FACTORS INFLUENCING GROWTH OF LEATHER FOOTWEAR PRODUCTION IN KENYA: A CASE OF AFRICAN LEATHER INDUSTRIES LTD.

BY

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UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

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FACTORS INFLUENCING GROWTH OF LEATHER FOOTWEAR PRODUCTION IN KENYA: A CASE OF AFRICAN LEATHER INDUSTRIES LTD.

BY

JACQUELINE NZINGILI MULU

A Project Report Submitted to Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Masters in Business Administration (MBA).

UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

SUMMER 2019
STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed: ________________________  Date: __________________

Mulu Jacqueline Nzingili (ID No 629473)

This project has been presented for examination with my approval as the appointed supervisor.

Signed: ________________________  Date: __________________

Fred O. Newa

Signed: ________________________  Date: __________________

Dean, Chandaria School of Business
The purpose of this study was to determine the factors influencing growth of the leather footwear in Kenya. The research questions that guided this research were; how availability of raw materials influenced the growth of leather footwear production at Leather Industry of Kenya? What effect legally related factors have on the production of leather footwear in Kenya? And how market related factors have influenced growth of leather footwear production in Kenya?

The study adopted the descriptive research design. The population of the study was carried out in African Leather Industries Limited. The target population was made up of about 57 respondents spread across all areas within the organization, where the investigation took place. The use of Stratified sampling technique was used to select a sample size of 55. The study primary data was collected using close ended structured questionnaires. The data collected was then analyzed using the descriptive and inferential statistics using the Statistical Package for Social Sciences (SPSS), while the findings were presented through the use of figures and tables.

The study results on the influence of availability of raw materials on the growth of leather footwear production showed that there exists a positive relationship between availability of raw materials and growth of leather footwear production while study findings on the influence of legally related factors on the growth of leather footwear production showed that there’s an existence of a positive relationship between legal factors and growth of leather footwear production. Finally, the findings on the influence of market related factors on the growth of leather footwear production showed that there exists a positive relationship between the two variables; market related factors and the growth of leather footwear production in Kenya.

This research has concluded that there’s existence of a positive relationship between availability of raw materials, it further concludes that the relationship between these two variables was statistically important. Equally, the study findings of this research show the presence of a positive relationship between the legally related factors and growth in leather footwear production, and that the relationship between the two variables is therefore statistically significant. In addition, this investigation shows that there exists a positive relationship between market related factors and growth in leather footwear production.
This study recommendations to African Leather Industries include; African Leather Industries to extend their trainings to the farmers so as to avoid use of chemicals that tamper with the quality of raw hides and skins from which they procure from. African Leather industries together with other stakeholders within this industry should form a pull, come up with strategies and then approach the government and convince them to reduce on the many licenses and taxation policies put into place so as to encourage leather footwear producers to increase their production volumes as well as encourage entry of new players interested in the same industry to produce leather shoes.

Lastly, it’s recommended that African Leather Industries should make use of the many marketing channels such as the use of social media, have their own websites, include designated shopping centers in creation of its brand awareness as well as use of exhibitions in expos among other platforms at their disposal rather than just using one channel of marketing their products. This will help in increasing footwear production and penetrating in the market to create awareness of their brand and product.
ACKNOWLEDGEMENT

I wish to express my sincere gratitude to my supervisor, Dr. Fred Newa for his invaluable input on this project. I would also like to thank my two sons, family and friends for their consistent encouragement, constructive criticism and unconditional support on this and every endeavor. And to God, for always breaking the glass, just for me.
DEDICATION

To God

Without Him I can do nothing.
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<tr>
<td>ASAL</td>
<td>Arid and Semi-arid Land</td>
</tr>
<tr>
<td>ESALIA</td>
<td>East and southern African Leather Industries Association</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>ICIS</td>
<td>Integrated Compliance Information System</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>KIRDI</td>
<td>Kenya Industrial Research and Development Institute</td>
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<td>KLDC</td>
<td>Kenya Leather Development Council</td>
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<td>KM</td>
<td>Kariokor Market</td>
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<td>KMSLA</td>
<td>Kariokor Market Satellite Leather Accelerator</td>
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<tr>
<td>LIK</td>
<td>Leather Industry of Kenya</td>
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<tr>
<td>NACOSTI</td>
<td>National Commission for Science, Technology and Innovation</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Government Organizations</td>
</tr>
<tr>
<td>NLPA</td>
<td>National Livestock Producers Association</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
</tr>
<tr>
<td>QAEBGM</td>
<td>Quality Assurance and Evaluation Branch for General Management</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
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<tr>
<td>TPCSI</td>
<td>Training and Production Center for the Shoe Industry</td>
</tr>
<tr>
<td>UNIDO</td>
<td>United Nations Industrial Development Organization</td>
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<tr>
<td>VAT</td>
<td>Value Added Tax</td>
</tr>
<tr>
<td>WBG</td>
<td>World Bank Group</td>
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<tr>
<td>WTD</td>
<td>World Tourism Day</td>
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<td>WTO</td>
<td>World Trade Organization</td>
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Footwear production can be traced back to about 5 million years ago during the ice age period. The earliest evidence of footwear was discovered during the copper age (ca.5000 BCE) (Hald, 1972). Footwear was initially designed purposely due to the harsh climatic conditions and landscape problems. However, in some ancient civilizations such as Egypt, Veldmeijer (2014) reports that leather produced in different colors was done for the pharaohs and Queens to symbolize status and power. The Officials and clerics like prosecutors, lawyers, governors, and judges also used this kind of footwear. In China, between the 10th and 11th century the Golden lotus feet leather shoe was invented. It was made specifically for small feet, because it was considered real beauty to have small feet.

According to Mahi Leather (2018), around 1200BC Rome and Greek also started doing sandals for both men and women which were long and went halfway up the knees with so many laces. The Greek sandals were only worn by free citizens while their slaves either walked bare foot or put on slip-on weaved shoes made of wood. In ancient Rome however, as MacGregor, Hill, & Bradley (2016) correctly illustrates, sandals were made according to cleric or military status, worn as a sign of power and civilization. The earliest evidence of the leather shoe made was first found in the Armenian cave estimated to be 5,500 years old (Hirst, 2018). Hirst (2018) further explains that this shoe was made using three different skins; the grass lining was made of a cow hide, the outer covering covered in a deerskin while the hair side facing out near the sole made of bear skin. According to Gill (2017), the earliest artwork presentation in form of paintings and drawings done on people wearing shoes is dated approximately 15,000 years ago and was first found in the Altamira cave in Spain.

In addition, MacGregor, Hill, & Bradley (2015), argues that societies around the world became more sophisticated and the processes used to create leather were more developed. Initially, people used to wear patterns but due to better manufacturing and processing
methods, the art of making high heeled shoes was discovered and was worn by men at first. Leather was also used to cover dining chairs because it was easy to maintain and did not absorb odor from food. Musealia (2015), suggests that at the beginning of the Middle Ages, Northern and Central Europe produced leather boots that were turned inside out and sewn with the shoe sole. As innovation became better, professional tanners and leather artists started to form advanced trade guilds. This was important because it ensured that ownership of tools and supply of materials was sustained. Around the 15th century chopines were created in Turkey (Dalriada, 2009). They later gained popularity in Venice and throughout Europe implying wealth and high class status. Later in the 16th century royalty such as Mary I of England wore high heeled shoes to make them look taller (Hald, 1972). It was until the 19th century that other methods of tanning such as the Vegetable method was invented.

Throughout time, leather has primarily been produced by manufacturers for footwear mainly because it’s available in many quantities. Between the 18th and 19th century, there has been a demand for different and new types of leather footwear due to increased industrialization. For instance, there’s been increased demand of softer, lightweight, fashionable and colorful leather footwear. The vegetable tanned leather was initially too hard and thick and hence use of chromium salt has been adopted instead. Due to increased demand, the shoe industry has evolved and currently makes around 14 billion pair of shoes globally in which 80% of the pair of shoes produced are leather shoes (Winters, 2000). One of the biggest manufacturers of the leather footwear is China and India.

According to UNIDO (2010) report, Asia is the largest shoe producing region exporting leather shoes of about 70% of the global trade in the world, while China is the largest individual leather producer in the world. In addition, UNIDO (2010) reports that Chinese suppliers are known for delivering their products with competitive prices, punctuality, good quality and also handling large orders. For this same reason, China generates the most revenue globally which is approximated to be about US$ 48,728 million in 2018 (Statista, 2018). Another factor that has attributed to the success of the leather footwear production in China is the availability of cheap labor, better innovation and technology where they are able to produce high value added footwear. China’s population is reported to be approximately 1.4 Billion.
The Indian Footwear sector is also a promising one with tremendous opportunity for growth both in the international and domestic market. With low production cost, abundant supply of raw material, evolving retail system, buying patterns and huge consumption market, this sector is posed to grow to great heights. But this market is highly fragmented. The unorganized sector dominates the industry posing a threat to the organized players. Damodaran & Mansingh (2008), observes that in the year 2011 - 2012, the revenue earned from leather footwear alone constituted of US$ 1715.17 million which had increased from US$ 1174.03 million in 2007 – 2008. Through the export of footwear components, the country earned US$ 281.83 million in 2011-12, which was US$ 269.30 million in 2007-08.

Developed countries such as the United States of America are the biggest importers of all types of leather shoes with around 3077 million pair of shoes. USA imports its shoes from China, Germany, France, Hong Kong and UK (Petersen, 2007). This is attributed to the high cost of labor that would be incurred if at all they would rather carry out the production within their country. Germany and the UK are the largest European Union importers taking about 200 and 250 million pairs of shoes every year.

Italy is the world’s leader in fine leather footwear. According to (National Association of Italian Manufacturers of Footwear [ASSOMAC], 1997), Italy has mastered the art of innovating and refining their leather footwear techniques over the years. They specialize in producing high quality leather shoes such as the Schmitz and Knorriga designs because of their modern machines and efficient production processes. They however, can’t compete with China because of their cost of labor and product prices. European manufacturers such as UK are also penetrating the market and replacing low end quality footwear with medium quality footwear (Steyns, 2007).

Memedovic & Mattila (2008) documents that only few companies in the world have ventured into the leather footwear industry. Companies such as Bata, Nike, Adidas, Timberland and Bally have not only ventured into producing leather footwear but also opened retail outlets all over the world. Bata for example is established in 68 countries worldwide including Kenya in Africa and according to Memedovic (2008), employs roughly 40,000 employees with over 4000 retail outlets. Bata produces and sells different brands of leather shoes. Timberland on
the other hand, is a footwear producing company that targets the consumers who love doing outdoor life. Nike and Adidas targets the consumers who are into sport and active life.

Most Asian suppliers have no direct relationships with wholesalers and retailers, and neither can they choose whom to sell their products in Europe or North America because their buyers are limited. Manufacturing companies concentrate with the production assignments as they are aware they might be replaced by other production companies in other parts of the world at any time. Hence, the buyers control the supply chain at all stages leaving little room for the manufacturers to upgrade higher value products.

According to UNIDO (2010) report, India for instance, have experienced low volume exports over the recent years. Giant countries such as China have also experienced a reduction on their livestock and are looking into adopting strategies such as having joint ventures with the African tanneries. According to Memedovic (2008), some of the import countries such as India however, put stringent controls on the quality and health regulations that restrict African imports penetrating into their markets.

Leather industry in Africa has the greatest potential to compete globally compared to the rest of the world although there’s a huge gap between its resources and production. Africa currently accounts for 4% production of leather production globally while imports that penetrate through our African markets is approximated to be about 74% (The World Bank Group [WBG], 2015). In addition to this, UNIDO (2010) observes that Africa could exploit this opportunity because the demand of leather products is increasing from the rest of the world. In a different report, UNIDO (2015) further explains that the African leather supply chain has not kept pace with the substantial growth in the production of leather and leather goods in other developing countries, although the quantity and value of its production and exports have actually increased.

Kiruthu (2007) notes that the leather industry in North Africa has a longer history compared to other regions in sub-Saharan Africa. Egypt in particular has a long tradition in leather tanning with virtually all raw hides and skins being tanned by mid 1980s. Africa lacks the innovation and technology skills. Tanning leather to a finished product is costly and therefore most tanning is done up to the wet blue leather level rather than the finished product.
According to UNIDO (2015), the industry in Eastern and Southern Africa region was originally driven by the availability of raw hides and skins and this is still largely true up to now due to the inability of the industry to have other competitive factors. Livestock in Africa is approximately 60% with the largest exporters being Ethiopia and Sudan. In the East African region, (Quality Assurance and Evaluation Branch General Management [QAEBGM], 1997) notes that Ethiopian footwear is gaining recognition in the world because of its production. Ethiopia has a huge potential especially now that the Chinese have invested in their land by setting up their own factories there. In addition to this Ethiopia boosts abundant raw materials, reduced cost of labor, low electricity costs and duty free priced products.

The East African Community faces the biggest challenge, yet poses as the biggest region globally with the biggest advantage over its Asian competitive counterparts. Uganda, Tanzania and Kenya livestock population is a lot compared to the demand needs to be met within this sector yet they all concentrate in the tanning industry. They specialize in tanning hides to wet-blue, then export it to other countries. Tanzania for instance as correctly documented by (International Trade Center[ITC], 2016), the tannery sector is more dynamic than other segments of the industry. This is a huge concern and it should worry these countries because with only one segment running and other sections of this industry ignored the growth is deemed to be low. ITC (2016) reports that, in Tanzania, the tanning industry also has faced difficulties in terms of attracting investment to upgrade existing facilities or in building productive capacity without State interventions.

Uganda, does not do much of leather footwear. According to (Uganda Investment Authority [UIA], 2008) the total market size in Uganda for leather shoes is 15 million pairs per year. Less than 4 million pairs of shoes are produced in Uganda. New leather shoes are also being imported from Kenya, Europe and other countries. Instead, (UIA (2008) further states that Uganda, specializes in wet-blue tanning and export raw hides and skins to the Asian and European countries. This has greatly been contributed by factors such as having weak knowledge of market trends, buyer requirements, finance problems, lack of technology and information. It’s unfortunate that Uganda and other African countries such as Kenya have
failed to address the market demand, and hence lost out on the opportunity to improve on their countries’ economic states.

Kenya is a low cost producer of undifferentiated low end footwear mostly for its local market and specializes in exporting raw hides and skins and wet blue leather (UNIDO, 2015). WBG (2015) further states that leather footwear manufactures such as Bata Shoe Company which serves the East African Market and largest market in Kenya has reduced its production of low end footwear, men’s footwear. The sales done are usually very minimal compared to other countries of the world. According to Ogolla & Wanjau (2013), the leather footwear production in Kenya has decreased over the years because of global low cost imports and second-hand imports penetrating the East African and Kenyan markets.

WBG (2015) documents that most of the leather good producers are micro and small enterprises and many prefer to stay in the informal sector in order to remain competitive. There is an intricate link between the formal and informal sector but it is weak. The Bata Shoe Company Ltd is the country’s major producer of high-end leather footwear products, and is located in Limuru constituency, Kiambu County. WBG (2015) indicate that only about Eight million leather shoes are made in Kenya, with the other one million pairs imported. Shoes in this category are mainly attributable to Bata shoe production.

Kenya has 15 registered hides and skins traders according to the Kenya leather council, of which a few are leather processing firms (Kenya Leather Development Council, 2018). African Leather Industries Ltd, a subsidiary of Leather Industries of Kenya, is one of the fastest upcoming startups that have taken up the opportunity of exploiting the leather industry African Leather Industries is one of the few companies that do finishing of leather footwear. They outsource their leather locally and do tanning mainly from Leather Industries of Kenya and other local tanneries such as Dagoretti, Athi River tanneries and Nakuru Tanneries. This shoe manufacturing company was established in 2011.

Using high quality finished leather from LIK, in-house and well experienced shoe designers; African Leather Company manufactures different types of shoes that are sold to the local and regional market, including well-known brands such as Bata (African Leather Industries Ltd., 2019). African Leather Industries Ltd is strategically located along the Garissa- Thika road, Kiambu County. It is one of the largest leather footwear companies in Kenya with a
production of up to Four Thousand pairs of shoes on a daily basis (African Leather Industries Ltd., 2019). The company is growing at a fast rate where it currently have an approximate number of 60 full time employees. They are however faced with the problem of poor handling of raw materials which reduces its quality and also the government policies that are very unfavorable to them as an organization.

1.2 Statement of the Problem

This research aims at carrying out an investigation on the factors influencing the growth of leather footwear production in Kenya, with a special emphasis on the African Leather Industries Ltd. The Kenyan leather sector produces very little finished leather, regardless of the huge potential and comparative advantage it boosts over the developed countries in terms of the livestock population that we have in the country.

Kenya boosts 42 different ethnic groups with the vast majority keeping livestock for different economic reasons. This involves outlining the challenges this organization faces within this sector and identifying the various gaps and opportunities that are in its disposal. Leather footwear production has hugely been affected by the influx of cheap imports from China and second hand leather shoes that have flooded the Kenyan market (WBG, 2015). Leather footwear production is a major economic boost for the country if well exploited. Kenya has an advantage over the accessibility and availability of raw materials compared to the global leaders such as China in the leather footwear production.

The biggest threats facing this sector, is the availability and high cost of raw materials, lack of technology, poor quality and undifferentiated leather products, poor regulatory frameworks and lack of proper strategies to ensure that there’s continuous growth of the leather footwear production in the country. According to WBG (2015), there has been an overall positive upward trend of Kenyan leather exports since 2007, Kenyan leather footwear exports have increased significantly (by a factor of 31.4) from a negligible Us$88,000 in 2007 and Us$555,000 in 2008, to Us$2.8 million in 2013.

The greatest beneficiaries from this growth are the small and medium sized entrepreneurs who prefer to be in the informal sector due to competitive reasons. Footwear production in China, India, Italy Brazil and Indonesia is practiced by big corporations and organizations
because of the very many marketing activities such as fairs/exhibitions, promotions, trainings and flexible regulatory frameworks to encourage this kind of industry. Leather manufacturing firms such as African Leather Industries Ltd face additional problems such as cost of domestically sold leather and leather inputs for the production process, high cost of labor and high cost of electricity, Stringent regulatory rules as well as internationalization of their brand products to other countries outside the East African Region.

1.3 Purpose of Study

The purpose of this research was to investigate the factors influencing growth of leather footwear production in Kenya.

1.4 Research Questions

1.4.1 What influence does the availability of raw materials have on the growth of leather footwear production at African Leather Industries of Kenya?

1.4.2 What influence do legally related factors have on the production of leather footwear in Kenya?

1.4.3 What influence do market related factors have on the growth of leather footwear production in Kenya?

1.5 Importance of Study

1.5.1 African Leather Industries Limited

This investigation aims in providing findings and recommendations on the strategies they could adopt to increase their sales exports and compete with the global leaders in this industry. African Leather Industries Limited is keen in increasing their sales volumes as well as penetrating first the East African market, then worldwide, where consumers can easily access their products while ensuring that their brand is Globally Recognized.
1.5.2 Consumers

This study provides insights to consumers on the benefits of being part of the leather footwear recovery transformation in the country. Some of these include; creation of job opportunities and economic transformation in the country. Consumers will directly encourage growth of local leather footwear manufacturers, distributors, farmers and other stakeholders involved in this industry.

1.5.3 Government

This research aims in providing findings and recommendations that the policy makers such as the Kenya Leather Development Programme can apply to enhance growth in industrialization and economy of the country. The policy makers also get to know the various steps and actions they can implement so as to improve the leather footwear production sector in the country.

1.5.4 Other Researchers

This study will provide future researchers and academia with information of what to expect in this industry and also build on other problems identified within this industry and form solutions on them. Also, the academicians through this research findings, will be able to understand the underlying factors that influence growth in leather footwear production and hence use them for future referencing while carrying out their future research.

1.6 Scope of the Study

This investigation was limited to the factors influencing the growth of leather footwear production in Kenya. The study was carried out in a span period of two months (June 2019 and July 2019). Data was limited to one of the major Leather footwear production companies, African Leather Industries, Kiambu County. The respondents intended to be used for this research were limited to African Leather Industries Limited, when ideally it could have included other established leather footwear manufacturing organizations. This was not possible due to financial constraints allocated and available to carry out the research. Another
limitation that came up during the investigation was the fact that most employees were not very conversant with the issues relating to the leather footwear production sector. To mitigate this problem, other leather footwear producers in the informal sector such as the Kariokor Market, were included to ensure the success of this research.

1.7 Definition of Terms

1.7.1 Leather

According to Smith (2008), leather as a hide or skin, with or without hair, which still retains its original fibrous structure more or less intact, and which has been semi-tanned so as to be putrescible even after exposure to water.

1.7.2 Marketing Factors

According to Martin (2019), marketing factors refer to any external agents that affect the demand for or the price of a good or service. These factors could include but not limited to inflation rates, changes in disposable income, high interest rates, and consumer preferences.

1.7.3 Growth

According to Wolman (2019) growth refers to a stage in the process of growing. Growth in this study is used in the context of increase in quantity and quality of leather footwear. Growth can also be defined as the percentage rate of increase in real gross domestic product, mostly known as the Gross Domestic Product. This is applicable in this research’s context as it directly affects the country’s economy.

1.7.4 Production Factors

The factors of production are resources that are the building blocks of the economy; they are what people use to produce goods and services. Economists divide the factors of production into four categories: land, labor, capital, and entrepreneurship (Rittenberg, 2008).

1.7.5 Market Demand

According to Smith (2008) market demand is the total amount of goods and services that all consumers are willing and able to purchase at a specific price in a marketplace. In other
words, represents how much consumers can and will to buy from suppliers at a given price level in a market.

**1.7.6 Entrepreneur**

According to Kenton (2019), an entrepreneur is an individual who, rather than working as an employee, founds and runs a small business, assuming all risks and rewards of the venture. The entrepreneur is commonly seen as an innovator, a source of new ideas, goods, services and business/or procedures.

**1.7.7 Vegetable tanned leather**

According to UNIDO (2015), this is a supple brown leather which was tanned through a process using tannins and other ingredients found in different vegetable matter, such as tree bark prepared in bark mills, wood, leaves, fruits and roots.

**1.7.8 Flaying**

According to ITC (2016) flaying is the process of removing of hide or skin from cattle, goats and sheep. This is commonly done in slaughterhouses, where the hides or skins can either be pulled down from the hind or upwards from the animal’s shoulder towards its rump area.

**1.7.9 Export levy**

WBG (2015), defines this as a payment on semi-processed leather, raw hides and skins. In this research’s context, it refers to the tax a country imposes on its exports. This tends to encourage local production and consumerism even though they are not as common as the import tariffs.

**1.7.10 Wet blue Leather**

Buljan (2007) defines wet blue leather as a chrome tanned bovine hide which after tanning with chromium salts is graded in various quality grades from I-VI and rejects. Wet-blue hides are then packed in polythene bags, hessian cloth and on wooden pallets or in wooden cases to be ready for delivery.
1.8 Chapter Summary

This chapter highlights the purpose of the study as to examine the factors influencing growth of leather footwear production and how it directly affects the various stakeholders in this industry. The specific research questions that guide this study are based on the availability of raw materials and how they enhance growth of leather footwear production, the effects of legally related factors on the growth of leather footwear production and the marketing factors that need to be exploited to ensure maximum growth is attained in this sector. Finally, this chapter explains how African Leather Industries Ltd, the consumers, supply chain partners, industry leaders, the government and other policy makers are affected in the leather footwear industry.

The next chapter gives a literature review on the factors influencing growth of leather footwear production. The third chapter talks about the research methodology used for the study. Chapter four provides findings based on the research questions. Lastly, chapter five, presents the conclusion and recommendations of this study.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter captures the review of related literature based on the research questions of the study. The first research question addresses the availability of raw materials influencing growth of leather footwear production, followed by research question two, the effect of legally related factors on the growth of leather footwear production, and finally, the study investigates on the marketing factors that influence growth in the leather footwear production. With this in mind, this study has also looked at the theoretical framework that has been adopted, guiding the research in a systematic manner.

2.2. Influence of Availability of Raw Materials on Growth of Leather Footwear Production

2.2.1 Growth of leather Footwear Production

According to Harrod (2010), growth depends on the quantity of labor and capital; more investment leads to capital accumulation, which generates economic growth. Imported leather footwear has grown rapidly in recent years, from US$2.4 million in 1995 to US$5.5 million in 2007, and reached US$12.3 million in 2011 and US$11 million in 2012 (WBG, 2015). Africa has great potential for a footwear industry, but this will not be realized for many years unless the issues of infrastructure and business environment are addressed. At the moment, major brands have little confidence in the potential of Sub-Saharan Africa (UNIDO, 2010). Leather footwear production in China has grown immensely over the years because of the enormous infrastructure that has grown up making it almost totally self-sufficient in supplies with the exception of some leather and labor availability from workers from the huge pool of unemployed elsewhere in China (Clothier, Schmèl, Xian, & Chaoying, 2005). Leather footwear in India has also experienced growth over the past decade at an increasingly fast rate. According to Steyns (2007), the country has strength in raw material, trained manpower and modern technology. India is able to produce close to 2.06 billion pairs produced in a year.
Kenya on the other hand has access to raw materials which are mainly the raw hides and skins. Kenya uses different types of leather used in the manufacturing of shoes. Some of these include Cow leather, Goat leather, buffalo leather, and sheep leather, hide leather and split leather (International Centre for Industrial Studies [ICIS], 1977) Leather can be made from a wide variety of raw materials. Cattle hides and sheep, goat, pig and reptile skins are the major materials. Table 2.1 below indicates Kenya’s footwear exports to the top ten destinations globally.

Table 2. 1: Top 10 Destinations for Kenyan Leather Footwear Exports,(US$ ‘000s)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uganda</td>
<td>460</td>
<td>1,575</td>
<td>Uganda</td>
<td>360</td>
<td>743</td>
</tr>
<tr>
<td>Tanzania</td>
<td>241</td>
<td>1,292</td>
<td>Tanzania</td>
<td>313</td>
<td>558</td>
</tr>
<tr>
<td>U.K</td>
<td>182</td>
<td>Tanzania</td>
<td>294</td>
<td>Zambia</td>
<td>189</td>
</tr>
<tr>
<td>Malawi</td>
<td>122</td>
<td>U.K</td>
<td>251</td>
<td>S.Africa</td>
<td>134</td>
</tr>
<tr>
<td>Israel</td>
<td>64</td>
<td>Malawi</td>
<td>108</td>
<td>Japan</td>
<td>131</td>
</tr>
<tr>
<td>S.Africa</td>
<td>41</td>
<td>U.S</td>
<td>93</td>
<td>U.S</td>
<td>112</td>
</tr>
<tr>
<td>U.S</td>
<td>37</td>
<td>S.Africa</td>
<td>45</td>
<td>U.K</td>
<td>109</td>
</tr>
<tr>
<td>Rwanda</td>
<td>34</td>
<td>Australia</td>
<td>31</td>
<td>Rwanda</td>
<td>37</td>
</tr>
<tr>
<td>Germany</td>
<td>29</td>
<td>Austria</td>
<td>21</td>
<td>Spain</td>
<td>26</td>
</tr>
<tr>
<td>Italy</td>
<td>25</td>
<td>Germany</td>
<td>19</td>
<td>Austria</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,233</strong></td>
<td><strong>3,729</strong></td>
<td><strong>1,436</strong></td>
<td><strong>2,452</strong></td>
<td><strong>2,562</strong></td>
</tr>
</tbody>
</table>

Source: WBG (2015)

Low volumes of footwear produced do not meet the demand from the consumers, and hence the growth has stagnated and grown very little in past ten year period Okello (2016). The legal and regulatory framework formulated by the Ministry of Industrialization in Kenya has been a major setback and influenced the growth of leather footwear negatively (WBG, 2015). This has been caused by the lack of proper co-ordination, proper implementation strategies, high taxes imposed on the utilities and trade policies by the management bosses in charge.
2.2.2 Availability of Raw Materials

According to Kenton (2018) definition, raw materials are materials or substances used in the primary production or manufacturing of goods. The relationship between the available raw materials and the supply of raw materials depends on the livestock availability, the rate at which meat is consumed, mortality rates due to natural causes such as old drought and dependence on the recovery of the hides and skins from slaughter houses. The main raw materials used in producing leather footwear are the raw hides.

Hides and skins are the byproducts of meat consumption, sudden deaths from natural causes such as drought, floods and diseases. According to Leach & Wilson (2009), more than 50 percent of bovine hides and approximately 40 percent of sheep and goat skins are processed into footwear. Over 300 million cattle form the global cattle kill per annum; the rest include goats, sheep, pigs and others Raw hides are collected from the livestock kept in the Kenyan communities (Wangui, 2016).

Wet blue on the other hand as explained by Buljan (2007) is leather that undergoes the tanning process using chromium salts as tanning agent. Wet-bluing takes place after the normal pre tanning operations including soaking, liming, de-liming, bating, degreasing and pickling. Fungicides are added to prevent mold growth. As Jabbar (2002) points out People in the ASAL region have huge livestock resources yet they are poor. About 70% of beef and the bulk of goat and sheep meat produced in the country come from the ASAL region.

The type of leather used in manufacturing footwear determines the quality and pricing of leather shoes depending on the target market and preferences of the consumers. In Kenya, the most available and used leather is the goat and cow hides leather. Cow hides is the most abundantly available and accessible leather product to both the manufacturers and suppliers of the Kenyan Market. Hides are usually used in the making of the sole because of its stiffness and solid nature to the shoe. According to (QAEBGM, 1997), the gap between the available raw material resources and low level of their processing into products with higher value added represents a development challenge to be dealt with.

In the past, according to Wangui (2016), the approach in the past remained focused in the public domain rather than draw partnership synergies with the private sector. This became a
drawback, because after this because tariffs were cut on imported leather products. As a result, the growth in the leather sector died since, influx of imported leather footwear from other countries flooded our Kenyan markets. Hence, proper strategies need to be formulated to curb this problem so that the produced hides and skins can be used to produce enough leather shoes to meet the ever increasing population of the Kenyan people.

2.2.3 Accessibility of Raw Hides and Skins

Accessibility can be viewed as the "ability to access" and benefit from some system or entity. The concept focuses on enabling access for people with disabilities, or special needs, or enabling access through the use of assistive technology (Wikipedia, 2018a); Accessing good raw hides and skins from farmers is a huge problem facing suppliers and leather footwear manufacturers. According to Memedovic (2016), unlike developing countries such as Kenya, industrialized countries have established standards for husbandry, animal feeding, transportation conditions and slaughter methods to ensure the production of high quality meat and acceptable animal living conditions. In Kenya most hides and skins are lost because of their unfit nature to be used during the production process because of how poorly they have been handled.

According to WBG (2015), a Delphi approach was carried out to determine the gap analysis affecting the accessibility of raw materials in Kenya, with a comparison done on the global leaders such as China and Ethiopia. On a scale of 0 – 10, the accessibility of raw materials falls on level 8. This is as illustrated in Table 2.3 below.
Table 2. 2 : Competitive Benchmarking of Kenya’s Leather Industry

<table>
<thead>
<tr>
<th>Competitiveness Factors</th>
<th>Kenya</th>
<th>Ethiopia</th>
<th>China</th>
<th>Italy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability Of Raw Materials</td>
<td>8</td>
<td>8</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Quality Of Raw Materials</td>
<td>3</td>
<td>5</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Access To Raw Materials</td>
<td>7</td>
<td>8</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Access To Finance</td>
<td>2</td>
<td>4</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>Sustained Capital Investment</td>
<td>3</td>
<td>5</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>Degree Of Vertical Integration</td>
<td>2</td>
<td>5</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>Technological Sophistication of Equipment</td>
<td>3</td>
<td>5</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>Process Skills</td>
<td>3</td>
<td>5</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Product Development</td>
<td>2</td>
<td>4</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>Long-Standing Tradition In The Industry</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>Unique Skills Within Sector</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Product Perception By Market</td>
<td>2</td>
<td>4</td>
<td>5</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: WBG (2015)

Most hides presented in slaughterhouses are either brought in poor conditions because they were not properly preserved or, they are just poor quality due to the cuts, diseases or old age that affects their hides. The government needs to put planned, organized policies and standards to encourage the accessibility of high quality raw hides.

Jabbar (2002) notes that Kenya has dispersed slaughtering facilities meaning that there are more widely varied slaughtering and flaying practices and standards, and problems of collection and transfer of hides and skins to less widely distributed tanneries is very common.

2.2.4 Quality of Hides and Skins

According to the United Nations report UNIDO (2015), the primary restriction of growth in leather footwear production is the quality of hides and skins. Some of the factors contributing to poor quality include inadequate number of slaughterhouses and slabs, poor methods of removing the hides such as use of knives which causes cuts, low prices of hides and skins, climatic factors and uncollected hides and skins (Wangui, 2016). Naporos (2012) supports this idea by documenting that the quality of the hides largely depends on certain characteristics of the raw material such as thickness, and evenness of the thickness over the
surface, weight, density and presence or absence of defects. The observations made in these studies helps this research in having a closer look on these challenges and propose suitable solutions to curb them.

Hides and skins differ in their structure depending upon the habit of life, season of year, age, sex, and breeding of the stock (www.africaleather.com). Naporos (2012) states that livestock rearing in Africa is done under very diverse conditions varying from open Savannah grasslands, organized commercial farms, zero and semi-zero grazing. The quality of products obtained from livestock reared in these varying environments is directly influenced by these conditions. Naporos (2012) further states that in many rural areas, hide and skins are not collected at all or used inefficiently. Hide and skins is considered as of little or no value due to low prices offered by the traders or collectors.

Additionally, according to Aklilu et al.y (2002); Gathuma et al.y (1989), Cmfwoli and Behnke, (1990) studies, a high proportion of hides and skins in pastoral areas is in the low quality grades III and IV and a low proportion is of high quality grades I and II. According to Jabbar (2002), no standard grading is practiced or known widely in the lower end of the hides and skins sector, which also lead to production of poor quality products and that there is no incentive price for producing better quality hides and skins.

According to Naporos (2012), the Ministry of Agriculture and Livestock Development is doing little to improve hides and skins quality and prices although it is entrusted with the responsibility of offering licenses, extension, inspection, grading and advisory services. In addition, Naporos (2012) states that this is attributed to non-recognition of hides and skins trade as one of the major components of trade in pastoral areas and as an important source of income to livestock producers and thus, deserving an increased attention. These studies show that there exist a strong correlation between quality of hides and skins and price.

2.2.5 Costs of Hides and Skins

A study carried out by (UNIDO, 2015) indicates that raw material costs are significantly higher in Kenya at 72 percent. In Kenya, the demand of leather footwear is expected to increase over time due to expected population growth rate, better income and growth in GDP.
Jabbar (2002) states that a small pilot project is currently being implemented by the East and southern African Leather Industries Association (ESALIA) in Kenya for Commodities to develop and test a grading system for hides and skins and provide incentive pricing for better grades. Normally, the production costs incurred while processing raw hides and skins are normally subsidized by the government. Additionally, (ICIS, 1977) supports this study by documenting that many of these over-capitalized units are run inefficiently, have low capacity utilization and keep the domestic price of raw hides and skins depressed - a harmful practice which lessens the primary producers' incentive to bring the raw material to market.

In other studies, Naporos (2012) notes that the current low prices for hides and skins are no incentive for proper handling and curing. The primary producer in the village, the small farmer, receives such a poor return as compared with the final price that it gives them no incentive to improve the quality of livestock or their hides/skins. The costs of hides and skins is determined by the forces of demand and supply. Naporos (2012) further documents that wholesalers cannot receive reliable market information from the tanneries on future price trends. This is critical since wholesalers lack any sources of information on the international price and the tannery does not guarantee a fixed purchasing price. In light of the above factors, these studies points out the barriers faced but fails in giving recommendations, a fact that is clearly demonstrated in this investigation.

Factors such as the meat consumption, natural effects as old age and also the disposable income from Kenyans also play a major role in impacting the costs of raw hides (Leach & R. Trevor Wilson, 2009). Wangui (2016) supports this statement by adding that if the consumption of meat is low, then it means the quantity of harvested hides and skins from different sources including slaughterhouses is minimal which in turn affects the prices of the hides and skins. Natural disasters such as drought and heavy rains also affects the trading prices taking place between the suppliers and buyers. Naporos (2012) further observes that tanneries buy skins based on the international price at the time of the wholesalers’ delivery, not at the time of the wholesalers purchase from collectors.
2.3 Effects of Legally Related Factors on the Growth of leather Footwear Production

2.3.1 Legally Related Factors

According to Bush (2016), Legal factors are external factors which refer to how the law affects the way businesses operate and customers behave. Product transportation, profit margins, and viability of certain markets are all examples of things which may be influenced by legal factors. Legal factors in this research’ context refers to the government trade barriers and policies that are imposed and that can directly influence the production of leather footwear at different levels and sections in this industry.

2.3.1.1 Export Tax Policies

These are taxes on goods or services that become payable when the goods leave the economic territory or when the services are delivered to non-residents; they include export duties, profits of export monopolies and taxes resulting from multiple exchange rates(The Organization of Economic Co-operation and Development[OECD], 2001). According to Jabbar (2002) study, export levy of 2% on raw hide, 1% on wet blue hide and 0.5% on finished leather.

The government in its 2006 budget speech, raised tax on export of raw hides to 20 per cent and skins and doubled it much later to 40 per cent much later in a bid to encourage the leather processing industry (WBG, 2015). The government has in return ripped incremental company taxes payments which have had a tremendous contribution to the Kenyan economy. The number of tanneries in the country have also increased from nine in 2005 to around 13 in year 2009. (Kenya Leather Development Council, 2018). The export duty has boosted creation of many direct and indirect jobs in the small scale workers. Around 40,000 workers specializing in the selection of materials, quality control, tanning, mechanics and casual laborers in the peripheral industries earn good income from this leather footwear sector (WBG, 2015). The EU, continuously pushes to access key inputs such as the excise taxes for their development priorities. EU argues taxes are generally counterproductive and that Kenya should maximize their exports of raw materials.
Export taxes, prevents exportation of labor so as to encourage development in the industrialization sector. The export taxes are relevant now, especially now that Kenya being among the fastest growing economies in the world is able to gain competition with the Asian countries such as India and China. The biggest challenge brought about by export duties imposed by the Kenyan government is the problem of tax evasion. According to (WBG, 2015) reports, In 2006, the media uncovered a scam of 14 leading exporters of hides and skins where they collaborated with some government officials to deny the government revenue. The well-knit cartel evaded tax of approximately Kes. 676 Million. This cartel is allegedly reported to have started evading tax after the government imposed a 20 per cent export tax.

Exporters of raw hides and skins lose out due to the incremental export taxes that the government imposes. The producers of these raw materials are the biggest lot affected by the export taxes which as a result leads to fall of domestic prices. Prices paid to small producers have fluctuated significantly over the last few years. Imposition of the 40 percent tax influenced the low prices of the hides. Export taxes can positively benefit the government if the right strategic plan for the leather sector and establishing some of the tanneries in rural areas and bodies such as KLDC responsible for controlling the leather footwear sector in the country.

The local manufacturers of leather footwear are also exposed to competition from second hand clothes imports from Asian countries. The government plans to protect these manufacturers by reviewing import rules on finished leather. Jabbar (2002) further documents that there is import duty and value added tax of 15 and 17% on imported hides and skins respectively. Moreover, 17% VAT is imposed on sub-contracted processing by leather traders. This move will not only create new jobs for the Kenyan people but also ensure Kenya increases export revenue through the sales volume. In east Africa, only Kenya remains to have the capacity to produce finished products compared to its counterparts Uganda, Tanzania Rwanda and Burundi who specialize in exportation of raw, wet blue and crust leather.
2.3.1.2 Environmental Regulations

According to (WBG, 2015), Chromium contamination and high chemical oxygen demand are typical problems associated with tannery effluents, both of which can pose serious risks to the environment and human health. Environmental implications brought about by these effluents is a problem that has not been addressed regardless of the fact that the demand for leather footwear keeps increasing in the Kenyan market. With new technologies and processes, effluent discharges can be reduced significantly while still growing the leather sector. These technologies will protect the environment while still promoting the tanning industry.

According to WTG (2015) value addition and product quality enhancement is the adoption of sustainable, clean technologies. Limiting pollutants is a socially responsible strategy for industry development but one which can help position the Kenyan industry for the production and sale of higher-value products. Currently Kenya is faced with the challenge of disposing the dung, flashings and hair. They are usually buried or in other instances used in manufacturing glue which is in small quantities. The country could make use of this opportunity by producing bio-gas energy by mixing it up with sewage.

2.3.1.3 Government Incentives

Incentive systems are required, to stimulate structural changes within the industry and assist with the development of new institutions (WTG, 2015). Studies show that in order to move beyond the low-level equilibrium that currently prevails, incentive systems need to be created. A study carried out by UNIDO (2015) found that there was need to provide technical support and consultancy services in areas of product developments, product designs and environmental management. Kenya faces a challenge in all these aspects because they lack this skills. In the same study, insufficient incentives have curtailed the industry’s ability, ad as a result many formal sector manufacturers have terminated their operations.

Due to Kenya’s unfriendly business climate and the presence of a strong second-hand market, there are only a few, if not any, new investments entering Kenya. In addition, the government is able to reap economic returns from this kind of investment in the form of economic pacts. Through them, creation of jobs are also created, which in turn the
government benefits in form of taxes remitted towards the same end. This way, the footwear leather sector grows in terms of production and volumes.

2.3.1.4 Trade Policies

Kenya has bilateral trade policies which are used to regulate trade relations between two countries. Where the heads of state negotiate terms and later on sign on the agreements. In addition, international trade policies that are headed by international economic organizations such as OECD, WTO and IMF define the policies to be adopted by both the developed and developed countries. The best example of this is the Doha Development Agenda which was formulated by the WTO.

The use of state imposed restrictions such as tariffs and subsidies will ensure that only high quality products are imported into the country (Mokhothu-ogolla & Wanjau, 2013). This will offer a balance and give an opportunity for the local leather producers market and segment their products to the various customers in the market.

Kenya could restrict on the exportation ban. For example, according to Okello (2016), the second hand market and cheap footwear imports has flooded the Kenyan market. This would encourage local manufacturing to feed the Kenyan market thereby, improving the development of the sector as well as domestic value addition. The two core problems of using this policy are the lack of long-term credibility of such a policy and it mostly leads to smuggling. A study carried out by (Marks et al., 1998). Fitawek (2016) indicates that export quota and licensing are also export restriction policy; quota restricts the maximum amount of export while licensing is making sure that commodities can be exported only by allowed exporters.

2.3.1.5 Licensing

A license, is an official permission or permit to do, use, or own something (as well as the document of that permission or permit)(Wikipedia, 2018b). In Kenya, manufacturing companies need to have at least 8 trading licenses. This is a huge disadvantage to the leather footwear sector especially when in other countries they do not engage in this kind of industry with many licenses as part of the regulatory framework formulated for a country. In a study
carried out by WBG (2015), In 1991, the Indian government ushered in a policy of ‘de-licensing,’ targeting several manufacturing industries including leather. The de-licensing simplified FDI regulations by affording an ‘automatic route’ to foreign investors seeking entry into the Indian market.

It’s unrealistic and demoralizing with the high rate of smuggling of hides and skins in Africa where some merchants, do not pay for licensing and compete within the same market with individuals who have been legally licensed and invested heavily on these licenses. This study, manages to bring in recommendations on how best the government can improve in this area, thereby, enhancing growth in the leather footwear sector.

2.4 The effects of Market Related Factors on the Growth of Leather Footwear Production

2.4.1 Market Related Factors

In an article published by Kiesha (2019), he states that without marketing, customers won’t know about the new company's product and services. Business analysis in marketing improves the success rate of your next marketing campaign. This research aims at analyzing these factors and how effective they have been for the Kenyan footwear market.

2.4.1.1 Affordability of Leather Footwear

A report by WTG (2015) indicates that Footwear is the biggest leather goods subsector in Kenya, while the handbag subsector is the most competitive vis-à-vis global markets. The production cost of leather footwear in Kenya is usually very high. High costs of electricity, leather inputs, duty on imported leather inputs and labor are the key factors that contribute to high cost of locally sold leather footwear. Another aspect that can’t be easily be ignored is the GDP level of the Kenyan income earners.

Most citizens, are cost driven. Due to the inflow of cheap and new leather and non-leather footwear imports from china and India the leather footwear sector remains to be a crippled sector. Market penetration becomes difficult faced with the competition challenge. A pair of
locally produced shoe costs about Kes. 2000 while the second hand shoe retails for as low as Kes. 300. Also, Kenyans have the perception that locally produced leather footwear can’t compete with the quality, designs and uniqueness that comes with imported shoes.

WTG (2015) further recommends that a pilot leather industry accelerator be developed in Nairobi (NLPA) to facilitate manufacturing and marketing collaboration, and support competitiveness within the leather products industry. This will boost the production sales from the local traders and creation of employment in the supply chain created in a bid to market the leather footwear products. Segmenting the market into different groups will enable the leather footwear gain competitive advantage against its competitive counterparts. For example, they could produce high end, low end and middle class shoes to fit the category of each segmented customers while still capitalizing on the quality and mass production in order to meet the Kenyan demand of the products are offered in the market. Kenyans according to the interviews carried out appreciate genuine and long lasting shoes.

The government could also reduce on the duties imposed on the raw materials which are being produced locally so as to reduce the cost of production and therefore minimize on the costs transferred to the customers (UNIDO, 1995). The need to have better machines in the production of shoes will enable the local producers produce more efficiently and improve on the quantity produced at a go.

2.4.1.2 Quality and Design of Leather Shoes

Leather being the major raw material for making shoes already markets itself as a quality product. It can either be smooth or suede leather, and are worn for different occasions. Quality means durability. Leather shoes offer comfort ability, properly and carefully done stitching, and offers exceptional and cost. Kenyan shops rarely stocks designer shoes because they are sold expensively, but the target market being the high-end clients still buy or order from shops abroad. An expensive shoe doesn’t necessarily translate into being a high quality product. Kenya exports raw hides and skins, wet blue to the biggest producers of finished leather shoes. Meaning, Kenya has the finest raw materials needed to produce high quality shoes.
Handmade shoes offer comfort ability, uniqueness and sturdiness. They are expensive because of the exclusivity of stitching it for a particular customer. Unlike the cheap imported footwear from India and China, leather in Kenya which is readily available is able to assure its consumers of its quality and durability.

The good thing with leather, is that each type of leather fulfils different demands meaning that each level of income earner could get a proper leather shoe within the country as opposed to importing second hand leather shoes.

2.4.1.3 Marketing Activities by KLDC

Kenya leather development council is an institution comprising a representation of the leather industry stakeholders. It represents the Kenya Livestock Marketing Council, Slaughter Houses Association, Hides, Skins traders, tanners, footwear manufacturers, informal leather manufacturers and academia long standing in the subsector. WBG (2015) documents that the strategic importance of the NLPA is promotes technology absorption, greater flow of information, collaboration among firms, and remove binding constraints on the competitiveness of leather products firms.

In addition, USAID (2017) notes that there’s a huge gap in the skills segment when it comes to the leather footwear production process. Challenges such as having inadequate knowledge of leather fabric, its defects and inability to handle multiple machines handling techniques among the workforce is usually very common. Other aspects such as the lack of understanding of basic operations, defects and its remedies and having inadequate knowledge of basic machine adjustments and troubleshooting are among the problems that KLDC could address in order to promote growth in this industry.

2.4.4 Branding

According to studies by Okello (2016), most of the leather footwear production in Kenya takes place in the informal sector, yet most of the products are not branded and yet they still manage to sell their products. The study go further by illustrating how the producers reach out to their customers in the relatively competitive market and how they strive to counter this competition. Establishing the mode through which the markets are accessed demonstrates the
changing trends with regard to reaching out to consumers thus showcasing revival process (Okello, 2016).

Italy produces the most sophisticated, high-end shoes, and has high levels of product differentiation, with unique qualities. China occupies the middle of the diagram and dominates in all but the high-end where Italy and other European producers have competitive advantage (WBG, 2015).

In order to improve on product quality, other case studies by Sonobe and Otsuka (2006) had cited branding and differentiated products can appeal to customers. This is applicable to African Leather Industries Ltd, because their products so as to serve various market niches.

2.4.5 Skill Training

Skill gap in the leather footwear production has been a major setback in the Kenyan industry. In a study carried out by Hlaváček (2015), proposes that professional education is predominantly located in countries in which footwear production has declined for several years and where institutions involved with development find it difficult to survive. Kenya, lacks that advantage. According to previous studies on the same matter by USAID (2017), show that Inadequate knowledge of leather fabric, affects the quality of leather being offered in the market and that the customer base does not care much of it and instead makes use of what is available in the market.

Its defects and handling techniques, Lack of understanding of basic operations, defects and its remedies, inadequate knowledge of basic machine adjustments and troubleshooting and inability to handle multiple machines are major gaps that need to be filled so as to make the public aware of the benefits both at an economic and personal level and therefore, market the leather footwear sector in the country, through professional teachings and offering technical skills for the same. This is a gap that this study clearly demonstrates.
2.5 Chapter Summary

Chapter two has summarized literature based on three research questions namely the role of raw materials in influencing the production of leather, the extent to which the government affects leather footwear production and lastly, marketing factors that enhance growth in the leather footwear production. The literature reviewed on the specific factors under each subheading in details and offered profound recommendations that could be adopted to influence the growth of leather footwear production in Kenya. The literature has based its findings on previous research by other professional researchers in different academic articles. The next chapter 3 presents the study methodology.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
Kothari (2004) defines research methodology as a way to systematically solve the research problem. In it we study the various steps that are generally adopted by a researcher in studying his research problem along with the logic behind them. The research methodology adopted in this section describes the methods chosen and used to carry out this study. In identifying the factors that influence the growth of leather footwear production in Kenya, this chapter kicks off by having an introductory part of the research methods, followed by the research design on why and how it will be adopted, followed by examining the target population and the various sampling design methods including sample sizes, sampling frames and techniques. Towards the end of this chapter, the research procedures and data analysis methods are also discussed.

3.2 Research Design
According to Copper and Schindler (2014), research design is the blue print for the research process. It shows exactly how the study will be conducted in technical terms; it elaborates how the researcher will conduct sample selection, the data collection instruments that will be used and research procedures among other specific tasks. Cox and Hassard (2010) on the other hand define research design as clearly defined structures within which a research study is implemented.

This investigation used descriptive research design which basically uses exploration, analysis and description of specific characteristics without being affected by the element of biasness, while still aiming to maximize intuitive exploration. Kothari (2004) in his book strongly suggests that descriptive design is used to document a study phenomenon in its real situation, without the interference of the researcher. This design enabled the researcher to identify and describe characteristics of the study population, and their relationships. This design was beneficial for the researcher because it helped in identifying characteristics of the study population, and their relationships.
According to Damodaran & Sita (2010), descriptive research designs help provide answers to the questions of who, what, when, where, and how associated with a particular research problem; a descriptive study cannot conclusively ascertain answers to why. Kothari (2004) on the other hand explains that when the purpose of a study explains an association between variables accuracy becomes a major consideration and is considered a good research design which minimizes bias and maximizes the reliability of the evidence collected is good.

This method involved the use of close-ended questionnaires to collect data about their preferences, attitudes and behaviors amongst the respondents. This method was beneficial because it allowed the collection of data accessible and possible within the investigation time-scope regarding the growth of leather footwear sector in Kenya and pinpoints the major factors influencing the production of these leather products in the leather industry in Kenya. This design measures the relationship between the dependent and independent variables of the samples. Kothari (2004) proposes that a sample design is a definite plan for obtaining a sample from a given population. It refers to the technique or the procedure the researcher would adopt in selecting items for the sample.

3.3 Population and Sampling Design

3.3.1 Population

Copper and Schindler (2014) define population as the total collection of elements about which the researcher wishes to make inferences. This research target population was heterogenous and consisted of employees who worked in different departments across African Leather Industries Ltd. Even though the population constituted players in different backgrounds in terms of their roles, the same approach of data collection but different question formatting was employed. The population distribution is as shown in Table 3.1 below.
Table 3.1 Population of the Study

<table>
<thead>
<tr>
<th>Location; African Leather Industries Ltd</th>
<th>Population</th>
<th>% Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production Department</td>
<td>34</td>
<td>60%</td>
</tr>
<tr>
<td>Marketing Department</td>
<td>5</td>
<td>9%</td>
</tr>
<tr>
<td>Human Resource</td>
<td>5</td>
<td>9%</td>
</tr>
<tr>
<td>Procurement</td>
<td>7</td>
<td>12%</td>
</tr>
<tr>
<td>Finance</td>
<td>6</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>57</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>


3.3.2 Sampling Design

3.3.2.1 Sampling Frame

According to Cooper and Schindler (2014), a sampling frame is a list of all elements from which the sample will be drawn. Kothari (2004) explains that elementary units or the group or cluster of such units may form the basis of sampling process in which case they are called as sampling units. A list containing all such sampling units is known as sampling frame. This research adopted the use of African Leather Industry Ltd as the sampling frame to identify the factors and policies that have been put to place to ensure the growth of leather footwear production is supported in Kenya.

3.3.2.2 Sampling Technique

The sampling technique is the specific process by which the entities of the sample are selected (OECD, 2012). This study adopted the stratified sampling technique. Stratified sampling technique was applied so as to obtain a representative sample. In this technique, the population is stratified into a number of non-overlapping subpopulations or strata and sample items are selected from each stratum (Kothari, 2004). Stratified sampling was used because the population that was being tested was heterogeneous. This means that even though all the respondents worked within the same organization, they had different skills and experiences and therefore due to this characteristics, the heterogeneous population was divided into different distinct categories. Also, stratified sampling technique was adopted because it’s a more accurate procedure when conducted on large samples and also the level of biasness and error probability are minimized. Employees in different working segments were put into
stratums of independent sub population from which individual elements were randomly selected. Stratified sampling makes the collection of data to be done more efficiently. This sampling method involves purposive selection of particular units of the universe for constituting a sample which represents the universe.

### 3.3.2.3 Sample Size

Cooper & Schindler (2014), Proposes that a sample size comprises a group of respondents, consisting of part of the target population carefully selected to represent that population. To determine the sample size, the quota sampling method will be used because of the nature of the subject ages and other dependent variables such as the income level that cuts across the population. To determine the sample size, Krejcie and Morgan (1970) formula was adopted so as to achieve a sample size of 55 as shown below:

\[ S = \frac{X^2 NP (1-P)}{d^2 (N-1)} + X^2 P (1-P) \]

**S** = required sample size  
**X^2** = the table values of chi-square for 1 degree at the desired confidence level (3.841)  
**N** = the population size  
**P** = the population proportion (assumed to be .50 since this would provide the maximum sample size)  
**d** = the degree of accuracy expressed as a proportion (.50)

**Sample size** = \( 3.841 \times 57 \times .50(1-.50) / \{.052 (57 - 1) + 3.841\times.50(1-.50)\} \)

= 55
Table 3. 2: Sample Size Distribution

<table>
<thead>
<tr>
<th>Location; African Leather Industries Ltd.</th>
<th>Population</th>
<th>Sample Size</th>
<th>% Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production Department</td>
<td>34</td>
<td>32</td>
<td>58%</td>
</tr>
<tr>
<td>Marketing Department</td>
<td>5</td>
<td>5</td>
<td>9%</td>
</tr>
<tr>
<td>Human resource Department</td>
<td>5</td>
<td>5</td>
<td>9%</td>
</tr>
<tr>
<td>Procurement Department</td>
<td>7</td>
<td>7</td>
<td>13%</td>
</tr>
<tr>
<td>Finance</td>
<td>6</td>
<td>6</td>
<td>11%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>57</strong></td>
<td><strong>55</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>


3.4 Data Collection Methods

The research used the primary data collected from the fieldwork worked on. Cooper & Schindler (2014) defines primary data as original search where data being collected is designed specifically to answer the research questions. This investigation used structured mixed questionnaire which included both the open-ended and close ended questionnaires to collect the primary data from its respondents. The questionnaire was administered by the analyst and her research assistant. The questionnaire was segmented into four areas. The first part involved the collection of the respondent’s bio data. The second, third and fourth parts helped in determining how availability of raw materials, marketing and legally related factors influenced the growth of leather footwear production. The attached questionnaire has a mixture of the likert scale questionnaires and open ended questions.

3.5 Research Procedures

A pre - test questionnaire was administered to about fifteen respondents of the population to be tested; African Leather Industries Limited. This was done through the use of the random sampling technique. The results from the pre-test were then analyzed using the statistical program for social sciences (SPSS) to establish the internal consistency of the items in each of the independent variables. The questionnaire was then used to test reliability and validity of the study instrument. The reliability analysis carried out yielded a Cronbach Alpha Value of 0.845. For a study to be reliable, it has to yield a Cronbach Alpha value above 0.6. Hence, the study tool adopted for this study proved to be reliable.
The research begun by seeking a letter of approval from United States International University to conduct my research. This was then followed by seeking approval from African Leather Industries Ltd, which deals with the manufacturing of leather shoes as a finished product for collection of the primary data. This would enable the researcher to get the sample frame based on the parameters of the study. This was then be followed by registration through the Kenyan National Body; National Commission For Science, Technology and Innovation (NACOSTI), which issues a permit allowing one to carry out research in the area of research. Lastly, appointment set up with the respondents and administering of the questionnaires face to face was carried out.

3.6 Data Analysis Methods

According to Mugenda and Mugenda (2012), data analysis is the process of bringing order, structure and meaning to the mass of information collected in a research. The data collected was coded and entered into the statistical program for social sciences (SPSS) to determine findings. The quantitative data was analyzed using descriptive and inferential statistics provided by the Statistical Program for Social sciences (SPSS) to generate the required frequencies and percentages that when interpreted would therefore answer the research questions. Inferential analysis used included correlations and regressions between the process of obtaining raw materials, the production process and the factors that need to be implemented to achieve maximum growth in the leather footwear industry. Correlation was then used to determine whether there existed any relationship between the variables. Regression analysis was used to test the level of significance for the relationship. The findings of the research study have been presented using tables and figures.
3.7 Chapter Summary
This chapter has presented the study methodology that was adopted for the study. The descriptive research was adopted as the study research design. The researcher identified the population from the different primary sources from which data was collected from. The non-probability and random sampling techniques have also been presented as the study sampling techniques. Data collection was conducted using closed ended structured questionnaire. The research procedures included seeking permissions from African leather Industries Limited, and also conducting a pilot test to determine reliability and validity. Data was analyzed for descriptive and inferential statistics using Statistical Packages for Social Sciences (SPSS). The study findings were presented by use of tables and figures. The next Chapter 4 presents study results and findings.
CHAPTER FOUR

3.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter gives an overview of the results and findings based on the research’s purpose of study. The findings on the influence of raw materials availability on the growth of leather footwear production is presented first. Secondly, the findings on the influence of legally related factors on leather footwear production are presented, and lastly, the influence of market related factors on the growth of leather footwear production is discussed. This research has a sample size of 55 respondents. Out of the 55 questionnaires issued, 53 of them were received back which is equivalent to a 96% response rate.

4.2 Demographic Data

The demographic data in this section presented gender of the respondents, respondent’s age, respondent’s level of education, respondent’s marital status, and respondent’s department within the organization.

4.2.1 Respondents Gender

The respondents in this research were tested in terms of the gender parity that they belonged to and that they were subdivided into two main categories. The findings in this study showed that 72% of respondents were male, while 28% were female as indicated in Figure 4.1 below.
4.2.2 Respondents Age

The findings in this study showed that respondents aged 27-30 years were the majority (28%), then closely followed by those aged 23-26% at 26%, those aged above 35 years came third at 20%, while those aged 18-21 years were the minority and were rated at 8%. This is as indicated in Figure 4.2 below.

Figure 4.2: Respondents Age
4.2.3 Respondents Level of Education

The study findings regarding the respondent’s level of education indicated that 56% of respondents had college education, then secondly, 22% who had secondary level education, followed by 16% who had university education, fourthly 4% who had primary level and lastly 2% were either not educated at all or failed to indicate their education level as indicated in Figure 4.3.

![Figure 4.3: Level of Education](image)

4.2.4 Marital Status

The study findings regarding the marital status of each of the respondents were categorized into four main groups whereby of this research indicated that 50% of respondents were single, while 46% were married, 2% were divorced and lastly 2 % were widowed. This is illustrated in Figure 4.4.
4.2.5 Department That the Respondents are placed in

When respondents were asked to indicate the department that they were working within the leather footwear organization, 56% indicated production, 14% procurement, 12% sales and marketing, 7% finance while 6% said they worked within the Human Resource department as indicated in Figure 4.5.

Figure 4. 5 : Respondent’s Department
4.3 Raw Materials Availability and Growth of Leather Footwear Production

4.3.1 Raw Material Stringent

Respondents in this study were requested to indicate their opinions so as to find out whether availability of raw materials influenced growth in leather footwear production. On the question on whether access to raw materials was challenging, 67% strongly agreed, 13% disagreed, 10% agreed, while another 10% strongly disagreed. On the question on whether the raw materials were affordable, 50% of the respondents agreed, 25% strongly agreed, 12% strongly disagreed, and 9% disagreed, while 3% remained neutral. On whether the cost of producing finished leather shoe was high, 41% of respondents agreed, 39% strongly agreed, 8% disagreed, and 7% strongly disagreed, while 5% remained neutral. When asked whether the quality of raw materials used now were of better quality as opposed to five years ago, 56% agreed, 25% strongly agreed, 10% disagreed, and 5% strongly disagreed, while 4% remained neutral. Similarly, on the question on whether all raw materials were locally available 45% agreed, 36% strongly agreed, while 9% disagreed and strongly disagreed respectively. When asked whether there are already established centers from where to source raw materials from 64% strongly agreed, 23% agreed, 7% disagreed, and 3% remained neutral, and strongly disagreed respectively as shown in Table 4.1 below.
Table 4.1: Raw Material Stringent

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to raw materials is challenging</td>
<td>10</td>
<td>13</td>
<td>0</td>
<td>10</td>
<td>67</td>
</tr>
<tr>
<td>The raw materials are affordable</td>
<td>12</td>
<td>9</td>
<td>3</td>
<td>50</td>
<td>25</td>
</tr>
<tr>
<td>The cost of producing finished leather shoe is high</td>
<td>7</td>
<td>8</td>
<td>5</td>
<td>41</td>
<td>39</td>
</tr>
<tr>
<td>The quality of raw materials used now as opposed to five years ago is much better</td>
<td>5</td>
<td>10</td>
<td>4</td>
<td>56</td>
<td>25</td>
</tr>
<tr>
<td>All raw materials are locally available</td>
<td>9</td>
<td>9</td>
<td>0</td>
<td>45</td>
<td>36</td>
</tr>
<tr>
<td>There are already established centers from where to source raw materials from</td>
<td>3</td>
<td>7</td>
<td>3</td>
<td>23</td>
<td>64</td>
</tr>
</tbody>
</table>

4.3.2 Frequency of Obtaining Leather

Respondents in this study were asked to indicate the frequency of obtaining leather from different locations. The findings showed that 45% of leather is got from own slaughter houses, 14% locally (from other slaughter houses), and finally 42% from imports as shown in Table 4.2 below.
Table 4.2: Frequency of Obtaining Leather

<table>
<thead>
<tr>
<th>Leather</th>
<th>Percentages</th>
<th>Never</th>
<th>Rarely</th>
<th>Sometimes</th>
<th>Very often</th>
<th>Always</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own Slaughter House</td>
<td>45</td>
<td>46</td>
<td>24</td>
<td>14</td>
<td>12</td>
<td>2</td>
</tr>
<tr>
<td>Locally</td>
<td>14</td>
<td>14</td>
<td>34</td>
<td>24</td>
<td>18</td>
<td>8</td>
</tr>
<tr>
<td>Imported</td>
<td>41</td>
<td>42</td>
<td>24</td>
<td>24</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Totals</td>
<td>100</td>
<td>102</td>
<td>82</td>
<td>62</td>
<td>36</td>
<td>12</td>
</tr>
</tbody>
</table>

4.3.3 Frequency of Obtaining Textiles (cotton, polyester, wool and Nylon)

Respondents in this study were asked to indicate the frequency of obtaining textiles locally or through imports. The findings showed that 44% of textiles is procured locally while, 56% is procured through imports as shown in Table 4.3 below.

Table 4.3: Frequency of Obtaining Textiles (cotton, polyester, wool and Nylon)

<table>
<thead>
<tr>
<th>Textile</th>
<th>Percentages</th>
<th>Never</th>
<th>Rarely</th>
<th>Sometimes</th>
<th>Very often</th>
<th>Always</th>
</tr>
</thead>
<tbody>
<tr>
<td>Locally</td>
<td>44</td>
<td>8</td>
<td>10</td>
<td>50</td>
<td>24</td>
<td>6</td>
</tr>
<tr>
<td>Imported</td>
<td>56</td>
<td>10</td>
<td>12</td>
<td>56</td>
<td>12</td>
<td>8</td>
</tr>
<tr>
<td>Totals</td>
<td>100</td>
<td>18</td>
<td>22</td>
<td>106</td>
<td>36</td>
<td>14</td>
</tr>
</tbody>
</table>
4.3.4 Frequency of Obtaining Rubber

Respondents in this study were asked to indicate the frequency of obtaining rubber locally or through imports. The findings showed that 30% of rubber is procured locally while, 28% is procured through imports as shown in Table 4.4 below.

Table 4.4: Frequency of Obtaining Rubber

<table>
<thead>
<tr>
<th>Rubber</th>
<th>Percentages</th>
<th>Never</th>
<th>Rarely</th>
<th>Sometimes</th>
<th>Very often</th>
<th>Always</th>
</tr>
</thead>
<tbody>
<tr>
<td>Locally</td>
<td>16</td>
<td>6</td>
<td>6</td>
<td>24</td>
<td>28</td>
<td>34</td>
</tr>
<tr>
<td>Imported</td>
<td>84</td>
<td>32</td>
<td>10</td>
<td>42</td>
<td>10</td>
<td>4</td>
</tr>
<tr>
<td>Totals</td>
<td>100</td>
<td>38</td>
<td>16</td>
<td>66</td>
<td>38</td>
<td>38</td>
</tr>
</tbody>
</table>

4.3.5 Frequency of obtaining synthetics (PU leather)

Respondents in this study were asked to indicate the frequency of obtaining synthetics locally or through imports. The findings showed that 16% of rubber is procured locally while, 84% is procured through imports as shown in Table 4.5 below.

Table 4.5: Frequency of obtaining synthetics (PU leather)

<table>
<thead>
<tr>
<th>Synthetics</th>
<th>Percentages</th>
<th>Never</th>
<th>Rarely</th>
<th>Sometimes</th>
<th>Very often</th>
<th>Always</th>
</tr>
</thead>
<tbody>
<tr>
<td>Locally</td>
<td>16</td>
<td>22</td>
<td>22</td>
<td>28</td>
<td>22</td>
<td>4</td>
</tr>
<tr>
<td>Imported</td>
<td>84</td>
<td>22</td>
<td>24</td>
<td>30</td>
<td>18</td>
<td>4</td>
</tr>
<tr>
<td>Totals</td>
<td>100</td>
<td>44</td>
<td>46</td>
<td>58</td>
<td>40</td>
<td>8</td>
</tr>
</tbody>
</table>
4.3.6 Frequency of Obtaining Foam (EVA, Neoprene, polyethylene, polyurethane)

Respondents in this study were asked to indicate the frequency of obtaining foam locally or through imports. The findings showed that 30% of rubber is procured locally while, 28% is procured through imports as shown in Table 4.6 below.

Table 4.6: Frequency of Obtaining Foam (EVA, Neoprene, polyethylene, polyurethane)

<table>
<thead>
<tr>
<th>Foams</th>
<th>Percentages</th>
<th>Never</th>
<th>Rarely</th>
<th>Sometimes</th>
<th>Very often</th>
<th>Always</th>
</tr>
</thead>
<tbody>
<tr>
<td>Locally</td>
<td>15</td>
<td>4</td>
<td>6</td>
<td>54</td>
<td>26</td>
<td>8</td>
</tr>
<tr>
<td>Imported</td>
<td>84</td>
<td>2</td>
<td>10</td>
<td>48</td>
<td>34</td>
<td>4</td>
</tr>
<tr>
<td>Totals</td>
<td>100</td>
<td>6</td>
<td>16</td>
<td>102</td>
<td>60</td>
<td>12</td>
</tr>
</tbody>
</table>

4.3.7 Annual leather footwear production

4.3.7.1 Leather Shoes (men)

Respondents in this research were asked to indicate how many pair of shoes were produced annually. The findings indicated Leather shoes (men) produced below 10,000 pairs were at that 10%, the volume produced between 10,000 pairs and 20,000 pairs was 40%, the volume produced between 20,000 pairs and 30,000 pairs was 14%, the volume produced between 30,000 pairs and 40,000 pairs was 14% and finally the volume produced above 40,000 pairs was 4% as shown in Figure 4.6 below.
Figure 4.6: Leather Shoes (men)

4.3.7.2 Military Boots

Respondents in this research were asked to indicate how many pair of shoes were produced annually. The findings indicated that leather shoes (men) produced below 10,000 pairs were at that 2%, the volume produced between 10,000 pairs and 20,000 pairs was 60%, the volume produced between 20,000 pairs and 30,000 pairs was 8%, the volume produced between 30,000 pairs and 40,000 pairs was 24% and finally the volume produced above 40,000 pairs was 2%. This is as shown in Figure 4.7 below.
4.3.7.3 Leather Shoes (women)

Respondents in this research were asked to indicate how many pair of shoes were produced annually. The findings indicated that leather shoes (men) produced below 10,000 pairs were at that 28%, the volume produced between 10,000 pairs and 20,000 pairs was 24%, the volume produced between 20,000 pairs and 30,000 pairs was 16%, the volume produced between 30,000 pairs and 40,000 pairs was 12% and finally the volume produced above 40,000 pairs was 2% as indicated in Figure 4.8 below.
Respondents in this research were asked to indicate how many pair of shoes were produced annually. The findings indicated that leather shoes (men) produced below 10,000 pairs were at that 8%, the volume produced between 10,000 pairs and 20,000 pairs was 32%, the volume produced between 20,000 pairs and 30,000 pairs was 24%, the volume produced between 30,000 pairs and 40,000 pairs was 14% and finally the volume produced above 40,000 pairs was 4%.
4.4 Legally Related factors and Growth of Leather Footwear Production

Respondents of the study were asked to indicate whether legally related factors had an influence on the growth of leather footwear production. On the question on whether export taxes imposed on raw hides will encourage local production, 10% strongly agreed, 12% disagreed, 56% agreed, while another 10% strongly disagreed and 12% remained neutral. On the question whether allocation of funds in this sector will boost SMEs footwear leather production, 66% of the respondents agreed, 12% strongly agreed, 2% strongly disagreed, 2% disagreed, while 18% remained neutral. On whether government initiated programs have created growth in the leather footwear sector 66% agreed, 6% strongly agreed, 16% disagreed, 6% strongly disagreed, while 16% remained neutral. When asked whether duties imposed on second hand leather shoes will encourage value addition locally, 48% agreed, 30% strongly agreed, 2% disagreed, 6% strongly disagreed, while 14% remained neutral. Similarly, on the question on whether the skill development by cobblers association of Kenya will enhance job creation, 62% agreed, 14% strongly agreed, 12% remained neutral while 6% disagreed and strongly disagreed respectively. When asked whether banning raw exports will increase finished leather production, 12% strongly agreed, 60% agreed, 2%
disagreed and strongly disagreed respectively, while 24% remained neutral. When respondents were asked whether VAT imposed on locally sourced raw materials increase the cost of production, 52% agreed, 18% strongly agreed, 6% strongly disagreed and disagreed respectively, while 18% remained neutral. On the question on whether establishment of leather parks will make local footwear producers competitive in the global market, 48% agreed, 18% strongly agreed, 4% strongly disagreed and disagreed respectively, while 2% remained neutral. When asked whether imported leather shoes from China and India are non-durable and of poor quality, 26% strongly agreed, 46% agreed, 14% disagreed, while 2% strongly disagreed and 12% remained neutral. When respondents whether locally produced leather shoes are of high quality and affordable, 48% agreed, 32% strongly agreed, 4% strongly disagreed, while 16% remained neutral. Finally, on whether tax-free access to the global footwear market boosts locally produced leather footwear, 42% agreed, 36% strongly agreed, 4% disagreed, 4% strongly disagreed, while 14% remained neutral as indicated in Table 4.7 below.
Table 4.7: Legally Related factors and Growth of Leather Footwear Production

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Export taxes imposed on Raw hides will encourage local production</td>
<td>10</td>
<td>12</td>
<td>12</td>
<td>56</td>
<td>10</td>
</tr>
<tr>
<td>Allocation of funds in this sector will boost SMEs footwear leather production</td>
<td>2</td>
<td>2</td>
<td>18</td>
<td>66</td>
<td>12</td>
</tr>
<tr>
<td>Government initiated programs has created growth in the leather footwear sector</td>
<td>6</td>
<td>16</td>
<td>16</td>
<td>66</td>
<td>6</td>
</tr>
<tr>
<td>Duties imposed on second hand leather shoes will encourage value addition locally</td>
<td>6</td>
<td>2</td>
<td>14</td>
<td>48</td>
<td>30</td>
</tr>
<tr>
<td>Skill development by Cobblers Association of Kenya will enhance job creation</td>
<td>6</td>
<td>6</td>
<td>12</td>
<td>62</td>
<td>14</td>
</tr>
<tr>
<td>Banning raw exports will increase finished leather production</td>
<td>2</td>
<td>2</td>
<td>24</td>
<td>60</td>
<td>12</td>
</tr>
<tr>
<td>VAT imposed on locally sourced raw materials increases the cost of production</td>
<td>6</td>
<td>6</td>
<td>18</td>
<td>52</td>
<td>18</td>
</tr>
<tr>
<td>Establishment of leather parks will make local footwear producers competitive in the global market</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>48</td>
<td>18</td>
</tr>
<tr>
<td>Imported leather shoes from China and India are non-durable and of poor quality</td>
<td>14</td>
<td>2</td>
<td>12</td>
<td>46</td>
<td>26</td>
</tr>
<tr>
<td>Locally produced leather shoes are of high quality and affordable</td>
<td>4</td>
<td>0</td>
<td>16</td>
<td>48</td>
<td>32</td>
</tr>
<tr>
<td>Tax-free access to the global footwear market boosts locally produced leather footwear</td>
<td>4</td>
<td>4</td>
<td>14</td>
<td>42</td>
<td>36</td>
</tr>
</tbody>
</table>
4.5 Market related factors and Growth in leather Footwear Production

4.5.1 Channel of communications used in marketing leather shoes

Respondents of this study were asked to indicate how frequent and what channels of marketing are used. The findings showed that 3% social media was used, 8% through word of mouth, 26% through referrals, 52% through acquaintances, while 12% was done through event planning highlighted in Figure 4.10 below.

![Channel of communications used in marketing leather shoes](image)

**Figure 4.10 : Channel of communications used in marketing leather shoes**

4.5.2 Challenges faced while marketing Leather Shoes

Respondents of this study were asked to rate the degree at which some of the challenges looked into, affect their marketing activities. The findings show that stiff competition affects them at a rate of 27% poor location at 19%, low demand at 18%, high marketing costs at 25% while inexperienced/ understaffed employees at 12% as shown in Figure 4.11 below.
4.5.3 Distribution channels used for your Marketing activities

Respondents of this study were asked to indicate how frequent and what distribution centers were used in marketing their leather footwear. The findings showed that 30% of the time own shops are used, 100% agree that hawking is not used, online markets were rated at 18%, and flea markets at 17% as highlighted in Figure 4.12.

Figure 4. 11 : Challenges faced while marketing Leather Shoes

Figure 4. 12 : Distribution channels used for your Marketing activities
4.5.4 Ability to Counter Competition

Respondents of this study were asked to rate how some of the attributes that the study chose to focus on affected their ability to counter competition. On Pricing it was indicated that 13% influenced leather Footwear production, 15% on Location and 13% on Uniqueness as indicated in Figure 4.13 below.

![Figure 4.13: Ability to Counter Competition](image)

**Figure 4.13 : Ability to Counter Competition**

4.6 Market related factors and Growth of Leather Footwear Production

Respondents of the study were asked to indicate whether market related factors had an influence on the growth of leather footwear production. On the question on whether respondents had marketing services for their goods and services 42% strongly agreed, 2% disagreed, 40% agreed, while another 16% remained neutral. On the question on whether marketing support services should be incorporated in entrepreneurship training, 48% of the respondents agreed, 38% strongly agreed, while 14% remained neutral. On whether they had business connections that helps them market their products, 44% of respondents agreed, and 28% strongly agreed, 2% strongly disagreed, while 26% remained neutral. When asked whether they received training and support on how to market their products, 56% agreed,
28% strongly agreed, 4% strongly disagreed, while 12% remained neutral. Similarly, on the question on whether they had ICT services that enable them to procure their products and services to their clients quicker, 50% agreed, 30% strongly agreed, while 2% disagreed and strongly disagreed respectively, while 16% remained neutral. When asked whether ICT services are essential for success of their business startups 54% agreed, 32% strongly agreed, 4% disagreed, and 10% remained neutral. When respondents were asked whether, sales and promotions have made it possible for their products and services to be known to their clients, 54% agreed, 34% strongly agreed, 4% disagreed and while 8% remained neutral. Lastly, on the question on whether sales and promotion is essential for success of their business, 46% agreed, 44% strongly agreed, 4% disagreed, while 6% remained neutral as indicated in Table 4.8 as illustrated below.

Table 4.8: Market related factors and Growth of Leather Footwear Production

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>You have marketing services for your goods services</td>
<td>0</td>
<td>2</td>
<td>16</td>
<td>40</td>
<td>42</td>
</tr>
<tr>
<td>Marketing support services is important to the success of SMEs start ups</td>
<td>0</td>
<td>0</td>
<td>14</td>
<td>48</td>
<td>38</td>
</tr>
<tr>
<td>Marketing support services should be incorporated in entrepreneurship training</td>
<td>2</td>
<td>0</td>
<td>26</td>
<td>44</td>
<td>28</td>
</tr>
<tr>
<td>You have business connections that helps you market your products</td>
<td>4</td>
<td>0</td>
<td>12</td>
<td>56</td>
<td>28</td>
</tr>
<tr>
<td>You have received training and support on how to market your products</td>
<td>2</td>
<td>2</td>
<td>16</td>
<td>50</td>
<td>30</td>
</tr>
<tr>
<td>ICT services has enabled your products and services to reach your clients quickly</td>
<td>0</td>
<td>4</td>
<td>10</td>
<td>54</td>
<td>32</td>
</tr>
<tr>
<td>ICT services are essential for success of your business start-up</td>
<td>0</td>
<td>4</td>
<td>8</td>
<td>54</td>
<td>34</td>
</tr>
<tr>
<td>Sales and Promotion has made it possible for your products and services to be known by clients</td>
<td>0</td>
<td>8</td>
<td>4</td>
<td>54</td>
<td>34</td>
</tr>
<tr>
<td>Sales and promotion is essential for success of your business</td>
<td>0</td>
<td>4</td>
<td>6</td>
<td>46</td>
<td>44</td>
</tr>
</tbody>
</table>
4.7 Correlation Analysis

To determine whether there existed any relationship between availability of raw materials, legally related factors, marketing related factors and growth of leather Footwear production, a correlation analysis was conducted. The research findings show that market related factors has the highest relationship with growth of leather footwear production, r (0.880); >0.05. This was closely followed by the relationship between legally related factors, and growth of leather footwear production r (0.793); >0.05, and finally the relationship between legally related factors and growth of leather footwear production r (0.726); >0.05, as shown in Table 4.9 below.

Table 4.9: Correlation Analysis

<table>
<thead>
<tr>
<th>Statements</th>
<th>Correlations</th>
<th>Growth of Leather Footwear Production</th>
<th>Availability of Raw Materials</th>
<th>Market Related Factors</th>
<th>Legally Related Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth of Leather Footwear Production</td>
<td>Pearson</td>
<td>1</td>
<td>.051</td>
<td>-.022</td>
<td>-.038</td>
</tr>
<tr>
<td>Availability of Raw Materials</td>
<td>Correlation</td>
<td>Sig. (2-tailed)</td>
<td>.726</td>
<td>.880</td>
<td>.793</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Market Related Factors</td>
<td>Pearson</td>
<td>.051</td>
<td>1</td>
<td>.469**</td>
<td>.369**</td>
</tr>
<tr>
<td></td>
<td>Correlation</td>
<td>Sig. (2-tailed)</td>
<td>.726</td>
<td>.001</td>
<td>.008</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Legally Related Factors</td>
<td>Pearson</td>
<td>-.022</td>
<td>.469**</td>
<td>1</td>
<td>.189</td>
</tr>
<tr>
<td></td>
<td>Correlation</td>
<td>Sig. (2-tailed)</td>
<td>.880</td>
<td>.001</td>
<td>.189</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>Pearson</td>
<td>-.038</td>
<td>.369**</td>
<td>.189</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Correlation</td>
<td>Sig. (2-tailed)</td>
<td>.793</td>
<td>.008</td>
<td>.189</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
4.8 Regression Analysis

Since there existed a strong positive relationship between entrepreneurship training, access to finance, business development services and success of youth business start-ups, a regression analysis was conducted to determine the level of significance for the relationships. The findings in table 4.23 indicates an adjusted R squared of 0.087, which means that 91% of growth in leather footwear production was caused by Availability of raw materials, legally related factors, market related factors. The remaining 9% is attributable to other factors that were not taken into consideration by this investigation.

Table 4. 10: Regression Model

<table>
<thead>
<tr>
<th>Model Summary</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>.422^a</td>
<td>.178</td>
<td>.087</td>
<td>.48235</td>
</tr>
</tbody>
</table>

Predictors: (Constant), Availability of raw materials, legally related factors, market related factors

Table 4.11 shows the ANOVA for the study where $F_{(4,10)} = 1.955$; $p \leq 0.05$; which means, all variables were statistically significant.

Table 4.12 indicates coefficients for multiple regression; Availability of raw materials ($0.026$); $p \leq 0.05$, legally related factors ($0.406$); $p \leq 0.05$; and marketing related factors ($0.028$); $p \leq 0.05$. All variables were statistically significant.
Table 4.11: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>1.819</td>
<td>4</td>
<td>.455</td>
<td>1.955</td>
<td>.122b</td>
</tr>
<tr>
<td>Residual</td>
<td>8.376</td>
<td>36</td>
<td>.233</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>10.195</td>
<td>40</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Growth of Leather Footwear Production
b. Predictors: (Constant), Availability of raw materials, legally related factors, market related factors

Table 4.12: Multiple Regression Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.684</td>
<td>1.513</td>
<td>1.113</td>
<td>.273</td>
</tr>
<tr>
<td>Raw Materials Availability</td>
<td>-.059</td>
<td>.355</td>
<td>-.026</td>
<td>-.167</td>
</tr>
<tr>
<td>Legally Related Factors</td>
<td>-.191</td>
<td>.072</td>
<td>-.406</td>
<td>2.645</td>
</tr>
<tr>
<td>Market Related Factors</td>
<td>.014</td>
<td>.080</td>
<td>.028</td>
<td>.176</td>
</tr>
<tr>
<td>Marketing services for goods services</td>
<td>.110</td>
<td>.098</td>
<td>.179</td>
<td>1.117</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Growth of Leather Footwear Production

The formula used to determine the individual factor contribution to perceived value was;
Growth of Leather Footwear Production = 1.684+ 0.059 Availability of Raw Materials+ 0.191 Legally Related Factors + 0.014 Market Related Factors+ 0.110 Marketing Services. The regression model adopted was:
Y= β0 + β1X1+ β2X2 + β3X3 + e
Where Y = Growth of Leather footwear production
X1 = Availability of Raw Materials
X2 = Legally Related Factors
X3 = Market Related Factors
e = Marketing Services

4.9 Chapter Summary

The main findings in this chapter showed that availability of raw materials, legally related factors and market related factors have contributed the biggest percentage of the influence that it has on the growth of leather production. The small percentage indicated is attributable to the other factors that this research study has not considered. The research findings further indicated that availability of raw materials had the highest relationship with growth of leather footwear production, followed by the relationship between market related factors and growth of leather footwear production, and finally the relationship between legally related factors and growth of leather footwear production. All the relationships were found to be statistically significant. Chapter 5 presents study discussion, conclusion and recommendations.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives an overview in regard to the study discussion, conclusions and recommendations based on the research questions of the study. Discussion on the influence of the availability of raw materials on the growth of leather footwear production is dealt with first, followed by the discussion on the effects of legally related factors on the growth of leather footwear production and lastly, a discussion on the effects of market related factors on the growth of leather footwear production. The study on conclusion and recommendations are also presented in that order.

5.2 Summary

The purpose of this research was to investigate the factors that influence success of youth business startups. The research questions for this study were; what influence does the availability of raw materials have on the growth of leather footwear production at Leather Industry of Kenya? What influence do legally related factors have on the production of leather footwear in Kenya? And finally, what effects do market related factors have on the growth of leather footwear production in Kenya?

This research adopted a descriptive survey research design. The population of the study was composed of 57 individuals working within the African Leather Industries spread across the various departments. Stratified sampling technique was used to select a sample size of 55. The study had primary data which was collected using closed ended structured questionnaires. Data was analyzed for descriptive statistics and inferential statistics using Statistical Package for Social Sciences (SPSS). Findings were presented using tables and figures.
The findings on the influence of the availability of raw materials on the growth of leather footwear production showed that there’s a positive relationship between availability in raw hides/skins and growth in the production of leather. This was adversely influenced by factors such as the quality of raw hides and skins available, the accessibility of raw materials aspect as well as the accessibility of already established centers for the collection and processing of hides and skins. The relationship was statistically significant.

The findings on the influence of legally related factors on the growth of leather footwear production showed that there’s a positive relationship between government regulatory policies in regard to the leather industry in Kenya and success of producing a higher turnover of leather footwear. Some of these but to mention a few included the imposed export taxes that influence the level of footwear volume shoes produced as well as the environmental issues not forgetting about the government initiated incentives that contribute to the growth of leather footwear production. This relationship was also found to be statistically significant.

Lastly, the findings on the effects of market related factors on the growth of leather footwear production in Kenya showed that there’s a positive relationship between market driven factors and success in growth of leather footwear production. Some of these factors highlighted and looked into included but not limited to marketing activities such as the use of digital platforms such as Instagram, own company websites, pop up markets as well as through exhibitions. Others analyzed and looked into include skill training as well as the product branding aspect. The relationship was found to be statistically significant.

5.3 Discussion

5.3.1 Raw Materials Availability and Growth of Leather Footwear production

The investigations carried out on the influence of availability of raw hides/skins has shown a positive relationship between availability in raw hides/skin and growth in the leather footwear production in Kenya. This finding concurs with a study carried out by Okello (2016) on revival of footwear production in Kenya with a special emphasis on the clustered
market in Kariokor. Okello (2016) findings indicated that availability of raw hides and skins influences a positive impact on the production of leather which in turn translates to the increment in the production of the leather footwear. Similarly a case study carried out by Wangui (2016) agreed that raw hides and skins have in the last decades declined due to factors such as drought and poor animal husbandry methods and therefore leather footwear production has lessened over the years.

This research has confirmed that accessing all the raw materials required for the production of leather shoes such as the hides and skins, the textile, rubber and synthetics used in leather footwear production is very challenging. A similar study carried out by Kiruthu (2007) agrees that the raw materials especially the hides and skins have declined over time because of factors such as poor weather conditions due to drought. In another report Kr, Schmël, & Buljan (2014) agreed that most of these other raw materials are imported since they are not locally produced. This shows that ultimately the cost of producing leather shoes is high because of the initial costs incurred in accessing the raw materials.

The quality of the raw materials used is very important, because it determines what kind of shoe is overall produced as well as the volume produced. Naporos (2012) in his study stated factors influencing the quality of hides and skins argues that in his findings that the quality of raw materials over the last 5 years has become worse due to the poor climatic conditions, lack of training to the Kenyan farmers where initially we had extension officers who would train them and also for the fact that hides are poorly handled and so poor quality at the end of the day.

This research has also revealed that as much as the accessibility of raw materials are not easily accessible, Kenya has already established centers from where these raw materials could be sourced from. In a study carried out by (WBG, 2015), Kenya is also significantly less competitive than global leaders including china, Italy, and Vietnam in all competitiveness indicators, except availability of and access to raw materials. Its competitive position has been eroded by global imports of new low-cost footwear penetrating Kenya. (WBG, 2015) further states that today, Kenya is a low-cost producer of undifferentiated,
low-end shoes and boots, producing an estimated 3.3 million pairs of leather footwear per year, mostly for the domestic market. This means that if Kenya would deal with this issue of protecting it’s footwear production by not allowing the second-hand and poor quality of shoes from our competitors such as the Indians and Chinese, we would compete effectively in the global market.

5.3.2 Legally Related Factors and the Growth of Leather Footwear Production

The findings on the effects of legally related factors on the growth of leather footwear production revealed that there was a significant positive relationship between the effects of legally related factors and the growth of leather footwear. These findings are in line with (WBG, 2015), who proposes and recommends that adopting a strategy such as improving the regulatory framework by the government will reduce the sector’s production costs through reducing import duties on intermediary goods. (WBG, 2015) findings having been carried out on Ethiopia also had showed that exemption of export taxes as well as income tax for 2 to 8 years had been regulated in this country. Such government incentive packages, combined with the high export tariff, low labor cost, and abundant livestock, resulted in the increase in Foreign Direct Investment (FDI) to Ethiopia. Additionally, (WBG, 2015) reported that New investors were given tax exemptions on a wide range of imported goods from raw to packaging materials for production. This findings corresponded with the respondent’s view 82% in this research where they supported this kind of regulation be carried out by our Kenyan Government. Most respondents in this investigation supported the view that export taxes imposed on raw hides will benefit and encourage local production within the country and therefore translate into having growth in the production of leather footwear.

Equally, government initiated programs such as having skill development through the Cobblers Association of Kenya and having established leather parks has made and will continue to make local footwear producers competitive in the global market. Most footwear producers in the country lack skills that are reinforced in higher learning institutions and the few who do find it difficult thriving in this sector because of lack of capital. Most youths in the country face the challenge of job employment, yet this sector is a good opportunity for
the youth to exploit and make a good living out of it. Cobblers association doesn’t have to enhance skills through higher education. It can also enhance this through apprenticeship courses especially for the majority of the youth who do not make it to Universities based on the cut off points required by these institutions.

The findings of this research suggested that 90% of the study respondents agreed that importation of leather shoes from China and India are non-durable and of poor quality. As a result, 92% of these respondents felt that locally produced leather shoes are of high quality and could be affordable if only the taxes imposed from the acquisition of raw materials to the finishing of the leather footwear could be scraped off or minimized so that the local consumers could buy this product. To this, Ogolla & Wanjau (2013) had argued that the inability of the government not being able to deal with this issue clearly has led to the crumbling of big organizations such as the Leather Industry of Kenya who are the producers of high quality leather in the country.

Winters (2000) in his past study, noted that there’s a strong relationship between government support in the leather industry and growth in the production of leather footwear. Winters (2000) asserted that positive assistance from the government can be of great value to the leather footwear industry. The Government can do so through fostering improvements in the collection and pre-servations of raw materials and by the granting of loans, grants and subsidies to speed industry towards its goal.

5.3.3 Market Related Factors and the Growth of Leather Footwear Production

The results on how marketing factors influence leather footwear production showed that there’s a positive relationship between marketing related factors and growth in leather footwear production. This observation tally’s with research findings reported by (UNIDO, 2015), which revealed that there’s an existence between these two variables. The research additionally showed that the frequency through which marketing is done through social media ranked the most significant for the success of increasing growth of footwear production and circulation. This was based on the assumption that African leather Industries
based on the output of leather footwear produced annually and that the use of social media such as Facebook, twitter, instagram, own website and other social media sites contributed to the increment of the profit margins obtained from the footwear production.

Similarly, research done by Gebrewahid & Wald (2017) during a study on the case of Ethiopian leather footwear industry revealed that technological development plays a significant role. They further explain that if exporters market their products in developed countries, technology is often an essential source of competitive advantage for local producers. The findings in this research revealed that marketing support services such as use of distribution channels, franchising contracts and the usual use of social sites will enhance and increase the sales volumes of leather footwear produced by the local producers.

This research additionally confirmed that training and support on how local leather footwear producers should market their products is essential. Similarly, in the recent study which was conducted by Thanikaivelan, Rao, Nair, & Ramasami (2007) concluded through their findings that ICT services and advancement in technology which has had an immense positive contribution towards the growth of leather footwear production. 85% of the respondents agreed that the use of ICT services had not only created awareness to the consumers therein offering accessibility to their products but also had enabled businesses such as African leather industries in creating business connections from small traders such as the retailers in marketing the leather footwear produced by the manufacturers.

Additionally, this study highly revealed that for the leather footwear being marketed whether within the local market or internationally, it’s vital and very essential for the footwear to be very affordable, have essential needs such as comfort-ability, finishing/embroidery used to have an attractive sense towards its consumers and have a durability aspect being met. This has been supported by a similar study carried out by (Thanikaivelan et al., 2007) which was done in India. Majority of the respondents 85%, indicated that the distribution centers frequently used in marketing the leather footwear produced within the organization was done through small-scale traders, start-ups of new entrepreneur players entering the market and through individuals. Other avenues such as supermarkets and government agencies have not
been tapped into, therefore posing a gap that needs to be looked into so as to increase sales volume of leather footwear.

5.4 Conclusion

5.4.1 Raw Materials Availability and Growth of Leather Footwear production

This research confirmed that there exists a positive relationship between the availability of raw materials and the growth of leather footwear production in Kenya. Availability of raw materials considered factors such as the cost of production, the quality of raw materials locally available as well as having already established centers from which these raw materials are sourced from. All these factors very much contributed to the positive relationship observed. In conclusion, this research therefore agreed that the relationship between raw material availability and the growth of leather footwear production was statistically important.

5.4.2 Legally Related Factors and the Growth of Leather Footwear Production

This research showed that there exists a positive relationship between legally related factors and the growth of leather footwear production. Some of the legally related factors captured in this study included government incentives, government initiated programs, export taxes, trade policies already in place and the licensing that takes place in the various levels involved in the production of leather footwear. All these factors significantly revealed a positive relationship incurred. Therefore, in conclusion, this research concluded that the relationship between legally related factors and growth of leather footwear production was statistically significant.

5.4.3 Market Related Factors and the Growth of Leather Footwear Production

This research has revealed that there exists a positive relationship between market related factors and the growth of leather footwear production in Kenya. Market related factors consisted of affordability of the leather footwear, quality design, skill training and branding.
All these factors significantly contributed to the existence of this positive relationship. Therefore, in conclusion, this research concludes that the relationship between market related factors and growth of leather footwear production was statistically significant.

5.5 Recommendations

5.5.1 Recommendation for Improvement

5.5.1.1 Raw Materials Availability and Growth of Leather Footwear production

The findings of this research revealed a positive relationship between availability of raw materials and growth of leather footwear production in Kenya. Therefore, it’s recommended that African Leather Industries of Kenya should employ strategies that maintain this relationship and also ensure that it’s sustainable. The most important aspect to be considered in using the raw materials is determining the kind of quality used. The farmers should be educated on how well they should take care of the animals as well how best to dispose the hides used so as to ensure the end product which is the shoe is of good if not high quality. Other trainings in animal husbandry, the kind of chemicals used in treating the animal’s hides and skins should also be put into place so as to ensure the quality of the hides and skins obtained from these animals is of high quality.

5.5.1.2 Legally related factors and growth of leather footwear production

The findings, in this study showed a strong positive relationship between legally related factors and growth in leather footwear production. It is recommended that the government initiates some of the issues affecting this industry. For instance, the government sometime back used to deploy extension officers who would visit the farmers and create awareness in the opportunities available for them in creating income and caring for the animals and practicing the correct farming methods so as to improve on the quality of hides and skins procured from them. It no longer happens, which is sad. Additionally, it’s recommended that the government reduces on the number of licensing for the leather footwear producers. The taxes and duties also paid discourages growth in this industry. So therefore it would be good if the government would reduce on these policies and regulations that take place within the
country and instead focus on increasing these stringent to the importers so as to promote the local market.

5.5.1.3 Market Related Factors and the Growth of Leather Footwear Production

Since the research findings of this study showed that there exists a strong positive relationship between market related factors and growth of leather footwear production, it is recommended that African leather industries develop other methods and strategies so as to increase the sales volumes of the footwear that they are currently producing. The use of other marketing channels such as having franchise contracts with local business men and taking advantage of the government contracts brokered in other governments for the military leather footwear production will significantly boost its production and therefore increase its growth level from the current position that there in. also, African leather industries should consider opening their own shop in one of the urban centers such as Nairobi CBD, Mombasa, Nakuru Kisumu or any of the other major towns in the country. This will create awareness of their brand as well as solving the issue of accessibility since their current location is on Garissa-Thika road, Kiambu County.

5.5.2 Recommendation for Future Research

This research focused on factors influencing the growth of leather footwear production in Kenya. It has therefore been able to determine that the influence on the quality, accessibility and availability of raw hides and skins on the availability of raw materials have been explored. In addition, on legally related factors, export taxes, levies, policies and government initiated programs have been explored. On market related factors, branding, skill training and having quality designs have also been explored. However, these factors are not exhaustive in that these are the only factors that influence growth of leather footwear production. Researchers and other academicians who are interested to further studies on growth of leather footwear production should explore other factors not taken into consideration in this research study.
REFERENCES


APPENDICES

APPENDIX I: USIU RESEARCH APPROVAL LETTER

5th February 2019

To Whom It May Concern

RESEARCH PROJECT BY JACQUELINE N. MULU #629473

The bearer of this letter is a student at the United States International University-Africa pursuing a Master’s Degree in Business Administration (MBA).

As part of the program, she is required to undertake a research project on “Factor Influencing the Growth of Leather Footwear Production in Kenya.” This requires her to collect data and information from various relevant institutions.

Kindly assist by enabling her access data, information and contact with respondents who can complete her questionnaires. I assure you that the information provided will be treated with the utmost confidentiality.

Should you have any queries regarding the student research please feel free to contact me on my email at lewapm@usia.ac.ke or Tel: +254 730116415.

Yours faithfully,

Dr. Teresia Lingi
Associate Dean, Chandaria School of Business
APPENDIX II: NACOSTI RESEARCH LICENSE

Ref No: 462149
Date of Issue: 29/July/2019

This is to certify that Miss. Jacqueline Muthu of United States International University Africa, has been licensed to conduct research in on the topic: Factors influencing Growth of Leather Footwear Production in Kenya; A case study of African Leather Industries for the period ending: 29/July/2020.

License No: NACOSTI/P/19/408
Applicant Identification Number: 462149

Signature of Director General
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Verification QR Code

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Mobile: 0713 788 787 / 0735 404 245
E-mail: dg@nacosti.go.ke /
registry@nacosti.go.ke Website:
www.nacosti.go.ke
APPENDIX III: RESEARCH COVER LETTER

Jacqueline Mulu
P.O Box 386 - 00232
Nairobi

Dear Respondent,

RE: REQUEST FOR YOUR PARTICIPATION IN MY RESEARCH PROPOSAL

My name is Jacqueline Mulu, currently pursuing a course towards conferment of Masters of Business Administration (MBA) from United States International University – Africa.

In partial fulfilment of degree requirements, I am required to conduct a research in the area of my work. My research topic is: “Factors Influencing the Growth of Leather Footwear Production in Kenya”. Your participation in this study is voluntary. I will highly appreciate if you would spare few minutes to fill in all sections of the questionnaire to enable me complete the study.

The findings of this study will solely be used for the purpose of research only. Your identity will be treated with the utmost confidentiality. No name of the respondent or institution is required.

Your participation in this study will be highly appreciated.

Yours Sincerely,

Jacqueline Mulu
APPENDIX IV: RESEARCH QUESTIONNAIRE

SECTION I – DEMOGRAPHIC INFORMATION
Kindly answer the questions provided by TICKING (✓) in the box that represents your answer.

1. Gender: Male □ Female □
2. Kindly indicate your age:
   18-21 years □ 23-26 years □ 27-30 years □ 31-35 years □ Above 35 years □
3. What is your level of education?
   Primary □ Secondary □ College □ University □ Other (Specify) ______
4. What is your marital status?
   Single □ Married □ Divorced □ Widowed □ Other (Specify) ______
5. What department are you placed in the enterprise?
   Marketing □ Production □ Procument □ Finance □ Human Resource □
6. What is your position in the enterprise:
   Trainee □ Full time employee □ Casual □ Shift worker □ Other (Specify) ______
7. What is your level of income (Kshs.)
   Below 10,000 □ Between 10,000 – 20,000 □ Between 20,000-30,000 □ Between 30,000-40,000 □ Above 40,000 □
8. How much experience do you have in the footwear production
   1 year □ 2 years □ 3 years □ 4 years □ 5 years and above □

SECTION II – How the Raw Materials factor affects the Leather Footwear Production
(To be answered by the Senior Management)

Kindly tick (✓) the answer that best represents your views

(Strongly Disagree = 1; Disagree = 2; Neutral = 3; Agree = 4; Strongly Agree = 5)

<table>
<thead>
<tr>
<th>Raw Materials Stringent</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to raw materials (hides) is challenging</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The cost of raw hides is affordable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The cost of producing finished leather shoe is high

The quality of raw hides used now as opposed to five years ago is much better

All raw materials used for footwear production are locally available

There are already established centers from where to source raw materials from

Kindly tick (✓) the answer that best represents your views

(Never = 1, Rarely = 2; Sometimes = 3; Very often = 4; Always = 5)

<table>
<thead>
<tr>
<th>Rate African Leather Industries Ltd frequency of obtaining it’s Raw Materials based on the attributes below.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Leather</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Own Slaughter House</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Locally (Other Slaughter Houses)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Imported</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Textile(Cotton,polyester,wool,nylon)</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Locally</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Imported</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rubber</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Locally</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Imported</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Synthetics (PU leather)</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Locally</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Imported</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Foam(EVA,Neoprene,Latex,polyethylene,polyurethane)</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Locally

Imported

<table>
<thead>
<tr>
<th>What is the volume of pairs produced by African Leather Industries Ltd (in thousands)</th>
<th>Below 10</th>
<th>Between 10-20</th>
<th>Between 20-30</th>
<th>Between 30-40</th>
<th>Above 40</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leather Shoes (men)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Military Boots</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leather Shoes (women)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leather shoes(school toughees/below 18years)</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

SECTION III: – How the Kenyan Government Influences Leather Footwear Production

Kindly tick (✓) the answer that best represents your views

(Strongly Disagree = 1; Disagree = 2; Neutral = 3; Agree = 4; Strongly Agree = 5)

<table>
<thead>
<tr>
<th>Government Initiatives</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Export taxes imposed on Raw hides will encourage local production</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allocation of funds in this sector will boost SMEs footwear leather production</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government initiated programs has created growth in the leather footwear sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Duties imposed on second hand leather shoes will encourage value addition locally</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Skill development by Cobblers Association of Kenya will enhance job creation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banning raw exports will increase finished leather production</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VAT imposed on locally sourced raw materials increases the cost of production</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establishment of leather parks will make local footwear producers competitive in the global market</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Imported leather shoes from China and India are non-durable and of poor quality</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Locally produced leather shoes are of high quality and affordable

Tax- free access to the global footwear market boosts locally produced leather footwear

**SECTION IV – How the Marketing Factors influence Leather Footwear Production.**

Kindly tick (✓) the answer that best represents your views

(Never = 1, Rarely = 2; Sometimes = 3; Very often = 4; Always = 5)

<table>
<thead>
<tr>
<th>Rate the frequency at which the channel of communications listed below are used by African Leather Industries Ltd in its marketing activities.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Media</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Word of mouth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Referrals</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquaintances</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Event Planning</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rate the degree at which the challenges below affect African Leather Industries Ltd marketing activities.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stiff competition</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poor Location</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low Demand</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High Marketing Costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inexperienced/Understaffed employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rate African Leather Industries Ltd marketing activities based on the locations listed below.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own Shop</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hawking</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Online Market (specify)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flea Markets (Specify)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Rate African Leather Industries Ltd distribution centers based on the intermediaries below.

<table>
<thead>
<tr>
<th>Intermediary</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small scale Retailers</td>
<td></td>
</tr>
<tr>
<td>Individuals</td>
<td></td>
</tr>
<tr>
<td>Supermarkets</td>
<td></td>
</tr>
<tr>
<td>Government Agencies</td>
<td></td>
</tr>
<tr>
<td>Other (specify)</td>
<td></td>
</tr>
</tbody>
</table>

Kindly tick (√) the answer that best represents your views

(Very poor = 1; Poor = 2; Acceptable = 3; Good = 4; Very good = 5)

### Rate African Leather Industries Ltd Ability to counter competition from other local shoe manufacturers in the industry based on the following attributes.

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pricing</td>
<td></td>
</tr>
<tr>
<td>Location</td>
<td></td>
</tr>
<tr>
<td>Availability</td>
<td></td>
</tr>
<tr>
<td>Uniqueness</td>
<td></td>
</tr>
</tbody>
</table>

### Rate African Leather Industries Ltd production quality based on the leather shoes produced

<table>
<thead>
<tr>
<th>Quality Attribute</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordability</td>
<td></td>
</tr>
<tr>
<td>Finishing/Embroidery</td>
<td></td>
</tr>
<tr>
<td>Colors</td>
<td></td>
</tr>
<tr>
<td>Comfort</td>
<td></td>
</tr>
<tr>
<td>Durability</td>
<td></td>
</tr>
</tbody>
</table>

Kindly tick (√) the answer that best represents your views
(Strongly Disagree = 1; Disagree = 2; Neutral = 3; Agree = 4; Strongly Agree = 5)

<table>
<thead>
<tr>
<th>Marketing and Sales Support Services</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>You have marketing services for your goods services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing support services is important to the success of SMEs start ups</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing support services should be incorporated in entrepreneurship training</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>You have business connections that helps you market your products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>You have received training and support on how to market your products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ICT services has enabled your products and services to reach your clients quickly</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ICT services are essential for success of your business start-up</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and Promotion has made it possible for your products and services to be known by clients</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and promotion is essential for success of your business</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The End, Thank you for your participation.