Declining Market Share of Pakistan in Football Industry

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ABSTRACT  

Pakistan Football Industry is one of the promising secondary industries of the country. Millions of lives and considerable portion of Pakistan’s GDP is directly or indirectly dependent on this sector. For a long period, the industry enjoyed leadership status in the international market, but, during the last decade, it not only lost its leadership status- there is also considerable decline in the market share. Therefore, the aim of this paper is to identify the challenges and issues faced by this sector and provide some suggestions to improve its performance. The research was conducted by using secondary data, as well as, making some interviews with football producers of Sialkot. The research found that social compliance issues, lack of technology, lower productivity, old production techniques, poor management and non-extent marketing skills and uncertain political and business environment are the major reasons behind the poor performance of this industry. This paper contributes by highlighting the importance of football industry for Pakistan economy, which has, so far, been neglected by the policy makers resulting in grave consequences for overall economy. The limitation of this paper is the heavy dependence on secondary data and its focus on football producers’ prospective. Future research can look at this problem from the prospective of other stakeholders, as well as, conduct an empirical investigation to explore these issues and challenges more deeply.

Keywords: Football, Pakistan, China, Marketing, Management, Child labor, Government  

INTRODUCTION  

All over the world, football regards as the most popular sport. Balls; which are the main inputs for this, in 2008, it had a sale of $1.15 billion (UN comrade, 2010). According to Nadvi (2010), there is significant increase of 240% in the trade of football industry from year 2001 to 2008. Various tournaments and live coverage of footballs have surged the popularity of this game. However, few brands are dominating in international market such as Nike, Adidas, Puma, and some other brands. Out of these, Nike and Adidas are the major ruler of market. Adidas has 34% market share and get sale of $1.57 billion from footballs related products- while Nike has $1.7 billion sale in international market. Both, Nike and Adidas are also two biggest buyers of footballs (Nadvi, 2010).

In international market, footballs are distinguished on the basis of performance, quality, price, and technology. There are different varieties and types of footballs, which further categorize on the bases of their use and technology. In terms of use, there are six different categories of football which include: International match ball, Club’s matches’ ball, practice and training ball for upcoming matches, indoor balls, promotional balls, Futsal football.
Professional soccer balls are manufactured for international matches among top level of teams. FIFA (Federation international football association) is the authorizing body to approve the balls, which will be used in the match. Suppliers of these footballs will have to meet high testing standards like shape, color, water resistance, trajectory, speed etc. it takes five layers of highest quality raw material to produce the ball for international matches. To produce these footballs some latest technology and infrastructure is required.

Second type of football is match soccer balls, these are designed for different club, and league level matches in different countries. There are many different national and intentional bodies for the approval of this ball. There are four to five layers are used to produce this ball. These balls are less costly from footballs that use in international matches, but have more prices than any other type of football.

To prepare for match, players need to make some training on regular bases. For this purpose, there are training and practices balls are used. These balls have less quality and price as compared to match ball. Fourth type of ball is the promotional balls; the purpose of these balls is to promote a particular brand, event, or a firm. In order to get this purpose, these balls are designed and printed in various different form and have high variation in sizes. The prices of these balls are less as fewer layers are required to produce them and large quantity of them are sold out. Futsal balls are played on hard surface - to play on these ground ball should be heavier and have less bounce. Therefore, bladders are filled with the foam to make this ball heavier and less bouncy.

In production process, Hand stitched and Machine stitched is two different processes that widely use. In hand-stitched footballs, there is no more requirement of technology; skilled labor is the major input to produce the balls. They stitched the balls with some polyester and similar category thread to make sure that the ball is tighter and stronger to play in national and international matches. On the other hand, machine stitched balls are higher productivity and less prices unlike hand stitched balls. But, these are also lower in quality with lower performance.

Finally, thermally molded ball is latest football, which introduces and manufactured by Adidas. This ball introduced with the name of Roteiro, later in world cup 2006, it was called teamgeist. Usually, there are layers of patent material used to produce this ball, where panels in the outermost of the balls are connected with this technology.

The brands who have dominance in football market, actually they are not producers. They get footballs from various developing countries due to low cost of production. China, Pakistan, and Thailand are the major hub for this and jointly contribute 70% of total export of footballs (UN Comtrade, 2010). Nevertheless, it is evident from last four to five years that China is increasing its dominance. China that was having 28.9% market share in 2004 has raised share up to 50.5% in 2009. While, there is substantial decline in the market share of Pakistan. In 2009, Pakistan has just 13.2% as compared to 23% in 2006.

Currently, football industry in Sialkot gets few of total floating orders as compare to 1990s. There are various reasons for declining market share. Power and gas shortage has made difficult to meet the dead lines in the era of Just in Time. There is little penetration of technology in the production units of Sialkot. Growing demand of machine-stitched balls is affecting badly to sale of hand-stitched balls from Pakistan. Football manufacturing in Pakistan has a rich history, despite; there are many problems which it is facing in recent past.

BACKGROUND AND HISTORY OF FOOTBALL INDUSTRY IN PAKISTAN

Pakistan has a rich history as a manufacturer of quality hand-stitched balls. In Pakistan, Sialkot is the capital of football and has strong brand name in the world of sports for its high quality hand stitched balls. All the famous like Nike, Adidas, and Reebok outsource commission their footballs from Sialkot. In Sialkot, there is a long tradition of nearly 100 years of producing balls and exporting soccer.
People of Sialkot, are very much skilled and talented in their work. The history of industrialization of Sialkot can be traced down to the era of Mughal Empire, when the Jahangir (1605-1627) ordered skilled labor of Sialkot to manufacture some war weapon for his army. Later on in 1870, the leather industry started to grow in Sialkot, as there was huge demand of horse saddle and other leather equipment.

The question arises is that; how Sialkot got into the business of sports/football industry? No one exactly knows, but it is said that during the British rule, a British football was damaged and, since immediate replacement was not possible, he asked a local to repair it. The man did a perfect job and the sports-good/football manufacturing industry took root in Sialkot.

In 1922, Sayed Sahib was the first person who awarded for supplying footballs to the British army. Over the year, this industry grew and Sialkot becomes capital of hand-stitching footballs. In its history, 1980s proved to be a golden time period for Pakistan football industry. As in 1980s, Pakistan gained international become icon of the industry-producing “Tango” ball for 1982 world cup of Spain. In 1994, it was also official supplier of world cup in USA. Therefore, export of football become doubled from Rs. 1.6 billion in 1992-93 to Rs. 3.2 billion in 1993-94. Moreover, top brands of the world like Adidas, Nike, Puma and Reebok as well as major football clubs begun to purchase their most of their from Sialkot. This boom period for Sialkot industry remained till 1998 world cup when footballs manufactured from Sialkot were again selected. In this era Sialkot Pakistan, makes headlines over the world for its very high quality footballs. As per an estimate, approximately 80-85% high quality hand stitched inflatable balls production of the world originates from Sialkot.

One of the most important reason behind the early success and gains of the industry was that the indigenous industrialists had links worldwide through their kin living and working abroad and resultanty a number of international brands were introduced in the due course of time. This gave an immense boost to the emerging industry. Even the problems like loans and investment were resolved through these settlers abroad.

Rising cost of production due to high prices of electricity, labor cost and raw material cost; and lower productivity of employees. Football industry also face human resource issues, most of workers have lower level of education and skills as well as low retention rate. During last decade, child labor and other labor issues, remain the major issue- got a lot of time and energy of the producers to solve it. Due to this issue, initially Nike pulled out its production and later limited its supply from Pakistan; it also detracts the industry to move with changing technology and market.

**Problem Statement:**

Most of world-renowned brands like Adidas, Nike, Puma and other brands get premium quality match balls and clubs balls from the vendors of Sialkot. It also supplies other types of footballs like promotional and practice footballs in large volume. Around 390 registered firms produce footballs. Most of these firms source their production from more than 2700 registered units for stitching and they provide employment to more than 100000 peoples. Export of these footballs from Pakistan was $298 million in 2009-10 as compared to $273 million in 2008-09, which are mostly exported to 10 different nations including US, UK and EU. Key actors in the supply chain of footballs include: producers, subcontractors, stitchers and exporters.

In 1990s, Pakistan was having dominance status in football production. From start of this century, some major changes have been taken place in manufacturing technology and production process, customers’ preferences, and competition. Pakistan’ market share begun to decline and china had strengthened its position. As it is evident from the figure that china which was having market share of 28.9% in 2004 has been reached to 50.5% in 2009. Meanwhile, in 2004, Pakistan was to near to china with market share of 23.2% has seen some major decline in market share and remained only 13.2% in 2009. This situation
continues to date, resulting in situation so bleak that it seems difficult for Pakistan to regain its position. In the next section we will discuss the reasons behind this situation (while drawing lessons of from china) and make recommendations to redress the situation these challenges and issues (Lund- Thomsen & Khara, 2011; Nadvi, 2011).

REASONS BEHIND DECLINING MARKET SHARE OF PAKISTAN FOOTBALL INDUSTRY

There are various factors which are contributing for this decline which range from raw material to productivity and production issues, poor management and marketing practices to labor issues and challenges, stiff competition to unfavorable government policies and business environment.

Raw material:

Quality of football depends on the quality of raw material usage. In production process of football it’s sphere-shaped and water resistance are two major requirements- these depend upon the quality of raw material. During last decade some new balls has been developed, these advancement has become possible due to better and improved material use for panels- high quality polyurethane (PU), better Poly vinyl chloride (PVC) and thermoplastic polyurethane (TPU). In term of qualities, these materials greatly vary. PU is the best material use for ball construction; it provides flexibility, water resistance, and higher performance. PVC is the most widely material for construction of footballs. TPU is the rising material to swap PVC. Improved raw material enhances the quality of ball; decrease cost and increases the possibilities for product development. One of the most important reasons in rising market share of china is the availability of better and improved raw material (Nadvi, 2011).

Unlike china, Football producers of Pakistan get raw material with little improvements; now a day’s, rising prices and shortage of raw material is also very big emerging issue of the industry. In last two years prices of raw material has surged more than 50 percent. However, buyers are not ready to pay extra for the rising cost of footballs producers.

Production and Productivity Issues:

Sialkot is major hub in the production of football in Pakistan. There are 400 SMEs manufacturing units that provide employment to 30000 workers (UNIDO, 2008). Out of these, there are 30 firms, which are medium to large and are the major exporter. However, as compared to china, these firms are much smaller; there are only one firm employs more than 500 employees.
Production process use in Pakistan is very simple and there is little use of technology. Panel cutting and printing are undertaken in factories and is partly mechanical. Moreover stitching is fully done through manual process. Most of factories make their stitching process by subcontractors, and then some individual workers stitch the ball at home. After that, these balls return to factories for quality assurance and packaging (Khan et al, 2010).

In recent past, Nike and Adidas have adopted lean management process for their football suppliers. The purpose of lean management system is enhance the efficiency, reduce the waste and adopt the just in time production system as well as provide better working conditions and wages to employees. This system requires team working where panel stitchers work alongside with producer of final blender, blender threading and printing of panels. But, football manufacturers in Pakistan are not ready to adopt these modern practices to improve efficiency and productivity (Nadvi, 1999).

Productivity level in Pakistan is also very low. In china, each worker stitches 40 balls per day due to machine-stitched technology. Similarly, in Pakistan full time football stitchers stitch only four to five balls on daily bases. Mostly stitchers belong to village areas near Sialkot and they consider it off farm activity. Therefore, there seems to be a little professional development of these workers. Men and women both do stitching, but men produce better quality ball as they insert more force to make panel more thickly which is very important for high quality football- as a result, they get higher wage rate. Most of the workers have lower level of education even some of them are illiterate (brecoder, 2011). Average earning for each worker is also very low which is not more than US$3 on a day in Sialkot. On the other hand, because of the low wages, employees are not particularly enthusiastic about bringing innovation or efficiency into their work (or even interested in enhancing their skills, especially if that is not linked to some kind of monetary rewards).

**Technology issue:**

During last decade, major focus of Sialkot cluster remains on child labor and implementation of Atalanta agreement. The result of this football manufacturer was not focus on technological changes in the industry. In past slow technological development in industry is one of the main reasons for great success of Pakistan. Currently, there are some fast changes have been taken place due to new entrant. During last decade, improvement of material used in making of panels for football was the major focus of technology. Innovation and improvement in PU, TPU, and PU enhance the performance the quality and performance of football and reduce the cost of production as well as prices of football. Technological advancement also helps to introduce some new products (Nadvi, 2008). While, football industry in Pakistan remain unable to respond these changes, therefore, it is just only getting orders of hand stitched balls and have very little share in other segments of market. The diffusion of machine-made balls has greatly influence the hand-made football industry of Sialkot. It is evident that in future, it will be difficult for hand-stitched balls to compete with machine stitched in international scenario. Therefore, it has become essential to adopt latest technology to move forward. Machine stitched footballs have better productivity and incurred less cost as compare to hand-stitched footballs. A machine has the capacity to produce 36 footballs on a day while a worker can stitch five to seven footballs on per day (Hisam, 2009).

**Power shortage:**

Since 2008, Pakistan is facing serious problem of power shortage. This problem distracts the production process on frequent bases that make the labor idle, in the way not only cost increase- productivity also decrease. It also make extremely difficult for them to fulfill order on time. Many orders have been shifted from Pakistan to china- due to delay in order fulfillment. In addition to this, continuous increase in electricity prices has made the production more expensive, decreasing profit margin (Dawn, 2011).
Cost of production:

Rising cost of production is also making less attraction for suppliers to purchase to football from Pakistan. It is witnessed that rate of electricity has been double during last few years. During last five years, double-digit interest rate prevails which has increases the cost of capital and eventually cost of production. In that period, inflation has broken the previous record that increases the difficulties for producers to compete in highly competitive market. In the regime of current government, currency has been devalued more than 50%, which is also source of rise in cost of production as there is significant increase in the prices of imported materials. Except these, government doubles the minimum wage rate during last five years. Government has set Rs. 7000 for year 2010-11 that was Rs. 6000 the for year 2009-10, on the other hand, they are bound to work on specification of international brands which require high quality with less price (Khan & Khan, 2010). Rising cost of production has made very difficult for the football to compete in international market (Arifeen, 2010).

CHANGING PREFERENCES OF CUSTOMERS

Another major reason of declining share from Pakistan is the changing preferences and requirements of buyers. Broadly, buyers can be divided into two categories sports goods brands and non-sports brands. Both of them have different demands from their suppliers. Supports goods brands choose those suppliers who can quickly adopt the latest technology and production processes, products upgrading, reduction in cost, as well as convenient and Just in time (JIT) supply with lower level of inventory are the major specification of these sports brands. Therefore, brands are consolidating their supply chain to get better results. Adidas is having two suppliers from china, one supplies the machine-stitched footballs, and another is for thermo footballs. Similarly, it also has two suppliers from Pakistan to fulfill the demand of hand-stitched balls. Nike has one supplier from Pakistan, which provides hand-stitched balls, while four from china that provide machine-stitched, laminated, hand stitched and thermo balls. Little acquisition of knowledge and learning from brands, sticking with only one or products, no improvements in production process and adopting some skills and knowledge has made unattractive for these brands to get supply from Pakistan. In Pakistan, Hand stitching is the prominent form of production that is also carried through subcontractors. There are little indication of machine stitching technologies and thermo-moulding production techniques. There are also no availability of capabilities and skills to do the job as well as no arrangements to get training, skills, and knowledge (Nadvi, 2008).

Global retailers, wholesaler, dealers, football clubs, and other buyers of football are second type of customers. They are different from global sports brands; require all sort of material regarding football sport. There is need of economies of scope to provide them all the products. However, in Sialkot, there is little concentration on economies of scope. It has just little variety and deal with few product lines of football. Little variety and choices have escaped the customers from Sialkot toward china.

Intense Competition:

For a few time, Pakistan enjoys dominance status in international market to provide football. However, during last decade some new competitors in the form of China, India, Thailand, and Taiwan have been emerged. They come up with some new and sophisticated technology, which enables them to provide better product at less price. Since 2006, there is significant decline of Pakistan’s football share in international market. Due to high competition, Pakistan gets only 30-40% orders, which were 70-80% in early of this century (Mansoor, 2011).

Labor rights issues and challenges:

In 1990s, this industry faced strong criticism from American and European countries with accusation of using child labor. Since then, some serious actions were taken by Sialkot
Chamber of Commerce and industry, with the harmony of Atlanta agreement, signed with the International Labor Organization (ILO) and UNICEF (Khan, 2007).

With the help of these organizations, around 93% of child labor has been successfully eradicated and some essential steps were taken for their social protection for children and their families. The children who were having direct or indirect link with this industry were provided free education.

Labor also did not get their rights appropriately. They get low wages and poor working conditions. They work in casual environment like at home or some other places. Often, they are also not eligible to get benefits like free education, health care, and government labor laws, as they do not work in factory. Gender discrimination is an issue Pakistan football industry faces. Female workers in Pakistan say gender discrimination is prevalent, as their wages are generally lower than their male counterparts. Some women complain of losing their contracts or jobs after becoming pregnant (Khan et al, 2007).

Due to child labor and labor rights issues, pressure from international community, in 2006 Nike stopped purchasing football from Pakistan. This was major setback for industry at that moment, as Nike was the major buyer (Lund-Thomsen, and Nadvi, 2010).

Financial Problems:

More than 90% firms of football production have small units. In order to move forward, adopt latest technology and machinery, and providing training to their employees, they require some capital. Due to several reasons, Industry faces difficulties to get required finance. Firstly, the rise in the cost of capital, banks are lending at a interest rate which is more than 15%, which are very high when compared to region (most of countries in region provide loans in single digit). Secondly, fewer loans are available for football producers due to their smallness. High cost of capital and lower availability loans restrict the industry to grow further.

Marketing:

In marketing, differentiation points of football are quality, price, performance and focus on niche markets. Football industry of Pakistan has not presence in all segments of market. There is high variation in prices of football, retail prices of top branded match ball is around $130. While, fun and training balls sell at US $15 to US $20 per ball. Similarly, non-branded PVC balls have price range of US$5 to US$10. In distribution, top brands of world, non-sports brands, football clubs, international retailing brands like Wall Mart etc, as well as other non-branded retailers and distributors who supply low price and low quality products play an important role in the marketing channels of football.

Moreover, the brands dominate the industry; they do not produce the products. They do exploited export market, global brands have not given the recognition to local manufacturer which they do deserve. Lack of proper marketing and branding practices is one of main reason of this lower recognition. Pakistan produces best quality hand-stitched with fair price and easy availability. However, there are no promotional activities for football from Pakistan. Pakistan has been unable to produce a single global brand despite top brands of the world manufactured their football from here (Mansoor, 2011).

Poor management

Poor management is also responsible for lowering performance of this industry. Most of the football manufacturers have lean management system; there is concept of middle managers. Some supervisors directly control the production process and report to top management. They lack in proper management training and work without formal management structure- it leads toward low productivity and lower potential performance. There is high rate of return with less investment and most of workings are easily outsource. Therefore, they think that there are no more requirements of professional employees. They
are not ready to make investment for branding, as it takes longer period to get benefits. It shows lack of long-term vision. They are not ready to provide training to their employees, adopt latest technology and machinery, and make innovation in production and operation. They have little knowledge about international standards; there is no culture for sharing information amongst employees (Seigmann, 2008).

Recommendation:

Availability and rising prices of raw material is source of high concern for the employees. They have to improve the capabilities to get material, especially make improvements in PU and TPU products that are essential for latest footballs production.

Human resource issues create difficulties in many ways. Workers have less capabilities, skills, and knowledge to improve productivity, adopt latest technology, make some new products, and enhance the performance of firm. Producers should make competent their employees for machine-stitched production. Some new forms of training, improvement of literacy, various skills, and knowledge and information sharing culture should be created. Industry should make sure that workers are getting their minimum wage rate, medical and social benefits, and providing equal opportunities and wages to their male and female.

Marketing which is neglecting part of industry, should adopt marketing strategies and steps to achieve better results. They should make presence in other segments of the market with different form footballs and prices. They should make promotion and develop brands as a premier football supplier. Improve their marketing capabilities by hiring some qualified workforce, or by liaising with international intermediaries, or local/ international promoting fair trade.

Government should provide uninterrupted supply of power by giving some quota or by subsidizing machinery/ technology to fulfill their power need. It should provide incentives to stop diversion of export orders- should cut import duties, reintroduce export rebate, financial and other support should be provided for the survival this valuable industry. Producers have to make link with public and private institutes to match their financial need.

THE WAY FORWARD

Although, Pakistan football producers are facing many challenges and issues; it is witnessed that football producers, government and other stakeholders of the industry are hopeful for the bright future. Sialkot Chamber of Commerce and Industry (SCCI), Small Medium Development Authority (SMEDA), Government institutions, Multinational Corporations (MNCs) and NGOs have taken these challenges and issues seriously. Pakistan has the best craftsmanship, entrepreneurial spirit, business knowledge and experience, raw material, tradition and talent to move further. There are some projects and some of are near to complete which will boost export of football. During last ten years, infrastructure has been developed- Sialkot international airport (first international airport in the private sector in south and west Asia) is working since 2007, Sialkot dry port, new and better roads in Sialkot, success of child elimination program with the help of some international organization like independent monitoring association for child labor (IMAC) are significant achievements. Sialkot business and commerce center has been designed to promote whole range of products manufactured in Sialkot will help for better marketing. With the collaboration of SMEDA, the project Sports industries development center (SIDC) will be helpful to introduce some new and better raw material and products (Tribune, 2012).

Pakistan has a fair chance to harness its current potential; there is sufficient demand for machine-made, machine-stitch and hand-stitched balls in the global football fraternity. If the local industry manages to leverage on its strengths and focus on pivotal areas, it will gain the success and status it truly deserves.
CONCLUSION

Sialkot football cluster is known as best supplier of hand-stitched footballs. Over the years, this industry grew due to entrepreneurial spirit, skills of local employees and collaboration of international brands. First decade of this century has brought some new challenges and difficulties for this industry. There is a consistent decline in the market share of football from Pakistan. Technological advancement and entrance of new competitors have put a lot of pressure and become root cause of poor performance of the Sialkot football industry.

Product development and improvement in the labor standards is another feature of this industry. During mid 1990s, Pakistan faced some serious challenges to manage child labor issues. On this issue, local producers, international buyers, international agencies, and NGOs made collaboration to tackle this issue. Meanwhile, in 2006, Nike discontinues its production underline social compliance issues. Similarly, factories of Sialkot cluster have small sizes with few product lines that provide less attraction for buyers to make purchase from Pakistan. Lack of vision and poor management capabilities, no professional expertise in marketing make this industry toward downfall.

Football industry contributes greatly to the GDP and employees a large share of population. Therefore, growth of this industry and Pakistan’s economic progress are critically linked. However, as we have seen this industry is one of the most neglected and exploited in the country? On the other hand, the issues industry faces are not unsolvable. In short, if all the stakeholders in the industry- raw material providers, football producers, international buyers, government institutes, and NGOs- should play active role to improve the performance of this sector which has the potential to regain its market leadership.

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