



SWOT analysis of the leather, footwear and leather goods industry in Bangladesh

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The leather sector - that is leather, leather footwear and leather-goods manufacture—is perceived as one of the important economic sectors in Bangladesh. An important feature is that the businesses in this sector are privately owned, with only a few units belonging to multinational companies.

The majority of these enterprises are small, and employ fewer than 50 persons. Wet blue leather produced by the tanneries is generally sold in the local market, while a considerable volume of crust and finished leather, footwear and leather goods are exported.

SWOT analysis

The role of a SWOT analysis is to determine the major factors presented to organisations for a better understanding of the total business environment and provide information for business development. In this study the analysis is based on the opinions of the various companies in the Bangladesh leather sector, with the findings for the various elements identified expressed as percentage values. There are four categories for study:

- 1) Strengths
- 2) Weaknesses
- 3) Opportunities
- 4) Threats

1) STRENGTHS OF THE COMPANIES:

Leather manufacture: The main strengths are set down in Panel 1:

Panel 1	
Strengths: leather manufacturers	
Production capacity	70%
Competitive price	67%
Low cost labour	66%
Market information	56%
Better management	54%

With high installed capacity and better utilisation of that capacity, firms can economise on manufacturing costs and offer competitive prices. It is recognised that the element of competitive price is related to productivity and cost of production. Hence firms with better productive capacity can offer better price to their clients. Generally, the productivity of the larger companies is higher than that of the smaller units, with the availability of low-cost labour being another common advantage. It is noted that leather manufacture is relatively more labour intensive than either footwear or leathergoods manufacture.

Leather footwear manufacture: The major strengths are set down in Panel 2:

Panel 2	
Strengths: leather footwear manufacturers	
Production capacity	74%
Better quality of management	66%
Sufficient supply of processed leather	65%
Trained manpower	60%
Quality control	58%

The footwear manufacturers appear to have an emphasis on the quality of management. The adequate supply of processed leather from the Bangladesh leather manufacturers is the third most important factor identified that determines the strength of



the footwear manufacturers. Quality control appears to have provided competitive advantages to a good number of firms.

Leathergoods manufacturer: The major strengths are set down in Panel 3:

Panel 3	
Strengths: leathergoods manufacturers	
Production capacity	71%
Quality control	69%
Better quality of management	64%
Marketing information	64%
Production capacity	60%
Quality control	58%

As in case of footwear, leathergoods manufacturers also appear to put considerable emphasis on better management, quality, and quality control. Environmental management and market information have also been identified by a considerable percentage of firms. This might be expected from a 100% export oriented industry.

2) WEAKNESSES OF THE COMPANIES:

Leather manufacture: The major weaknesses are set down in Panel 4:

Panel 4	
Weaknesses: leather manufacturers	
Low volume of production	83%
Financial crisis	80%
Weak marketing	64%
Inefficient management	46%

In the global context, the quantity of leather produced from the small manufacturers precludes them from attaining economies of scale. Generally, leather-processing firms face financial difficulty and have no marketing strategy. Of the companies, 46% identified inefficient management as one of their main weaknesses.

Leather footwear manufacture: The major weaknesses are set down in Panel 5:

Panel 5	
Weaknesses: leather footwear manufacturers	
Financial crisis	92%
Weak marketing	86%
Low volume of production	84%
Non-competitive product price	80%

Generally, footwear firms face financial difficulty and lack

effective marketing strategy. The size of the firms in the global context is small, being a notable obstacle in achieving economies of scale and offering competitive prices.

Leathergoods manufacture: The major weaknesses are set down in Panel 6:

Panel 6	
Weaknesses: the leathergoods manufacturers	
Financial crisis	88%
Weak marketing	87%
Low volume of production	87%
Non-competitive product price	74%

About 90% of the leathergoods manufactures have identified 'financial difficulty' as one of their major weaknesses. The firms also lack an effective marketing strategy. The size of these companies in the global context is small, being a notable obstacle in achieving economies of scale and offering competitive prices.

3) OPPORTUNITIES FOR THE COMPANIES:

Leather manufacture: The major opportunities are set down in Panel 7:

Panel 7	
Opportunities: leather manufacturers	
Low cost labour	82%
Sufficient supply of hides and skins	64%
Stable global demand	62%
Favourable business environment	60%
Conducive industrial policy	58%

The availability of low-cost labour provides a considerable cost advantage. The supply of raw materials, the global demand for leather footwear, and the business environment are found to be positive.

Leather footwear manufacture: The major opportunities are set down in Panel 8:

Panel 8	
Opportunities: footwear manufacturer	
Stable global demand	60%
Conducive industrial policy	58%
Favourable business environment	57%
Low cost labour	51%
Duty free access in major markets	51%

The current stable global demand condition for Bangladeshi



footwear has been identified as a major aspect of opportunity towards expanding export markets. The industrial policy and business environment is also found to be positive, with the availability of low-cost labour an added advantage.

Leather goods manufacture: The major opportunities are set down in *Panel 9*:

Panel 9	
Opportunities: leathergoods manufacturers	
Conductive industrial policy	66%
Favourable business environment	60%
Low cost labour	58%
Stable global demand	58%
Duty free access in major markets	51%

The industrial policy, the business environment, and low-cost labour are found to be advantageous for this industry. The current global demand for leather goods also appears favourable.

4) THREATS TO THE COMPANIES:

Leather Manufacture: The major threats are set down in *Panel 10*:

Panel 10	
Threats: leather manufacturers	
Disruption of electricity	74%
Hartels ⁽¹⁾ , strikes, and other disturbances	72%
Unstable policy environment	68%
External competition	64%
Lack of trained labour	62%
Environmental awareness in importing countries	60%
Shortage of water supply	58%

The 'disruption of electricity' is stated as the main threat to the leather processing; 'hartels and strike' are other common factors that disrupt manufacture. Inadequate infrastructure for the supply of electricity and water affect optimum utilisation of manufacturing capacity, the volume of production, and destroy cost advantage. Such problems are particularly threatening in an atmosphere of growing global competition. Moreover, environment consciousness in importing countries is a cause of concern for the exporting countries. In Bangladesh these issues are not strongly addressed at either company or policy level. There is also a shortage of sufficient trained people.

References:

⁽¹⁾ *Hartels: The closing of shops and offices as a mark of protest or sorrow.*

Leather footwear manufacture: The major threats are set down in *Panel 11*:

Panel 11	
Threats: footwear manufacturers	
Disruption of electricity	74%
Hartels ⁽¹⁾ , strikes, and other disturbances	68%
External competition	68%
Environmental awareness in importing countries	60%
Shortage of water supply	58%

In a similar manner to the leather manufacturing industry, inadequacies in the supply of electricity and water are among the major causes of concern for the footwear firms. Growing external competition and environment consciousness in the importing countries may affect the export market of these companies in the future.

Leather goods manufacture: The major threats are set down in *Panel 12*:

Panel 12	
Threats: leathergoods manufacturers	
Disruption of electricity	74%
Lack of trained labour	64%
External competition	62%
Hartels ⁽¹⁾ , strikes, and other disturbances	60%
Environmental awareness in importing countries	60%

Over and above the inadequate supply of electricity, leather goods manufacturers face a lack of trained labour. Growing external competition and environmental awareness in the importing countries may affect the 100% export-oriented leather goods industry in the near future.

Findings from the SWOT analysis

Analysis of data makes it clear that:

- There is considerable scope to improve the leather sector of Bangladesh. Many of these improvements can be achieved through company actions, but labour disturbances and weaknesses in electricity and water supply will be beyond the control of many companies.
- The supply of good quality leather is inadequate. Companies in the leather sector import a negligible volume of raw material.
- Companies within the sector have no option but to import considerable quantities of chemicals and accessories. In addition, most machines used within the sector are imported.
- The easy and duty-free access of raw materials, chemicals, accessories and machines have been identified as a crucial need. This would clearly contribute in minimising cost and producing better quality products at competitive price. 🌐