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Albanian Garment and Footwear Leather Industry: Shifting to Own-Brand Production

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Abstract

The garment and leather footwear industry stand as significant contributors to Albania's exports and imports. Over the past two decades, this sector has encountered numerous challenges, including those stemming from the COVID-19 pandemic, globalization, technological advancements, dwindling primary resources, and heightened customer demand for cost-effective customization. However, amidst these challenges, select companies in Albania such as “Mali Ltd”, “Krienko Jeans”, “Katerina Firence”, “DBS Group”, “SAM WEAR”, and “Ola” have embraced the circular economy concept. By implementing efficient waste management practices and repurposing waste materials, these companies have not only fostered local job creation but also contributed to environmental preservation. This shift towards circular design production necessitates a fundamental transition from Industry 3.0 to Industry 4.0. Through the provision of full-package services and the establishment of unique brands, apparel manufacturers stand poised to seize a larger share of the value chain.

Keywords: Garment and leather footwear industry; Albanian brands; full package; value chain; environment protection.

1. Introduction

Albanian small and medium-sized enterprises (SMEs) remain the most advanced among the other Balkan regions regarding operational environment, due this to the implementation of digital reforms from the government [1].

Although this is an advantage, many companies are facing challenges due to external and internal factors. Albania cannot be called a free labour force, on the other hand, the devaluation of the euro, technological transformations, and the implementation of European Union (EU) legislation to protect primary materials and eco-production, have led the companies need to change the concept of production if they want to survive in the local and EU market.

The companies need to switch to production with their brand's full package. They must undertake several changes to ensure long-term sustainability in the new apparel manufacturing industry, with financial support from the government, and other actors such as academic programs and consultancy to participate in the green transition, internalization, and integration into global value chains. The enterprises in Albania are mainly small and medium where about 95% of companies are oriented towards garment cost of making (CM) and cut-make-trim (CMT) production with customers ordering from EU countries. About 5% of companies operate with their brands for the local and foreign markets [2].

Our research work will be focused on the analysis of exports and imports of garment and leather footwear during 2019-2023 periods. Furthermore, we will briefly describe the needs for innovation and switch to production with their own brand's full package

2. Sector Analysis of the Exports and Imports of Garment and Leather Footwear

The Garment and leather footwear sector is one of the main industries in Albania, contributing to the annual change in exports and imports. This sector had in 2022 a Total annual turnover (garment and footwear): of 135 mills. Euro and 41% of exports contribution of all country industries according to a database [2-4].

Exports in Textiles and Footwear have been increased from 2020-2022. In 2023, the levels in value and weight of exports/imports for Textiles and Leather Footwear have decreased. This industry hurt the annual decrease in exports with a value of - 4.1 percentage points and -1.0 points percentage for imports, this is related to some of the factors mentioned above [2, 5, 7].

The garment and footwear manufacturing industry operate with two types of companies: Companies that produce and export part of the product's work and companies that produce and export the entire product.

Although companies operating in the textile, clothing, and footwear sector in the country over the last two decades have made efforts to invest in updated technology, still the technology in use and investments in human resources do not respond to the need for high competition in European markets.

This sector is characterized by the size of different enterprises and their progress towards Sustainability; this is why the transfer of the textiles, clothing, leather and footwear (TCLF) sector in Albania to the path of sustainability requires considerable efforts to integrate existing policies, laws, and plans of different stakeholders in a single framework.

The Albanian government is implementing important structural reforms that will support equitable growth, increase productivity and competitiveness in the economy, and create more jobs. Improving regional connectivity and access to regional and global markets, along with exporting and market diversification, can also help drive growth and entrepreneurship.

The Data in this sector is incomplete, however, according to Pro Export Albania Association there are around 740 companies engaged in garment and shoe manufacturing, employing up to 63. 000 people, compared to 2020 when Albania has 804 enterprises and a number of the employment of 83.000 people [7].

About 100 clothing and leather footwear companies last year have been forced to close their activity. This phenomenon was also accompanied by an increase in unemployment.

Table 1 shows the exports for the Textile and Leather Footwear, in value (million ALL) based on the data collected from Instant. The Leather Footwear exports in 2022 in value was 65,440,203,344 million ALL, and in 2023 it has been seen a decline in value to 56,179,808,567 million ALL. It is obvious that in 2023 there will be a decrease of on average 7% in exports, and 8% in imports, compared to 2022.

Table 1. Imports/Exports of Textile and Leather; Footwear Foreign trade according to the products, 2019-2023/ *million ALL*

Exports / Imports of textile and Leather Footwear (Mill AL)					
Textile and footwear; Foreign trade according to the products, 2019-2023/ *million ALL*	**2019**	**2020**	**2021**	**2022**	**2023**
			Exports of textile and leather		
Textile & textile materials	61,235,760,695	56,679,554,613	61,292,341,209	69781820112	70,127,952,775
Leather footwear	56,965,779,270	45,664,926,626	51,162,755,258	65440203344	56,179,808,567
Exports of textile and leather footwear (Mill AL)	118,201,539,965	102,344,481,239	112,455,096,467	135,222,023,456	126,307,761,342
			Imports of textile and leather		
Textile & textile materials	71,073,141,113	63,272,740,756	76,217,550,198	84,614,515,730	79,879,959,872
Leather footwear	16,129,723,827	12,184,034,004	14,613,078,109	17,173,683,613	14,310,607,785
Imports of textile and leather footwear (Mill AL)	87,202,864,940	75,456,774,760	90,830,628,307	101,788,199,343	94,190,567,657

Furthermore, Figure 1 shows the annual exports/imports of textile and leather footwear.

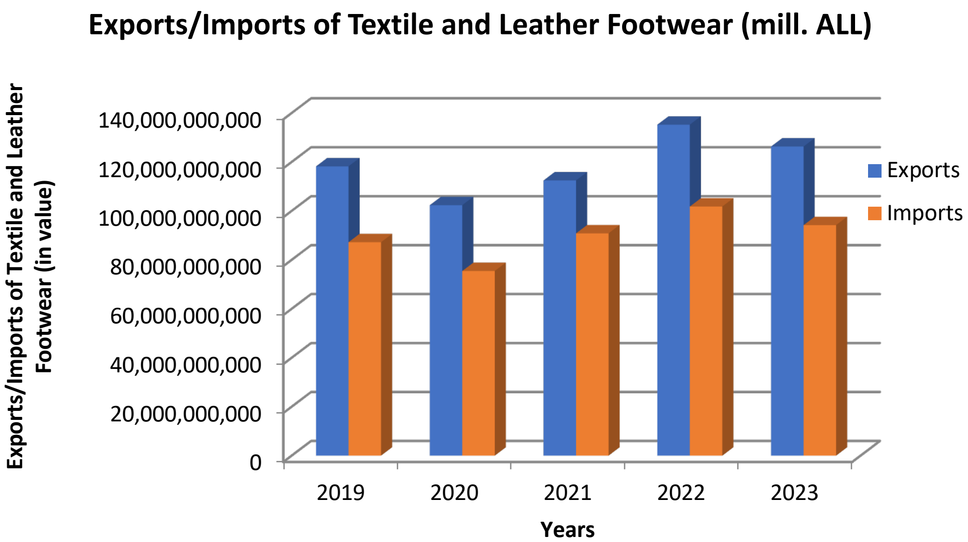

Figure 1. Annual Imports/ Exports of textiles and leather footwear in mill AL

According to the data collected from [2], the export and import levels of this industry have increased from 2021 and 2022, but in reverse in 2023.

Table 2 shows the annual data of the exports and imports for Textile and Leather Footwear in net weight.

Table 2. Imports/Exports; Textile and leather footwear annual net weight

Textiles & Leather Footwear; Net weight (kg)					
	2019	2020	2021	2022	2023
Imports	87,685,352	77,576,476	91,718,420	91,229,556	85,962,777
Exports	60,011,277	51,473,864	58,124,557	61,508,100	53,982,176

A high level of exports of the Leather footwear industry means a high level of waste generated in production in kg/year.

Figure 2 depicts the annual net weight for the imports/exports of textile and leather footwear.

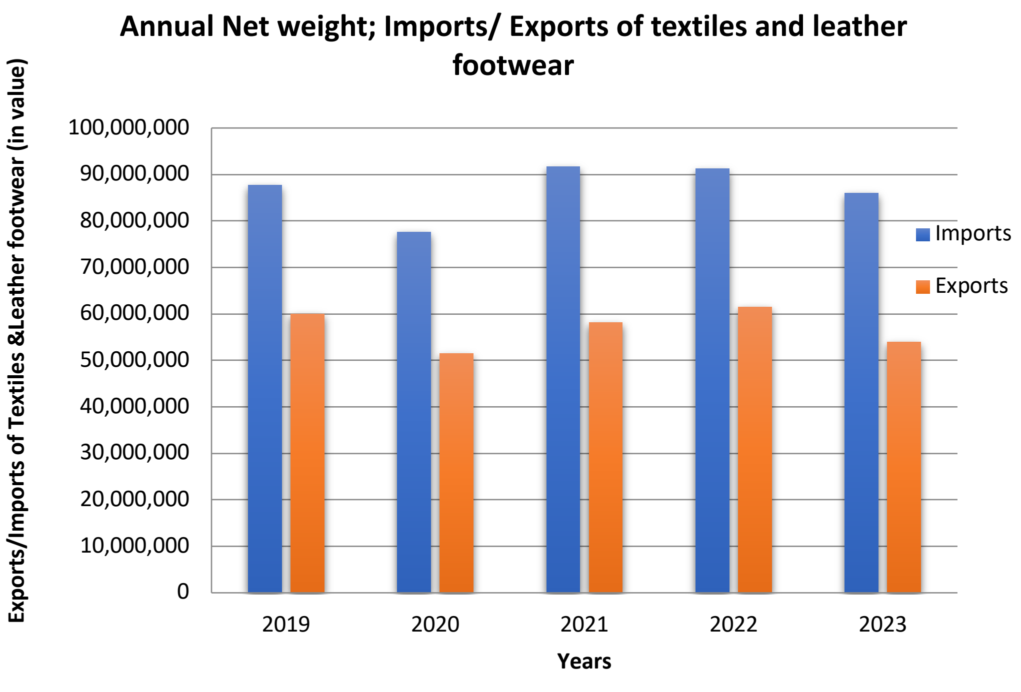

Figure 2. Annual Net weight; Imports/ Exports of textiles and leather footwear [2]

Referring to the above figure, it is noticed that the level of imports of the textile and leather footwear sector in kg/year has been increasing from 2021-2022. The situation changed in 2023 when there was a decrease in imports/exports of textile and leather footwear according to the data collected from [2].

3. Results and Discussions

3.1. Innovation Entails Shifting Production Towards their Own Branded Full Packages

The term "innovation" defines experimentation and adoption by taking corrective steps to improve the technical, managerial, and organizational context in which companies operate. It is necessary to understand how companies will introduce and manage the production concept, and processes and what will be the innovative choices needed to transform their production.

The companies must make fundamental changes in their structure, way of organization, and way of production in order to be sustainable, competitive in local and international markets.

We made a survey for SMEs, Textile and Footwear companies and based on the results of survey we have evaluate some of key challenges and steps to be taken that will lead them to a better future in the market, see Table 3.

Table 3. Key challenges in Innovation to switch to production with their brand's full package

No.	Key challenges and steps to undertake for Innovation in Garment and Footwear Industry
1.	Transition from order-to-order production to closed-cycle production
2.	Designing products, and services and creating the "Made in Albania" brand
3.	Product development and provider offered.
4.	Technology adoption both in design phases and transformation cycles as well as in management/decision-making processes;
5.	Organizational behaviour (how the company prepares its resources according to the defined objectives);
6.	Representations that the company offers about itself and its products (marketing of innovation results).

These innovations are necessary for small and medium-sized enterprises that have resisted changes and external factors, and the challenges they are facing now and in the future. That is why it is necessary to diversify products and move with a closed cycle towards a circular and environmentally friendly economy.

The growing characterization of the innovative process is also motivated by the small size of the companies, which, unlike some more structured companies operating in high technology, are equipped only in rare cases with testing and experimentation laboratories.

3.2 Survey Results

About 101 companies responded to the survey. The results of the survey are listed below on Figures 3 until 10.

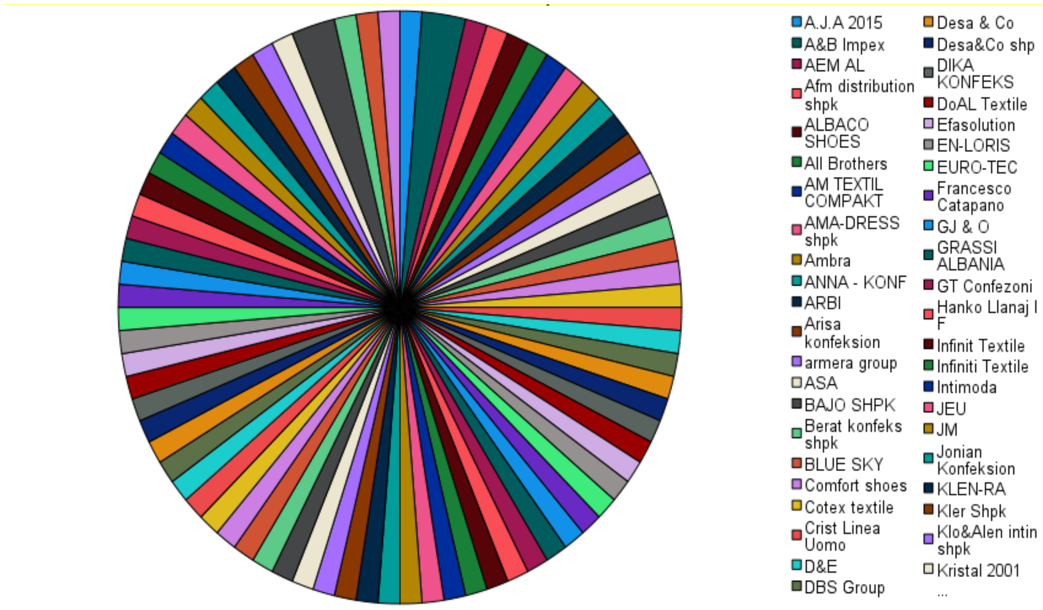

Figure 3. Name of the company

In the figure 3 are listed 80 SME companies that have completed the survey.

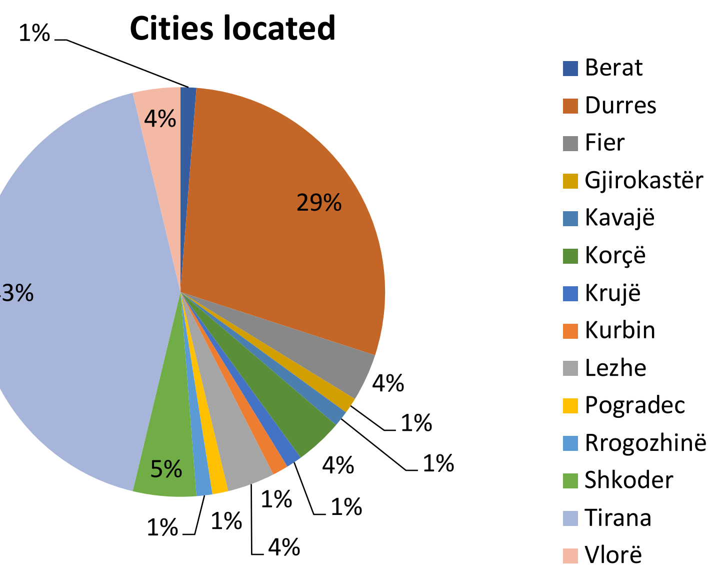

Figure 4. Company location

As it is shown in the figure the companies mostly are located in Tirana 43%, Durres 29%.

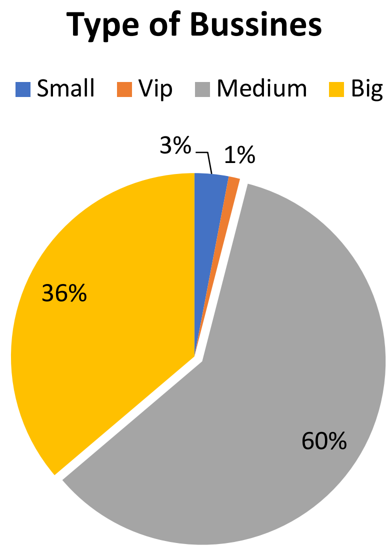

Figure 5. Number of employees

96 % of SMEs respondents have an average over 100 employees, are Medium and large enterprises; 3% are small enterprises with an average of 45 employees, 1 company is VIP with 600 employees.

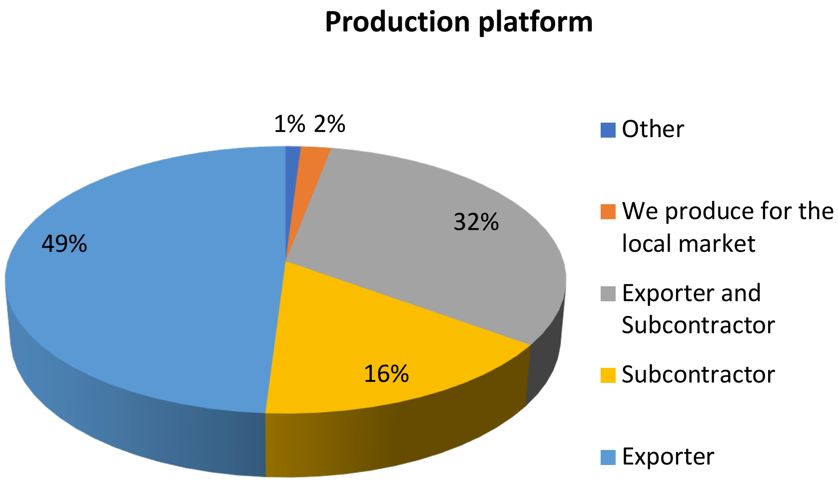

Figure 6. Production platform

All surveyed companies use both production platforms as subcontractors for other exporting clients but are also exporters with their own clients. 49% of the companies are exporter 32% Exporter and subcontractors, 16% are subcontractors. Only 2% of small companies work exclusively for Albania.

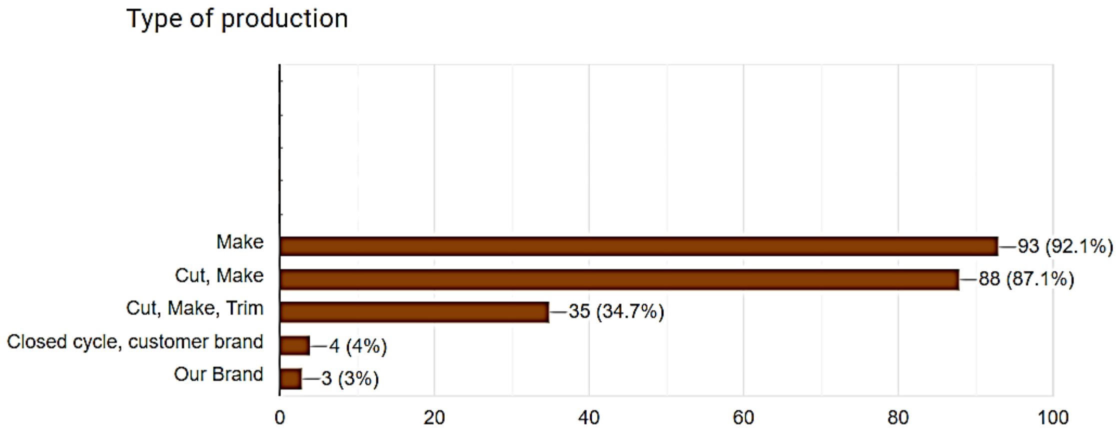

Figure 7. Type of production

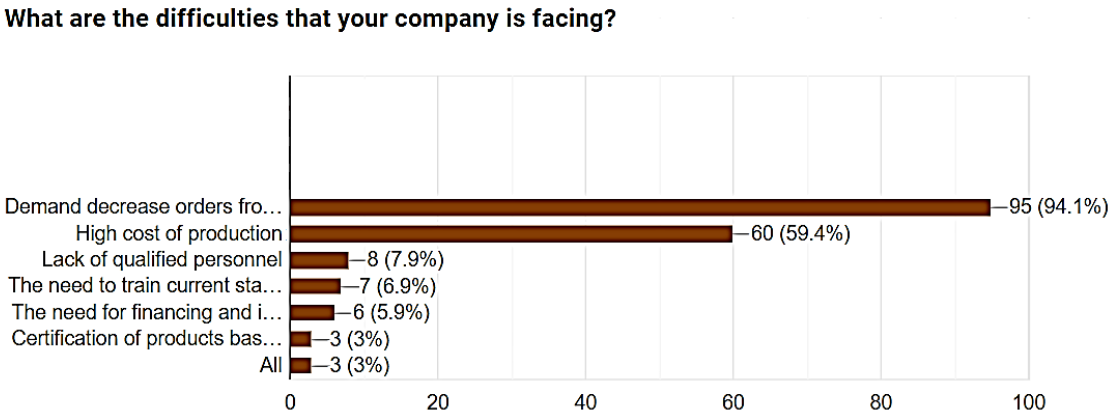

Figure 8. Difficulties that companies are facing

In high percentage the respondents listed more than one difficulty that they are facing nowadays such us difficulties on: demand decrease orders from customers, high cost of production, lack of qualified staff.

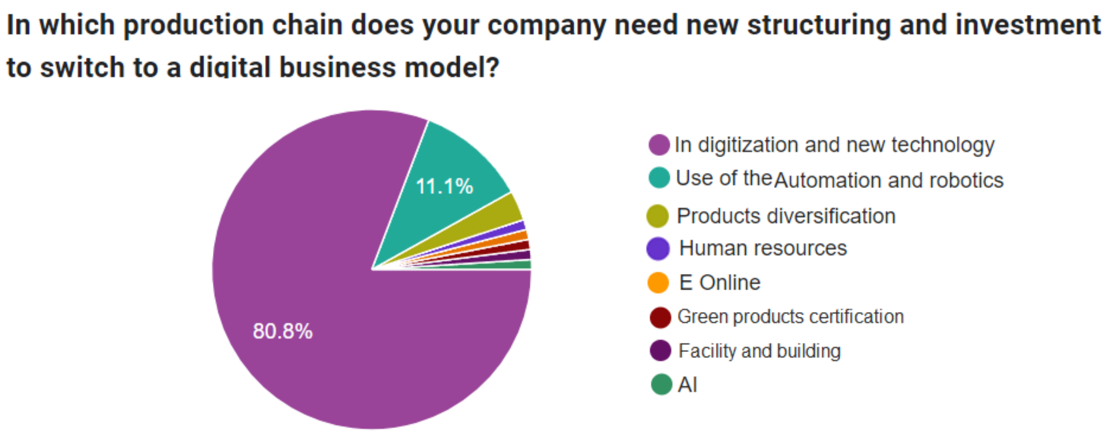

Figure 9. Investment that companies listed

The question in which production chain does your company need new structuring and investment to switch to a digital business model 80,8% respond they need investment in Digitalization and new Technology in production and logistic, 11,1% investment in Automation and Robotics, 3% in Product Diversification, 1% in Human Resources, E-Online, AI, Facility and Building.

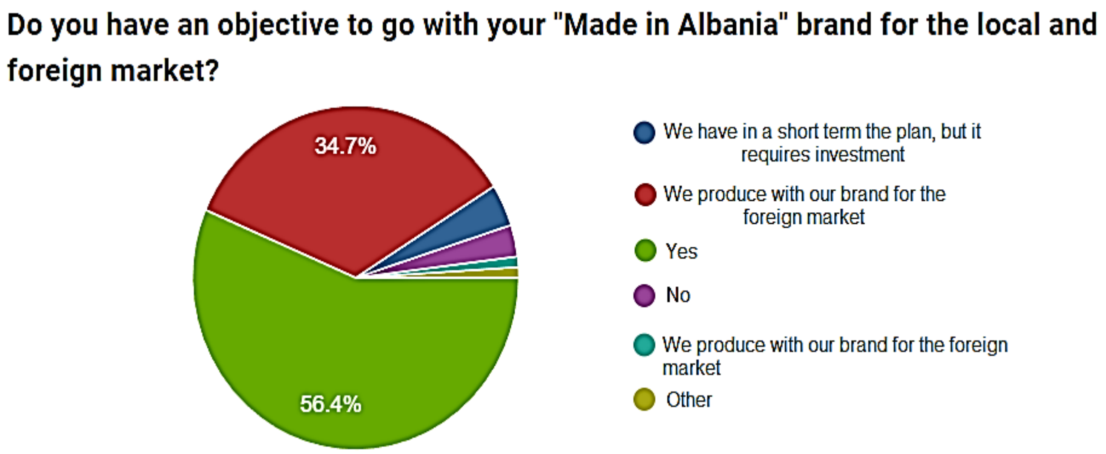

Figure 10. Switching the production with “Made in Albania” brand for the local and foreign market

56,4% of respondents consider the fact to go in closed cycle, 34,7% answer that they have in short time plan but they need support in investment, 1% answered that they produce with their brands, 3,9% answered No, 4 % answered they produce with closed cycle with client brand.

During the survey of companies, we analysed some of common problems:

There is a lack of companies to independently develop prototypes or perform tests and quality evaluation performances for input materials and output products.

- Absence in the field of stylistic-creative design based on new-generation technologies (two- and three-dimensional CAD);
- Product diversification;
- Investment in digitalization, Automation and Robotics, New Technology, Artificial Intelligence, E-services;
- Involvement in products and processing cycles of materials/technical solutions in an industrial context, as a need to attribute not only aesthetic but also functional characteristics to designed garments.

4. Conclusions and Recommendations

The period of COVID-19 showed that the main problems of companies came from the lack of elasticity and flexibility in adapting to new market conditions. Many of them were suffering from a lack of orders. The most advanced companies adapted their production very quickly to market needs and new unforeseen conditions.

This brought the urgent need to move to more value chain processes, upgrade technology, and improve infrastructure, but beyond any qualification of supervisors, managers, and staff.

Although a large part of the firms has faced many difficulties and challenges, the need to survive and stay in the European and local markets has led to a close cooperation of the companies with the Albanian government.

Now clothing and footwear companies are moving toward production orientation with their brands.

The TCLF sector has attracted the attention of many businesses in European and distant American countries for its high-quality products. The global crisis for the lack of products and raw materials in the world should be seen as a unique opportunity since Albania is close to the doors of Europe and has the great potential to create a strong industrial pole in this sector and become the indisputable leader for clothing and footwear production in the Balkans.

The "Made in Albania" brand needs lots of changes, especially in the following:

- Product development and prototyping and co-creation of collections;
- Diversification of products, and services;
- Quality certification of products and processes;
- Strengthening the national and international dimension and presence;
- Support for planning through funding lines;
- Selection and training of specialized personnel;
- Implementation of systems for the management and development of human resources;
- Skills certification;
- Quality tests on products and services;
- Market positioning and development analysis;
- Implementation of innovative technology, technological adaptation;
- Environmental control and certification systems;

Conflict of Interests

The authors would like to confirm that there is no conflict of interests associated with this publication and there is no financial fund for this work that can affect the research outcomes.

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