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THE SHOE INDUSTRY
IN
LEBANON

By

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Bata S.A.L., holder of Lebanese National Merit, 1957

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Pehlivan Shoes ; the owner is considered as an authority in the subject.
Mr. H. Pehlivanian's name is mentioned sometimes as source for tables.
Regent Shoes, winner of 6th prize in Oisterwijk, Holland among 115

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TABLE OF CONTENTS

	Page
ACKNOWLEDGMENT	iv
LIST OF TABLES	viii
INTRODUCTION	1
Chapter	
I. THE EVOLUTION OF THE INDUSTRY	4
A. Evolution of the Industry in the West	6
B. Evolution of the Industry in Lebanon	9
II. THE PATTERN OF PRODUCTION	12
A. Main Factors of Production	12
1. Machines v/s Tools	12
2. Moulds and Design Patterns	14
3. Labour	14
4. Raw Materials	15
B. Processes of Shoe Manufacturing	16
1. The Master Craftsman, the Backbone of the Handicraft System	17
2. Modern Factory Processes	18
a. The Goodyear Welt System	19
b. The Moulder Process	20
C. The Degree of Specialization in Lebanese Firms	21
III. THE STRUCTURE OF THE INDUSTRY	24
A. Main Features	24
1. Types of Firms	24
2. Number and Organization of Firms	26
3. Size of the Industry and Firms	28

	Page
a. Invested Capital	28
b. Number of People Employed	29
c. Material and Labour Inputs	31
d. Total Physical Output	32
4. Location and Age of Firms	35
B. Market Structure and Competition	37
1. Types of Products	37
2. Product-line and Product Development	39
3. Price Determination	40
4. Sales Promotion	42
IV. PROBLEMS FACING THE INDUSTRY	45
A. Production	45
1. Components	46
2. Labour	47
3. Machinery	51
4. Processes and Moulds	53
B. Managerial	55
C. Financial	57
D. Marketing	58
1. The Local Market	59
2. Foreign Competition	61
3. Exports	63
V. PUBLIC POLICY AND THE FUTURE OF THE INDUSTRY	67
APPENDIX A	75
APPENDIX B	
APPENDIX C	
APPENDIX D	
APPENDIX E	
APPENDIX F	
BIBLIOGRAPHY	

LIST OF TABLES

Table	Page
1. Approximate Classification of Retail Stores According to Specialty, 1963	25
2-a. Number of Manufacturing Firms, 1955	26
2-b. Type of Organization, 1955	27
3. Number of Manufacturing Firms, 1963	27
4. Invested Capital in Shoe Industry, 1963	29
5. Number of People Employed, 1963	30
6. Labour Employed in the Shoe Industry, 1955	30
7-a. Direct Cost of Material Inputs, 1963	31
7-b. Direct Cost of Labour Inputs, 1963	31
8-a. Average Consumption of Shoes in Five Districts Divided into Sex and Age Distribution, 1963	33
8-b. Annual Shoe Consumption in Five Districts, 1963	34
9. Geographical Distribution of Activity, 1963	36
10. "Par tete" Production of Women's Shoes, 1963	49
11. Annual Shoe Production for ABC Firm, 1963	52
12. Money Value and Quantity of Imports, 1958-61	62
13. Money Value and Quantity of Exports, 1946-1950	63
14. Money Value and Quantity of Exports, 1958-1961	65

LIST OF EXHIBITS

Exhibit	page
1	32
2	32
3	76
4	76
5	77
6	78
7	78
8	80

INTRODUCTION

The structure of the Lebanese economy is fundamentally an economy of services. The contribution of Industry Sector to the National Income has varied in the last two decades between 12-14% employing about 15-20% of labour force.

The origin of all the existing industries has been handicrafts. At times unfavourable factors have retarded industrial growth, such as, the economic policy of the Mandatory Powers. Favourable factors on the other hand have stimulated industrial development during World War II.

The majority of the Lebanese industries are characterized by a predominance of family firms, where the organization structure is the individual proprietorship, which confront certain handicaps such as, a narrow domestic market where local products are in severe competition with foreign products, lack of skilled labour and managers, shortage of long term capital, marketing deficiencies and low productivity of labour, which retard industrial growth.

The government has set tariffs, sometimes as high as 60% in order to protect local industries. However, industry in Lebanon is in the hands of the private sector with minimum state interference, although the latter has tried to assist in various ways for industrial growth, such as, trade agreements, the establishment of the Industry

Institute the promulgation of several legislations to stimulate local and foreign investments in Lebanon and a Planning Board to accelerate industrial development.

The shoe industry in Lebanon, as a prototype of local industry, is in a transitional period from the handicraft stage to a mechanized system of production. Production is still in the putting-out system, the use of human power predominates over machines, production is in the hands of small workshops operating between 2-25 people, where process specialisation has still frontiers to cross, and technical education is acquired from master craftsmen. However, the urge is felt by a great number of manufacturers to mechanize production.

The reasons for writing about the shoe industry in Lebanon have been the following:

a. There has been no previous study of the shoe industry, in Lebanon. Shoemaking has been reported as a handicraft, and no importance has been given to it by any surveyor as a distinct industrial unit. However, leather shoes can be classified at present as a handicraft in transition to industry and rubber shoes as an industry.

b. The availability of information and the cooperation expected by the people concerned has been a major impetus to proceed with this paper.

c. Personal interest and experience in the industry, and a desire to commemorate the fiftieth anniversary of the writer's father in the business, have ultimately been complementary reasons to study this particular industry.

Efforts have been made to avoid overlapping and to decrease it to a minimum. Due to lack of statistical data, the writer has tried to get the required information through questionnaires and the way this survey has been carried out is explained in Appendix A.

This work has been divided into five major sections: Chapter I describes the evolution of the industry in general and in Lebanon after 1850; Chapter II is rather a technical approach to the subject; Chapter III gives a full sketch of the structure of the industry, its main features, market and competitive characteristics; Chapter IV is an analytic study of the industry; Chapter V shows the responsibility of the state and gives tentative conclusions and forecasts; finally, six appendixes try to complete the paper by supplementary information and data.

The study includes only leather and rubber shoe manufacturing firms and retail stores; it excludes component manufacturing firms, cobblers, wooden and plastic shoe manufacturers.

CHAPTER I

THE EVOLUTION OF THE INDUSTRY

One of the oldest crafts by origin and a well-recognized industry at present, the shoe industry shows changes that are closely related to the social and economic evolution of human life.

The commodity named "shoe" is vital to the civilized human being. History points out that shoes have often been one of the items of dress indicating social and economic class.

In elaborating the subject of this chapter into more details, it is pertinent to explain the main line of thought that follows in the next pages. A short survey on the evolution of shoes is given; it is followed by tracing the evolution of the industry in the West where the craft has already been industrialized. In Lebanon, the industry is still in a transitional period; so the final pages describe the evolution of the industry in Lebanon.

Old paintings and history show that ancient people--Egyptians, Greeks and Romans, and many others have used sandals (the simplest form of footwear) to protect the soles of their feet. The sandal was attached to the foot by skin or hide straps. With the advance of civilization, other parts were added gradually to the sandal, sometimes as ornaments and sometimes as protection to the foot, until the sandal became the modern shoe.

Raw materials used for sandals have been mainly skins, tanned hides and papyrus.

Age, law and climate had had a great effect on the need of wearing shoes, e.g., a law obliged the Spartans to walk barefoot except when they had to walk at night, during hunt or at war.

In Athens, those who were accustomed to austere life used no shoes except when it was cold or it was necessary to walk on rocks. Athenians had many types of shoes. Some people used to cover the foot entirely while others covered a part of it. One type of shoe was common for both sexes. Black was a uniform colour for gentlemen. Ladies had precious metal and stone ornaments on their shoes.

The Romans were used to barefoot living, too. The use of shoes came with the conquest of Asia which offered Rome luxury and wealth. Types of shoes, both in Greece and Rome, indicated position and social class¹ e.g., philosophers, kings, magistrates and generals could be differentiated by their shoes. Slaves were barefoot.

The social and economic form of shoe-wearing went on in the West through the Middle Ages. Modern footwear has its beginning in the days of Feudalism. Later, Renaissance art and culture decreased relatively the wide difference which had existed among classes and position. However, peasants wore crudely tanned shoes, while barons had refined leather and slipper-like shoes.

In 1785, right and left lasts were introduced into England.²

¹Fitzgerald, Raymond, "Boots and Shoes," Encyclopaedia Americana, 1963 Edition, Vol. 4, p. 255.

²Ibid., p. 256.

Foot anatomy and comfort was stressed in the beginning of the 19th century in Europe.

In modern times, the different shoe usage by people is the result of social and economic class and varying beliefs about tradition and climate. Modern footwear is the outcome of urbanization, change of technology, new ways of transportation and the evolution of socio-economic classes.

A. EVOLUTION OF THE INDUSTRY IN THE WEST

Shoemaking is an old craft. Man has started to make shoes by simple handwork and with the aid of tools. In the early Middle Ages, feudal landlords owned almost all the craftsmen including the shoemakers. With the fall of Feudalism, there came the rise of the free master-artisans scattered all around the Western countries--in palaces, cities and villages.

Mechanization in the craft came only after the Industrial Revolution. The mechanical processes introduced standardization in shoe manufacturing, mass production, reduction in the prices of shoes, comfort and relative durability. Until then, shoes were produced according to the individual order (fitting shoes to the foot of the wearer). With standardization, a production line method of shoemaking was possible. Earliest machine-made shoes were made on a machine invented in England in 1810 by Isambard Brunel.¹

Improvements in shoe manufacturing developed in the 19th century by the invention of various machines. These machines performed

¹Ibid., p. 256.

separate operation, previously done by hands, quickly and resulted in more division of labour. Elias Howe's sewing machine in 1846, together with the invention of McKay stitching machine in 1857 are considered to be major landmarks in the history of shoe manufacturing techniques. By these new methods of shoe construction, it was possible to have uppers stitched on machines and, also to have automatic sewing of the outer sole to the inner sole, an operation which was previously performed by nails and wooden pegs. There are still workshops which use the old methods. Various other machines for different other operations, such as, rolling, slitting and die-cutting of leather were invented about the same time.

The beginning of the 20th century is considered a period of great progress because new processes and technical improvements were developed. The so-called Cement process of attaching shoe bottoms is the latest stride in shoe manufacturing together with the Goodyear Welt Method of production technique and the so-called Littleway Lock-stitch process. The most recent development, that has occurred in Los Angeles, is the California process of shoe construction. Improvements in machinery and new processes of shoe manufacturing have tended to decrease labour and material costs, sometimes even at the expense of foot comfort.

At present, one pair of shoes still require as many as 150-170 different operations in production. This reflects the high degree of division of labour, where sometimes for each operation a machine is required. The modern shoe manufacturer needs between 50 to 150 different types of materials to produce one pair of shoes.

The style problem in the industry became important in the beginning of the 20th century. Until then, shoes were mainly objects of utility for the masses. Heels, colour, fashion, appearance and comfort became to be important elements for the consumer as well as the manufacturer.

Today, almost all firms, if not four times, at least once a year redesign their styles. Every country in the West has a number of technical publications, and new styles for each season, materials, labour saving machines and equipments, marketing and fairs, all related to footwear, are treated extensively.

Improvements in leather have introduced new types of shoes. Natural and synthetic rubber has become a close substitute for both upper and sole leather. Other synthetic materials, such as, plastics, nylon, and cotton or linen fabrics have been used during and after World War II, due to the wartime shortage of leather.

The modern shoe manufacturer, together with all the other improvements (in style, materials, marketing and know-how), has perfected last-making (which is based on foot anatomy), a distinctive profession, in itself and the basis for both style and comfort to the wearer.

The industry has concentrated in areas where raw materials and skilled labour have been readily available, and, in the case of high-style ladies' footwear, near the market (as in Long Island City).

At present, Western countries have specialized technical colleges for the industry where candidates learn style, foot anatomy,

manufacturing know-how, raw materials and marketing techniques (practical and theoretical).

B. EVOLUTION OF THE INDUSTRY IN LEBANON

Little is known about shoemaking and shoes in Lebanon, and what knowledge there is about the craft comes either from paintings, photographs, or interviews with some old master artisans, or from foreigners who have lived in Lebanon.

Henry Guys, the French consul in Beirut in 1844, in his survey on the Syrian trade, mentions the main imports and exports between Beirut and Marseilles. Leather is one of the imported items; there is no hint whatsoever about shoes being either imported or exported. Shoemaking was not an industry in the West even during this period. It became a factory industry only in the second half of the 19th century.

In Lebanon, the master craftsman was the shoemaker of the family. He used various tools, his hands and his knees to make one pair of shoes. The consumer was satisfied by whatever he received.

The earliest photographs of shoes used by the founders of AUB, back in 1870, show leather shoes, covering the foot completely and having a left and a right form. Other photographs show laced shoes, having thick leather soles. These shoes were those worn by the college staff of the Syrian Protestant College. Photographs and paintings of shoes of the rural population show footwear made of raw leather, sometimes covering the foot--high boots, and sometimes slippers--easily taken out of the foot.

Abdallah Khattab, a 70 year old shoemaker, tells the following: "Machinery was first introduced into Lebanon by Singer; there was no ready-made footwear then; production was based on orders. As there was a souk (market) for every article sold in Beirut, there was a souk for shoes too. During the Ottoman rule, the Red Yemeni was a popular style-- red slipper. Leather and other important raw materials were imported. One had to wait for a month to have a pair of shoes."

Another 70 year old master, Ahmad Srougi, tells the following: "I have experienced three times in my lifetime the style changes of the shoe last from a pointed toe to a flat (round, square) toe form. There were about 100-120 masters in 1910. Every war introduced changes. One major aspect of the craft which still exists is the closeness of the workshop to its retail store." Speaking about machinery, Mr. Chaftari, a famous foot orthopedist, said that one of the local masters had introduced machinery in 1912, but he had failed. To my enquiry he replied that ready-made shoes did not then have consumer acceptance, because the latter considered ready-made shoes as non-durable and of bad quality; in a popular term, bazari, which in Arabic means cheap. Although today the sale of ready-made shoes is dominant in the market, there are still consumers who for one reason or another favour "order" shoes.

After the First World War, with the influx of the Armenian refugees into Lebanon from Cilicia, many new craftsmen settled in Beirut. After a few years, the "Souk el Arman" (the Armenian market)

was established; one could see both master craftsmen and retail stores in this market. Many of these people came originally from Constantinople, then a center of variety, taste, and style.

Gradually, the master craftsman lost ground. In 1932, Bata, the world famous Czech shoe firm opened its doors in Beirut with low-priced machine-made shoes. Private workshops using machines started to take over the production of footwear, with limited machinery.

Lebanon exported shoes to almost all the Arab countries, to France and her colonies and to Ethiopia, and imported rubber shoes and winter boots from France during the Mandatory period.

With the outbreak of the Second World War and the closing of the sea routes, shoemaking started to have more importance due to the increased need of shoes from the neighbouring countries and the presence of the Allied armies.

At present, some of the local firms have adopted all the technical improvements that the West has been able to develop.

With the change in social life in Lebanon, new means of transportation and urbanization, shoes started to have a refined appearance in style, colour and construction.

In 1947, the Shoe Manufacturers Association was founded and in 1955, the Labour Union of the shoe employees was authorized.

Today, there are still a considerable number of master craftsmen in Lebanon; only a few of them are working for their own. Production is in the hands of a few hundred workshops and a score of modern mechanized factories.

CHAPTER II

THE PATTERN OF PRODUCTION

Processes, machine technology, know-how and raw materials have been in constant change in the past seven decades.

After World War Two, the concentration of efforts tended to decrease the cost of inputs to a minimum. New ways of combining components have been developed since.

Some of the Lebanese shoe manufacturers have always followed the various innovations, by travel and by employing foreign experts. However, in recent years, the number of such followers has increased tremendously. This new trend in the firms changes shoe manufacturing from a handicraft pattern to a factory pattern of production.

A. MAIN FACTORS OF PRODUCTION

1. Machines v/s Tools

The earliest machines introduced into Lebanon were brought by the Singer Sewing Machine Company.¹ Only a few operations were performed by machines, the rest being completed by hands and tools. This, can be ascribed to the existing cheap labour market,² insufficient technical know-how of the mass of the employees, and a 25% tax on imported machinery.³ Today, due to the high cost of production (especially labour cost), machine production has become a necessity.

¹Interview with the manager of Singer Sewing Machine Co.

²Interview with Mr. Kh. Chaftari (in 1940, the daily wages were LL 0.75; in 1963, it is LL 12.00).

³Interview with Mr. Ch. Ghobril, Ministry of National Economy.

The major advantage of manufacturing by machines is to save labour cost.¹

On the other hand, the use of tools is typical to all handicrafts. 70% of local leather shoes are still produced with the help of tools and just a few machines.

Some of the important machines and tools used today are: the clicking machine for cutting the upper leather, an operation performed also by various kinds of knives; the folding, perforating, eyeletting and rounding machines, all for the upper leather, also performed by the use of hammer and knives; the rolling machine to compress sole leather fibers, also compressed on the lapstone by a hammer; stitching and lacing machines, again for the upper; assembling, pulling-over, insole tacking and lasting machines, for the positioning of the upper on the last, performed also by pincers, hammers, the worker's knees and wipers; welt sewing, welt beating and slashing machines, performed also by needles, awl, hands, hammer and wipers; the succeeding operation makes use of a machine to sew the welt to the outsole, again performed by needles, awl and hands; trimming machine for the extra leather of the sole, done also by knives; buffing machine, performed also by metal bars, etc.

At present, only a few firms (20 approximately) use 60% of the above listed machines.² The rest of the shoemakers, at least a few hundred, use between 3-10 of these machines.³

¹Interview with Mr. Kh. Chaftari.

²Interview with Mr. H. Pehlivanian; also referred throughout the paper as Pehlivan shoes for sources of tables in some cases.

³Personal Survey.

2. Moulds and Design Patterns

The mould or the shoe last is as important in shoe manufacturing as the skeleton is for the body. It is the last, usually made of hard wood, that gives the upper leather the form of the foot.

It is only within the recent period of machine-made footwear that last-making has attained anything near perfection.¹ Every person has a different foot anatomy (length, width and form), accordingly, shoe lasts are given different sizes. Designing lasts is an expert trade.

In Lebanon, there are six factories which manufacture shoe lasts.²

Design patterns, usually made of cardboard or aluminum, are used mainly in the handicraft operations of cutting. Upper and sole leather is cut according to these patterns which are based on style trends and are changed whenever the latter change.

Under the handicraft system the master craftsman turned out all lines of footwear by himself--men, women and children. One of the principal factors of success for a modern factory is the specialisation of production for a certain line of footwear--men's, women's or children's.

3. Labour

Labour, as the major input, both under handicraft and factory

¹Fitzgerald, Raymond, op.cit., p. 259.

²Interview with Mr. Achdjian.

systems of production and as a factor of production itself, is the most important element in shoe manufacturing. The work performed under both methods cannot be adapted to full automation; it requires skill, judgment and aesthetic taste--characteristics of human beings. More details will be supplied about labour later. The important thing to know in Lebanon is the following: Operations that once were performed by 3 to 8 types of workers are currently being split among many people.

4. Raw Materials

Leather remains the basic input for manufacturing shoes, although many substitutes have been created at various times.

Mr. E. Ghattas, in his "Leather Industry in Lebanon", states that the major portion of leather consumption comes from the shoe industry.

However, raw materials utilised depend on types of shoes produced. The production of rubber shoes and boots require raw rubber, heat, chemicals and tissues. Leather shoes with rubber soles make use of leather and rubber. In its turn, leather has different qualities and grades, e.g., box-calf, reptiles, goatskin; box-calf and goatskin are used mainly for the production of children's and men's shoes, while reptiles are used for women's shoes.

A better term for raw materials in this industry is the word component. "The modern shoemaker is essentially an assembler of components. He buys his upper materials and cuts them up, but everything else (which is all standardized) such as heels, soles, bindings

or findings, tacks, solutions and so on in a modern shoemaking industry, he likes to buy on short notice from a component industry, ready-made and suited for his particular shoes."¹

In Lebanon, this practice of shoemaking is widespread; one can notice people, with a small capital with two or three assistants operating a workshop.² Actually, shoe manufacturing in Lebanon is assembling components, with one difference from the Western assemblers: most of the components are imported from the West.

B. PROCESSES OF SHOE MANUFACTURING

In shoe manufacturing, any process includes pattern-cutting, clicking, closing, lasting, bottom stock cutting and preparation, attaching, handsewing, machine sewing, welting and or adhesive use, finishing, and shoe room.³ A minimum of eight of these operations are needed for the preparation of any type of shoe. However, processes are always in evolution. Different types of shoe construction require different types of assembling machines, basic steps being the same for all. Each process has its advantage and conformity with a certain type of wear (men, women, children, infants.)⁴

The following are some of the leading processes today:

¹Edwards and Townsend, Business Enterprise, p. 243.

²Interview with Mr. H. Pehlivanian, (to start a shoe business one needs around LL 500.00 as working capital).

³"Technical Education in the Shoe Industry", Leadership of British Footwear, May 1951, p.95

⁴Fitzgerald, Raymond, Op.cit., p. 259

- A. The Goodyear Welt System
- B. The Cemented or Compo Process
- C. Littleway Lockstitch System
- D. The McKay System
- E. The California Process
- F. Rubber shoes by the moulder process

It will be outside the scope of this paper to describe all the varieties of these processes. The Goodyear Welt System, the most common process used, also termed the conventional method, will be described as one example and the Moulder Process for rubber shoes as another. Before introducing this process, it is important to know some of the elements of the handicraft system of shoemaking and the master craftsman and his occupation, in order to evaluate the factory system.

1. The Master Craftsman, the Backbone of the Handicraft System

The master craftsman, sometimes alone and sometimes with his apprentices, had been the sole production agent for centuries. What he had needed was a bench, a table and a kit of tools. He performed all the operations, to make a pair of shoes; his operations or occupations can be divided into eight major parts:

Operation A - Style-designing and preparation of patterns

Operation B - Cutting the uppers, lining, sole and insole

leather

Operation C - Stitching the uppers or Fitting

Operation D - Lasting

Operation E - Welting

Operation F - Bottoming

Operation G - Trimming

Operation H - Finishing

With the introduction of machinery and consequently the rise of specialization, the master was no longer able and willing to perform all these occupations alone. Hence, year by year, various technicians took over from the master the forementioned operations. The work of the technicians had to be split into more and more detailed occupations in the following years to such a degree that today, 170 distinct operations may be performed in a factory to produce one pair of shoes.

Although production methods in most of the Lebanese firms are still based on the handicraft system of shoe manufacturing, there is a strong tendency in many firms to shift to factory production.

2. Modern Factory Processes

All the forecited processes have been adopted to produce leather shoes, both upper and sole or leather shoes with rubber sole. Shoes made of complete rubber have totally different processes and the production of a rubber shoe is possible only by modern factory manufacturing techniques. (It is impossible to produce by a handicraft manufacturing system, because a knowledge of chemistry, raw rubber, heat and scientific know-how are required from the manufacturer.) The two succeeding processes described are the Goodyear Welt System for leather and the Moulder process for rubber shoes:

a. The Goodyear Welt System

This process has won wide acceptance due to its adaptability to all types of footwear. Shoes manufactured by this process are durable and comfortable. The following is a comprehensive description of the process:

Upper leather is sorted and graded according to specifications and sent to the cutting room; hydraulically-operated cutting presses known as clicking machines, cut out the various designed parts of the upper, namely, vamps, quarters, tip, fabrics and linings. These separate parts are all progressively assembled and stitched in the fitting room by a variety of sewing machines. These operations include beveling, cementing and folding the edges of vamps, quarters and tips, perforating, eyeletting and lacing the upper. Other parts of the shoe--outsole, insole, welt, counters, toe-boxes and heels, are prepared in the sole room. Before sending all separate parts to the bottoming or assembling room, the outsole and the insole are passed under the rolling and splitting machines whereby the sole leather is compressed and then given uniform thickness; by a channelling machine, a slit is cut around the margin of the insole which later facilitates joining by stitching the upper, the insole and the welt. The rounded insole is then attached to the last.

In the bottoming room, by a series of operations, the upper is pulled over and fixed tightly and smoothly on the last with automatic pincers, without leaving wrinkles on the leather. Surplus leather is trimmed off by a trimming machine.

The next major operation is the attaching of the welt to the insole and the upper by the welt sewing machine, after which a support (a shank) is laid on the insole. The outsole is then cemented and attached to, the upper, insole and welt-stitched together, forming the sole. After channelling and rounding the latter, it is sewn to the welt by fine and durable stitches known as Lockstitch. Before levelling the sole under heavy pressure, the channel lip is cemented, thus covering the stitches.

The leather heel (lifts being already cemented in the sole room) is nailed and the edges of the sole and the heel are trimmed and smoothed.

The finish of the shoe, constitutes the final operation; this includes buffing, staining and polishing.

b. The Moulder Process

This is the most recent rubber shoemaking process, according to Mr. Aposhian.

Raw rubber is combined in a chemical analysis with other materials, such as catalysts, accelerators, sulphur, black carbon, dies, oil and so on, in order to prepare raw rubber sheets, ready to be vulcanized; on the other hand, the cloth is cut, sewed and given the form of stockings, ready to be fixed into the mould. Raw rubber sheets are cut in such a way that when folded around the mould, the shoe form is given.

The most important operation is when the cloth is fixed on the mould and raw rubber sheets are covered around the cloth. At this

stage, the mould is put inside the oven-press which internally has a mould cover with a shining surface. The vulcanizing process takes place for five minutes after which the mould which was inside the oven-press comes out automatically. The operator takes out the extra rubber.

The shoe is quickly ready to be marketed. By one machine, it is possible to prepare a pair of rubber shoes every ten minutes.

C. THE DEGREE OF SPECIALIZATION IN LEBANESE FIRMS

According to Mr. Dedeyan, the chairman of the Shoemakers' Association, out of the 400 firms, only 20 are considered mechanized. The remaining firms either follow the handicraft system or mix that system with some of the factory operations and processes in a number of ways.

According to Mr. Pehlivanian, only 10% of the local leather production is manufactured by the Goodyear Welt System and it has many forms of execution: There are firms which have divided the eight basic operations among 4 people, operated as follows: Operations A and B, C, D E F and G, and H. Of these four groups of operations, D,E,F, and G need longer time than the other operations; that is why, in every firm, there is at least one employee for operations A and B, C, H and many for D E F G. Here the problem of piece rate and daily rate of wages arise. The important thing to know is that due to these types of operation combinations, there are firms with less than five people.¹ This means that the worker must know many operations. How-

¹According to Mr. Dedeyan, sometimes even two people are enough; operations A B C and H done by one person and D E F G by another.

ever, in other firms there are more than eight people for the same above-mentioned operations. Some of these operations are performed by outside independent workers, such as operations A, C, G and a part of F; the firm, besides being an assembler of components, becomes an assembler of operations. The newly mechanized firms are splitting these operations within the same firm by more specialization. Shoes manufactured by this method are: men's and children's; for more details see Appendix B.

80% of local leather production is manufactured by the Compo or Cement process which has the advantage of time and cost saving.¹ As the term states, adhesives are used to attach the outsole to the insole instead of stitching machines or nails; the remaining operations are based on the Goodyear Welt System; thus the cost of a few machines and operators is saved by this process. (In the industry, there are firms which perform only the stitching operations of the leather sole; instead of buying the machines, firms send out the goods-in-process to these firms.)² Decisions on alternative courses are determined by the market share of the component-assembling firms. Shoes manufactured by this method are: men's, women's and children's; for more details see Appendix B.

10% of local leather shoe productions is based on the California

¹Interview with Mr. Pehlivanian.

²This is an indirect way of leasing machines; but it has many disadvantages, namely, loss or theft of goods-in-process while on the way to the stitching firm, the style may be copied by competing firms, special transportation vehicles are needed, an extra employee and time is needed, etc.

Process. "The latest afterwar innovation," says Mr. Pehlivanian. This process has decreased the total number of operations by almost 40%; consequently many costs have decreased and have been eliminated: labour, raw materials, machinery, space and rent.

After operations A and B, operation C takes care of operations D and E by stitching the upper to a platform cover. Then, the last is slipped into the partially completed shoe. No welts and no sewing machines for the welts are required due to the elimination of operations D and E. Operation F is to cement a thick platform, usually made of cork or cardboard, to the platform cover. In addition, the sole is cemented and attached. Operations G and H follow to complete the process. By this process shoes are less rigid and less durable.¹ This process is used in the production of: men's slippers, women's shoes and slippers and a part of children's shoes; for more details see Appendix B.

The master craftsman may still find consumers anxious to buy "order" shoes. The great majority of the consumers are after ready-made shoes. The market today--with unlimited type of shoes, manufactured by so many types of processes--may meet any consumer's demand.

¹According to Mr. Chafitari, this way of making shoes has developed flatness of foot and other health problems, and given rise to institutes, such as, Dr. Scholl in England, Dr. Berckmann in Germany and K. Chafitari in Beirut; for details see Appendix E.

CHAPTER III

THE STRUCTURE OF THE INDUSTRY .

Surveyed firms, represent only component assemblers as manufacturing firms and retail stores. Component manufacturing firms are not included in this study.

The scope of this chapter is first, to compile information about the industry--type, number, size and location of firms--and secondly, to introduce the market structure and competitive characteristics of the product itself--types of products, product-line and development, price determination and sales promotion.

A. MAIN FEATURES

1. Types of Firms

Local firms¹ are divided into two major categories: Manufacturing, and retailing.

But according to Mr. Pehlivanian, about 40% of the manufacturing firms have their own retail outlets, about 300 in all. There are many independent retail stores which order shoes from independent manufacturing firms which may or may not own a retail store.

Both manufacturing and retailing firms have specialized in the production and marketing of a certain line of shoes respectively. Some manufacturing firms produce men's shoes, others, women's shoes;

¹A firm is defined throughout this paper as, an enterprise that is managed as a unit which may include a minimum of two persons.

still others, children's and infants' shoes. Some plants concentrate on the output of low-priced women's shoes, while other plants concentrate on high-priced women's shoes.¹ Furthermore, some are specialised in high quality men's shoes and others in high quality women's shoes. There are those which produce average and low quality footwear. Still, there are firms which manufacture shoes according to various processes. This list of sub-division may approach infinity as long as there are various raw materials, processes, sexes, quality, etc.

Retail stores can less specifically be subdivided. Out of 1000 retail stores in Lebanon, the classification according to specialty is illustrated in the following table:

TABLE 1
APPROXIMATE CLASSIFICATION OF RETAIL STORES
ACCORDING TO SPECIALTY, 1963

Specialty of Store	Number of Stores	Percent
Men's shoes	200	20
Women's shoes	400	40
Boys' shoes	25	2.5
Girls' shoes	25	2.5
Slippers	50	5
Mixed ^a	300	30
Total	1,000	100

Source: Pehlivan Shoes

^aSuch a store may be at a disadvantage and it may lose a part of its market share to other stores if it does not follow fashion trends and other important changes; on the other hand, it supplies assortment to the consumer.

¹Shubin, John, Managerial and Industrial Economics, p. 131

Participation in the capital of the industry is 100% Lebanese.

Elementary and sometimes high school education has been considered by the private owners as a satisfactory prerequisite to manage a firm. Some of these owners have also acquired technical know-how from abroad.¹

2. Number and Organization of Firms

Chairman Dedeyan explained during the interview that it has been impossible both for the Association and the government authorities to ascertain the exact number of the total manufacturing firms that operate in Lebanon. "The ultimate purpose of our Association is to know them all, and help them solve their problems," says the chairman. The latest official survey was done in 1955. Many estimates exist about the total number of the manufacturing firms. The following illustration is taken from the latest official government survey (nearly a decade old):

TABLE 2-a
NUMBER OF MANUFACTURING FIRMS
1955

Number of Firms	Shoe lasts	Footwear	Rubber Shoes	Total
	6	82	8	96

Source: Industrial Census, 1955, pp. 67, 91, 135.

As to the type of organization, the following official data exist:

¹Interview with "Vogue Shoes".

TABLE 2-b

TYPE OF ORGANIZATION
1955

	Indiv. prop.	Partnerships	Company	Total
Type of Organization	64	31	1	96

Source: Industrial Census, 1955, pp. 67, 91, 135.

The estimates of the Pehlivan firm differ sharply from the preceding table:

TABLE 3

NUMBER OF MANUFACTURING FIRMS^a
1963

	Shoe lasts	Footwear	Rubber Shoes	Total
Number of Firms	6	600 ^b	8	614

Source: Pehlivan Shoes.

^aAccording to Mr. Dedeyan, the total number of manufacturing firms is 400 while, as to the Bata estimates, this number exceeds 800.

^bThis figure includes also firms operated by a minimum of two people; the Industrial Census had studied firms with a minimum of five people; however, not all firms, even employing five people had been studied by the 1955 Census.

It is obviously difficult to specify in the face of such a wide range of estimates for the total number of mfg.¹ firms, the various type of organization; it can only be said that the individual proprietorship is the dominant majority. In the Association of

¹Manufacturing

Industrialists, out of these estimated aggregates, only 41 shoe firms are registered at the Association and the local Chamber of Commerce.

3. Size of the Industry and Firms

Considerations such as quality, variety, style and attention to detail give to the small firms (local leather shoe manufacturing firms) an advantage in operating efficiently over their larger competitors. "Small firms are often protected, within limits, by the established goodwill of their consumers, and the large firm may find it impossible to squeeze them out of existence."¹

There are a few standards by which the size of an industry can be measured. The following are some of the standards of measure:²

- a) invested capital
 - b) number of people employed
 - c) material and/or labour inputs
 - d) total physical output or sales volume
- a. Invested Capital

The dominant majority of the leather shoe manufacturing firms are less heavily capitalized than the rubber shoe factories. This is ascribed to the fact that, it is possible to produce rubber shoes only by a mechanized system of production which means heavy machinery.³ However, besides the rubber shoe factories, there are about a score of leather shoe manufacturing firms which have a partially mechanized

¹A. Beacham, Economics of Industrial Organization, p. 58.

²Collected information representing size of the industry is not accurate. However, reasonable estimates which are close to accuracy are better than no data. For more details see Appendix B.

³Interview with Mr. Kasparian, an expert in rubber shoes.

production system. So far there exists no official figures showing total invested capital in the shoe industry. The following is a trial estimate by the writer (depending on collected data), to illustrate total capital invested in the industry:

TABLE 4
INVESTED CAPITAL IN SHOE INDUSTRY
1963

Number of Firms ^a	Average investment	Total investment
1	LL 3,000,000 ^b	LL 3,000,000
10	150,000	1,500,000
25	80,000 ^c	2,000,000
100	20,000	2,000,000
275	3,000	825,000
200	500	100,000
611		LL 9,425,000

Source: Pehlivan Shoes and Survey

^aThese totals include all shoe manufacturing firms, both leather and rubber, as estimated above.

^bCapital invested in Bata

^cEstimated average of 25 firms of medium size.

b. Number of People Employed

According to various estimates, labour force--total number of employers and employees, together with the apprentices which

represent semi-skilled and unskilled labour--is about 7800 people. The following table illustrates the workers employed in various firms, by one estimate:

TABLE 5
NUMBER OF PEOPLE EMPLOYED^a
1963

Workers Employed	Number of Firms	Total Workers
1 - 3	200	600
3 - 5	275	1,375
5 - 10	100	1,000
10 - 15	25	375
15 - 25	10	250
25 - 200	1	200 ^b
Total	611	3,800

Source: Pehlivan Shoes

^aTotal number of apprentices according to the Labour Union estimates is 4000 of which only 500 are union members.

^bData.

According to the latest available official figures, employed labour in 1955 was:

TABLE 6
LABOUR EMPLOYED IN THE SHOE INDUSTRY
1955

	Shoe Lasts	Footwear	Rubber Shoes	Total
Number of Employees ^a	57	1064	417	1538

Source: Industrial Census, 1955 pp. 67, 91, 135.

^aEmployee is defined as someone who has worked at least one year in a certain firm.

There has been no recent industrial census by any official bureau.

c. Material and Labour inputs

No complete official data exists so far as, cost or quantity of direct inputs (raw material and labour) are concerned. The following estimates have been formulated by the writer based on collected information from his survey:

TABLE 7-a
DIRECT COST OF MATERIAL INPUTS^a
1963

Types of Shoes	Total Pairs	Total Cost in LL
Leather ^b	4,272,800	21,880,800
Rubber	754,000	1,526,850
Total	5,026,800	23,407,650

Source: Survey, personal estimate.

^aIncludes all types of shoes, sex, quality, size, composition, etc. Materials accounted for are: upper and sole leather, leather and cloth lining, raw rubber and rubber sole, heels, laces, adhesives, nails and thread. For more details see Appendix B.

^bIncludes sole leather and sole rubber

TABLE 7-b
DIRECT COST OF LABOUR INPUTS^a
1963

Types of Shoes	Total Pairs	Total Wages Paid
Leather ^b	4,272,800	16,086,700
Rubber	754,000	380,100
Total	5,026,800	16,466,800

Source: Survey, personal estimate

^aIncludes all types of operations for all shoes; for more details see Appendix B.

^bIncludes sole leather and sole rubber.

d. Total Physical Output

There is speculation about total annual physical output by a number of surveyors. The following data illustrates the existing estimates:

EXHIBIT 1

<u>Name of Surveyors^a</u>	<u>Estimated Total Output</u>	<u>Year</u>
Pehlivan Shoes	2,500,000 pairs	1963
Bata	3,000,000 pairs	1963
Labour Union	7,000,000 pairs	1963
Ministry of National Economy, Industry Sector	3,000,000 pairs	1963
Association of Lebanese Industrialists	3,020,000 pairs	1953

^aAll estimates are based on "intuition" except the last.

A different way of estimating total physical output is by adding unsold stock at year end to total consumption for that year, after considering imports and exports.

Mr. Ghattas, in his "The Leather Industry in Lebanon", gives the following schedule for locally consumed shoes:

EXHIBIT 2

Number of shoe wearers in Lebanon 1.2 million

They are distributed as follows:

500,000	persons with an average consumption of 2 pairs average per year	1,000,000 pairs
100,000	persons with an average consumption of 4 pairs average per year	400,000 pairs
600,000	persons with an average consumption of 1 pair per year total	<u>600,000 pairs</u>
		2,000,000 pairs

Mr. Ghattas does not supply the quantity for unsold stock so as to be able to find total production.

According to the survey made for this study, the consumers of the five districts in Lebanon, consume different averages. The following tables illustrate age and sex distribution of the population in the five districts, showing average consumption by each person in each district and total consumption in each district for each category of consumer:

TABLE 8-a

AVERAGE CONSUMPTION OF SHOES IN FIVE DISTRICTS
DIVIDED INTO SEX AND AGE DISTRIBUTION
1963

Category of Cons. ^a	Age ^b	Beirut	Mt.Leb.	North	South	Bekaa
Av. cons. by men	21-over	3.6 ^c	2	1	1	1
Av. cons. by women	21-over	5.7	2	1	1	1
Av. cons. by boys	10-20	3.6	2	1	1	1
Av. cons. by girls	10-20	3	2	1	1	1
Av. cons. by child.	0-10	3	2	1	1	1

Source: Survey, personal estimate

^aFor further details see Appendix A.

^bAge of consumer.

^cAverage consumption of a consumer in pairs

TABLE 8-b
ANNUAL SHOE CONSUMPTION IN FIVE DISTRICTS^a - 1963
(000) omitted

District	Type of Cons.					Total	%
	Men	Women	Boys	Girls	Child.		
Beirut	525 ^b	809	230	186	558	2,308	59
Mt. Lebanon	182	174	80	76	232	744	19
North	83	79	36	35	105	338	9
South	58	56	26	25	74	238	7
Bekaa	56	53	25	24	71	228	6
Total	904	1,171	396	345	1,040	3,856 ^c	100
%	24.4	25.4	10.8	9.6	29.8	100	

Source: Survey, personal.

^aFor further details see Appendix A.

^bIn pairs.

^cIncludes all categories of consumed shoes, locally made and imported. (Imported shoes have no stocks according to Tamima shoes.)

From the survey, total physical output for 1963 was estimated as follows: Imported shoes were deducted from the gross sales (total local consumption which includes imports) and unsold stock; exports and shoes manufactured for government were added.¹ Total physical output for 1963 was estimated at 5,026,800 pairs by this method.

¹For more details see Appendix A.

It would have been preferable to have information and data for several years, in order to develop the growth trend for the industry.

4. Location and Age of Firms

Any surveyor can notice the closeness of the manufacturing firms to the component suppliers. This is the situation especially in Bourdj-Hammoud. Availability and ability to get on short notice the needed raw materials, makes the problem of location very important to manufacturing firms. For some firms, the availability of suppliers has been the determining factor for location.¹ For others, the closeness of the firm to the labour market has been the main reason for the choice of the location.

So far as location for retail stores is concerned, "Souks" are the major determining factor. Price and quality in a certain "Souk" differs from that of another "Souk". In recent years, due to the expansion of the population into the suburbs, and due to the rising problem of parking, some retail stores have moved outside the "Souk" areas.²

According to collected data, some of the leading firms started to operate before and after World War I.³ Many firms started to operate at the beginning of and after World War II.⁴ These represent mostly the highly fashionable women's shoe firms.

¹Bata and Elan.

²Interview with Bata firm.

³S. Hashim and Sons - 1906, Mr. Dedeyan - 1930, Bata - 1931, Guilikian - 1933, Pehlivan - 1934.

⁴Vogue - 1941, Regent - 1949.

The rubber shoe and boot firms started after World War II.¹

The industry activity is concentrated about 80% in Beirut and its suburbs, 10% in the North, 5% in Bekaa, and 5% in the South.

The following table illustrates the geographical distribution of retail stores:

TABLE 9
GEOGRAPHICAL DISTRIBUTION OF ACTIVITY
1963

Region	City	Souks	%
Beirut	Beirut	Maarad, Bazirkan and Lazarieh	12
		Hamra	5
		Souk el Arman	7
		Mazraa and Basta	2.5
		Main streets	7
		Scattered in the city	5.5
		Suburbs ^a	Bourdj-Hammoud
North	Tripoli, Byblos and Batroun	11	
South	Sidon and Tyre	5	
Bekaa	Zahle and Baalbeck	5	

Source: Pehlivan Shoes.

^aMany parts of the suburbs are also considered as a part of Mount Lebanon.

¹Elan and Solika rubber shoe factories.

MARKET STRUCTURE AND COMPETITION

The market structure for shoes is monopolistic competition. It allows a considerable possibility for product differentiation by design, composition, trade mark and consumer loyalty to the product. These particularities put sellers and the manufacturers in a monopolistic position on the one hand, but they are also in a competitive position to a considerable extent.¹

Types of Products

Shoes are similar but highly diversified and specialized products. The U.S. Department of Labour in its "Industry Wage Survey" on footwear, classifies shoes as follows: Classification by type refers basically to the means by which the outsole is attached to the remainder of the shoe; thus shoes are designated as sewed, glued or nailed.²

However, shoes can be further classified and reclassified according to manufacturing process, quality, fashion or style, lot size, users' sex, etc. In the opinion of the writer, considerable specialization is an important condition if a firm is to succeed, i.e. it must attain some degree of monopoly by differentiation.

Producers in Lebanon have more or less specialized in the

¹For differentiated monopolistic products, sellers may limit themselves, and may set prices above market level, without loss made up to a certain limit; in the competitive position there are many sellers and buyers and the action of none affects or controls the market; there is also free entry, and full freedom of action by

²U.S. Department of Labour, Industrial Wage Survey-Footwear,

B. MARKET STRUCTURE AND COMPETITION

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However, shoes can be further classified and reclassified according to manufacturing process, quality, fashion or style, lot size, shapes, users' sex, etc. In the opinion of the writer, considerable product specialization is an important condition if a firm is to succeed, i.e. it must attain some degree of monopoly by differentiation.

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¹For differentiated monopolistic products, sellers may limit prices themselves, and may set prices above market level, without losing trade up to a certain limit; in the competitive position there are many sellers and buyers and the action of none affects or controls the market; there is also free entry, and full freedom of action by firms.

²U.S. Department of Labour, Industrial Wage Survey-Footwear, p. 1.

production of a certain type of shoe. There are separate firms for men's, women's and children's shoes. The following is an illustration of specialization in women's shoes, which can be produced in the following multitude of combinations:

- a) Shape of shoe - sandal, moccasin, boots (flexible and hard).
- b) Process applied - Goodyear, Compo, California and a combination of these.
- c) Material inputs - canvas, cloth, synthetic materials (nylon) and leather which can be imported or locally made; leather has various types, such as, calfskin, reptiles which have brands.
- d) Size of foot - narrow, wide (normal and abnormal).
- e) Form of last - pointed, square and round (all for the toe).
- f) Heels - high, medium, low and flat, having wood, leather or aluminum composition.
- g) Colour - numerous
- h) Sole construction - leather, rubber and mixed.
- i) Quality - poor, average, high, depending on inputs and skill of construction.
- j) Fashion - most important, changing every season, hundred of models having French, English, Italian and Greek origins.

Men's and children's shoes have almost the same particularities of product specialization. The application of any combination for any line of the product--men's, women's and children's--is determined by the market share of each firm.

2. Product-line and Product Development¹

A firm's product-line is composed of the group of products that it turns out.²

The U.S. Office of price administration, in its survey of the shoe industry, classified shoes under the following lines: men's dress, men's work, youths' and boys', women's and growing girls; misses' and children's, infants' house slippers, athletic shoes, men's safety shoes, women's safety shoes.³

Footwear in this paper is classified under five major lines: men's, women's, boys', girls' and children's shoes.⁴

Shoe firms are characterized in terms of product specialization. The degree of individual plant specialization depends on the size of the market.⁵ This is one of the reasons why most of the firms in Lebanon stay small and why in general, it is still a small-firm industry even in England despite a few large firms.⁶

It is impossible for any firm to turn out a full line of women's, men's, boys', girls' or children's shoes, because of the limited market. However the breadth of line for leather shoes is much wider than that for rubber shoes.⁷

¹Applies to manufacturing firms.

²Shubin, op.cit., p. 259.

³Zraick, L., "Accounting in the Shoe Manufacturing Industry," Journal of Accountancy, Vol. 82, December 1946, p. 483.

⁴For more details see Appendix A.

⁵Shubin, op.cit., p. 262.

⁶Edwards and Townsend, Business Enterprise, p. 242.

⁷Mass production and standardization are the characteristics of rubber shoe production, where product development is impossible every season according to Mr. Apochian.

Development of the product-line is a crucial decision-making problem, specially in the leather shoe industry. The market itself, which is always changing due to consumer demand, is the major factor in development.

Some style variations come from the local consumer through the salesman. Other sources for ideas are the fashion journals published in Europe and the U.S.A.¹ Valuable proposals for new models come also from the style designers, locally known as "modelists".

The major objectives pursued by local firms in product development are (the ultimate objective being profit):

- a) promotional - to increase sales volume
- b) defensive - to keep up their competitive position.

3. Price Determination

Although manufacturing and retailing firms have common long-run objectives in pricing, such as, profit making, survival, growth, market share and control, still every firm has a different pricing policy due to the characteristics of demand, structure of competition and cost of each firm. Pricing is at two levels in the local shoe industry: manufacturing and retailing (both for leather and rubber shoes).

To the local leather shoe manufacturer, cost is the major but not the direct determinant of price. Product-line pricing creates a few specific problems:

- a) Prices differ in size - children's, boys' and girls' shoes.²

¹For a list of fashion journals, see Appendix F.

²These are sold by numbers; a size of 30 at 25 piasters the number is sold @ LL 7.50 to the retailer and a size of 25 @ LL 6.25.

b) Prices differ in styles - highly fashionable ladies' and men's shoes.¹

c) Prices differ in quality of inputs - raw materials and labour.²

d) Prices differ in composition of physical inputs, both upper and lower.³

e) The price of machine-made shoes are different from hand-made shoes.⁴

f) Ready-made shoes differ in price from tailor-made shoes.⁵

If the leather shoe manufacturer is to operate for a certain income bracket, he cannot take ad hoc pricing decisions; Quality, fashion and income create product differentiation which permit the local producer to raise prices within the limits set by the competitive substitutes.

¹Some styles require more labour skill from other styles.

²High quality and low quality inputs.

³The same style for a shoe having a high heel and a low heel differ, in price. A sole leather shoe is priced differently from a rubber sole leather shoe.

⁴A pair of shoes costs less if manufactured by machines.

⁵Tailor-made shoes cost more.

On the other hand, the producer of rubber shoes has a different demand characteristic from the leather shoe producer because his product is homogeneous and standardized, where fashion does not interplay with the factors that make a product differentiated. Cost is the direct price determinant in this case.

To the local leather shoe retailers, pricing introduces the same specific problems that the leather shoe manufacturers face, namely, cost, demand and the nature of the product.

Cost of one pair of shoes, for the independent retailer which represents the price for the independent manufacturer, is less often changed than the price at which the consumer buys.¹

Factors, such as, location of store, services, advertising, display, packaging, etc. may affect pricing policies of retailers. However, these are some of the sales promotion measures which are treated in the next section.

4. Sales Promotion

Sales promotion, in local firms, is practiced mainly by retailers. Only a few of them seem to appreciate the services of this non-price competitive measure.

Expenditure in advertising is considered by some firms as a symptom of weakness. "Why lose money by advertising, the city is small, everybody knows everybody," some of the retailers exclaimed.

¹The independent manufacturer who has a contract with the independent retailer, has less possibility of changing his price while the independent retailer can change his price due to various causes.

On the other hand, some retailers that manufacture their products, give enough attention, during holidays and school terms, to advertising, through various media, including the TV.¹

Some of the retailers believe in service and quality as a non-price competitive device. They give enough attention to display, both interior and window. Others pay no attention and even do not think that display may be of any use. Packaging by some firms is thought of as a device for repeat customer.²

A major feature of the industry is the closeness of the manufacturer to the consumer. The independent retailer or the manufacturer's retail store is the sole barrier that divides the consumer from the producer. This makes the latter always ready through his salesmen and even himself to follow up consumer demand. By how far they can follow the consumer demand?

Credit facility is supplied by manufacturers to retailers only. There is not credit facility by retailers to consumers; but bargaining is customary in all retail stores where prices are not clearly posted on the sold footwear.

Some of the big manufacturers have participated in international and local fairs.³ "The goal behind our participation," producers say, "is to get known and it may help for exports."

¹Bata.

²S. Hashim and Sons.

³Regent Shoes and S. Hashim and Sons.

All the retailers have annual sales. "This means a lot to us, we sell more, we liquidate some of our stocks," said one of the retailers.¹

In retrospect, one of the main features of the manufacturing firms is their specialization in various lines. Another feature can be considered the type of organization, the dominating form being the private ownership where workers employed do not exceed 10. Although invested capital in these firms does not exceed LL 3,000,000 they seem to provide the greater part of consumed shoes at the expense of human energy. So far, the original location of the firms, both manufacturing and retailing, seem to have followed a sound track. High product diversification due to demand characteristics has created particular problems of policy as far as product-line and development, pricing and sales promotion is concerned for each particular firm. Problems facing the firms which arise out of other factors will be analysed in the next chapter.

¹One of the retailers explained that some retailers planned for "sale" for liquidity needs only.

CHAPTER IV

PROBLEMS FACING THE SHOE INDUSTRY

An industry without any problem does not exist.

Problems facing any industry may be due to ignorance and indifference of some people, prevailing unsatisfactory and unfavourable conditions of labour, technology and know-how, and situations that are beyond the control of people facing the problems. The possible outcome of these problems may range from a rise in the cost of production for some firms to a production stoppage, at intervals, for other firms. However, firms due to their inner structure are affected differently by these problems.

In analyzing the problems of manufacturing firms (independent or not, leather shoe or rubber), the writer considered the following approach: first, what production problems are raised by the prevailing conditions of demand, components, labour, machinery, process and mould; second, what are the managerial problems inherent in the firms; third, why are most of the manufacturing firms not considered as prime customers by local banks which grant credit to industry; fourth, what market problems exist in the local market and why the export market has limitations.

A. PRODUCTION

Demand for footwear in Lebanon has a highly changing demand

structure. Consumers want new styles every three months due to many reasons. This change in style is a very common problem to the majority of the manufacturing firms.¹

1. Components

Almost all the raw materials or components are imported from abroad, although the major portion of local leather consumption comes from the shoe industry. The burden of any change in prices of components in international markets falls on the local producers. According to the survey, the buying policy of the majority of independent manufacturing firms is to get components in economic size. The output of the independent manufacturer is based on the retailers' orders. At the beginning of each season, both parties sign a contract and the manufacturer agrees to supply the orders according to specifications--styles, types of construction and composition and price--after a certain time. The firm will be at a cost disadvantage, if prices of components rise. Fortunately, some of the firms anticipate rises in the prices of components and accordingly they set their prices to the retailers.

Speculation by raw material importer-wholesalers is another problem to independent manufacturers. Especially, during periods of high demand, manufacturers face shortage of certain components. Since they need the items badly to execute the orders, they become obliged

¹This demand covers especially high and average quality men's, women's, boys' and girls' shoes.

to buy the raw materials by any means. Is it worthwhile for them, to tie up some of their funds during low demand periods in raw materials when they are less expensive, or to purchase them when their prices are high, during high demand periods? In the case of those manufacturers who own their retail stores, the problem of the purchase of raw materials becomes a less rigid one. They buy the raw materials off-season, cheaper than the independent manufacturers. However, they run a risk. For a changing product, such as shoes, they may face the problem of overstocking. By how far do they guarantee the sale of their products? It depends on their goodwill, salesmanship and price in the market.

Output, for those manufacturers who have specialized in turning out shoes for a certain class of consumers, depends on their share of the market; it may cover a certain income bracket for a certain quality and at a certain price. If prices of raw materials rise, usually these manufacturers do not hesitate to change the quality of the inputs. The outcome depends on the consumer reaction. If the latter becomes aware of the change in quality, which represents a certain value to him, he may buy from another store. If the producer does not change the quality of his inputs but raises his price, again the consumer may buy from another store. If the price is close to that of the imported shoes, the consumer buys from the importer-retailer.

2. Labour

Labour creates more problems to the producers than raw

materials.¹ Besides being a problem to the manufacturers, labour itself has problems, some of which are: Low educational level, lack of skill, weak leadership of the labour union, entry into the firms at minor age.

The problems facing the manufacturers are the following:

(a) The major problem faced by the independent manufacturers is high labour turnover. Since operations in independent manufacturing firms cover 6-10 months of the year, the manufacturer, due to no orders, is unable to keep the employee without work and pay him unless he has a foreign market. This means that if he has skilled workers, in order to keep them in his firm, he has either to create work or has to pay them a monthly minimum salary; otherwise, if he thinks he is incapable to keep the skilled workers, he unwillingly lets them go. In the next season, the manufacturer will look for new employees and the most available ones will be the unskilled workers who will be willing to get trained by any means. What will the output of this firm look like is another problem. This seems to be an extreme case of the problem, but high labour turnover exists in all firms due to various reasons. Hence, demand for skilled labour is high and its supply is becoming limited. Those who take advantage of course are the manufacturers who own their retail stores. They have a better chance to keep the skilled workers, because they do not stop production.

¹Raw materials are easier to control than men.

(b) Training is another problem that faces all manufacturers. Once an apprentice (unskilled or semi-skilled) becomes more or less skilled worker, he immediately tries to leave the firm for one reason or another. The worker gets trained by practicing in the firm at the expense of the employer, sometimes wasting raw materials, sometimes neglecting to carry out correct orders or spoiling machines. The skilled worker knows that in a family owned firm, there is no promotion for him; in his own words "I don't have a future in this firm." Once trained, he wants to start business by himself and he becomes a competitor. How far he goes depends on his skill, know-how, ability to introduce innovation and capital, not to forget also luck. The manufacturer is in a dilemma: To train or not to train? If he trains, he will not be able to keep the worker, if he does not train, the quality of his shoes may not find a market.

(c) Efficiency of the worker is a major problem to firms where daily wage rate exists. (This applies mostly to mechanized firms.) According to Mr. Achdjian, the efficiency of the worker in Lebanon is low compared to the European worker. The following table illustrates a comparative efficiency scale for a local firm and a German firm.

TABLE 10

"PAR TETE" PRODUCTION OF WOMEN'S SHOES^a
1963

Country	Firm	Efficiency per head
Germany	Salamander	8 pairs
Lebanon	Regent Shoes	1.75 "

Source: Regent Shoes

^a"Par tete" means production per head per day.

The Lebanese firm that was interviewed makes use of 10 types of modern machines, employs 20 skilled workers and the product it turns out is high quality ladies' shoes; it is considered as one of the leading firms in town. Any increase in the "par tete" capacity is an extra income to the manufacturer. On the other hand, firms which have a piece rate pay system, have a lower efficiency scale. Furthermore, the efficiency of the employees depends on how much work the employer supplies and how long they work.¹

(d) According to the survey, the workers that receive daily wage, work a maximum of 10 hours. On the other hand, workers who receive piece rate, may be employed 16 hours because a certain order of the manufacturer has to be completed. If they get sick, the employer may not supply medical expenses.

(e) According to the interviewed workers, the labour union is inefficient and weak in leadership, and has not been able to protect the rights of the employees in the courts. In an interview with the union leader, the writer has been told that the government has always backed the employers rather than the workers. However, for the manufacturers of all types of shoes, the union seems to be a problem because, as some manufacturers put it, it creates friction between the employer and the employee, a friction that costs time and creates instability in the production mechanism.

¹8 pairs are produced in an average firm (producing ladies' shoes); the shoe passes at least from six pairs of hand in 10 hours, to get finished. Par tete efficiency amounts to 1.3 pairs.

(f) In the case of the piece rate wage system, the manufacturer faces a waste problem. Employers have noticed that, due to the neglect of the workers (which means weak control by the supervisor), some of the inputs, such as nails, adhesives and thread, are being wasted. This of course increases cost.

(g) The setting of wages represents an important problem. Since firms produce differentiated products, every firm decides its particular wage scale. The difference in wage scales in various firms creates friction between employers and employees. The employer thinks he is paying high wages and thinks of introducing machinery. On the other hand, employees complain that the pay they receive is not sufficient to hold a family and they try to go on strike. In the opinion of the writer, such a problem cannot be solved either by the introduction of machinery on the part of the employer (because of capacity problems, treated in the next section) or by going on strike on the part of the employees (since, not everybody is a union member, and the union does not have a fund to finance members who go on strike). Information from collected data shows that some manufacturers try to solve their labour problem by the introduction of machinery.

3. Machinery

(a) The use of tools is one of the characteristics of the handicraft system. These tools are supplemented by one or two machines in small firms. Some of the independent manufacturing firms are trying to mechanize, the result of which is the output of standardized shoes. Independent retailers may be attracted by these

firms because these may supply better and cheaper products within a shorter time than some of the independent manufacturers whose production depends on labour. Is it worthwhile for the independent manufacturer to mechanize? In the opinion of the writer, the market determines the size and the scale of the productive capacity of a firm. Local firms have a limited market and their productive capacity does not allow mechanization. Sooner or later these firms, instead of getting cost advantages, may face idle capacity unless they expand their markets.

(b) A closely related problem to idle capacity is seasonality of production for almost all manufacturers. The following table illustrates a seasonality pattern of production of a firm which own a retail store, employs 15 people and operates 6 light machines:

TABLE 11
ANNUAL SHOE PRODUCTION FOR ABC FIRM
1963

Jan	Feb	Mar	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
510	1475	1900	2100	875	1450	500	875	2000	2565	2550	2200	18,600

Source: Survey, personal.

Mechanization of certain operations, such as, folding, perforating, eyeletting and rounding, sound more reasonable for local firms. It will not be advisable to introduce heavy machinery, such

as, clicking machines, because that will increase leather waste.¹

(c) Another problem that the writer has noticed during factory visits is the maintenance of the existing machines. In some firms, machines were covered by dust and other items; in others, it was discovered that machines badly needed maintenance.

Mechanization of any firm needs planning for better products and for greater output which necessarily means bigger market. Furthermore, it depends on the processes adopted by the firms and the availability of skilled labour.

4. Processes and Moulds

There is no doubt that each process combines the various operations and raw materials differently, resulting thus to a different product with a different cost. Almost all the processes require machinery in a factory system.

(a) In local firms, labour dominates the various operations of the processes. It was noticed by the writer that firms have adopted more than one process, which is quite reasonable. These processes are adapted for certain machines. One of the goals of the manufacturers may be cost reduction by adopting a certain process. However, labour-replacing machines in these processes do not fully realise the goals of the manufacturers. The outcome may be longer hours of work on the

¹Patterns are used to cut the upper and sole leather by knife. A sheet of leather cut by hand leaves on the average 10% waste leather. In the case of clicking machines, although the operation is done quickly and more efficiently and saves human effort and time, the percent of waste increases to 20%. How will the local manufacturer compensate this increase in waste leather? By his limited and quickly changing market?

part of the employee and more cost to the manufacturer, e.g., some firms have adopted the Goodyear Welt System which makes use of a score of machines, which means, people are needed to operate the machines. To the local manufacturer who has a limited market for shoes (processed by Goodyear Welt System, the introduction of a score of machines sounds wasteful; secondly, for him, labour replaces these machines; the outcome is less standardized shoes, with difference sometimes in size and form for the same size of a pair of shoes, and with quality which is below required standards. The main reason for failure of a firm is the following: a firm adopts a process in order to benefit from a few cost reductions; the outcome becomes the reverse of what it expects due to unwise planning.

(b) Moulds represent another cost problem to the manufacturer. An average firm which has specialized in the production of children's shoes, needs moulds numbering from 22-39. For a non stop production schedule, the required moulds must be 6-8 series which means $(39 - 22 = 17 + 1 \times 8 = 114 \text{ pairs})$, for one form of lasts.¹ For at least 5 forms, total moulds required will be $11 \times 5 = 570 \text{ pairs}$. The cost of a pair of moulds is LL 6.00. The form of the mould or last changes every 2 to 4 years which means, these moulds must be replaced by new forms every two years. The opportunity cost of the mould may be wood for fire.

Indirect cost which includes mainly rent, transportation,

¹Regent Shoes.

electricity and depreciation to manufacturers and rent and electricity to retailers, does not represent a heavy burden on total cost. It was impossible to know how much tax firms give to the government.

B. MANAGERIAL

Unbalanced experience is one of the major problems that keeps the firms small (experience limited to one aspect of a business, such as, production or sales which may be due to single leadership).

(a) So far as internal organization is concerned, most of the firms are managed by one or maximum two persons. According to the survey, very few firms have departmental divisions such as sales, production or accounting. Everything is executed by the owner himself in the case of private owners.¹ One of the obstacles for growth and market expansion is the problem of supervision. The owner who is the supervisor himself, does not believe in the abilities of the employees. He wishes to execute all the phases of the work by himself. Even if he believes in the abilities, he does not trust.

Delegation of authority is non-existent in the privately owned firms. Power and authority are concentrated in the hands of the owner. To the question, "Is your supervisor (owner in most cases) autocratic?" all the interviewed workers were positive.

In the case of individual proprietorships, the survey shows that human needs are being overlooked. The employee does not feel economic security because the work is seasonal.

¹Firms, such as, Bata, have at least four departments.

Furthermore, the feeling of belonging to the firm by the worker is out of the question.

According to factory visits, it was noticed that working conditions were not so attractive; ventilation, heat and light are overlooked by the employer.

(b) The second problem is in the field of planning. The local owner-manufacturer, decides by himself his objectives and new ideas. By how far he can himself carry out his plans is one question and how competent he is, is another question. In case he is absent from the firm, operations may stop because workers have to wait oral orders to proceed operations.

(c) Another reason for firms to stay weak is the leadership problem. Since the majority of the employers and employees are illiterate, any oral communication between the two will sound like an order to the subordinate. The supervisor is autocratic. This means that the owner may be inefficient in making his plans carry out unless he is autocratic. The reaction of the employees to the owners' behaviour is expressed by waste and production deformities.

(d) Almost all the private owners explained that they kept an elementary record of the operations. Cost accounting was a new term for many manufacturers although they have a special way of cost apportionment. Standard costs have been set up for labour and material inputs. It is assumed that cost per unit is the same no matter what volume is produced; secondly, the standard costs are based on subjective estimates.

Budgeting as a means of controlling costs is rarely used by many firms. One of the main reasons for firms being in financial difficulty is due to the lack of budgets, specially the cash flow budget.

C. FINANCIAL

The survey shows that the majority of the firms have used at start personal funds as a source of capital. Table 4 shows that 70% of the firms operate with a capital of LL 500 - 3000. However, firms have always been in need of funds, especially at seasonal peaks. They have faced difficulty in getting the needed funds. The major reason for firms not being able to get credit is the problem of size which has put the position of the firms in great risk.

According to the survey, banks are reluctant to finance manufacturing firms because the latter supply inadequate records and information to the banks. Do they have the information? Of course yes, in an elementary form but which does not help the purpose. Besides, presented information is not a reliable one, although audited, according to one of the interviewed banks.¹

Poor market performance, planning and organization and lack of managerial experience (a weak knowledge of the manufacturing trends), put the employers in a low credit standing position which is the key reason for not being financed.

¹Every auditor is not a reliable auditor in this country; auditors need to be audited, according to one of the bank managers.

For some years, raw material wholesalers have tried to help the small firms by supplying them necessary components. The outcome has been low morality (bills not paid on time or never paid) for 30% of the firms. The main reason for this is the lack of some sort of budgeting. On the other hand, firms that have shown gradual and constant growth for several years, have been able to get the required funds.

In the last 10 years, the growing trend toward buying machines has raised the problem of long-term financing. Some of the local banks contribute prime firms by supplying long-term funds with a maximum maturity of 12 months in the case of the commercial banks and 10 years in the case of BCAIF. What about the less prime manufacturers? Who will take care of them?

Interest rate charged by commercial banks is on the average 8%, while that charged by BCAIF is $5\frac{1}{2}\%$. The comments about interest rates charged by commercial banks are rather unfavourable as far as cost is concerned.

D. MARKETING

Demand for the independent manufacturer is based on the independent retailers' orders and for the manufacturer who owns a store, it is the store's own forecast. Some of the determinants of the retailers demand are: the price of shoes, the income of the consumer, fashion and style, quality of the shoes, age structure of the consumers, etc.

It was occasionally mentioned in the preceding pages that the market was the decisive factor for a firm's size, existence and growth. Local firms, in attempting to expand their market share, have not taken the important steps that lead to the realization of this goal. They try to follow market trends by introducing new styles every season. Beyond that step, nothing spectacular has been accomplished by the majority of the firms, although there are exceptions.

The survey took into consideration a few market determinants, such as, income, price, seasonality and tried to show that these are still unsolved problems to the local retailers.

The study considered the local market, imports and exports. The government as a share of the local market was kept out of this study, because it raises no problems to any manufacturer except one who takes the government bid every year.

1. The Local Market

The majority of the retailers state that their market is becoming limited. What they mean is that their sales are decreasing due to high competition existing in the local market. But in a free enterprise, the survival is for the best, the fittest.

Many retailers do not have correct pricing methods. The consumer does not know the price of the product until he is ready to buy it. Prices are not fixed on the products, and furthermore, a board is posted on the walls of the stores, saying, "prix fixe", meaning fixed price; but which price? The consumer does not see any price; the price that is orally given by the retailer to the buyer when the

latter has decided to buy, is the sales price. Actually, this sort of pricing gives way to bargaining between the two parties until one of them retreats from bargaining. The author has been present at one such deal and noticed that the retailer dropped his price due to bargaining by 20%. According to the survey, 65% of the consumers do bargain. Once the consumer finds out that the same shoe differs in price in another store, he strolls around all the stores until he gets at the cheapest.

The income bracket of the consumer seems to be unimportant to some retailers, as one of the retailers put it, "For us, the important thing is to sell, to liquidate, we are not interested in the income of the consumer..." This attitude is normal to many other retailers too who know nothing about the details of the business and the industry; they have a store and they want to sell anything. A clear understanding of the consumer is a step forward for more sales. Once the retailer knows to which income bracket he serves for, accordingly, he can set his quality of the product, styles and price.

With the exception of the leading retail stores, shoes in many firms are not labelled and branded. The consumer before buying, scrutinizes the shoe, because the absence of the label makes the buyer suspect about quality and make up of the shoes. (Few buyers may be connoisseurs.) Those who label their products as "This is an X product", have advantage over the former; usually the retail stores which own their manufacturingg firms do so.

Seasonality is another problem to the retailers, as it already was to the manufacturers. According to the survey, in some firms, it affects activity by 50%. Holidays and school beginnings represent market peaks. All the retail firms, except the importer-retailers, have at least once annual sale, to liquidate stock or to sell more.¹ However, when all the firms go to "Sale", what advantage will the firms take is questionable.

Some of the leading retail stores have their own style creations, adapted from fashion journals and other sources. There is a big group of retailers who do not have that capacity to create. They try to imitate the leading retail stores. Some succeed and others do not, giving rise to unsold stock. Imported shoes have been a source for new styles and innovations.

2. Foreign Competition

In spite of the 50% customs duty on imported footwear annual consumption of foreign shoes for different categories is about 150,000 pairs. The majority of the retailers and the manufacturers showed indifference regarding imported shoes. This attitude can be explained by the fact that, imports do not represent any obstacle to the local industry. On the contrary, they think imports are a cheap way of getting the required innovation and techniques and it seems to be a standard to the local industry for better performance in certain lines of footwear.

¹Importer-retailers do not plan an annual "Sale" for two reasons: their product follows normal liquidation and no stock is left and if they plan "Sale", they may be out of stock entirely.

The only problem that exists to importer-retailers is the quota problem. The request is for higher quotas.

Why is there a market for imported shoes? There is no doubt that imported footwear have a superior quality and durability over the local, especially in the men's line. One of the interviewed importer-retailers said the following, "We import shoes because there are no manufacturers of good quality men's shoes. The ones that exist have their retail stores. We have tried to take from local manufacturers, but we have lost confidence, because they cheated us."

Another reason for imported shoes is the presence of foreigners who are accustomed to the shoes of their respective country of origin.

The local high income class and tourists from the Arab countries prefer imported shoes.

The following table illustrates the total value and quantity of imported shoes, which in the opinion of the writer, does not represent any obstacle for the industry.

TABLE 12
MONEY VALUE AND QUANTITY OF IMPORTS ^a
1958-1961
(000) omitted

Year	Value in LL	Quantity in KGS
1958	474	113
1959	464	114
1960	659	192
1961	885	277

Source: Statistique du Commerce Exterieur
1958-1961.

^aShoes

According to available information, shoes of all categories are imported from the following countries: Germany, Italy, Britain, Czechoslovakia, France, Austria and the U.S.A.

3. Exports

There was a satisfactory export market before 1939, which included the Arab countries, France and her colonies, etc. In 1939, Palestine raised tariffs on Lebanese exports. After independence in 1943, the French market gradually got squeezed and was lost. Post-war European competition made this market smaller. By 1950, the loss of the Syrian market decreased exports to minimum. The following table illustrates the post-war squeeze of the market:

TABLE 13
MONEY VALUE AND QUANTITY OF EXPORTS ^a
1946-1950
(000) omitted

Year	Value in LL	Quantity in KGS
1946	987	139
1947	937	170
1948	640	140
1949	512	170
1950	195	58

Source: Statistique du Commerce Extérieur
1946-1950.

^aShoes

This type of behaviour has been typical to the Lebanese export

market for many other products, especially after World War II; whenever foreign competition has been in action, the Lebanese export market has been affected. The underlying ^ucauses must be looked for neither in foreign competition in foreign markets nor in the local government in full, as some of the interviewed manufacturers stated, but in the local producers themselves.

Local manufacturers cannot compete both cost-wise and quality-wise with the European countries whose techniques and innovations are being adapted by the local firms. It must be accepted that the quality of the European footwear in certain lines is higher at the price offered than local shoes, although some of the local firms for high style women's shoes are already competing in small scale even in Europe, with European products of the same line.¹

Dumping by planned economies, which strive for hard currencies, gives of course a blow to the export market of many countries, including the Lebanese. Another reason, which underlies in the producer himself, is the limited knowledge, business education, and managerial inexperience of local producers who want to export. No aggressive measures are taken by local firms in looking for new markets, even though, some of them have equal competitive capacity cost-wise and quality-wise as the European products have.

An important problem is the limited scale of operation, as the chairman of the shoemakers' Association stated, "Why participate in

¹Regent Shoes.

fairs? The maximum capacity of a leather shoe producer is 50,000 pairs per year. If a producer receives a big order, it has to stop supplying to the local market and has to execute the order if everything goes normal."

Importing countries are the following: Jordan, Saudi Arabia, Afghanistan, Turkey, Katar, Kuwait, Ghana, Sierra Leone, Liberia and Haiti.

Fortunately, there are some producers who have overcome some of the forementioned difficulties and have a growing export market as the following table illustrates:

TABLE 14
MONEY VALUE AND QUANTITY OF EXPORTS^a
1958-1961
(000) omitted

Year	Value in LL	Quantity in KGS
1958	204	23
1959	384	51
1960	592	62
1961	594	63

Source: Statistique du Commerce Exterieur
1958-1961.

^aShoes

Conclusion

All firms in the industry face problems. Some firms have them in common while others have particular problems which arise

due to size and organization structure of the firms. Inadequate records, excessive operating costs, and faulty merchandising policies make the position of many firms weak.

The ultimate repercussion of the problems to most of firms is to create an unfavourable cost structure, which in turn makes the competitive position of many firms, locally and abroad increasingly unfavourable. Turnover then follows, with a dying firm replaced by a new entrant and only a few (probably) surviving for a half-century or since.

CHAPTER V

PUBLIC POLICY AND THE FUTURE OF THE INDUSTRY

Direct or indirect state intervention, in the economic activities of a country, has become a necessity in all countries of the world. Today, socialist economies represent the best prototype for large scale direct state intervention in the economic activities of a country. Intervention, in other countries, bears the title of "Development Programs", whereby the state participates directly or indirectly in economic planning; in other countries, the idea of reciprocity has been the major cause for state intervention.

Today, only few countries in the world including Lebanon, follow the policy of economic liberalism. Public policy in Lebanon is guided by the reciprocity concept of intervention because other countries do not follow a free enterprise system. Protectionism, that the government had adopted as a policy, covers a part of the economic activity which includes the foreign trade sector. Some of the local industries, which are considered to be incapable of competing with imports, are being protected by tariffs and quotas.

The first part of this chapter shows the services the state has rendered to the shoe industry, and what other services it can render in order to develop the shoe industry and promote its exports; the second part deals with the future of the industry.

According to the "Lebret Report", the economic policy of the Mandatory powers did not favour the economic development of the country. The tax on imported machines for shoes was 25%. Through the efforts of the industry section of the Ministry of National Economy, this tax today has been decreased to a nominal 1% since 1959. In attempting to decrease this tax, the industry section has faced opposition from the High Council of the Customs and the Ministry of Social Affairs.¹ One of the comments of all the manufacturers interviewed has been "The industry is being mechanized." In the opinion of the writer, one of the factors accelerating the mechanization of production is this problem of taxation.

In order to protect the local shoe industry from foreign competition, the government has set a 50% tariff on all imported shoes, various quotas for the different types of imported footwear and import licences for importer-retailers. On the one hand, this policy protects and favours the local shoe manufacturers; on the other hand, it leaves the importer-retailers dissatisfied. A recent study by an official committee advised the government to keep the existing quotas as they are.

The Lebanese government has not given to any exporting country the opportunity for dumping, so far as shoes are concerned, although this measure has affected Lebanese exports in foreign markets.

¹Interview with Mr. Chucril Ghobril.

Besides, in order to encourage the cooperation between shoe manufacturers on one side and between workers on the other, the government, through the Ministry of Social Affairs, has allowed the establishment of the Association of Shoe Manufacturers and the Labour Union respectively.¹

The state has also tried through trade agreements to encourage shoe exports with countries concerned. These agreements have taken various forms with different countries, i.e., bilateral contracts, trade quotas, payment agreements, etc.

The Industry Section of the Ministry of National Economy has undertaken a shoe industry research in 1962-63. Only 18 firms out of 42 did not answer the required questionnaires. However, the Section has adopted for future research strict measures in order to get the necessary information; it includes penalties, imprisonment fines.

There seems to be a missing link between public policy regarding industrial development and the execution of the policy. In the last ten years, the government, through official spokesmen, has declared its intentions to develop local industry. On the other hand, official agencies, such as, the Customs Office and the Municipalities, have levied recently a number of taxes, e.g., taxes on rent, private transport, electricity, sales etc. which affect directly industrial establishments and which seem to contradict the declarations of the official spokesmen. It is rational to levy taxes for income purposes

¹For details, see Appendix D.

by these agencies which perhaps ignore or do not seem to foresee on whom the incidence of taxation falls. However, this shows weak co-ordination between declared and executed policies.

Besides the forecited services rendered by the government, the following fundamental prerequisites for industrial development must be settled either by the Public services, i.e., Industry Section of the Ministry of National Economy (some people suggest also the creation of a Ministry of Industry), or by semi-official agencies, such as, the Association of Industrialists the Chamber of Commerce or other Agencies:

a. Industry rules and regulations must be formulated which will set the requirements for the registration or the refusal of new firms. The rules and their application must be coordinated.

b. All the existing and operating shoe firms must be registered on the basis of these rules. Once the government has the details of all the existing firms, i.e., people employed in firms, invested capital, annual total output etc., the services rendered by the government can be much more useful because the problems of the firms may better be known and rational attempts can be made to solve them.

c. The establishment of at least one vocational school for the shoe industry is a necessity. Employers will be relieved from training unskilled workers and will stop worrying about training or not training. The suggested school may be a section of a bigger nation-wide institute.

d. The implementation of the Social Security Program must be impartially executed by efficient people.

e. The proposed industrial zones promised by the government must really serve the purpose.

f. A bureau for Standards and Specifications must be established whose duty must be to follow international standards and must guide the firms to adopt these requirements.

In order to complement industrial development, besides the internal reorganization of the industry, the government must guide firms find new markets through the following measures:

a. A National Marketing Board, such as, the Board of Trade in Britain, should be established whose duty must be guidance to foreign markets.

b. According to Mr. Nabil Ladki, the executive secretary of the Association of Industrialists, no trade can take place between two countries unless they have a trade agreement. An industry level agreement between two countries is not valid for trade to take place between two different firms in two different countries. As an important step to foster exports, the government recently concluded several trade agreements with many countries. The full utilization of the trade agreements will partly depend on the government. The mere signing of the agreement will not be an efficient measure unless the less educated people (firm owners) are informed and given explanation by the public authorities for the existence of such treaties. The suggested step (b) will coordinate this action.

c. One of the major duties of the commercial attache is to promote the exports of the country it represents in the country where he is established by sending detailed information about general condition of life and trade opportunities in foreign countries. There seems to be only six commercial attaches in the Lebanese Embassies throughout the world. The state must also have commercial attaches in the less advanced economies of the world where the possibility for competition seems to be higher for the Lebanese firms than in the advanced economies.

However, to reorganize and to guide the industry, the government needs high caliber civil servants and organizers. Are there such people in Lebanon? No doubt about that.

To set future perspectives for the shoe industry means to foresee the effects of the proposed industrial development in Lebanon on specific industries. However, depending on past behavior and actual performance of the shoe industry with expectations of assistance and guidance (as stated in the preceding pages) by the state, the following anticipations can be framed for the future.

Within a decade or two, the bulk of Lebanon's leather shoe consumption may be met by factory system of production. Through the mechanization of firms, standardized shoes can be turned out on a large-scale. As an outcome of standardization, labour efficiency and productivity and quality of shoes may increase. The adoption

of international standards will raise the export potentiality of the industry to higher levels if it is coordinated by the suggested complementary measures. The writer's outlook for the future can be explained by certain existing facts and past trends; production, in the last five decades, has gradually passed from the roofs of the master artisans to the workshops of the manufacturers and in the near future factories may replace workshops due to the evolution of the socio-economic conditions of the country, population increase, change of tastes, bigger markets, initiative of entrepreneurs and adaptation to adopt new techniques and processes of production. At times, the master craftsmen used to make up a pair of shoes, all by himself. Today, in those firms where the handicraft system is still dominating, production has been divided among a number of operations, each being performed by a worker; while, in the existing factories, each operation has been further divided into separate occupations and at present the tendency is to more division of labour.

Workers today prefer to work in factories because the latter supply more economic security money-wise and work-wise, better working conditions, be it the physical surrounding or the fringe benefits, more impersonal and efficient supervision. Evidence for change to mechanization is the confession of all the interviewed manufacturers who stated that firms were being mechanized. This inclination reflects some existing favourable factors, namely, a very low tax on imported machines, wider market share and stronger competitive position of the products of factories and the willingness of some financial institutions

to supply long-term credit to prime firms.¹ This gradual transition from the putting-out system of production to the factory system of production, from the handicraft system to the mechanized system explains a certain level of industrial development. In this transitory period, the weaker and inefficient firms may unwillingly go out of existence, if they cannot keep pace with the changing situation. Through mechanization, factories can absorb much more labour, due to specialization, than handicraft workshops do, thus giving rise to higher labour productivity. Mechanizations may sometimes imply also change of location, size and organization of firms due to various reasons; some of the old problems may disappear with the gradual fall of the handicraft system; firms may confront new handicaps and difficulties. However, with better conditions of location, machines and equipments and expected better marketing policies, shoes may have better consumer preference in local and foreign markets; situations abroad may not favour exports. This is beyond the control of the manufacturers; the search for better situations is a sufficient effort to keep them on foot.

The forementioned anticipations in this period of transition can be fully realized if the functions of the state, namely, guidance and organization within a framework of sound legislation is executed impartially, efficiently and without delay.

However, every manufacturer must be aware of the fact that, for industrialization, a fundamental necessity is the growth of market. Markets on the other hand are won not by treaties, but price, quality and sales effort.²

¹Bata, S. Hashim and Sons.

²Mills, Arthur, Private Enterprise in Lebanon, p. 19.

APPENDIX A

HOW THE SURVEY WAS DONE

In order to start this paper, for a country like Lebanon where surveyors suffer from incomplete statistical information and data, the writer thought, the best way to get the necessary information, would be to prepare questionnaires and have them answered by personal contacts and interviews and try to formulate reasonable estimates from some of the gathered facts. To this end, five types of questionnaires were prepared:

- a. Consumer
- b. Manufacturer
- c. Retailer
- d. Bank
- e. Labour

Each type of questionnaire had a different purpose. Before proceeding with the survey, it was considered important to have an introductory letter from the Chairman of the Business Administration Department (an Arabic and an English copy).

It was impossible for the writer to interview all the retailers and the manufacturers of the country. A purposive sample of each questionnaire was interviewed. It was fortunate that 95% of the people

interviewed showed a willingness to answer. The remaining 5% (manufacturers) were unwilling to answer for one reason or another. It took three months to complete the initial survey.

Almost all the figures in most tables are based on the consumer questionnaires. The latter were divided into five categories:

EXHIBIT 3

- | | | | |
|---|----------------|-----------------------|---|
| A | Men and women | 21 years and over | representing 48% of
total population |
| B | Boys and girls | 12 years and under 20 | representing 21% of
total population |
| C | Children | 0 but under 11 | representing 31% of
total population |

About 88 consumers were interviewed to represent 1.8 million people. Sex distribution was taken as 51% male and 49% female. Population in various regions of Lebanon is divided as follows:

EXHIBIT 4

Beirut	600,000
Mount Lebanon	372,000
Northern Lebanon	338,000
Southern Lebanon	238,000
Bekaa	228,000

Surveyed consumers represent the population of the various regions of Lebanon. In certain areas like Beirut, each interviewed male consumer is to represent 6000 consumers, i.e., $(600,000 \times 48\% \times 51\% \div 24 = 6000)$,

while in others, such as the Bekaa region, one person has to represent 10,000 consumers. The difference in representation may be explained as follows: almost all regions in Lebanon except Beirut, have the same social and economic structure, same tradition and customs and even, according to the questionnaires, the same shoe wearing customs. Consumers, interviewed in Beirut represent a wide variety of people; different income, taste, profession, origin etc. The first consumer question was answered in the following way: the question is "How often do you buy your shoes?"

EXHIBIT 5

	Beirut		Mt.Leb.		Bekaa		North.Leb.		South. Leb.	
	M	F	M	F	M	F	M	F	M	F
Once a month ^a	2	4								
Once 3 months ^b	11	11								
Once 6 months ^c	9	2	2	2						
Once a year ^d	2	2			1	1	1	1	1	1
Total Males interviewed	24		2		1	1			1	
Total Females		17		2		1		1		1

Average shoes consumed by a male is equal to $(a - (2 \times 12) + b - (4 \times 11) + c - (9 \times 2) + d - (2 \times 2) \div 24 = 3.6$.

EXHIBIT 6

	Beirut			Mt. Leb.			Bekaa			North.Leb.			South. Leb.		
	G	B	C	G	B	C	G	B	C	G	B	C	G	B	C
Once a month															
Once 3 months	6	5	3												
Once 6 months	5	1	3	1	1	1									
Once a year							1	1	1	1	1	1	1	1	1
Total Girls interviewed	11			1			1		1				1		
Total Boys interviewed		6			1			1		1				1	
Total Child. interviewed			6			1			1			1			1

The average consumption for each class is calculated in the same way as calculated for male consumers.

Based on this question, it was possible to estimate the total shoes consumed in Lebanon for 1963. The following illustrates the way the calculation was done:

EXHIBIT 7

BEIRUT

Men:	$(600,000 \times 48\% \times 51\%) \times 3.6$	=	525,000 pairs	
Women:	$(600,000 \times 48\% \times 49\%) \times 5.7$	=	809,000 pairs	
Boys:	$(600,000 \times 21\% \times 51\%) \times 3.6$	=	230,000 pairs	
Girls:	$(600,000 \times 21\% \times 49\%) \times 3$	=	186,000 pairs	
Child:	$(600,000 \times 31\%) \times 3$	=	<u>558,000 pairs</u>	includes
Total			2,308,000	both sexes

MOUNT LEBANON

Men:	$(372,000 \times 48\% \times 51\%) \times 2$	=	182,000 pairs
Women:	$(372,000 \times 48\% \times 49\%) \times 2$	=	174,000 pairs
Boys:	$(372,000 \times 21\% \times 51\%) \times 2$	=	80,000 pairs
Girls:	$(372,000 \times 21\% \times 49\%) \times 2$	=	76,000 pairs
Child.:	$(372,000 \times 31\%) \times 2$	=	<u>232,000 pairs</u>
			744,000

BEKAA

Men:	(228,000 x 58% x 51%)	x 1	=	56,000 pairs
Women:	(228,000 x 48% x 49%)	x 1	=	53,000 pairs
Boys:	(228,000 x 21% x 51%)	x 1	=	24,500 pairs
Girls:	(228,000 x 21% x 49%)	x 1	=	23,500 pairs
Child.:	(228,000 x 31%)	x 1	=	<u>71,000 pairs</u>
				228,000

NORTHERN LEBANON

Men:	(338,000 x 48% x 51%)	x 1	=	83,000 pairs
Women:	(338,000 x 48% x 49%)	x 1	=	79,000 pairs
Boys:	(338,000 x 21% x 51%)	x 1	=	36,000 pairs
Girls:	(338,000 x 21% x 49%)	x 1	=	35,000 pairs
Child.:	(338,000 x 31%)	x 1	=	<u>105,000 pairs</u>
				338,000

SOUTHERN LEBANON

Men:	(238,000 x 48% x 51%)	x 1	=	58,000 pairs
Women:	(238,000 x 48% x 49%)	x 1	=	56,000 pairs
Boys:	(238,000 x 21% x 51%)	x 1	=	25,500 pairs
Girls:	(238,000 x 21% x 49%)	x 1	=	24,500 pairs
Child.:	(238,000 x 31%)	x 1	=	<u>74,000 pairs</u>
Total				238,000

The following assumption was made: shoes are homogeneous and standardized products.

The next problem was to find a way to calculate total production. According to the survey, unliquidated stock at year end shows the following figures:

Men's shoes 20%

Women's shoes 35%

Children's shoes 15% Includes shoes for boys and girls

Table 8 gives the consumption schedule according to age groups; to that table, the following was added to find out total physical output:

EXHIBIT 8

Total Shoes Consumed by

Men	904,000	pairs	ref.	Table 8-b
Women	1,171,000	pairs	ref.	Table 8-b
Boys, Girls & Children	<u>1,781,000</u>	pairs	ref.	Table 8-b
Total	3,856,000	pairs		

Unliquidated Retail Stock

Men	20%
Women	35%
Boys, Girls & Children	15%

It is assumed that beginning and end year unliquidated retail stock is the same; instead of adding consumption and beginning volume and then deducting year end stock, year end stock is added on consumed shoes.

Total Physical Output

Men	1,130,000	pairs
Women	1,801,500	pairs
Boys, Girls & Children	<u>2,095,000</u>	pairs
Total	5,026,800	pairs

According to the Ministry of National Economy, only 5% of total production are imports, which represent 150,000 pairs based on their total production estimate for 1963.

Gross Sales (Including Imports + unliq. stock)	5,026,000	pairs
Less: Imports	<u>150,000</u>	pairs
Gross Physical Output	4,876,800	pairs
Plus: Exports	100,000	pairs
gov't cons.	<u>50,000</u>	pairs
Total output	5,026,800	pairs

The figure for exports is the estimate of Pehlivan Shoes.

The survey shows that the use of shoes has the following preference:

Leather shoes	65%
Leather shoes with rubber soles	20%
Rubber shoes	15%

Hence, estimated total production is:

Leather shoes	$5026,800 \times 65\% = 3,267,000$	pairs
Leather shoes with rubber soles	$5026,800 \times 20\% = 1,005,000$	pairs
Rubber shoes	$5026,800 \times 15\% = 754,000$	pairs

APPENDIX B

TOTAL MATERIAL AND LABOUR INPUTS

This section includes the estimated direct total cost of production for 1963. Several ratios and estimates have been collected. Some of these ratios come from questionnaires others from interviews. In most of the calculations, sole leather and rubber shoes are combined. Rubber shoes are accounted separately.

The inputs of raw material covers the first part of the tables; it is followed by labour inputs; the last part is reserved for rubber shoes only. Material and Labour, accounted for are shown in detail in each table:

TABLE 15
DIRECT PHYSICAL INPUTS
1963

Types of Inputs	Cons.	Tot. Pairs	AIPP ^a	Tot. Input	APUU ^e	Tot. Cost- LL
Upper Leather	M	960,500 ^b	2.00 ^d	1,921,000	1.35 ^e	2,593,400
" "	W	1,531,300 ^f	1.25	1,914,200	1.25	2,393,000
" "	B	356,200 ^g	1.25	445,300	1.25	556,600
" "	G	338,600 ^h	1.25	423,300	1.25	529,100
" "	C	1,086,300 ⁱ	1.00	1,086,300	1.25	1,357,900
Sole Leather	M	960,500	1.00 ^j	960,500	4.00 ^k	3,842,000
" "	W	1,531,300	.75	1,148,500	3.25	3,732,600
" "	B	356,200	.50	178,100	3.25	578,800
" "	G	338,600	.50	169,300	3.25	550,200
" "	C	1,086,300	.10	108,600	3.25	353,000
Total						16,486,600

Source: Survey, personal

^a Average Input Per Pair

^b Represents 85 % of men's sole leather & rubber shoes

^c Average Price for Unit Used

^d Input in ft.²

^e Price for ft.²

^f Represents 85 % of women's sole leather & rubber shoes

^g " " " boys' " " " "

^h " " " girls' " " " "

ⁱ " " " children's " " " "

^j Input in kgs.

^k Price for kg.

TABLE 16
DIRECT PHYSICAL INPUTS
1963

Types of Inputs		Cons. Tot. Pairs	CPP ^a	Tot. Cost-LL
Leather & Cloth Lining	M	960,500 ^b	1.00	960,500
" " "	W	1,531,300 ^c	.40	612,500
Rubber Sole	M	226,000 ^d	1.50	339,000
" "	W	306,300 ^e	.60	183,800
Laces	M	624,000 ^f	.15	94,000
Heels	M	211,300 ^g	.75	158,500
"	W	527,000 ^h	.75	395,300
Total				2,743,500

Source: Survey, personal

^aCost Per Pair

^bRepresents 85 % of men's sole leather & rubber shoes

^c" " " women's " " " "

^d" 20 % " men's rubber sole shoes

^e" " " women's " " "

^f" 85 % " men's leather & rubber shoes whose 65 % prefer laced shoes

^gRepresents 85 % of men's sole leather & rubber shoes whose 22 % prefer to have rubber heels

^hRepresents 65 % of women's leather shoes whose 45 % prefer heels.

TABLE 17
DIRECT PHYSICAL INPUTS
1963

Types of Input	Cons	Tot. Pairs	CPP ^a	Tot. Cost in LL
Leather & Cloth Lining	B	356,200 ^b	.25	89,000
" " "	G	338,600 ^c	.25	84,600
" " "	C	1,086,300 ^d	.20	217,300
Rubber Sole	B	83,800 ^e	1.00	83,800
" "	G	79,700 ^f	1.00	79,700
" "	C	255,600 ^g	.90	230,000
Laces	B	320,400 ^h	.15	48,000
"	C	977,700 ⁱ	.15	146,700
Heels	B	78,400 ^j	.75	58,800
Total				1,037,900

Source : Personal Survey

a) Means Cost Per Pair

b) Represents 85 % of boys' sole leather & rubber shoes

c) " " " girls' " " " "

d) " " " children's " " "

e) " 20 % " boys' " rubber shoes

f) " " " girls' " " "

g) " " " children's " "

h) " 85 % " boys' sole leather & rubber shoes whose
90 % prefer laced shoes

i) " " " children's sole leather & rubber shoes whose
90 % prefer laced shoes

j) " " " boys' sole leather & rubber shoes whose 22 %
prefer rubber heels

TABLE 18
DIRECT PHYSICAL INPUTS
1963

Types of inputs	Quan. Used	PPUQ ^a	Tot. Cost in LL
Adhesive	36,321 ^b	15.00 ^c	544,800
Nails	76,914 ^d	1.25 ^e	961,400
Thread ^f -leather sole	326,740	.25	81,700
" rubber sole	100,540	.25	25,100
Total			1,613,000

Source : Personal Survey

a) Means Price Per Unit Quantity

b) Number of boxes calculated as follows:

5,026,800 - 754,000 = 4,273,000 pairs (leather & rubber sole shoes)
 4,273,000 x 80 % for Adhesive constructed shoes = 3,418,400 pairs ;
 average consumption of adhesive for 100 pairs is one gallon,
 therefore 34,184 gallons used;
 4,273,000 x 10 % for Goodyear constructed shoes = 427,300 pairs;
 average consumption of adhesive for 200 pairs is one gallon,
 therefore 2,137 gallons used; total gallons consumed for Adhesive
 and Goodyear Processes is 34,184 + 2,137 = 36,321

c) Price of a gallon

d) Nails used for leather and rubber sole shoes, in Adhesive and
 Goodyear Processes is, average consumption for 50 pairs being
 one box, $(3,418,400 + 427,300 \div 50) = 76,914$ boxes

e) Price of a box

f) 65 % of total shoes produced consume, average consumption
 for 10 pairs being one bobbin $3,267,400 \div 10 = 326,740$ bobbins
 20 % of total shoes produced consume, average consumption being
 10 for one $1,005,400 \div 10 = 100,540$ bobbins

g) Price per bobbin

TABLE 19

DIRECT LABOUR INPUT

1963

Adhesive Method	Type of operation								total
	W P O f	total OP g	WPO	total OP	WPO	total OP	DEFC	H	
Line of pairs shoes									Wage
Men	768,400 ^a	15,300	1.50	1,152,000	5.-	3,842,000	.10	77,000	5,086,300
Women	1,225,040 ^b	245,000	1.25	1,531,000	3.-	3,675,000	.10	122,500	5,573,500
Boys	284,960 ^c	43,000	.60	171,000	1.-	284,900	.10	28,500	491,400
Girls	270,880 ^d	40,600	.60	162,000	1.-	271,000	.10	27,000	500,600
Children	869,040 ^e	130,400	.60	521,400	1.-	869,000	.10	87,000	1,607,800
TOTAL									13,259,600

Source: Survey, Personal

a.- represents 85% of total men's shoes 1,130,000 80% of which is manufactured by adhesive way
 b.- " 85% " " women's " 1,801,500 80% of " " " " " "
 c.- " 85% " " boy's " 419,000 80% of " " " " " "
 d.- " 85% " " girl's " 398,300 80% of " " " " " "
 e.- " 85% " " children's " 1,278,000 80% of " " " " " "

f.- Wage per pair for each operation

g.- Total for that operation

TABLE 20

DIRECT LABOUR INPUT
1963

Goodyear System	T y p e o f O p e r a t i o n										Total Wage	
	A B					C						H
	Pairs	WPO f	Total OP g	WPO	Total OP	WPO	Total OP	WPO	Total OP	WPO		
Men ^a	96,050	.20	19,000	1.50	144,000	6.00	576,000	.10	9,600	748,600		
Women ^b	153,130	.20	30,000	1.25	191,000	3.00	459,000	.10	15,000	695,000		
Boys ^c	35,620	.15	5,700	.60	21,000	1.25	45,000	.10	3,500	75,200		
Girls ^d	33,860	.15	5,000	.60	20,000	1.25	42,000	.10	3,400	70,400		
Children ^e	108,630	.15	16,300	.60	65,000	1.25	135,800	.10	11,000	228,100		
Total										1,817,300		

Source: Personal Survey.

- ^aRepresents 85% of total men's shoes 1,130,000, 10% of which is manufactured by Goodyear system.
^bRepresents 85% of total women's shoes 1,801,500, 10% of which is manufactured by Goodyear system; although, there are no Goodyear Processed lady's shoes at present, but a combination of the Goodyear and other processes is being achieved.
^cRepresents 85% of total boys' shoes 419,000, 10% of which is manufactured by Goodyear System.
^dRepresents 85% of total girls' shoes 398,300, 10% of which is manufactured by Goodyear System.
^eRepresents 85% of total children's shoes 1,278,000, 10% of which is manufactured by Goodyear System.
^fWage per pair for each operation.
^gTotal for that operation.

TABLE 21

DIRECT LABOUR INPUT
1963

California System	Type of Operation										Total Wages
	AB		C		DEFG		H				
	Pairs	WPO f	Total OP g	WPO	Total OP	WPO	Total OP	WPO	Total OP	WPO	
Men ^a	96,050	.20	19,000	1.25	120,000	.75	72,000	.10	9,600		220,600
Women ^b	153,130	.20	30,000	1.25	191,000	.75	115,000	.10	15,000		351,000
Boys ^c	35,620	.15	5,700	1.25	45,000	.80	28,000	.10	3,500		82,200
Girls ^d	33,860	.15	5,000	1.25	42,000	.80	27,000	.10	3,400		77,400
Children ^e	108,630	.15	16,300	1.25	164,300	.80	87,000	.10	11,000		278,600
Total											1,009,800

Source: Personal Survey.

^aRepresents 85% of total men's shoes 1,130,000, 10% of which is manufactured by California Process, and it represents men's slippers.

^bRepresents 85% of total women's shoes 1,801,500, 10% of which is manufactured by California Process of which a part is women's slippers.

^cRepresents 85% of total boys' shoes 419,000, 10% of which is manufactured by California Process.

^dRepresents 85% of total girls' shoes 398,300, 10% of which is manufactured by California Process.

^eRepresents 85% of total children's shoes 1,278,000, 10% of which is manufactured by California Process.

^fWage per pair for each operation.

^gTotal for that operation.

TABLE 22

RAW MATERIALS USED FOR RUBBER SHOES
1963

Type of Input	Pairs	Cost Unit Used	Total Cost in LL
Raw Rubber	754,000 ^a	1.50	1,131,000
Cloth	754,000	0.50	377,000
Thread	75,400 ^b	0.25 ^c	18,850

Source: Survey

^aRepresents total rubber shoes manufactured = (5,026,800 x 15%).^bAverage consumption by a bobbin is 10 pairs

754,000 ÷ 10 = 75,400 bobbins

^cPrice of a bobbin.

TABLE 23
LABOUR INPUT FOR RUBBER SHOES
1963

Moulder Process	Type of Operation					Total Wages
	A	B	C			
Pairs	Hours	P/R/op	Cost	HR/op	Tot.Hrs. HR/op	T.t.Hrs
754,000		.15	113,100			
	62,833 ^a			1.25	78,500	
	125,666 ^b				1.50	188,500
Total			113,100		78,500	188,500
						380,100

Source: Survey

^b 6 pairs of rubber shoes are manufactured in an hour

$$754,000 \div 6 = 125,666 \text{ hours}$$

^a 12 pairs of op. B is done in an hour

$$754,000 \div 12 = 62,833 \text{ hours}$$

APPENDIX C

TECHNICAL TERMS USED IN THE PAPER

- Counter:** Short for counterfort--a stiffener of leather, shaped and skived to a soft edge and intended to give permanent form to a boot or shoe upper around the heel.
- Eyelet:** A ring of metal inserted in the shoe upper at the fore edge of the quarter to provide a durable ring for the lace holes.
- Lapstone:** A stone or iron plate which is held in the lap and on which a shoemaker hammers leather.
- Last:** A wooden form, shaped in the outline of a foot, over which a shoe is fashioned.
- Lift:** One of the pieces of leather or leatherboard used to make a heel.
- Pincers:** An instrument having two short handles and two grasping jaws working on a pivot and used for gripping leather.
- Quarter:** The complete upper part of a shoe upper above the vamp line.
- Shank:** A steel or wood piece inserted in the arch of the shoe.
- Slit:** A long narrow cut.
- Sole:** The bottom piece or pieces of footwear.
- Upper:** All the upper parts of a shoe stitched together and ready for bottoming. It includes both the outside and lining of the shoe.
- Vamp:** The complete lower part of a shoe upper which is attached to the sole or welting. It is the most important part of the upper and should possess the finest appearance and the most durability.
- Welt:** A narrow strip of leather, stitched to a shoe between the upper and sole. A welt shoe is one in which the welt, shoe upper and lining are joined together on the surface of the insole.
- Wipers:** Pincers, with rough inner grasping jaws.

APPENDIX D

THE LABOUR UNION AND THE ASSOCIATION OF SHOEMAKERS

The following excerpts have been taken from the Labour Union and the Association of Shoemakers' constitutions:

LABOUR UNION

- Article 1 - By decree # 84, dated 4/13/55 of the Ministry of Social Affairs, the Labour Union of Shoemakers has been established.
- Article 2 - The goal of the syndicate is to raise the level of the profession and help its members.
- Article 3 - The syndicate tries to arrange agreements between the employer and the employee before they go to legal courts.
- Article 4 - Membership is LL 1.00 1.00 for skilled workers and LL .50 for unskilled workers.
- Article 5 - The syndicate helps its members and their families by guaranteeing the expenses for sickness.
- Article 6 - The syndicate has no political or religious aims.
- Article 7 - Each member has to inform the syndicate for any disagreement that takes place in order that the syndicate can take the necessary measures.
- Article 8 - In case a worker changes the firm in which he works, he must inform the syndicate within 24 hours the name of the new firm.
- Article 9 - The syndicate is not responsible for a worker who takes part in a demonstration unless the syndicate has approved such an act.
- Article 10- The syndicate tries to supply work to the unemployed members if the latter inform about their condition.
- Article 11- The syndicate takes care of all the legal cases of its members to defend their rights through proper attorneys.
- Article 12- The membership card is renewed each year.

THE ASSOCIATION OF SHOEMAKERS

Article 1 - By decree # 3956, dated 5/17/47 of the Ministry of Social Affairs, the Association of Shoemakers has been established.

Article 2 - The two major goals of the Association are:

- a. The promotion of the profession, the protection of its interests and the advancement of the profession in the following phases: economic, industrial, commercial and artistic.
- b. The protection of the interests of the members of the Association and their rights, the promotion and the improvement of their social, intellectual, material, professional conditions, and the expression of the needs of the members to the public authorities and the departments concerned in the economic, financial, administrative and legislative phases of the industry.

APPENDIX E

SOME NOTES ON ORTHOPEDIE

The science of Orthopedie, especially "Bottier Orthopedique", as it is labelled by Mr. Khalil Chaftari, deals with deformed and hyper-sensitive feet and its aim is to improve the feet muscles and to keep in a comfortable state the deformed feet by tailor-made shoes.

The importance of foot orthopedie increased after 1940. Before then, according to Mr. Chaftari, 1/1000 of the population rarely had any foot deformity or foot muscle illness. Today, 20-40% of consumers have deformed feet; this is due to the adoption of new processes of production and also to increased knowledge about foot deformity. 40-60% of children have flat foot. The feet of the baby when born are flat; shoes make them curved or keep flat in the future. If it remains flat, the child cannot run well and has chronic pains around the body.

Many orthopedists have organized conferences in France and elsewhere and have asked their respective Ministries of Public Health to set regulation concerning shoemaking. So far no country has responded.

APPENDIX F

A LIST OF INTERNATIONAL FASHION JOURNALS

This list was supplied by Regent Shoes.

- Ars Sutoria - Featuring hundreds of original advance creations of Italian shoe stylists.
- Astir - Latest creations of leading Greek shoe stylists.
- Brumar - A variety of shoe styles originating by leading European artists, issued from Belgium.
- Footwear and Leadership of British Footwear - The first is Britain's leading shoe fashion journal; Leadership is a large multi-coloured shoe style album.
- Franc-Parleur-Renowned French footwear trade-fashion review, containing creations of important Parisian designers.
- Miro-Abba - Exquisite collection of 70 original advance shoe fashion creations.
- Moda y Linea- Spanish review, highly regarded everywhere as a source of truly original ideas in shoe design.
- Novus - Unsurpassed shoe fashion album of international scope, featuring style trends of tomorrow in shoes.
- Schuh-Kunst - (Shoes in Vienna), Creations of Viennese shoe stylists.
- Schuhmodell - A West German revue, which presents numerous sketches of shoe ornaments as well as a highly informative forecast of coming shoe style trends.
- Styl - Creations of Yugoslavian footwear designers.
- Tendance de la Chaussure - Reflects the traditional light French touch in latest Parisian shoe designs.
- Vindobona - Multi-coloured latest Viennese ideas in shoe styles.
- The Boot & Shoe Recorder - A U.S. trade-fashion review.

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