post title: Expert in the Marketing of Leather  
and Leather Products.

Purpose of the project:

To improve the capabilities of the Tanzania Leather Associated Industries Corporation (TLAI) to cope with responsibilities entrusted to it to further develop and strengthen the leather and leather products sector of the economy. It will aim at the best possible utilisation of the valuable raw materials, hides and skins which are available in abundance in the country.

Duties: The expert will be attached to the Tanzania Leather Associated Industries Corporation and, under the supervision of the International Team Leader, will specifically be expected to:-

1. Give advice and assistance in the establishment of a well-functioning, marketing department inside TLAJ and organise effective reporting and control system between the respective industries and the marketing department of TLAJ.
2. Assist in establishing appropriate product mixes for the different production units, taking into account market demands and raw stock limitations.
3. Give advice on all aspects of marketing related to semi processed and finished leather, footwear, and leather products.

4. Provide appropriate training to the counterparts and others directly involved in export marketing.
5. Conduct a market survey of selected markets including ~~visits~~ to main customers and potential buyers to assess market reactions to the products manufactured and investigate market acceptability of new products.

The expert will also be expected to prepare a final report, setting out the findings of the mission and recommendations to the Government on further action which might be taken.

Background information: The livestock population in the country is estimated at 10-13 million cattle, 3 million sheep, and 4.5 million goats. The estimated annual production of hides and skins is approximately 1 million cattle hides, 0.75 million sheepskins and 1.5 million Goatskins.

For various reasons, the actual collections have been less, and a considerable portion of the raw stock has also been exported. The combined processing capacities of the tanneries in the country are more or less equal to the estimated availability. To ensure an adequate supply to the industry, the Government has, therefore, decided to ban all exports of raw hides and skins.

The public sector tanneries and shoe factory produce the largest amount of leather and leather products in the country. Apart from the hides and skins collecting company, three large tanneries and a sizeable shoe factory also belong to the recently established Tanzania Leather Associated Industries Corporation. Further shoe and leather goods producing units are also under implementation.

The Morogoro and Mwanza factories were established fairly recently, and the production from them, until now, has been very small. Thus, in 1978, production at the three tanneries was using only 35% of the total available capacity, mainly producing semi-tanned products, wet blue and crust leather. The shoe factory was operating at approximately 40% of available capacity, producing some one million pairs of leather shoes; production also includes much larger proportions of plastic rubber and canvas shoes.

In the last few years, the Corporation is expected to develop the Leather Industry sector in the country in such a way, that all locally available raw hides and skins are processed, as far as possible through the different processing stages up to finished leather products.



CHAPTER IIACKNOWLEDGEMENTS

The UNIDO Expert wishes to thank all persons who gave him help and assistance during the course of his assignment:

T.L.A.I.

Mr. A.O. Ng'amilo - General Manager  
 Mr. S.W. Massay - Marketing Manager  
 All senior staff and personnel at TLAJ Headquarters.

Tanzania Tanneries  
 Morogoro Tanneries  
 Mwanza Tanneries  
 Tanzania Shoe Company  
 Morogoro Shoe Company  
 Morogoro Leather Goods  
 Tanzania Hides & Skins

All General Managers, Marketing Managers and senior staff and personnel of the TLAJ Corporation group of companies.

U N D P

All members of the staff of UNCP Headquarters Dar es Salaam

U N I D O  
 Project  
 Experts and  
 Consultants

All members of the team under the guidance and direction of the International Team Leader Mr. B. Svensson

CHAPTER III

SUMMARY

A centralised marketing department has been established at Tanzania Leather Associated Industries (TLAI) Headquarters and is staffed with sufficient personnel to be able to conduct the following activities:

- a) To solicit business on behalf of the tanneries
- b) To monitor viability of prospective business and customers.
- c) To inform the tanneries weekly of World Market price trends.
- d) To inform the tanneries speedily of all acceptable business inquiries.
- e) To liase with and inform customers speedily and accurately on all business queries.
- f) To organise any marketing trips, study tours and trade exhibitions.
- g) To render all possible assistance to the tanneries on export shipping.
- h) To speedily submit all Governmental or Institutional questionnaires or statistical requirements.
- i) Based on information supplied by the tanneries to plan future marketing strategies with due consideration to product mix.
- j) Through tannery visits to keep informed on all production difficulties.
- k) To monitor and investigate all disputes between customers and the tanneries and rectification of said disputes.
- l) To critically analyse all reporting systems from the tanneries and act accordingly.

The centralised marketing department is not however equipped or staffed to conduct the aforementioned activities for the footwear or leathargoods sectors.

CHAPTER IV

ACTIVITIES

In order to establish a uniform appreciation of the broad concepts of marketing it was necessary to produce a critique (Annex I) for senior management and marketing personnel so that the efforts to establish a well functioning marketing department at TLI Headquarters could be administered in a professional and efficient manner. In order to enable the marketing department to be in a position to monitor the production possibilities a reporting system was designed (Annex II) based on paperwork systems already in operation in the tanneries. The information system was deemed necessary to allow the marketing department to monitor export packing and be in a position to accurately complete Governmental and Institutional questionnaires and statistical requirements.

However due to bad communications with the tanneries together with non completion of the weekly activity reports with the exception of Morogoro Tanneries it is increasingly difficult for the central marketing department to plan any future marketing strategy which would be meaningful in view of the present economic climate both in the leather and leather products sector and in the country as a whole. With the inadequate supply of raw hides and skins further exacerbating the problems of planned marketing it has become increasingly difficult to supply existing established customers and impossible to solicit business with new but reliable clients.

The establishment of a balanced product mix is also hampered by shortages of vital tanning chemicals against excess stocks of unnecessary chemicals, but where possible the centralised marketing department is making every effort to help the production units taking all possible extenuating circumstances into consideration when discussing any business inquiry.

Tannery Product Mixes are described in detail in the manual produced by Mr. P.B. Buit UNIDO Leather Manufacturing Expert URT/78/010.

At this time the TLI centralised marketing department is dealing with dependable customers in the U.K. Italy, Holland, Spain and North Africa together with Bulgaria under the existing Barter Protocol, this Bulgarian business will be continued if several unacceptable contract and letter of credit impositions can be overcome. Whilst it is impossible to solicit new business at this time it is in this experts opinion the right moment to consolidate our business transactions with these existing customers because there is no doubt that TLI can sell all the wet blue chrome tanned Hides, Sides, Goat and Sheep skins, and crust material the three tanneries can produce. Owing to lack of funds no market survey of selected markets have been made by either the expert or his counterpart. It was however possible to conduct desk research the results of this research are detailed in the 'findings' component of this report.

The Project has been unable to obtain any fellowship training for Marketing counterpart during 1982, even though it tried vigorously to obtain a place on PRODEC/ITC/ECA/KETA Course on Trade Promotion and Export Marketing Research which was unfortunately over subscribed, but there will be assistance and training given by the International Trade Centre during 1983.

All attempts to provide export marketing assistance in the Footwear and Leather goods sectors have been unsuccessful owing to lack of production and export orientated product ranges.

The price structures in both these sectors will make even exporting to neighbouring countries exceptionally unlikely. Work was conducted through sampling and obtaining pricing intelligence of the possibility of exporting closed uppers both ladies and mens moccasins and industrial shoe and boot uppers. The samples were produced by Morogoro Shoe Company and where well received in Finland and the U.K. but when production could not be guaranteed it was felt better not to start a marketing thrust which could not be sustained.

CHAPTER V

FINDINGS

1. When considering the role centralised marketing should play it should be noted that this department can only operate in an efficient manner if it has the full co-operation of the production units. This co-operation has not been forthcoming in certain areas namely Tanzania Tanneries and Mwanza Tanneries and by their lack of response to requests for information and in the case of Tanzania Tanneries a deliberate policy of non - acceptance of centralised marketing, together with a lack of control over their export business there is no doubt that this lack of co-operation can cost not only the Company but the United Republic of Tanzania a great deal of much needed foreign exchange. There is much evidence of this lack of response on the marketing files at TLM Headquaters together with evidence in the International Team Leader's project files too numerous to elaborate in this report suffice to say the evidence exists.
  
2. The Corporation's export drive is severely hampered by shortages of raw stock and imported chemical inputs and in more recent weeks a total lack of packing polythene for wet blue exports. Whilst raw stock, both hides and skins continue to be exported there seems no end to the problem facing the tanneries in their efforts to export semi processed and eventually finished leather to earn the value added for these materials ( See annex III for price comparisons).

3. From desk research carried out in 1982 investigating markets for both the leather and leather products sector it became clear that throughout the sector there were several product limitations:
  - 3.1 In the leather sector the finished material has not yet achieved a quality standard when produced in bulk that is acceptable in the world market.
  - 3.2 The sizes of skins produced are not large enough for end use in the clothing industry.
  - 3.3 The sizes of hides produced are not large enough for end use in the upholstery industry.
  - 3.4 The leather sector's established customers fully appreciate and accept what is meant by Tanzania Standard semi -processed leather, when purchasing the tanneries selection.
  - 3.5 The quality and finish of the leathergoods is not sufficiently high for a sophisticated market, but is suitable for export to neighbouring countries.
  - 3.6 The prices and quality standards of footwear produced for export together with the range produced are certainly not suitable for a sophisticated market even at the bottom end of the quality scale and the price structure would appear to rule out even export to neighbouring countries.
4. The tanneries are still soliciting business unilaterally without due consultation with the centralised marketing department at T.L.A.I. Headquarters which undermines the efficiency of that department.

5. As yet no advertising or adequate promotional brochure exists for the TLM group of companies. The work of producing just such a brochure with E.E.C assistance has been delayed owing to difficulties with artwork produced locally. The project URT/78/010 has redone the artwork and provided the copy.
  
6. When trade fairs and exhibitions are considered important enough for participation by the Board of External Trade there is sometimes a delay in informing TLM that participation is approved. This unfortunate lapse in communication has sometimes prevented TLM from attending these exhibitions because too little time is available to make appropriate samples and arrangements.
  
7. Insufficient credence is being given by the pertinent authorities to providing funds for marketing trips and study tours to enable TLM marketing staff to elicit market intelligence and attend to outstanding disputes.



CHAPTER VI

RECOMMENDATIONS

1. In this experts opinion the Government of the The United Republic of Tanzania should sericusly consider banning the exportation of all raw hides and skins as soon as is possible. This will ensure that the leather sector will receive increased supplies and go a long way to helping this sector satisfy the proven export market demand for wet blue and crust materials. Thus TLAI will be in a position to earn the value added foreign exchange the country so badly needs, and make its corporate contribution to the National Economic Survival Plan (NESP). To emphasise this very important recommendation the expert would point out that the three tanneries had a shortfall during January June 1982 of 254715 pieces of raw hides and skins which prevented them from fulfilling firm export contracts valued at T. Shs. 9,367,923/=.
2. Every effort should be made to encourage and finance marketing trips and study tours not just to visit established leather sector customers, but to determine what are the sales possibilities for the footwear and leather goods sectors. The visits should be used to verify what quality and price areas should be targeted for the level of merchandise the sector in Tanzania is capable of producing.
3. The production of aacclour promotional brochure should be expedited in conjunction with the EEC. Artwork and copy have been prepared by Project URT/78/010 and TLAI marketing personnel should liaze with the EEC Office in Dar es Salaam to organise the printing.
4. TLAI Headquarters management should ensure that the subsidiary companies comply with the main board of directors decision that marketing activities are centralised and complete their individual reports on time and in the correct manner.

5. It is recommended that the Government of the United Republic of Tanzania should seriously consider a form of subsidy for export products from the leather and leather products sector. The production units of TIAI are currently seriously disadvantaged when competing in the world market because of expensive imported components and chemicals. It is the experts opinion that there should be an incentive to encourage the maximisation of the sector export potential.
6. The expert is of the opinion that the Banking Institutions should implement the previously discussed "revolving fund" whereby the exports of the leather and leather products sector should be directly related to the allocation of funds for imported materials, which would act as an additional incentive for the sector to export.
7. The expert would suggest that a complete range of samples of all potential export products from the leather and leather products sector be collected and displayed at TIAI headquarters together with the compilation of price lists for all non price variable products.
8. It is felt that it would be desirable that marketing personnel from the footwear and leather goods sectors should be transferred to work with the Marketing Manager of TIAI at the earliest opportunity.
9. The expert would advise that the proposed three months ITC assistance in export Marketing should be concentrated in help to the footwear sector.
10. It should be observed that a circular letter advising export customers of the centralisation of marketing for the leather sector at TIAI has been distributed but in the experts opinion the exercise should be repeated. Special emphasis should be made that all export inquiries should be addressed to TIAI and not to the individual production units.

11. It is desirable that marketing personnel make as many visits to the production units as is economically possible. It is suggested that each plant is visited a least once a month so that the centralised marketing department can successfully monitor the production activities.
12. The production units should speedily advise the TIAI marketing department of any extraneous problems which although not related to production difficulties could affect export performance.

ANNEX I

GENERAL CONCEPTS OF MARKETING  
AND THEIR APPLICATIONS

\* DEFINITION: " Marketing is the management function which organises and directs all those business activities involved in assessing and converting customer purchasing power into effective demand for a specific product or service and in moving the product or service to the final use or consumer so as to achieve the profit target or other objectives set by the company" \* Source: BRITISH INSTITUTE OF MARKETING

We should ask ourselves the following questions as to what " Marketing" means to T.L.A.I.

Q. 1. Is it a synonym for "selling?"

A. 1. Marketing is not simply selling the merchandise we produce.

Q. 2. Is it the total group of activities in assessing and meeting customer needs profitably?

A. 2. The modern marketing concept is to design and produce our merchandise to meet the needs or the next needs of our customers. Inefficient marketing entails the waste of materials and manpower and the loss of foreign earnings potential. The skills necessary are in the areas of:-

Market Research; Product Research; Sales Forecasting; Sales Management; Advertising & Promotions, Public Relations; Salesman ship; Product knowledge.

A further vital ingredient for successful marketing is the input of up to date information from all member organisations to ensure the ability exists to react quickly to ever changing "Global market Conditions".

Q. 3. Is it a philosophy of all management?

A. 3. The philosophy of marketing is a concept of business management which focuses the activities of our factories to the needs of the customer and organises the total resources of all pertinent departments to satisfying those needs and at the same time satisfying the objectives of T.L.A.I. It stems from the fact that a business can only survive and develop by providing the products that the customer want to buy.

Q. 4. Is it an attitude shared throughout the organisation?

A. 4. Marketing is a corporate affair involving the whole company organisation. It should be a generally shared management philosophy which should permeate top management thinking and influence company decisions and policies. It is not the special preserve of one department or discipline. The concept actively involves in the marketing operation all those concerned with; research, development, design, production, finance, and distribution as well as the labour force itself. Unless those responsible for all the areas of activity as well as their staff are market orientated it will not be possible to utilize the company's full resources to best advantage.

Q. 5. What channels exist to allow market needs and restraints to influence Research & Development?

A. 5. The marketing department must at all times keep top management and technical personnel totally informed, through regular reporting, as to Global conditions both of requirements and restraints so that costly Research and Development is not misdirected and commercial opportunities missed.

Q. 6. Do production plans determine what is offered to the customer or vice - versa?

A. 6. High productivity is clearly vital for any organisation and must play a major part in determining what market share a company can hope to gain. However high productivity on its own is of little value if it is not directly

related to the marketing plan. On the one hand the most efficient production of an unwanted product has never rendered it saleable in competitive market on the other hand failure to meet delivery dates is the surest way of losing goodwill for a product which is in demand. Clearly the quality and reliability of products have a major influence on customer satisfaction and therefore on the company's image and the likelihood of repeat orders. Thus from every aspect production is involved in the Company's overall marketing operation.

Particularly through production planning and production control to ensure prompt fulfilment of delivery promises and the avoidance of very costly cancellations.

Sales through effective marketing is the purpose of manufacture.

- Q. 7. Is the relationship of Finance, Governmental and Institutional help to successful marketing clearly understood by all interested parties?
- A. 7. Clearly Financial, Governmental and Institutional aspects must play a key part in the formation of the company marketing plan. Methods of raising finance for specific projects are an important part of this. A criticism frequently heard of people on the sales side of a business is that they are too concerned with sales and not sufficiently interested in costs. Marketing should be made aware of accurate costing on all products together with the maximum and minimum parameters which enable "mixed" commercial decisions to be made without detriment to the producer's profitability. Again there is a need for dialogue to unite people with different disciplines in a common aim, which is profitable sales without which there cannot be a satisfactory return on the resources used. A very important aspect of export marketing is the credit terms a supplier can offer. A study of customer needs in credit terms combined with what is possible in Tanzania should help us to be consistent in this area.

Q. 8. Is after sales follow-up regarded as a "burden" or an integral part of the product?

A. 8. This is something which must exercise a powerful influence on the customer's decision to buy in the first place and even more so to buy again. Repeat sales are far more likely to be achieved if the service after the first sale has been good. No new market should be developed until we are sure we can support that market with a proper after sales organization with which to keep customers and potential customers fully advised on conditions and situations existent in our production units.

Q. 9. Does each Factory and each department within the factories clearly appreciate its part in overall marketing strategy?

A. 9. People work better and more willingly when they understand what it is all about. If management explain the marketing plan to every pertinent employee and make it clear to them what part each is required to play in its fulfilment this should markedly improve its execution. In a manufacturing Company the marketing concept presents the opportunity to make it clear that the company is not just "making things" it is producing merchandise specifically designed to meet a customer's requirements at a planned delivery date. It should be made clear that it is the customer who ensures the company's profitability and final contribution to the National economy.

Q.10. Are we applying the same standards to own products and hence marketing concepts?

A.10. It is out of date to think in terms of an "export" market to which goods surplus to home demand are sent. It is necessary to think globally and our product should represent a true "Tanzania standard" which is uniform throughout the member companies of the group, and will inspire customer confidence.

Q. 11. Is marketing co-ordinating its efforts with **production** to ensure customer satisfaction?

A. 11. No marketing department should embark on any new efforts to gain business, unless it has first had full and meaning-full discussions with the production management to determine the upto date capabilities and limitations of the production departments.

S U M M A R Y:

All the aforementioned is not intended as a criticism of Tanzania Leather Associated Industries or Group Management attitudes to marketing concepts. Rather it has been produced to stimulate constructive discussion as to the best ways to establish a centralised and well functioning marketing department at Tanzania Leather Associated Industries Headquarters.

R. S. CHAMBERS  
MARKETING EXPERT URT/78/010





ANNEX III

COMPARISON OF EXPORT PRICES OF RAW, WET BLUE  
AND CRUST

A. ASSUMPTIONS:

1. Majority of hides collected and available for export as raw, wetblue and crust are of the light category i.e. 2-4 kg.

The average ~~weight~~ of this category of hides is 3.44 kg. per piece, with an average area of 15 sq.ft. per hide. Thus the yield per kilogram is 4.36 sq ft.

2. The average area of goatskins is taken to be 4.0 sq.ft. while for sheepskins the average is 3.5 sq.ft. per piece.

3. From the light hides category, what is obtained at wetblue stage is full hides 12/18 sq.ft. Crust derived from this category is of thinner substance 1.4 - 1.6 m.m.

B. CURRENT MARKET PRICES:

The current market prices are as follows:

RAW:

Hides III/IV - US \$ 1.04 per kg.  
Goat skins I/II/III/ - US \$ 16.50 per dozen  
Sheepskins I/II/III - US \$ 9.00 per dozen

WETBLUE:

Full Hides 12/18 III/IV - US \$ 0.50 per sq.ft. -  
Goat skins I/II/III - US \$ 2.40 per piece  
Sheep skins I/II/III - US \$ 2.00 per piece

CRUST:

Sides 1.4 - 1.6 II/III/IV US \$ 0.74 per sq.ft.  
Goat I/II/III - US \$ 0.80 per sq.ft.  
Sheep I/II/III - US \$ 0.70 per sq.ft.

The above current prices have to be standardized into a similar unit of measurement so as to make them comparable.

Using the average mentioned above all the prices can be expressed in sq.ft.

Below is the table of comparative prices of raw, wetblue and crust in T. Shs. per square foot.

	<u>RAW</u>	<u>WETBLUE</u>	<u>CRUST</u>
Hides	2.21	4.64	6.87
Goatskins	3.19	5.56	7.52
Sheepskins	1.99	5.30	6.80

Comparing the above prices it is obvious that higher value is realized by exporting processed hides and skins rather than raw. The higher the level of conversation the higher the selling price in the world market ( compare crust with Wetblue).

C. COSTS OF PRODUCTION:

The costs of production from raw hides and skins to finished leather are as follows:-

	<u>(T. SHS. PER SQ.FT.)</u>	
	<u>HIDES</u>	<u>SKINS</u>
Raw materials	1.38 ✓	3.50
Chemicals	1.30	0.71
Direct Labour & Overhead	0.98	1.79
Wet blue stage	<u>3.66</u>	<u>6.00</u>
Chemicals	0.65	0.67
Labour & Overhead	1.07	2.30
Crust stage	<u>5.38</u>	<u>8.93</u>
Chemicals	1.35	0.83
Labour & Overhead	<u>2.74</u>	<u>2.15</u>
Finished Leather	<u>9.47</u>	<u>11.91</u>

- N.B. 1. The cost for hides are based on light hides.  
 2. Administration and marketing costs are not included.

Comparing the current world market prices with the cost of production it would appear that only hides could be exported at wetblue and crust state at a reasonable margin. Wetblue hides fetch Shs. 4.64 per sq.ft. and crust Shs. 6.87 per sq.ft. against production cost of Shs. 3.66 and Shs. 5.38 respectively.

Skins at both wetblue and crust are selling below cost of production.

But it can be clearly stated that whatever the world market price for raw stock reaches it can never exceed that of prices for semi processed and finished.

The same price differentials apply concerning wet salted hides and semi processed leather.

ANNEX IV

MARKETING WORK FLOW

①

Receipt of Inquiry

Analysis of Customer viability  
Financial Status - Effects on existing business

Assessment of Production Possibilities

Price Consultations Tanneries & Customer

Conditions of Offer  
Terms - Delivery Conditions

Establishment of Contract

Monitoring Contract

Monitoring Payment Conditions  
Establishment Timing of L/Cs and Extension Requests

Monitoring Shipping of Contract

②

Soliciting Business

Determining Products for Offer

Customer Selection Based Effects  
on Existing Business

Price Determination

All as ①

