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**Department of Management**  
**College of Business and Economics**



**THE EFFECT OF IMPORTED SHOES ON DOMESTIC PRODUCERS:  
THE CASE OF LARGE MECHANIZED FOOTWEAR PRODUCERS IN  
ADDIS ABABA**

**BY**

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**A THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE  
REQUIREMENT FOR THE AWARD OF MASTERS OF BUSINESS  
ADMINISTRATION**

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## Certification

This is to certify the thesis entitled “The Effect of Imported Shoes on Domestic Producers: The Case of Large Mechanized Footwear Producers in Addis Ababa” submitted in partial fulfillment of the award of the degree of Masters of Business Administration in International Business to the College of Business and Economics, at Mekelle University via the Department of Management, carried out by Yadeta Nemie ID No.CBE/PR: 035/04 is original work done by me. The matter embodied in this thesis work has never been provided for the honor of any Degree or Diploma as to my knowledge and belief.

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## **Declaration**

I, Yadeta Nemie ID No. CBE/PR: 035/04 hereby affirm that the thesis entitled “the effect of imported shoes on domestic produces: the case of large mechanized footwear producers in Addis Ababa” submitted by me for the award of the Degree of Masters of Business Administration in International Business from Mekelle University at Mekelle, is my original work and hasn't been provided for the honor of any other Degree, Diploma in any other university or institution and all the materials used in this study by the investigator are acknowledged.

Place; Tigray, Mekelle

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Date: June, 2013

Yadeta Nemie

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## **Abstract**

*This study was conducted to assess the effect of imported shoes in domestic footwear producers. The effect of imported shoes assessed from price, quality product design/style, availability, fashion, range of variety and the opportunity that import pressure create. In order to attain its objectives the study collected data from 109 respondents of ten large and mechanized footwear factories in Addis Ababa using open-ended and closed-ended questionnaires. The data was analyzed with the support of statistical packages for social science and Microsoft excels software. The finding indicated that imported shoes have an advantage on domestically produced ones from price, design, range of variety, fashion, and interns of quality of comfort. Regarding durability, domestic producers' shoes have an advantage. The study indicated that the domestic producers consider competitive pressure from imports as an opportunity to improve performance. It was revealed in the study that low price, high quality using attractively designed shoes and availability and delivery are strategies used by foreign competitors to influence the domestic footwear producer.*

## **Acronyms**

CEEC: Central and Eastern European countries

U.S.A: United States of America

EU: European Union

UNIDO: United Nation Industrial Development Organization

UNDP: United Nation Development Program

MOTI: Ministry of Trade and Industry

U.S: Unite states

ISO: International Standards Organization

GDP: Gross Domestic Product

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# Chapter One: Introduction

## 1.1 Background of the study

Globalization of imports is a recent trend that enabled the free flow of ideas, goods and services from one country to another country. In the global economic interdependence, however, there are chances of both gain and loss, based on the competitiveness of the trading. It has fastened trade patterns. Since nations are interdependent, there is an exchange between one country and another. When countries which import goods from the exporting countries start to produce in its country while at the same time importing from abroad, they may be influenced by the imports. There are, however, serious drawbacks of globalisation and the resulting liberalisation. The flooding of the formerly protected home markets, such as in countries like Kenya and Ethiopia, with imported new and second-hand commodities, has resulted in the shutting of several firms and the reorientation of many others (van der Loop, 2003).

Footwear is a dynamic product in worldwide markets. It is being delocalized from advanced countries to less developed ones. The beneficiaries of this process are Far East nations, in particular China, India, North African countries and the Central and Eastern European countries (CEEC) (Global Footwear Analysis). China only produces more than 62% of the world total. Its regional neighbors India, Vietnam, Indonesia, Pakistan, and Thailand are also among the top 10 world footwear producers, producing another 20% of the total. Outside Asia, Brazil is the most important producer, with 4.4%. Mexico, Italy, and Turkey are also among the world's most important manufacturers. Jointly, these ten countries amount for 90% of the world footwear produced (World Footwear, 2011).

The impact from the imports may be from price, style, product design availability, the ability to satisfy customers' need and from others like decline in profit reduced employment. The footwear industry of Ethiopia has faced a tremendous influence from foreign imports specially from Chinese leather shoe imports according to study made by Tegegne (2007). During the past time, the country was a major importer of footwear such as leather shoes. This has created large pressure on domestic footwear producers and

suppliers. The imported shoes are superior in design comfort and delivering value compared to domestically produced shoes. The price at which Chinese imported shoes sold in the country was relatively less than those shoes produced and supplied by the domestic producers to the domestic market. According Knorringa and Pegler (2004), as cited by Tegegne (2007), the small scale shoe producers and suppliers were hugely affected by imported shoes from abroad.

Leather footwear production plays an important role for the development process of both advanced and less developed nations (van der Loop, 2003). Ethiopia has a major comparative advantage in the raw hides and skins required for the footwear sector which makes it in principle very appropriate for leather product exporting (van der Loop, 2003). The leather sub sector of Ethiopia produces and supplies a range of products from semi-processed leather in various forms to processed leathers, such as shoe uppers, leather garments, stitched upholstery, school bags, and others.

Ethiopia is producing leather shoes which can compete in quality and price according to (Samuel, 2008), as cited in (Endale, 2011).

According to studies by Tegene (2007), cheap imports from abroad are having significant share of the market and the leather shoe industry is facing stiff competition from china and others. The toughness of the import competition, however, can lead the domestic producers to upgrade quality (Fernandes, 2009). The domestic market of the country is still the major consumer of imported shoes for a number of reasons. Studying what influence that imports impose on domestically manufactured products will enable to find ways to take this as an opportunity and exploit it or it helps to design ways to reduce the competitive pressure posed from imports.

Thus knowing the effect that the foreign imported shoes have on domestic producers will enable to know the way they are creating an impact and design a strategy to cope and reduce their influence and continue competitive.

## **1.2 Statement of the problem**

Ethiopia ranks first in Africa in livestock population and even 10<sup>th</sup> in the world, but these resources were not exploited yet despite the abundant raw material and cheap manpower. The country is working hard to exploit this huge potential so that the sector contributes its

share to the growth of GDP and the wellbeing of the key role players in this sector is enhanced. Significant efforts has been made by the country to upgrade this sector in order to make it competitive at international level and these days many of the footwear factories are trying to advance in to international market (Institute Of Leather Industry Development 2012).

The footwear industry face stiff competition from cheap imported shoes from abroad as previous studies indicated. This import pressure has its own effect on domestic footwear producers, as the domestic footwear producers are at their infant and adolescence stage, studying this effect is paramount important. Shoes imported from China has controlled the market as Tegene (2007) indicated in his study. Even if the Chinese shoe are cheap and low in quality, their style and fashion design are very attractive compared to domestically produced shoes and women and children shoes are widely available in many local markets in the country. Recent trend shows that a significant improvement in production and supply of domestically produced leather shoes to home as well as foreign market (Senobo et al, 2009). But still the imported shoes from countries like China, Vietnam and others have significant share of the market and posing strong competitive force to the domestic leather shoe producers. We can find imported shoes anywhere in the country even in local market (Endale, 2011).

The country's shoe leather sector is showing significant growth in recent years, improving in quality, design or styles and gaining wide market coverage in the home market. According to Sutton and Kellow (2010) the leather footwear of Ethiopia faces strong rivalry from imported shoes. The study was exploratory one and its focus was two footwear producers, namely Anbesa shoe factory and Ramsey shoe factory. No data is made available in this regard. A study made by Tegene (2007) was the impact of cheap and low quality imported shoes on small and medium footwear producers. None of the previous studies clearly assessed the effect of imported shoes on large and mechanized footwear producers. Moreover, there was little research conducted regarding the influence of imports and prior empirical findings were lacking.

But, failure to respond to competition may result in disaster for a company's products. With regards to this, Kotler (2008) noted that companies which delay response and stay at home to play it safe may not only give up their chances to enter other markets, but also risk of losing their customers to firms from neighboring countries who have invaded their home markets.

Therefore, for these reasons the study of effect of these imported shoes on the competitiveness of the domestic producer enables designing ways how to convert these challenges in to realistic opportunities so that it is possible to take advantage of it.

### **1.3 Research Questions**

Within the context of the above background of the study and the statement of the problem, the following research questions identified were answered at the end of the investigation.

- What are the effects of imported shoes pose on domestically produced shoes?
- In what way the domestic producer/supplier can overturn the competitive pressure posed by imports and use it as an opportunity?
- What are the strategies used by the importer to influence the home producers?
- What support these domestic producer need to overcome the competitive pressure from imports?

### **1.4 The research objective**

#### **1.4.1 General objectives**

As indicated in the research title, the general objective of this study was to assess the effects of imported shoes on domestic shoe producers.

#### **1.4.2 Specific objectives**

1. To investigate the effects that imported shoes pose on domestically produced shoes from price, quality, product design/style, product availability, consumers preference and opportunities point of view.
2. To identify how domestic shoe producers can improve in order to overcome the challenges posed by imported shoes.
3. To analyze the ways by which imported shoes impact domestic suppliers.

4. To identify what support the domestic producers need to turn around the situation.

## **1.5 Significance of the study**

The significance of the study can be seen from two angles. On one hand the study may help shoe producers for making decisions by availing analyzed data and information for them. On the other hand, the study will have its importance as it is used as partial fulfillment of the requirement of MBA and any researcher who wants to conduct similar investigation.

## **1.6 Scope of the study**

The study was conducted to investigate the overall impact of imported shoes that can affect the footwear industry sector. The way the imported shoes affect and how the domestic producer can reduce the challenges was addressed through possible suggestion. Moreover, ten large and mechanized footwear factories in Addis Ababa were the target. The effect of imported shoes on domestic producers studied from price, quality, product design/style, availability, the range of variety and the opportunities that the effect create point of view.

## **Limitation of the study**

Ten large and mechanized footwear factories in Addis Ababa were the target.

Other mechanized footwear producers away from Addis Ababa were not included. The study cannot be generalized for other large and mechanized footwear producers out of Addis Ababa.

The effect of imported shoes in domestic producers studied from price, quality, product design/style, availability, range of variety and the opportunities that the effect create point of view. Other dimensions like margins, sales volume will not be included in the study. The study used quota sampling and the sample may not be as representative as other samples by using other sampling method.

## **Chapter Two: Literature Review**

### **2.1. The footwear industry overview.**

#### **2.1.1 The world footwear industry**

Footwear is an active product in world market. In need for cheap labor it is delocalized from advanced countries to developing countries. The Far East nations, in particular China, India, North African countries and the Central and Eastern European countries (CEEC) are the beneficiaries. In 2002 the world footwear market was around 12,469million pairs.U.S.A and Europe is the biggest consumer of conventional footwear. The two countries consumed 5,823 million pairs in this year, 46.7% of the total (Global footwear Analyses, 2002).

According to global footwear analyses (2002), 6.9 billion pairs per year are produced by China and more than half of this amount is exported abroad. Most of the shoes that China produces are synthetic of low quality and price. In 2002, the average price of Chinese exported shoes was \$2.46. Vietnam and India form fare east countries produce more of leather shoes. Italy, Spain in EU and Tunisia, Morocco in North Africa are significant exporters of conventional footwear in Europe and Mediterranean Zone. Tunisia and Morocco, in a sense, are “tied” to Italy and Spain as they have many sub-contracting agreements with these two countries according to Global footwear Analyses (2002).

India, “sleeping giant” for conventional shoes, has a well-developed industrial infrastructure and competitive pricing. Its potential is not fully exploited as an exporter of footwear. The quality of Indian shoes exported is improving and priced at international level. The European market is the major importer of shoes.

#### **2.1.2 The footwear industry in Africa**

The production of footwear is important for development of Africa, but it confronted stiff competitive challenges. The footwear industry has good resource base, is labor intensive technology and employs many people.

According to UNIDO (2002), as cited in Endale (2011), the African footwear sub-sector seems isolated from the fast pace of technological innovation taking place globally. Poor design capabilities, poor supervisory and managerial skills, poor knowhow of appropriate inputs and marketing technique contribute to less quality products and less competitiveness.

High production costs and insufficient focus on what customer wants in terms of quality and price exposed the market to be flooded by cheap Asian products.

There is low production of non-footwear leather outputs, for instance, garments in East and Southern Africa, but this condition changed since early 1990s. In order to upgrade knowledge and skill in this area, training agencies and institutions have been established by donations received through co-operation programs. But the infrastructure of training and assistance faced the shortage of facilities and services (UNDP).

African countries large share of market in hides and skin by exporting to other countries, but in terms of leather and leather products, their competitiveness is low due under developed infrastructure, less foreign investment, lack of technological development, poor product quality, poor skill, lack of training, shortage of finance, and other marketing and selling constraints (Tegene,2007).

### **2.1.3 The footwear industry in Ethiopia**

The production of leather shoes in Ethiopia dates from the late 1930s when Armenian merchants founded two shoe factories in Addis Ababa. These factories nurtured a number of shoemakers, who opened their own factories in Addis Ababa and trained their workers (Akote, 2007). These factories trained many shoemakers who opened and operated their shoe factories.

The Ethiopian leather sector is a relatively older industry with more than 80 years of involvement in processing leather and producing leather outputs according to (institute of leather industry development). The live stock resource is the base of the industry. The large livestock population provides good prospect for the development of footwear industry in the country. Ethiopian cattle hides are widely known in the world for their fine grain pattern and good fiber structure and are good for making shoe uppers. The

Ethiopian highland sheepskins have got international reputation regarding quality, thickness, litness, potency, compact structure and clean inner surface. About 70% of the countries sheepskin production is very appropriate for the production of high quality leather garments, sport gloves and has great demand - on the international leather market (Ministry of Trade and Industry).

The footwear industry in Addis Ababa is exceptionally successful in Africa (Akote, 2007). Massive entry of enterprises established by former employees of the existing shoe factories and the growth of each enterprises due to improvements in the quality of shoes and the improvement in marketing and management.

According to Akote(2006), qualitatively, the development process of the footwear industry in Ethiopia is similar to the process of the cluster-based industrial development observed in East Asia.

The leather master plan of the country classified the footwear industry in to two, these are large, mechanized shoe factories and the micro, small and medium enterprises (MOTI, 2005).

The mechanized footwear industries numbering about a dozen are those found in the formal sector and constitute large and medium footwear factories. Most of the industries are private owned while there are a few state owned industries (Tegene, 2007). The medium enterprises employ around 30-40 workers, while the small shoe makers employ around 15-20.

### Capacity utilization of selected footwear factories

<b>Name of factory</b>	<b>Product type</b>	<b>Installed Production capacity/Day</b>	<b>Actual Production/Day</b>
<b>Dir Industries plc</b>	Men, ladies and children Shoe	2000 pairs/day	1500 pairs/day
<b>New Wing</b>	Ladies shoes	4000 pairs/day	1000 pairs/day

<b>Huajian</b>	Ladies Shoe	4000 pairs/day	3000 pairs/day
<b>Ramsey</b>	Men Shoe	1400 pairs/day	750 pairs/day
	Ladies Shoe	600 pairs/day	450 pairs/day
<b>Ras Dashen</b>	Men Shoe	300 pairs/day	200 pairs/day
	Children Shoe	700 pairs/day	500 pairs/day
<b>Kangaro shoe</b>	Men, Ladies and Children Shoe	800 pairs/day	500 pairs/day
<b>Tikur Abay</b>	Men, Ladies and Children Shoe	4200 pairs/day	3500 pairs/day
<b>Anbesa shoe</b>	Men, Ladies and Children Shoe	3000 pairs/day	2000 pairs/day
<b>Crystal shoe</b>	Leather Shoe	700 pairs/day	250 pairs/day
<b>OK Jamaica</b>	Men's leather Shoe	800 pairs/day	200 pairs/day
<b>ARA Shoe</b>	Ladies Shoe & Upper	1500 pairs/day	1300 pairs/day
<b>Walia</b>	Men, Ladies and Children Shoe	1000 pairs/day	400 pairs/day
<b>Sheba</b>	Men and Ladies Shoe	1000 pairs/day	600 pairs/day
<b>Peacock shoe factory</b>	Men and Ladies Shoe	2,000 pairs/day	1,500pairs/day
<b>Bostex factory</b>	Men and Ladies Shoe	250 pairs/day	200pairs/day

Source: footwear factory information [www.elidi.org/](http://www.elidi.org/)

As the above table indicates the capacity utilization of selected footwear factories, all of them are operating below the installed capacity. This below capacity utilization may arise from lack of inputs, lack of demand and so on.

The following table shows the dollar value of imports and exports from 2008 to 2011 according to the data from Ethiopian Revenue and Customs Authority

Year	Exports	Imports
2008	\$7,650,000.00	22,259,000.00
2009	\$6,114,329.51	\$24,452,909.87
2010	\$6,464,177.28	\$31,196,551.08
2011	\$5,265,189.03	\$34,792,078.14

Source: Ethiopian Revenue and Customs Authority

The above table clearly indicates that the dollar value of imports is very much greater than the dollar value of exports and it appears that the country is a net importer. The country is losing huge amount of foreign currency. In addition it clearly exhibits the negative balance of trade from 2008 to 2011, which in turn shows that the high domestic consumer demands that the domestic producer unable to satisfy.

The literature review discusses the pressure posed by imported shoes from the following point of view. These are price, product quality, product availability, and demand for imported shoes, product design, market share, and taking import competition as an opportunity.

## **2.2 Price**

The price of imported shoes has its own significant effect on domestically produced footwear.

Kotler( 2008), defined price as the sum of the values that customers exchange for the benefits of having or using the product. Historically, price has been major determinant affecting consumer selection. Companies nowadays face strong and rapid-changing pricing environment. According to Kotler (2008), increasing customer price consciousness put various companies in price “pricing vise.” When prices are reduced unnecessarily, it may result in decrease in profit and causes price war. It may appear to customer that price is more important than the value the product delivers. For companies, selling value than price is important in order to be competitive. Companies should convince their customer the greater value of their product can be evaluated by paying

higher price. Competing with price means that customers are first and foremost motivated by price and producers will have to provide low price to be successful (www.accaglobal.com).

For some managers, pricing can be seen as a big headache, and they prefer to focus on other marketing mix elements. Nevertheless, good managers consider pricing as a key strategic marketing tool for creating and capturing customer value. One common mistake regarding price is that too cost orientation and disregarding other marketing elements (Kotler, 2008).

One frequent problem regarding pricing is that companies are too quick to cut price to sell their product than persuading customers that their offer's greater value is worth a higher price. Lower priced and cheap shoes imported in to the country especially from china flooded the domestic market and created a great damage to the footwear industry according to studies made by (Tegene, 2007). From this it is possible to understand that in order to penetrate the domestic market and have more market share relative to domestically produced shoes the foreigners use lower price strategy. This can severely harm the domestically situated producers in developing country like Ethiopia.

Kerin et al, (1992) defined price as money or other considerations such as other goods and services exchanged in order to own a given product or for use of goods and services. From customer perspective, price is often used to indicate value when it is paired with the perceived benefits of a goods or services. For some goods price determines the perception of quality and ultimate value to customers. Price is critical decision made by marketing managers since price has direct effect on firm's profit.

According to kerin(1992), pricing is not without constraints. Demand from consumers for goods and services clearly affect the price that can be charged. Other factors constraining price are the newness of the product, cost and flexibility in setting price. The existing competition and price set by competitors determines ability to set price.

According to (kotler, 2008), companies set a low price in order to penetrate the market quickly and deeply –to lure a large number of customers quickly and gain a large market

share. The large sales volume resulting from low price causes costs to fall and ultimately results in further cutting price. From the above discussion, therefore, price can be taken as influential tool for imported goods in order to outbid domestically produced shoes especially in developing countries like Ethiopia and this is why price is focused in this investigation.

### **2.3 Product quality**

According to Schroeder (2000), quality is defined as meeting or exceeding customer requirement in the future. Here if a given product satisfies customer wants or need it can be taken as quality product. In this case the product or service is fit for the consumer's use. The products fitness for use is connected with the value that the customer receives and to customer satisfaction. As Schroeder (2000) indicates, the satisfaction derived from a given product varies from customer to customer. A buyer may be satisfied with today's product, may not in the future. Producers should specify quality characteristics as much as possible and try to meet those requirements while improving the process through time.

According to Schroeder (2000),

- “Producers should continuously strive to improve quality that is doing a better job of meeting customer needs by reducing variability in all processes and by introducing new products when needed. Continuous improvement is a never-ending process and is driven by knowledge and problem solving.”

Therefore, the more the producers gain better knowledge of their customers' expectation, the more they can improve product quality on ongoing process.

Stevenson (1999) defined quality as the ability of a good or service to satisfy customers or even exceed their expectation. Therefore, for him quality is getting what you pay for. Before the heightened level of Japanese competition, in the U.S market during 1970s and 1980s, customers got less than they paid for with made in U.S. During that time, quality was not emphasized by U.S firms. Cost of production was given greater emphasis than quality (Stevenson, 1999). Partly due to this feeling foreign firms, mostly from Japanese, captured a noticeable share of the U.S market. Leading Japanese companies in automobile industry such as Honda, Nissan, and Toyota controlled the auto sales market of U.S.

The following dimension of quality can be considered for a product whether it is a good or services. These are quality of design, quality of conformance, and the abilities and after sales services service.

Conformance quality is producing the product that fulfills the specification. Regardless of quality of the design, if the goods or services meet the specification it can be accepted as quality product Comfort shoes enable consumers to move easily and enjoy more comfortably and it gives good fit as well as attractive appearance ([www.comfortshoesuk.com](http://www.comfortshoesuk.com)). ISO 9000 is an approach that business organizations use to assure quality nowadays. Its orientation is conformance quality (Schroeder, 2000).

Quality of design is decided prior to the production of the product. It is determined by cross-functional product design team, which includes members set from selling, engineering, production and other departments. As Schroeder (2000) put, quality of design is decided by market research, design concept and product specification. Customer needs and wants are assessed by using market research. A given design concept should be developed as there are various ways of meeting customer requirements.

### **Consequences of poor Quality.**

It is important for companies to take in to consideration the many ways that the quality of their product or services can affect their performance and give focus to this in developing and maintaining quality assurance program. Quality can affect companies in different ways; some of these are loss of business, liability, productivity and costs. According to Stevenson (1999), poor product design or defective goods or services may be a reason for loss of business. Failure to give due emphasis to quality can hurt the goodwill of business organizations and can result in decline in market share or it may result in increased pressure from government or consumer unions. Especially in the case of imported goods poor quality can be a concern for safety and health issues, and some governments ban the import of such products.

## 2.4 Product design/style

Product performance can be broadly assessed based on its function, form, and fit. Although it is well known that fit or product compatibility is essential for a person to enjoy comfort, safety and satisfaction during consumption, form has become an important for the design and development of footwear over the last few decades (Khalid, 2003). Even if increases in technology are thought to improve the functioning of footwear, some of them are simply ornaments to improve form rather than functional elements that protect people's feet. Given the remarkable flexibility of the foot, it is important that the foot be accommodated in a manner that allows a foot to function as "designed". Ergonomics dictates good posture and many other specific areas such as quality control, perception, and biomechanics can be reasonably well integrated into the design and development of footwear (Khalid, 2003).

In addition to quantity, the variation of shoes sold in the market today is increasing exponentially in Order to cater to various perceptions of fashion and style. Manufacturers try to design and develop footwear so that they make available a covering for the foot while exhibiting fashion or style.

Product style refers to the appearance of the product. An attractive style may catch interest and produce enjoyable aesthetics, but it does not necessary make the product perform better. Contrasting style, design is more than skin deep – it goes to very heart of a product (Kotler, 2008).

When designing a product, marketers should first the core problem-solving benefits or services customer see (Kotler, 2008). Distinctive product style and design is another means of adding customer value. Fashionable product design contributes to product benefit and to its looks. To make good product design, knowing customers needs is important. Just as good design can increase customer benefits, reduces costs, and creating competitive advantage, poor design can result in lost customers and embarrassment (Kotler, 2008).

As competition increases, design will give one of the most powerful tools for differentiating and positioning goods and services of all kinds. That investment in design

pays off has certainly been recognized by worldwide companies which have embraced design. Nike, for example, employs some 60 designers and releases over 500 shoe design each year (Endale, 2011). Its shoes are worn by athletes, but are aimed primarily at a youthful market for which high-performance footwear is currently fashionable.

## **2.5 Market share**

Market share is the proportion of a market (defined in terms of either units or revenue) possessed by a given company. Market share is strictly monitored for signs of change in the competitive setting, and it repeatedly drives strategic or tactical action (Wikipedia, the free encyclopedia).

A company that is increasing its market share will be increasing its revenues quicker than its rivals ([www.investopedia.com/terms/m/marketshare.asp](http://www.investopedia.com/terms/m/marketshare.asp)).

Market share is the firms' share of the target market. It is the coverage that the firm is currently possessing (Kotler, 2008). Studying the share of market that other firms possessing with which the company is competing has significance. According to previous studies, imported shoes were having larger share the she market in our country and almost they damped the domestic producers (Tegene, 2006).

## **2.6 Product availability**

Product Availability is the probability of having a product in stock when a customer order arrives (Chopra, 2001).

Differences in availability (e.g. timing and location) have its own influence. If products are highly available at the time the consumer want and in many location customer may favor them to purchase. Imported shoes are available in our country even in local market according to previous studies indicated (Endale, 2011). Therefore high availability of imported shoes has its own impact on domestic footwear producer as it snatches market share by attracting many of customers.

## **2.7 Consumer preference**

According to Kotler (2008), consumer buying behavior is affected by cultural, social and personal factors. The preference of consumers for domestically produced products versus imported products has its own effect. According to study made by Endale (2011), on consumer preference, most customer favored foreign shoes. The result of the study showed that the preference of customer is contributing to the effect of imported shoes, thus why they are having significant influence on the domestic producer. The investigation shown that amongst other factors quality, style and price, were a reasons for the many of customers shoe favorite. Firms compete in a variety of the commodities they offer to their customer. Retail markets sell many horizontally differentiated varieties of a single class of a commodity. Consumers may have an individual preference over the many available styles of the good consumers may seek for the retail outlets that provide their preferred mixture of price and style, at which they are focusing to the seller with the broader range of available varieties(<https://webpace.utexas.edu>).

### **Domestic producer**

Domestic producer is a supplier or a manufacturer that is located in the country and producing goods or services and supplying either to the domestic market or to the international market. Domestic producers are those firms producing like products (U.S International Trade commission, 1994). International trade in the footwear sector shows that the country is a major importer (Tegene, 2007). Export is only at its infancy. Poor quality of domestic leather and high cost of imported inputs are cited as possible reasons for not being competitive in the international market (Berhanu and Kibre, 2002) as cited by(Tegene, 2007). To this is added the stigmatization of the country.

Competition from imports has a positive effect on quality upgrading. Increased exposure to competition from imports enables the domestic producer to upgrade product quality and stay competitive. Import competition perhaps inadequate to enable upgrading quality where the gap in technology between the foreign competitor and the domestic producer is

high. Other policy tools may be necessary for more major innovation while competition from imports push upgrading (Fernandes, 2009).

## **2.8 Taking import competition as an opportunity**

The pressure from imported can be taken as an opportunity to make many improvement regarding quality of product style, design fashionably and others. Domestic producers can be a good imitator in this regard and be able to produce products of similar quality, design/style, attractiveness, and others that can improve the product so that it can compete with imported similar goods. As previous studies indicated in Akote et al, (2007) the country's footwear industry managed recovery of the domestic market which had been over taken by imported Chinese made imported shoes in the late 1990s. Major improvements made in quality, styles and other areas is attributed to the need cope and compete with imported shoes. Therefore, it is possible to take import competition as an opportunity and improve productivity, become better innovator to remain competitive (Bloom et al, 2009). According to studies made by (Nadvi, 1995) as cited by (Tegene, 2007), there are two of copying strategies: the high road and the low road. The high road strategy is way to resist the rivalry through improving productivity through technically innovative and quality mindful strategy and the low road refers to sustain or raise market share by reducing prices, lowering profit margins, using inexpensive labor and technically stagnant strategy.

## **Chapter Three: Methodology of the study**

This chapter deals with over all approach of the research. And it includes research design, population, sample size, and sampling techniques, source of data, data collection tools and data analysis method that the investigation used.

### **3.1. Research design**

The study used mixed type of research design that is qualitative and quantitative. Because mixed approach helps utilization of the strength of both qualitative and quantitative and solves the disadvantages of both designs. In addition, the researcher used semi-structured interview in order to strengthen the data to be collected by using questionnaire. Also there is more insight gained from the combination than either form by itself. Their combined use provides an extended understanding of research problems.

Interview and open-ended questionnaires were designed for qualitative aspect of the investigation. The quantitative approach stressed getting numerical finding by using close-ended questionnaire (Kothari, 2004)

The study was a one-time view of the effect of imported shoes on domestic products, and therefore, the study was cross sectional in design.

### **3.2. Population and Sample size of the study**

To conduct this study, the researcher used large and mechanized footwear producers situated in Addis Ababa. Many of large and mechanized footwear producers were found in Addis Ababa, almost a twelve of them currently operating.

Population is group of entities with common set of characteristics (Kothari, 2004).The study population for this research was leather shoe producers in Addis Ababa city Administration. Among these available shoe producers in the city the researcher purposely selected 10 leather shoe factories, the rest two factories were not selected because they are producing wholly for export. The number of employees in large and mechanized footwear factories ranges from 60 up to 900. Bostex shoe factory employs 60

workers while Anbesa shoe factory employs 900 employees. The number of sales person working at shops is around 3 to 4.

The researcher selected 12 respondents from each ten footwear factory based on quota. The total number of respondents from footwear factory was 120. This sample size was purposefully determined by the researcher since it was difficult to use sample size determination formula as it resulted in large size that was difficult to manage.

### **3.3. Sampling techniques**

In order to carry out this investigation the researcher selected the footwear factories in Addis Ababa because most of the large mechanized footwear factories are found in this city. The researcher used Quota sampling to draw relevant number of respondents from the footwear factories on equal basis from each factory. According to Kothari (2004), quota sampling is to ensure that various subgroups in a population can be represented based on relevant sample characteristics. Therefore, the sampling technique used by the researcher was non probability sampling.

### **3.4. Sources of data, and Data collection tools**

The study used both primary and secondary data gathering tools. The primary data collection instrument in this research was semi-structured questionnaires, which contained a mixture of closed ended and open-ended questions. In addition, the researcher used semi-structured interview in order to supplement the information gathered by questionnaire. The interviewees were factory employees heading sales, design, production and quality control. Therefore, self administered questionnaire was used. In addition, review of reports and internet sites were accessed to collect secondary data from related materials

### **3.5. Data analysis**

The researcher used in-house editing for data clearing. The data collected was coded and recorded using computer.

The quantitative data gathered by the researcher was analyzed by using descriptive statistics such as percentage, frequency, mean, and was interpreted by using tables, and, pie chart and column charts were used to better understand and interpret the data gathered through the questionnaires. The interview and open-ended questions were analyzed by using qualitative data analysis. While doing so, statistical package for social science software (SPSS) and Microsoft excel was used to generate the data results.

As indicated above, the purpose of this study was to assess the effect of imported shoes on domestic producers, particularly from price, design/style, quality availability and the opportunity they create, to evaluate to what extent these attributes influenced the domestic producers. In order to do this, respondents were asked to evaluate the attributes of imported shoes based on Likert scale items from 5 to 1. The effects of imported shoes and their influence on the domestic producer shown as strongly affecting, medium or low according to Kessuwan and Muenjohn (2010), the attributes placed between 1.00-2.49 mean score are seen as low level of influence in which an attribute possess, attributes placed between 2.50-3.49 mean grade are seen as having moderate level of effect and attributes placed between 3.50-5.00 mean point designates that the attribute have strong or high level of influence.

## Chapter Four: Data Analyses and Discussion

This chapter is concerned with analysis and interpretation of data collected by using close- ended questions, open- ended questions as well as using interview. Of the total 120 questionnaires distributed, 109 were filled and returned with response rate of 90.83 percent.

### 4.1 Respondents' demographic data

**Table 4.1: respondent's age**

Age	Frequency	Percentage
<b>18-29</b>	64	57.79
<b>30-40</b>	34	31.19
<b>40 and above</b>	11	10.09
<b>Total</b>	109	100%

Source: Owen survey, 2013

Table 4.1 represents respondents' age. Accordingly, 64(58.71%) of respondents is within age range of 18-29, 34(31.19%) of respondent is within age range of 30-40 and 11(10.09%) of respondent is within age range of 40 and above. Therefore, the majority of respondents are within the age range of 18-29. It seems that the majority of respondents are young with less years of experience in working in footwear factories.

**Table 4.2: respondent' sex**

Sex	Frequency	Percentage
<b>Male</b>	75	68.81
<b>Female</b>	34	31.19
<b>Total</b>	109	100.00

Source: Owen survey, 2013

Table 4.2 shows that the majority of 75 respondents were male which constitute 68.81% and 34 were female that accounted for 31.19% the whole respondents.

**Table 4.3: respondents' educational level**

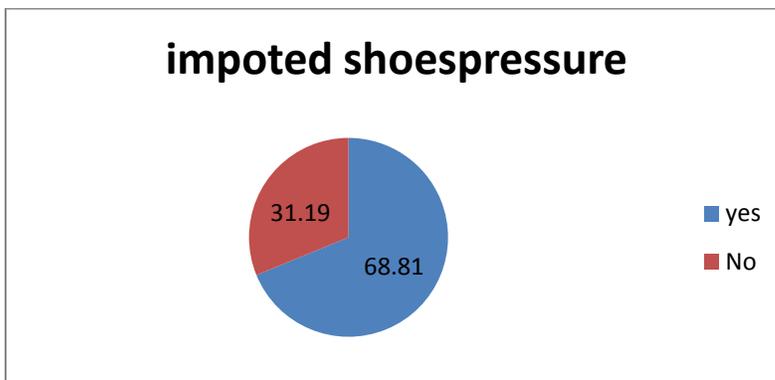
	Frequency	Percentage
<b>1-8</b>	2	1.83
<b>9-12</b>	18	16.51
<b>Diploma</b>	70	64.22
<b>Degree and above</b>	19	17.43
<b>Total</b>	109	100.0

Source: Owen survey, 2013

Table 4.3 shows the educational level of respondents. The majority of the respondents were diploma holders, 64.22 % ( 70 respondents). 1.83 % ( 2 respondents) were from grade 1-8. 16.51 % ( 18 respondents) were from grade 9-12. The rest of the respondents 17.43 % ( 19 respondents) were with degree and above educational background. It seems that the footwear factories are operating with less educated workers.

#### **4.2 The effect of imported shoes from price, quality, style, availability, variety and consumer test point of view**

**Figure 4.1: imported shoes posing pressure.**



Source: Owen survey, 2013

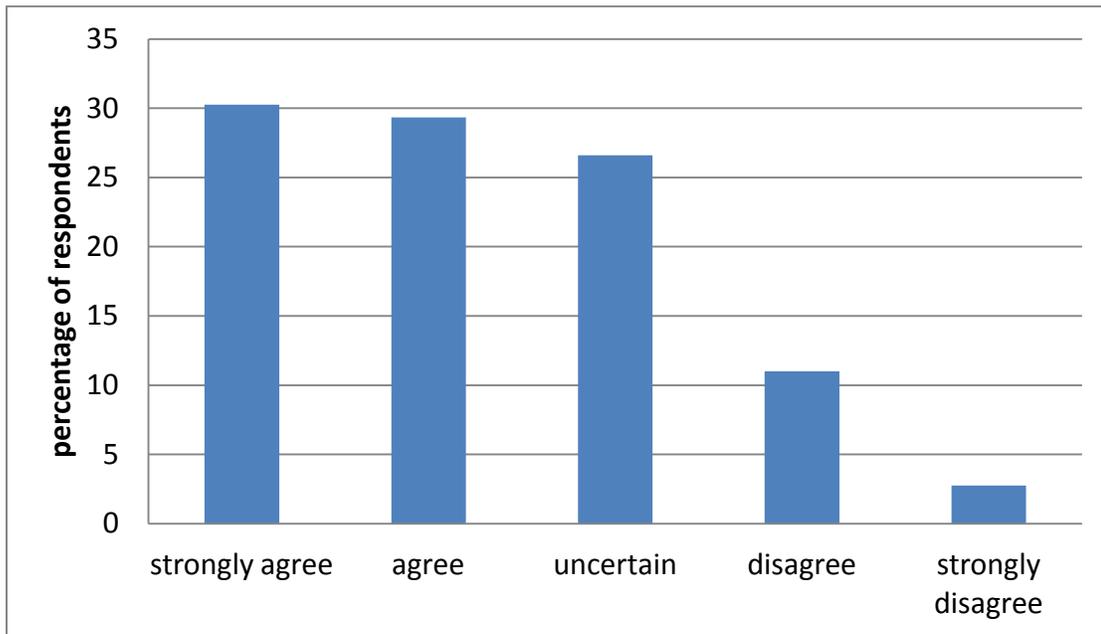
Figure 4.1 show respondents response for the question 'imported shoes posing pressure on domestic producers. Accordingly, 75 (68.81 percent) of respondent said yes while the rest 34 respondents (31.19 percent said no. In an interview with respondents it was

reported that even if there is a pressure from import competition, it is not as such severe which leads to production stoppage, employee lay-off, and downsizing or complete loss of the market.

Respondents reported that low priced imported shoes are creating pressure. Some said imported shoes are of quality. The respondents also reported that consumer preference for imported shoes is due to their comfort ability and variety to offer wider selection. They reported also the foreign exporter is at advantage of high technology and uses cost saving machines which will enabled them to gain competitive advantage. The respondents also reported in writing that imported shoes are attractive and have the ability to lure our customers and their finishing quality is superior. The respondents also reported that imported shoes affected employment opportunities, forced to reduce production.

Regarding the question why imported shoes are a threat to domestic producer, the respondents replied that imported shoes are fashion design and attractive, are of strong sol, are synthetic, they have finishing quality the production cost can be low since the foreign exporter uses high technology, consumers prefer imported shoes to domestically produced shoes and their ability to offer wider selection. Respondents also responded in similar manner for an interview whether imported shoes are a threat to domestic producers. Imported shoes are more of a fashion and have design superiority compared with domestically produced shoes. This is the case why imported shoes may attract the domestic consumers. The difficulty of learning and the time taken in trying to cope them is also a challenge they said.

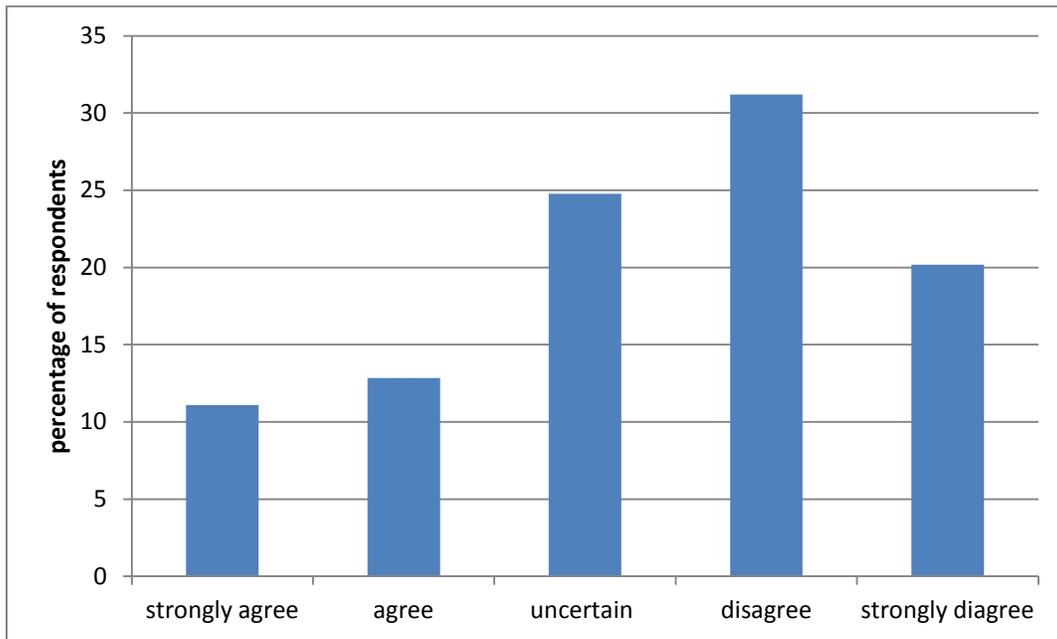
**Figure 4.2: Low priced imported shoes are the competition stiff**



Source: Owen survey, 2013

Figure 4.2 exhibits the response of respondents for the question ‘low priced imported shoes pose strong pressure. Accordingly, 33 respondents (30.27 percent) strongly agreed with the question. 32 respondents (29.35 percent of respondents) agreed, while 29 respondents (26.6 percent) of respondents are uncertain about it. The rest, 12 respondents (11 percent) of respondent and 3 (2.75%) of respondent respectively disagreed and strongly disagreed with the statement. The majority, 55 (59.62 percent) of respondents agreed that low priced imported shoes are posing strong pressure. It seems that imported shoes which are sold at low price are imposing pressure on the domestic producer. According to a study conducted by Tegene (2007) price is a major advantage that imported shoes gain on home shoes. Kotler (2008) indicated that low price is used to penetrate the market quickly and lure a large number of market share. Low priced imported shoes were highly affecting the domestic producer with the mean score of 3.66.

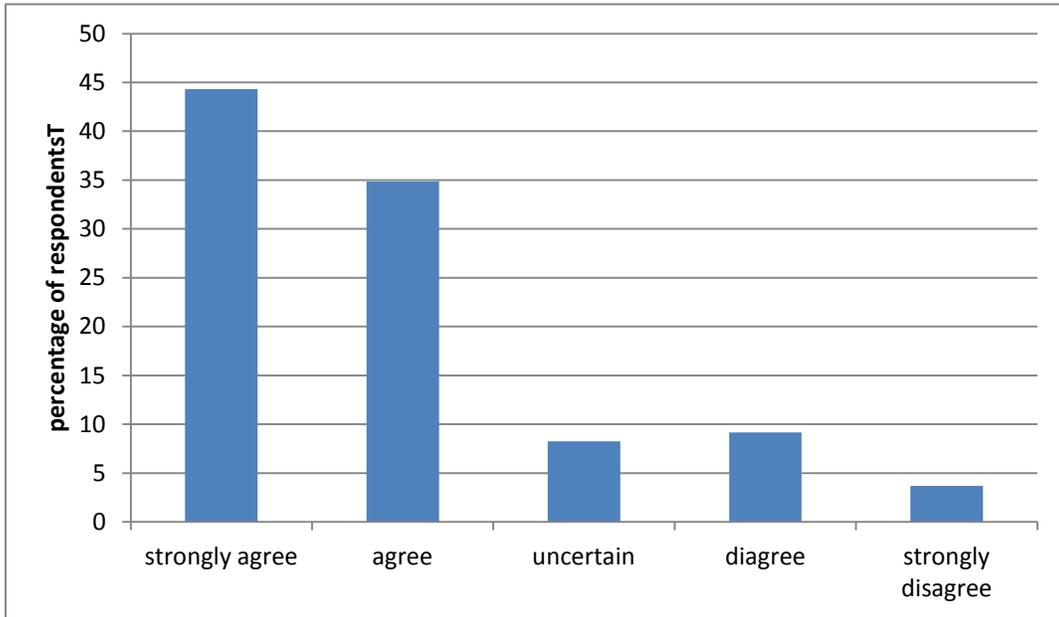
**Figure 4.3: low quality imported shoes are imposing strong pressure.**



Source: Owen survey, 2013

Figure 4.3 illustrate whether low quality imported shoes are posing strong pressure. 12 (11.09 percent) of respondents agreed strongly. 14 respondents (12.84 percent) of respondents agreed, 27 respondents (24.77percent) of respondents are uncertain whether quality of imported shoes is posing strong pressure on their company. The rest, 34(31.19 percent) and 22(20.08 percent) of respondents disagreed strongly disagreed respectively. As majority of respondents agreement, low quality imported shoes are not posing strong pressure. It seems that imported shoes which are with quality are influencing the domestic producer. Schroeder (2000) pointed out that when a given commodity fulfills customers' wants it's a quality product. Low quality imported shoes have low level of influence on the domestic producer with mean grade of 2.37.

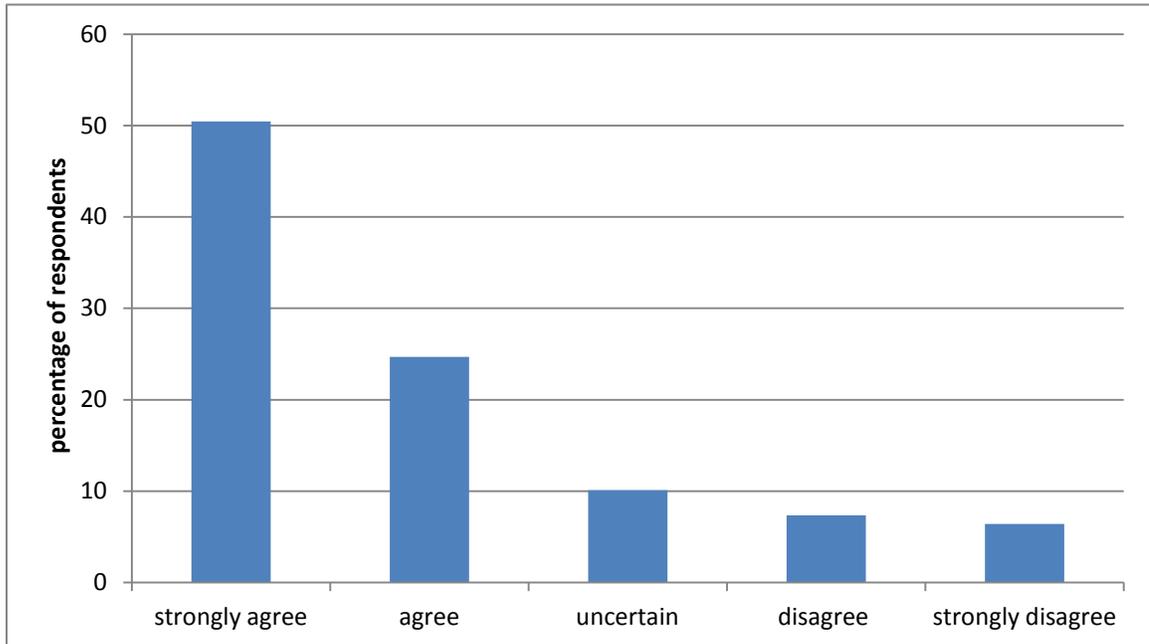
**Figure 4.4: imported shoes are better in design/style than domestically produced shoes**



Source: Owen survey, 2013

Figure 4.4 show that whether imported shoes are better in design/style than domestically produced shoe. Accordingly, 48 respondents (44.3 percent) strongly agreed and 38 respondents (34.86 percent of respondents agree with the statement. 9 respondents (8.25 percent) were uncertain about It. 10 (9.17 percent) of respondent were disagreed while 4 (3.67 percent) of respondents were strongly disagreed with the statement. According to the response of majority of respondents superior design/style of imported shoes is harming the domestic producers' competitiveness. The study made by Tegene (2007) also showed that imported shoes have the upper hand in design/style. In an interview conducted with respondents, imported shoes create pressure because of design/style superiority. The old models used for many years by the footwear producers are why the domestic producers are at this disadvantage as reported during interview. The design/style superiority enabled imported shoes to gain consumer minds. The design/style of imported shoes are imposing strong pressure on the competitiveness of the domestic producer with mean score of 3.97.

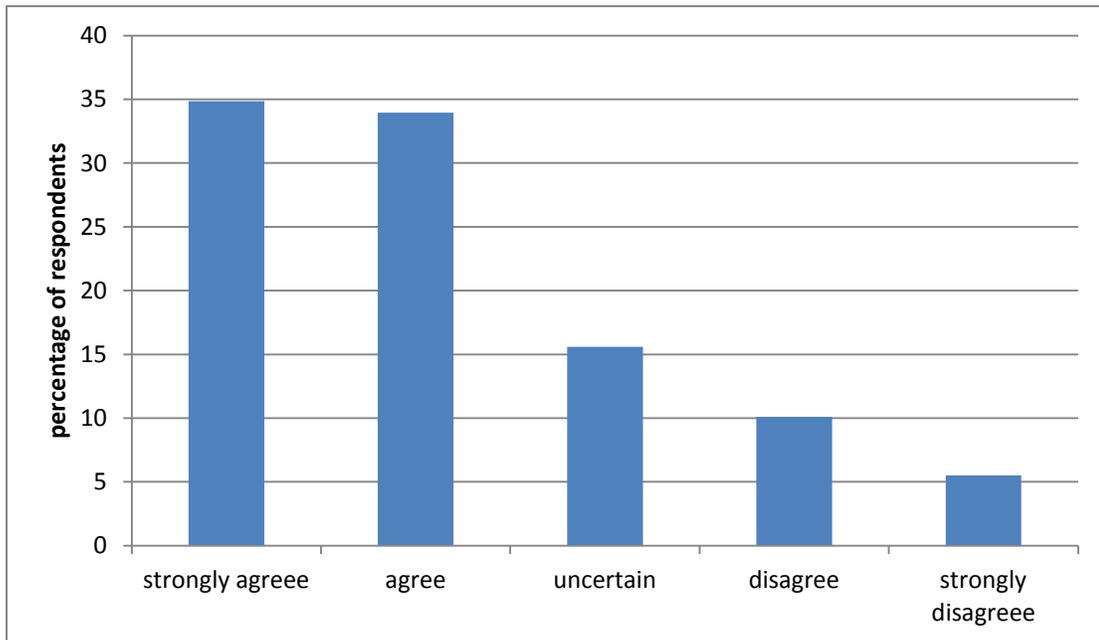
**Figure 4.5: the attractiveness or fashionable imported shoes is making the competi difficult.**



Source: Owen survey, 2013

Figure 4.5 exhibits that 55 respondents (50.46 percent) strongly agreed that fashionable and attractiveness of imported shoe is making the competition difficult. 28 respondents (24.68 percent of respondent also agreed with the statement. 11 respondents (10.09 percent) of respondents are unsure about it, while 8 respondents (7.34 percent) of respondents and 7 respondents (6.42 percent) of respondents respectively disagreed and strongly disagreed with the question. As majority of the respondents reported, fashion and attractiveness of imported shoes made the domestic prodders ability to compete difficult. In an interview respondents also said that being attractive and fashion enabled imported shoes to won the minds of our consumers. Consumers also favorite imported shoes because of the prestige associated by using them. Fashionable product adds to product benefit and its looks (Kotler, 2008). The mean score 4.06 shows that fashionable and attractive imported shoes are making the competition stiff.

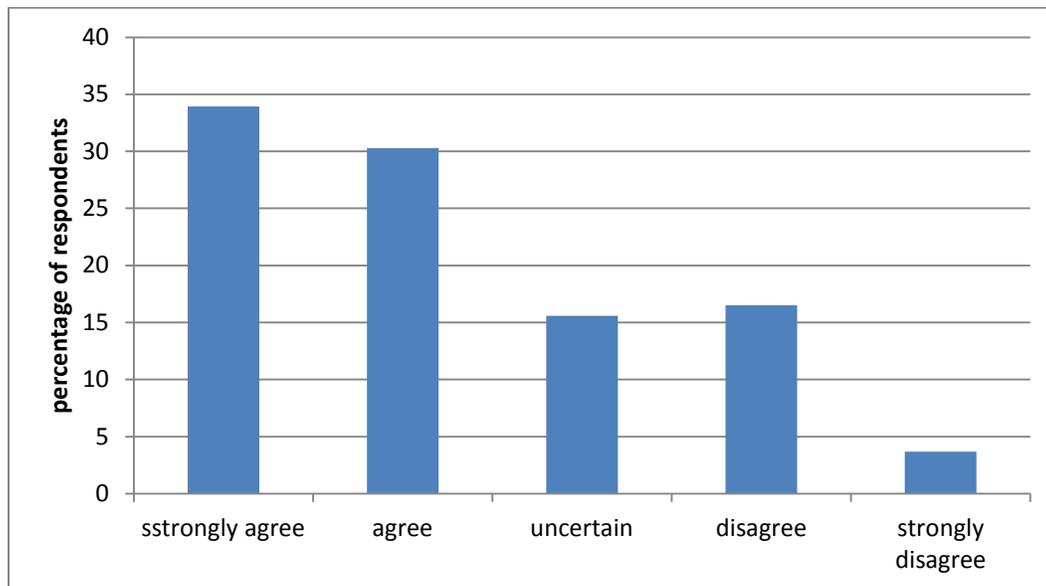
**Figure 4.6: the availability of imported shoes even at local market is making the competition stiff**



Source: Owen survey, 2013

Figure 4.6 illustrates that whether the availability of imported shoes even at a local level widely is making the competition stiff. Accordingly, 38 respondents (34.86 percent) strongly agreed. 37 respondents (33.94 percent) respondents agreed. 17 respondents (15.59 respondents) are uncertain. While 11 respondents (10.09 percent) disagreed and 6 respondents (5.50 percent) strongly disagreed with the statement. As majority of respondents agreed the availability of imported shoes anywhere in the country even at local level made the competition stiff. Endale (2011) pointed out that imported shoes are available anywhere in the country. Mean score 3.74 indicates that timely delivery and availability of imported shoes in local market is imposing pressure on the domestic producer.

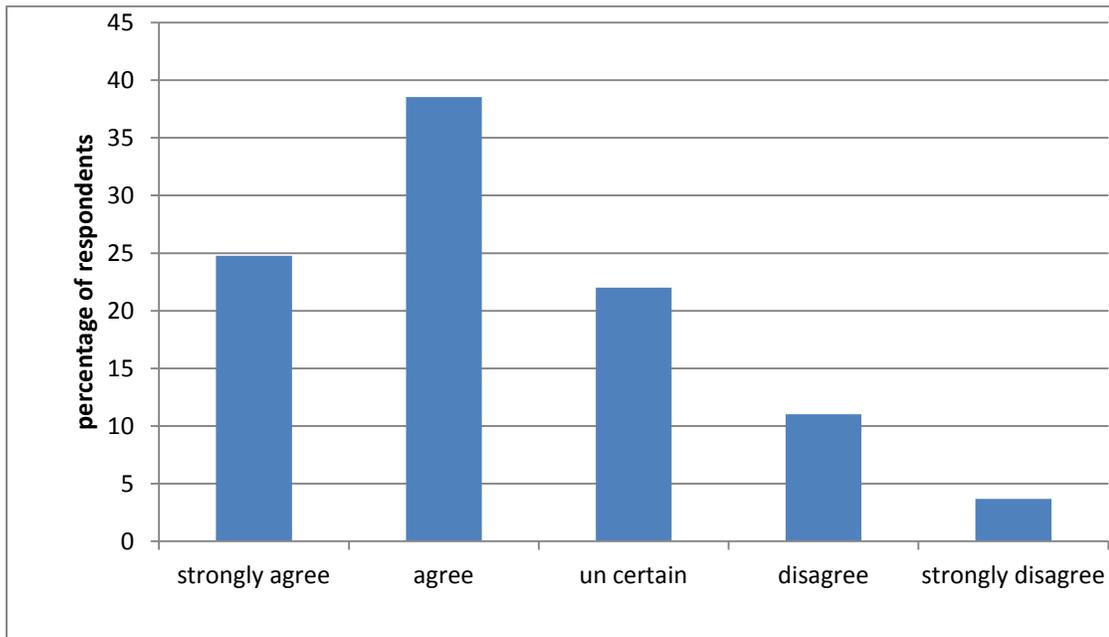
**Figure 4.7: consumer preference for imported shoes hurting us.**



Source: Owen survey, 2013

Figure 4.7 shows the response of respondents for the question ‘consumer preference for imported shoe is hurting us’. Accordingly, 37 respondents (33.94 percent) were strongly agreed. 33 respondents (30.27 percent) agreed while 17 respondents (15.59 percent) were unsure about it. The rest, 18(16.51 percent) and 4(3.67 percent) of respondents were disagreed and strongly disagreed respectively. It seems that the preference of consumers for imported shoes is also a head ache for the domestic producers. According to study conducted by Endale (2011) consumer preference slanted to imported shoes for the reason that imported shoes are superior in design/style, attractiveness, fashionably, availability of variety shoes which offer selection/choice for consumers. In interview with respondents it was reported that consumers prefer imported shoes for the reason that the status and prestige attached to using imported shoes according to their perception. Consumer preference for imported shoes is having high level of pressure on the performance of the domestic producer with mean score of 3.74.

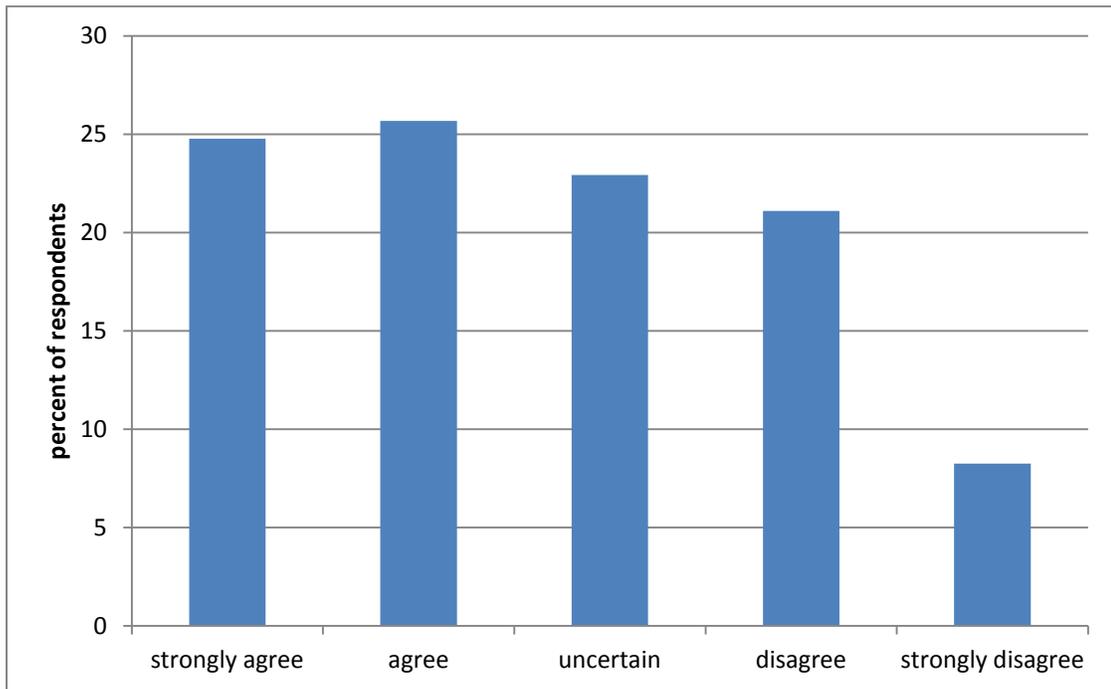
**Figure 4. 8: Cheap imported shoes are making the competition stiff**



Source: Owen survey, 2013

Figure 4.8 illustrates the effect of cheap imported shoes, whether they are making the competition stiff. Accordingly, 27 respondents (24.77 percent) strongly agreed. 42 respondents (38.53 percent) agreed, whereas 24(22.02 percent) of respondents are uncertain about it. 12 (11 .02 percent) of respondents disagreed and 4(3.67 percent) of respondents strongly disagreed with the statement. Therefore, as to majority of respondents' report cheap imported shoes is making the competition stiff. It seems that imported shoes which are cheap or their price is less, luring the domestic producers market. Kerin et al (1992) pointed out that price is often used to indicate value when it is paired with the perceived benefits of goods or services. Consumers who favorite low priced shoes and who are price sensitive are opting to buy them and this has its own influence on domestic producers. The result from this figure is similar with the result displayed by figure 2. The mean score of 3.55 shows that cheap imported shoes are having high level of influence on domestic producer.

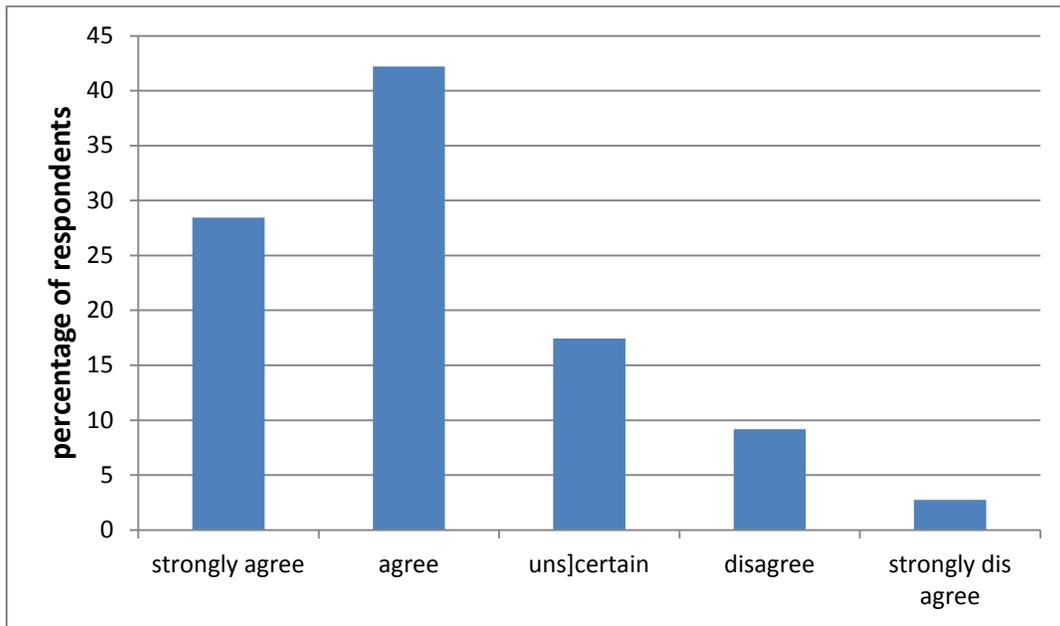
**Figure 4.9: imported shoes are making us to reduce price**



Source: Owen survey, 2013

Figure 4.9 shows the response of respondents for the question ‘imported shoes are making us to cut price’. Accordingly, 127(24.77 percent) of respondents strongly agreed while 28 (25.68 percent) of respondents. 25 respondents which accounted for 22.93 percent were uncertain about it. 23 respondents (21.10 percent) disagreed while 9 (8.25 percent) of respondent strongly disagreed with the statement. As a result, it seems that imported shoes are forcing the domestic producers to cut price as to majority of respondents’ response. Kotler (2008) indicated that price has been major determinant affecting consumer selection and import pressure can force the home producers to cut price.

**Figure 4.10: the range of variety of imported shoes is better than domestic shoes**



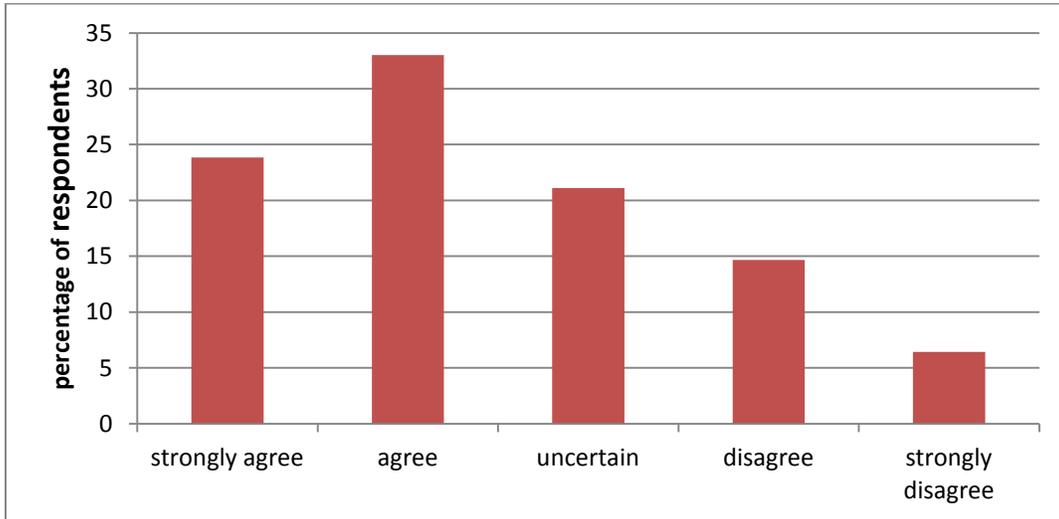
Source: Owen survey, 2013

Figure 4.10 illustrates the range of variety of imported shoes. Accordingly, 31 respondents (28.44 percent) strongly agreed that the range of variety of imported shoes is better than domestic shoes. 46 respondents (42.20 percent) agreed while 19 (17.43 percent) of respondents were uncertain about it. The rest, 10 respondents (9.17 percent) and 3 respondents (2.75 percent) disagreed and strongly disagreed respectively. Therefore, the range of variety of imported shoes is creating strong competitive pressure on domestic producers as it offers wider selection for consumers. The range of variety of imported shoes is appealing effect as they offer wider selection to the consumer as per the design/ style, attractiveness and the like. As reported by respondents their company is at disadvantageous position with regards to variety of shoes it produce and they are using a given model for many years. The range of variety of shoes sold in market is important to cater to the various perceptions of fashion and style (Khalid, 2003). In addition to the difficulty of copying the designs of the imported shoes, using old-fashioned models is a stumbling block in competing domestically as well as internationally for the domestic producer. The mean score of 3.84 indicated that the range of variety of imported shoes is

strongly affecting the domestic producers by offering the consumer wider level of selection

### 4.3 Taking import competition as an opportunity

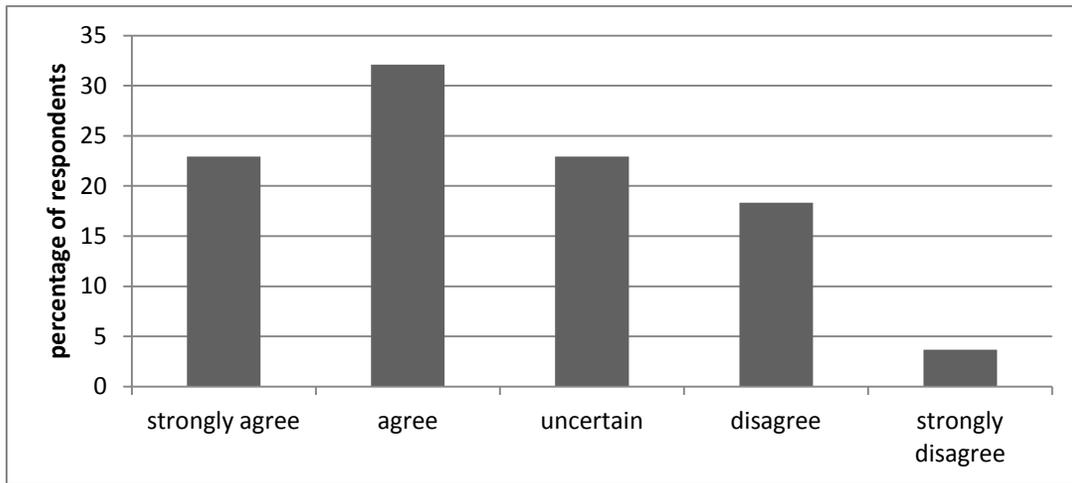
**Figure 4.11: Copying the design /style of imported shoes**



Source: Owen survey, 2013

Figure 4.11 shows that 26 respondents (23.85 percent) strongly agreed that their company is copying the design/styles of imported shoes 36 respondents(33.02percent) agreed.23 respondents (21.10 percent) of respondents were unsure. The rest, 16 respondents (14.67 percent) and 11 respondents (6.42 percent) said their company is not copying the design/ styles of imported shoes. Therefore, it seems that the footwear factories are copying the design/style of imported shoes as it is evidenced by the majority of respondents report. In an interview with the respondents similar response was given. The interviewees reported that their company copies the design/styles of imported shoes and it enables them to produce competing product. Being good imitator is one way of responding to a competitive attack (Kotler, 2008)

**Figure 4.12: taking competition from imported shoes as an opportunity to improve performance.**



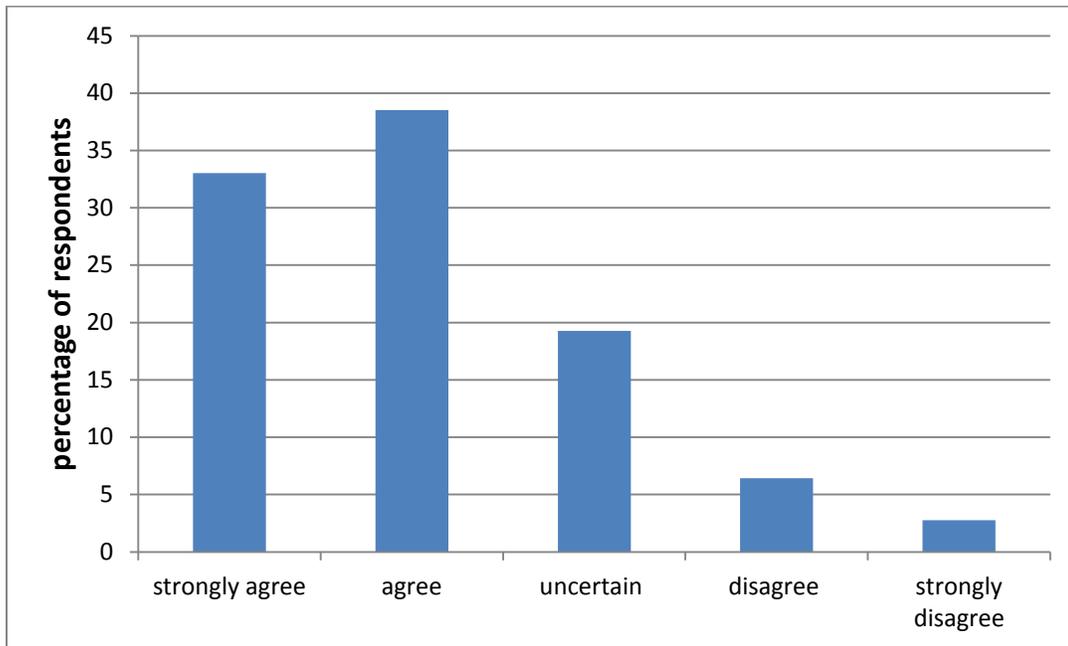
Source: Owen survey, 2013

Figure 4.12 illustrates the response of respondents for the question ‘taking import competition as an opportunity to improve. Accordingly, 25(22.93 percent) of respondent strongly agreed while 35 (32.11 percent) of respondents agreed that their company is taking import competition to improve performance. 25 (22.93 percent) of respondents were unsure. 20 (18.34 percent) of respondents disagreed whereas 4 (3.67 percent) of respondent said their company is not taking import competition as an opportunity to improve performance. In an interview conducted with respondents, the reply shows that the competitive challenges from imported shoes are seen as an opportunity to improve quality of shoes and to provide better customer value satisfaction. Bloom et al (2009) indicated that it is important to consider import competition as an opportunity to innovate and remain competitive. Therefore, it is possible to take positive things from import competition. Mean score 3.52 indicates that the domestic producers are seriously taking import competition as an opportunity to improve performance.

As to interview with respondents and for question asked they replied that coping strategies such as improving quality of finishing, improving design/style, increasing the range of variety of shoes produced, producing fashionable shoes are ways to counter the competitive pressure from imported shoe. Regarding the design improvement the

respondents reported that copying the design of imported shoes or copying from catalogue is used as strategy. studies conducted by (Nadvi, 1995) as cited by (Tegene, 2007) , it seems that the footwear factories are following the high road strategy The time it takes to cope design and manual method of copying is making copying design difficult as reported by respondents.

**Figure 4.13: the quality of our shoe is increasing as a result of import competition**

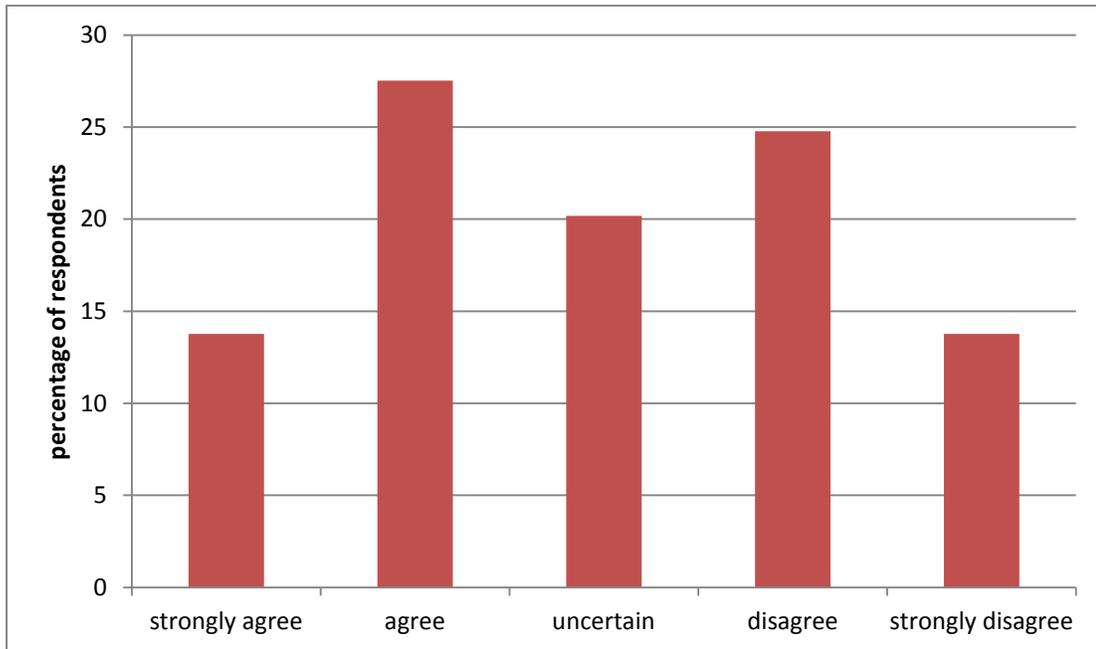


Source: Owen survey, 2013

Figure 4.13 illustrates the response of respondents for the question ‘the quality of our shoe is increasing as a result of import competition. 36 (33.02 percent) of respondent strongly agreed.42 (38.53 percent) of respondents agreed, while 21 (19.26 percent of respondents were uncertain whether their companies’ shoe quality is increasing as a result of import competition. The rest, 7(6.42 percent) of respondents and 3(2.75 percent) of respectively disagreed and strongly disagreed. As to the report of the majority of the respondents, the quality of the shoes that their organization produces is increasing as a result of import competition. Increased exposure to competition from imports enables the domestic producer to upgrade product quality and stay competitive (Fernandes, 2009).

Mean grade 3.92 indicates that the quality of the shoes the domestic producer produce is increasing as a result of import competition.

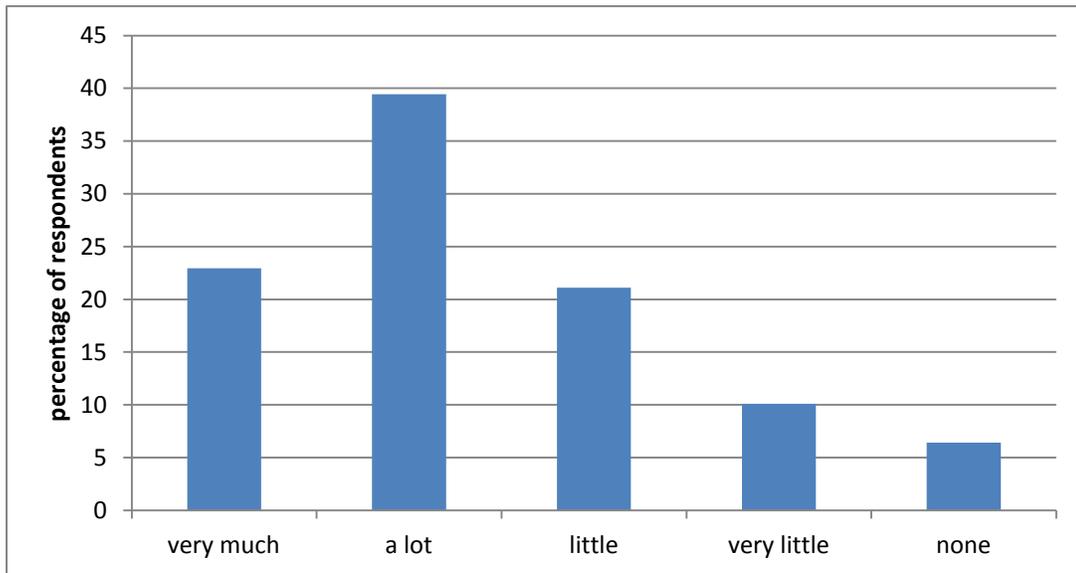
**Figure 4.14: our pricing takes in to consideration competition from imported shoes**



Source: Owen survey, 2013

Figure 4.14 shows whether the pricing of the footwear factories consider the price of imported shoes. Accordingly, 15 (13.76 percent) of respondents strongly agreed. 30(27.52 percent) of respondents agreed while 22 (20.18 percent) of respondents were uncertain whether their pricing considers imported shoe price. Finally, 27 (24.77 percent) and 15 (13.76 percent) of respondents answered that their company is not taking import competition into account in setting price. It seems that slightly the pricing of the domestic producers takes in to account the price of the imported shoes. The mean score of 3.02 indicates that the pricing of the domestic producer moderately takes into consideration the price of imported shoes.

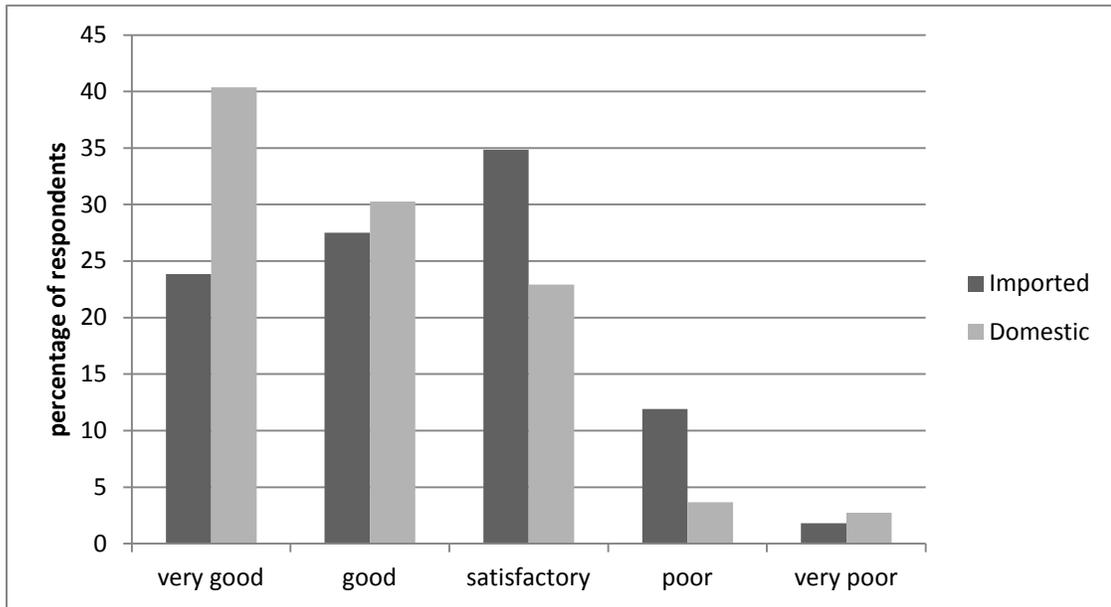
**Figure 4.15: the competitive pressure that the quality of imported shoes has on your company**



Source: Owen survey, 2013

Figure 4.15 illustrates the response of respondents for the question ‘how much competitive pressure does the quality of imported shoes have on your company’. In view of this, 25 (22.93 percent) of respondents said very much, while 43 (39.44 percent) of respondent answered a lot. It seems that the quality of imported shoes is posing strong pressure. 23 (21.10 percent of respondents said little. While the rest 11 (10.1 percent) and 7 (6.42 percent) of respondents respectively said very little and none. The mean grade of 3.23 shows that the quality of imported shoes has medium to high impact on the competitiveness of the domestic producer.

**Figure 4.16: The durability of shoes**

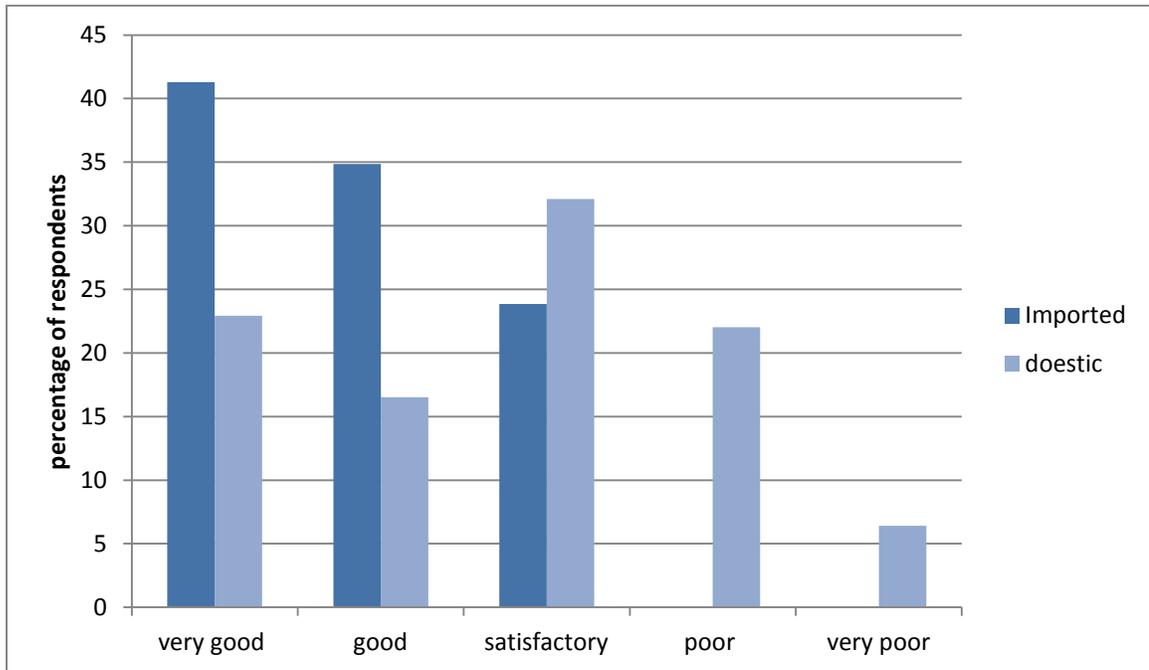


Source: Owen survey, 2013

Figure 4.16 shows durability of imported shoes and domestic shoes. Regarding the durability of imported shoes 26 (23.85 percent) respondents said very good while 30 (27.52 percent) of respondents said good. 38 (34.86 percent of respondents replied that the durability of imported shoes is satisfactory. The rest, 13 (11.92 percent) of respondents and 2 (1.83 percent of respondents reported that it is poor and very poor respectively. Regarding the durability of domestic shoes 44 (40.37 percent) of respondent and 33 (30.27 percent) of respondents reported that it is very good and good respectively. 25 respondents (22.93 percent) reported that the durability of domestic shoes is satisfactory. 4 (3.67 percent) and 3 (2.75 percent) of respondents reported that the durability of domestic product is poor and very poor respectively. The respondents reported that the local shoes are more durable than imported shoes in response to an interview. The mean score 4.01 shows that the durability of domestic shoes is better than that of imported shoes as the mean score of imported shoes is 3.59. therefore, it appears that domestic shoes are more durable than imported shoes as the analysis indicates. The study made by Endale (2011) indicated that domestically produced shoes are more durable than imported shoes. This is the advantage the domestic producers have over

imported shoes. But this advantage may be eroded by the importers if they can match that of domestic producers in providing durable shoes.

**Figure 4.17: the comfortably of shoes**



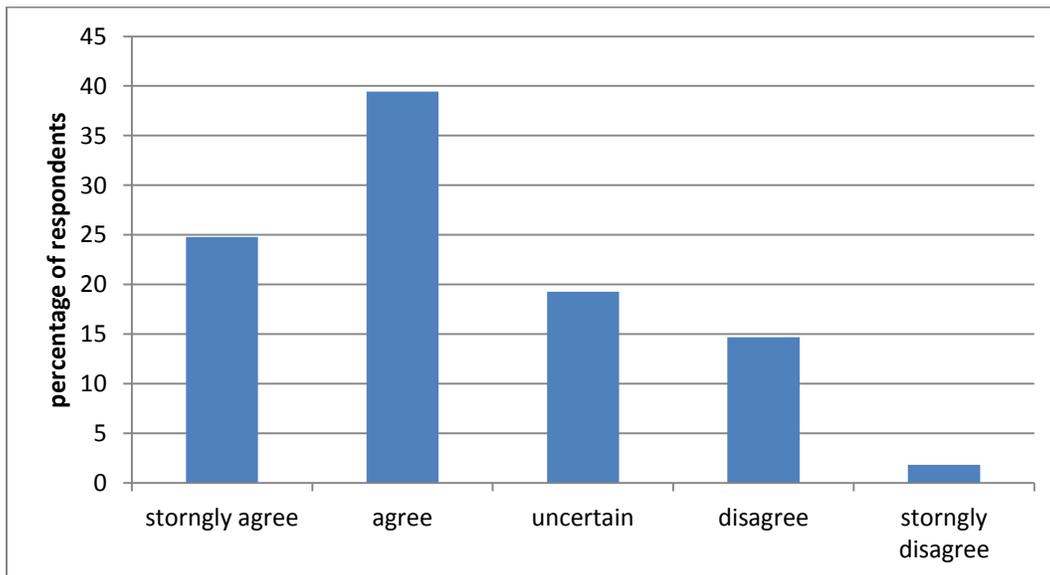
Source: Owen survey, 2013

Figure 4.17 indicates that the comfort ability of shoes. Regarding imported shoes 45 (41.28 percent) respondents reported that the comfortability of imported shoes is very good while 38 (34.86 percent) of respondents reported that it is good. 26 (23.85 percent) of respondents reported that it is satisfactory. Regarding the comfortability of domestic shoes 25 (22.93 percent) of respondents reported that it is very good while 18 (16.51 percent) of respondents reported that it is good 35 (32.11 percent) of respondents reported that the comfortability of domestic shoes is satisfactory. The rest, 24 (22.01 percent) of respondents and 7 (6.42 percent) of respondents said the comfortability of domestic shoes is poor and very poor respectively. Comfort shoes enable consumers to move easily and enjoy more comfortably and also appealing to eyes ([www.comfortshoesuk.com](http://www.comfortshoesuk.com)).

The mean score of 4.17 indicated that imported shoes are highly comfortable than that of shoes as the mean score of that of domestic shoes is 3.37 as shown by the analysis.

#### 4.4 The strategies of foreign competitor

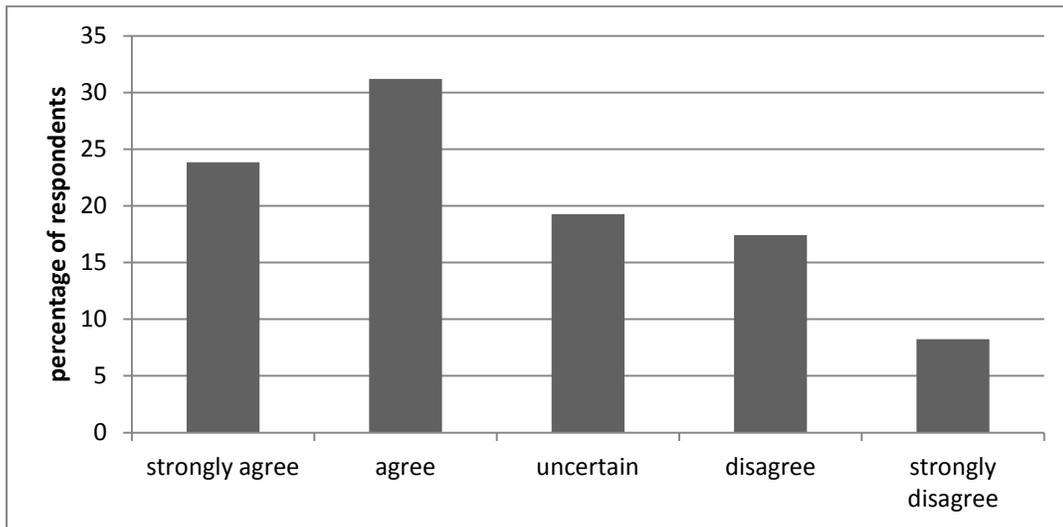
Figure 4.18: using low price



Source: Owen survey, 2013

Figure 4.18 shows the response of respondents whether foreign importer is using low price strategy to influence the domestic producers. Accordingly, 27 (24.17 percent) of respondents strongly agreed while 43 (39.45 percent) of respondents agreed. 21 (19.26 percent) of respondents were uncertain about it. 16 (14.67 percent) of respondent disagreed and lastly, 2(1.83 percent) of respondents strongly disagreed with that idea. As to the response of the majority of respondents low price strategy was used to influence the domestic producer. It appears that penetration pricing is used here. Competing with price means that customers are first and foremost motivated by price and producers will have to provide low price to be successful. The mean score of 3.71 indicates that low price strategy is used by the foreign exporter to influence the domestic shoe producer.

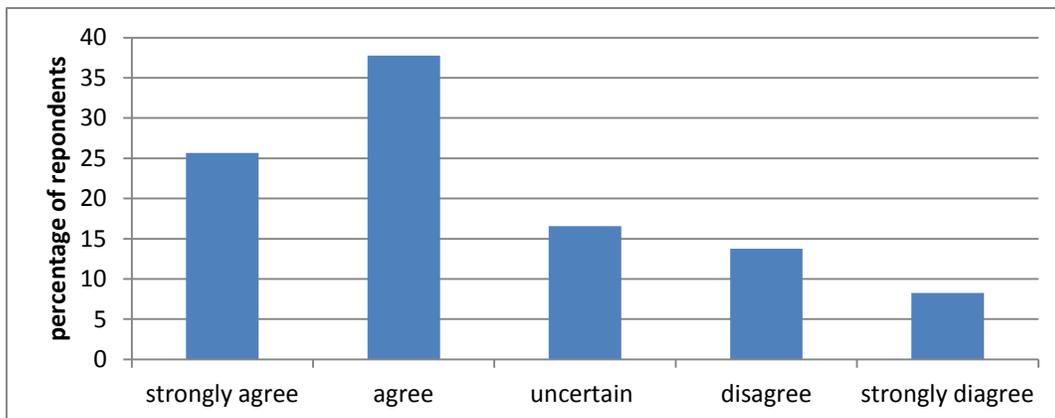
**Figure 4.19: using high quality shoes**



Source: Owen survey, 2013

Figure 4.19 displays whether the foreign exporter impacts the domestic producer using high quality shoes. As a result, 26 (23.85 percent) of respondents strongly agreed whereas 34 (31.19 percent) of respondents agreed. 21 (19.26 percent) of respondents were unsure of it. The others, 19 (17.43 percent) and 9 (8.25 percent) of respondents disagreed and strongly disagreed respectively. It appears here that providing high quality shoe to the market seems strategy used by shoe importers to influence the domestic producers with the mean of 3.71.

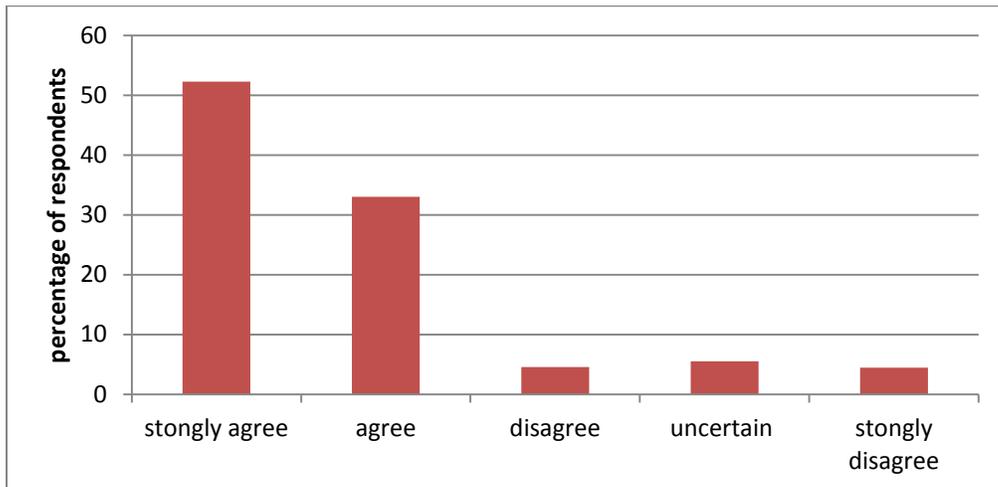
**Figure 4.20: making imported shoes available anywhere even at local places**



Source: Owen survey, 2013

Figure 4.20 indicates the response of respondents for the question whether foreign exporters make product available anywhere even at local market to influence the domestic producers. As a result, 28 (25.68 percent) of respondent strongly agreed. 39 (37.78 percent) of respondents agreed, while 18 (16.51 percent) of respondents were uncertain about it. The rest, 15 (13.76 percent) and 9 (8.25 percent) of respondents respectively disagreed and strongly disagreed. It seems that the exporters' wider distribution coverage in home is influencing the domestic producer. Availability and delivery is also a strategy used by the foreign exporter as indicated by the mean score of 3.57.

**Figure 4.21: using attractively designed fashion shoes**



Source: Owen survey, 2013

Figure 4.21 shows the response of respondents whether foreign exporter impacts the domestic producers by using attractively designed fashion shoes. Accordingly, 57 (52.29 percent) of respondents strongly agreed while 36 (33.02 percent) of respondent agreed. 5 (4.58 percent) of respondents were uncertain about it. 6 (5.50 percent) and 5 (4.58 percent) of respondents were disagreed and strongly disagreed respectively. Therefore, using attractively designed shoes was the strategy by the foreign exporter to influence the domestic producer. The mean score of 4.00 indicates that the foreign exporter is influencing the domestic producer by using attractively designed fashion shoes.

Distinctively designed products can be used as a competitive weapon in winning consumers mind and lure them from competitors (Kotler, 2008)

The respondents also reported the support that their organization needs in order to be competitive and even excel. They reported that their company needs highly educated workers, high technology, timely imported inputs, credit services, tax-free imported inputs, training for designer's marketers, production and finance teams. They also reported that high quality leather supply is required, training is needed on how to use machines, supply of raw materials at needed time. They also reported that their company needs cost saving production machines; it is good if government facilitate importation of input on time. They also said that they need experience sharing from those who excelled in shoe production such as Italian companies.

## **Chapter Five: Summaries, Conclusion and Recommendations**

The aim of this chapter is to summarize the major findings of the study, to make conclusion and recommendation. The first section presents the summary of the findings. The second section deals with conclusions. The third section presents possible suggestions/recommendation.

### **5.1 Summary**

This section summarizes major findings of the investigation as follows

The finding of the study indicated that imported shoes are pressurizing the domestic producer as to the response of 68.81 percent. 31.19 percent of respondents reported that there is no pressure from imported shoes.

Regarding question asked to show the influence that imported shoes are creating on their company's market the respondents reported that low priced imported shoes are creating competitive pressure. Some said imported shoes are of quality. The respondents also reported that consumer preference for imported shoes is due to their comfort ability and variety to offer wider selection. They reported also the foreign exporter is at advantage of high technology and uses cost saving machines which will enabled them to gain competitive advantage. The respondents also reported that imported shoes are attractive and have the ability to lure our customers and their finishing quality is superior.

Regarding the question why imported shoes are a threat to domestic producer, the respondents replied in writing that imported shoes are fashion design and attractive, are of strong sol, are synthetic, they have finishing quality the production cost can be low since the foreign exporter uses high technology, consumers prefer imported shoes to domestically produced shoes and their ability to offer wider selection. Respondents also responded in similar manner for an interview whether imported shoes are a threat to domestic producers. Imported shoes are more of a fashion and have design superiority compared with domestically produced shoes.

Around 60 percent of respondents said that low priced imported shoes are posing strong pressure.

79.19 percent of respondents reported that superior design/style of imported shoes is influencing the domestic producers' competitiveness. In an interview conducted with respondents, imported shoes create pressure because of design/style superiority. The design/ style of imported shoes are imposing strong pressure on the competitiveness of the domestic producer with mean score of 3.97.

75.14 respondents reported that fashion and attractiveness of imported shoes made the domestic producers ability to compete strong. In an interview respondents also said that being attractive and fashion enabled imported shoes to win the minds of our consumers. The mean score 4.06 shows that fashionable and attractive imported shoes are making the competition stiff.

The availability of imported shoes even at a local level widely (reliability in delivery and supply) is making the competition stiff. Accordingly, 38 respondents (34.86 percent) strongly agreed. 37 (33.94 percent) respondents agreed. 17 respondents (15.59 percent) are uncertain. Mean score 3.74 indicates that timely delivery and availability of imported shoes in local market is imposing pressure on the domestic producer.

Figure 4.7 indicated that more than 50 percent of respondents reported that consumer preference for imported shoes is hurting their company. Consumer preference for imported shoes is having high level of pressure on the performance of the domestic producer with mean score of 3.74.

The range of variety of imported shoes is making the competition difficult as 70 percent of respondents reported. The mean score of 3.84 indicated that the range of variety of imported shoes is strongly affecting the domestic producers by offering the consumer wider level of selection.

Figure 4.11 showed that 55.87 percent reported that their company is copying the design/styles of imported shoes.

Regarding taking import competition as an opportunity to improve, 55 percent of respondent reported that their company is taking import competition to improve performance. Mean score 3.52 indicates that the domestic producers are seriously taking import competition as an opportunity to improve performance. It was reported that copying strategies such as upgrading quality, improving shoe design/style increasing product variety are strategies by which domestic producers can counter the pressure from import competition.

Figure 4.13 indicated that 71.52 percent of respondents reported that the quality of our shoe is increasing as a result of import competition. Mean grade 3.92 indicates that the quality of the shoes the domestic producer produce is increasing as a result of import competition.

As to the response of the majority of respondents low price strategy was used to influence the domestic producer. The mean score of 3.71 indicates that low price strategy is used by the foreign exporter to influence the domestic shoe producer.

The mean score 4.01 shows that the durability of domestic shoes is better than that of imported shoes as the mean score of imported shoes is 3.59 .therefore, it appears that domestic shoes are more durable than imported shoes as the analysis indicates.

The mean score of 4.17 indicated that imported shoes are highly comfortable than that of domestic shoes as the mean score of that of domestic shoes is 3.37 as shown by the analysis.

The exporters' wider distribution coverage in home is influencing the domestic producer. Availability and delivery is also a strategy used by the foreign exporter as indicated by the mean score of 3.57. 63.46 percent of respondent reported that availability and delivery is a strategy used by importers to influence the domestic producer.

The finding also indicated that low price and high quality shoes are used as strategy by foreign competitor to impact the domestic producer as reported by 70 (63.62 percent) respondents

85.11 percent of respondents reported using attractively designed shoes was the strategy by the foreign exporter to influence the domestic producer. The mean score of 4.00 indicates that the foreign exporter is influencing the domestic producer by using attractively designed fashion shoes.

The respondents reported that their company needs highly educated workers, high technology, timely imported inputs, credit services, tax-free imported inputs, training for designer's marketers, production and finance teams. They also put in writing that high quality leather supply is required, training is needed on how to use machines, supply of raw materials at needed time. They also reported that their company needs cost saving production machines; it is good if government facilitate importation of input on time. They also said that they need experience sharing from those who excelled in shoe production such as Italian companies.

## 5.2 Conclusion

Based on the analysis carried out the following conclusions are made below.

The study indicated that the majority of respondents reported that there is pressure from import competition. Imported shoes pose pressure on domestic producers through design/style, fashion, consumer preference and ability to offer wider selection (variety).

Imported shoes are a threat to domestic producers as they are more attractive, fashion and superior in design, have finishing quality and due to consumer preference as indicated in the study.

As the investigation shown, low priced, quality imported shoes are creating competitive pressure on domestic producers. The design/ style of imported shoes are also making the competition difficult.

As to majority of respondents' report cheap imported shoes is making the competition stiff. It seems that imported shoes which are cheap or their price is less, luring the domestic producers market.

Fashion and attractiveness of imported shoes made the domestic producers ability to compete difficult. In an interview respondents also said that being attractive and fashion enabled imported shoes to win the minds of our consumers. Consumers also favorite imported shoes because of the prestige associated by using them.

The availability of imported shoes even at a local level widely (reliability in delivery and supply) is making the competition stiff. The study showed that imported shoes are forcing the domestic producers to cut price as to majority of respondents' response.

The range of variety of imported shoes is creating strong competitive pressure on domestic producers as it offers wider selection for consumers. The range of variety of imported shoes is appealing effect as they offer wider selection to the consumer as per the design/ style, attractiveness and the like.

The study indicated that the footwear factories are copying the design/style of imported shoes as it is evidenced by the majority of respondents report. In an interview with the

respondents similar response was given. The interviewees reported that their company is copying the design/styles of imported shoes and it enables them to produce competing product.

The study showed that the competition from imported shoes are seen as an opportunity to improve quality of shoes and to provide better customer value satisfaction. It was reported that copying strategies such as upgrading quality, improving shoe design/style increasing product variety are strategies by which domestic producers can counter the pressure from import competition. Therefore; it is possible to take positive things from import competition.

As to the report of the majority of the respondents, the quality of the shoes that their organization produces is increasing as a result of import competition. The study indicated that slightly the pricing of the domestic producers takes in to account the price of the imported shoes.

As to the response of the majority of respondents low price strategy was used to influence the domestic producer. The finding also indicated high quality shoes are used as strategy by foreign competitor to impact the domestic producer

As the study indicated, the domestically produced shoes are more durable than that of imported shoes. In terms of quality of comfort, imported shoes are the leader.

It seems that the exporters' wider distribution coverage in home is influencing the domestic producer. The study indicated using attractively designed shoes is the strategy by the foreign exporter to influence the domestic producer.

Highly educated workers, high technology, timely imported inputs, credit services, tax-free imported inputs, training for various teams. High quality leather supply is required, training is needed on how to use machines, supply of raw materials at needed time. The sector needs cost saving production machines; it is good if government facilitate importation of input on time. They also reported that they need experience sharing from those who excelled in shoe production such as Italian companies

### **5.3: Recommendations**

In this part some important recommendations are forwarded based on the findings of the research.

The domestic shoe producers should improve its competitiveness by using better design.

The domestic shoe producer should focus on producing fashionable by changing styles than using shoe models for longer periods.

The domestic producers should upgrade the quality of shoes specifically finishing quality and quality of comfort in order to be competitive. Regarding finishing quality it is better to imitate from imported shoes.

It is advisable for the domestic producers to increase the range of variety of the shoes they are producing as it enables consumers to have wider selection.

The domestic producers should be a good copier and fast learner responding to the competition from imported shoes.

The domestic producers should continue in learning and copying the design/styles and considering import competition as an opportunity to improve performance.

It is advisable if government support the domestic producers by facilitating tax free importation of important inputs, facilitating in home production of important inputs, on time delivery of imported inputs.

There should be a support by stakeholders through giving training to employees; introduction of better machinery, quality control, collaboration, benchmarking that will make stronger shoe producers from the supply side.

It is advisable for domestic producers improve their pricing that cater to price sensitive customers and also promote their product to convince consumers.

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# Appendix I

Mekelle University  
College of Business and Economics  
Department of Management  
Master of Business Administration

Dear respondents,

This questionnaire is designed to collect data on “assessing the effect of imported shoes on domestic producers”. The intention of the study is to fulfill a thesis requirement for the Masters of Business Administration (MBA) at Mekelle University. Your highly valued responses for the questions are particularly important for doing well my thesis. The information that you provide will be used only for the purpose of the investigation and will be kept strictly confidential. You do not need to write your name. Finally, I would like to thank you very much for your cooperation and spending your precious time for my request. Indicate your response by putting a tick (√) in the provided box and circling the options you choose.

1. Age 18- 29  30 -40  >40

2. Sex Male  Female

3. Educational level

1-8  9-12  diploma  degree and above

4. Occupation \_\_\_\_\_

5. Do you think that imported shoes are posing pressure?

Yes  No

6. Show in writing the influence that imported shoes posing/creating on your market \_\_\_\_\_  
\_\_\_\_\_

7. May you show in writing the reason for which imported shoes are a threat to domestic shoe producers?  
\_\_\_\_\_  
\_\_\_\_\_

Please rate the effects that imported shoes pose on domestically produced shoes in terms of price, quality, and product design/style product availability. Put your response by circling the options provided. Strongly agree=5, agree=4, uncertain=3, disagree=2, strongly disagree=1:

S.N	Items	Strongly agree	Agree	Uncertain	Disagree	Strongly Disagree
8	Low priced imported shoes are making competition stiff.	5	4	3	2	1
9	Low quality imported shoes are imposing strong pressure.	5	4	3	2	1
10	Imported shoes are better in design/style than domestic shoe	5	4	3	2	1
11	Attractiveness or fashionable imported shoes is making the competition difficult	5	4	3	2	1
12	The availability of imported shoes even at local market widely is making competition stiff.	5	4	3	2	1
13	Consumer preference for imported shoes is hurting us	5	4	3	2	1
14	Cheap imported shoes are making competition stiff	5	4	3	2	1
15	Imported shoes are making us to reduce price.	5	4	3	2	1
16	The range of variety of imported shoe is better than domestic shoes.	5	4	3	2	1

Taking import competition as an opportunity

		Strongly agree	Agree	Uncertain	Disagree	Strongly Disagree
17	We are copying the design/style of imported shoes	5	4	3	2	1
18	We are taking competition from imported shoes as an opportunity to be competitive.	5	4	3	2	1
19	Our quality of shoe is improving as a result of import competition.	5	4	3	2	1
20	Our pricing takes in to consideration the competition from imported shoes	5	4	3	2	1

		Very much	a lot	Little	very little	None
21	How much competitive pressure does quality of imported shoes has on your company?	5	4	3	2	1

		Very good	Good	Satisfact	Poor	Very poor
22	How do you rate of durability of imported shoes?	5	4	3	2	1
23	How do you rate of durability of domestic shoes?					
24	How do you rate of comfortably of domestic shoes?					
25	How do you rate of comfortably of domestic shoes?					

Rate ways/strategies by which foreign exporters impact domestic suppliers.

		Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
26	Using low price	5	4	3	2	1
27	Using high quality shoes	5	4	3	2	1
28	By making products available anywhere in market	5	4	3	2	1
29	Using fashionable& attractively designed shoes	5	4	3	2	1

30. In your view show by writing the support that your organization needs in order to be competitive and even excel.

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31. Please show in writing the coping strategies that your company adopted in order to counter the competitive pressure from imported shoes

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32. If you have any comment/suggestion please write on the space below

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### **Interview**

The researcher would like to promise you, interviewees that the information you will provide will undoubtedly be kept secret.

1. Do you think that imported shoes are a threat to your firm?
2. How are these imported shoes posing an influence on your performance?
3. Do you think that it is possible to take positive things from import competition?
4. What support does your company need to improve competitiveness and even excel?
5. What are the coping strategies adopted by domestic producers to counter the competition from imported shoes?