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# INSIGHT NOTE

A KWAKOL RESEARCH PUBLICATION | ELEVENTH EDITION 2023



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## Nigeria's Shoe Market

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*Domestic and global demand for footwear is expected to persist, driven by global population growth and the perpetual need for footwear replacement due to wear and tear.*

## INTRODUCTION

High demand for comfortable footwear, an increase in fashion consciousness, and people's desire to stay fit have contributed to the thriving global shoe market. Globally, the shoe market was valued at US\$ 409.5 billion in 2022, with a projected reach of US\$ 725.1 billion by 2032 and a 5.9% compound annual growth rate (CAGR) between 2023 and 2032<sup>1</sup>.

The footwear market consists of athletic and non-athletic footwear made from a variety of raw materials, including plastic, fabric, leather, and rubber. Non-athletic footwear dominates the shoe market, with products such as wedges, heels, sandals, flip-flops, boots, slippers, sneakers, clogs, and formal and casual shoes making up half of the market demand.

Major players in the global shoe market include Puma, Nike, Adidas, AG, Inc., ECCO, A/S, SKO, and Wolverine, producing both athletic and non-athletic footwear. However, in terms of market share, the Asia-Pacific takes the lead with a share of 41.4% in 2022. This position is largely attributed to the rise of e-commerce sites like Amazon, Zappos, and Alibaba<sup>2</sup>.

Also, the large market size in most Asian countries contributes to this progress as urbanisation and an increase in middle-class consumers boost demand. For example, the Sasakawa Sports Foundation (SSF) revealed that 72.4% of the population in Japan engages in one sport annually, thereby ensuring a steady market for footwear in that region<sup>3</sup>. America and Europe come in second and third with a market share of 22% and 14.9%, respectively<sup>4</sup>.

Africa contributes only 9% of the global shoe market, with Tunisia leading the market and accounting for 43% of the continent's total shoe exports, despite Ethiopia having the most developed leather industry<sup>5</sup>. While global heavyweights like Nike, Adidas, and Kering dominate the African shoe market, some indigenous startups are becoming global distributors of footwear. They exist in Nigeria, South Africa, Kenya, Ethiopia, and Ghana.

Despite being among the largest producers of animal skin and leather in Africa<sup>6</sup>, Nigeria is yet to maximise the opportunities in the global shoe market due to factors including, but not limited to, a nascent e-commerce system and obsolete production methods that don't support scale. Nonetheless, the Nigerian shoe market is currently valued at US\$2.63 billion in terms of revenue and is positioned to grow at 8.16% between 2024 and 2028, reaching a production volume of 130.4 million pairs by 2028.

Nigeria's relatively advantaged position, with its vast array of raw materials and relatively cheap labour, suggests that it does not come close to the potential and opportunities

<sup>1</sup> <https://www.alliedmarketresearch.com/footwear-market>

<sup>2</sup> <https://www.imarcgroup.com/asia-pacific-footwear-market#:~:text=The%20Asia%20Pacific%20footwear%20market,and%20comfort%20to%20the%20feet>

<sup>3</sup> <https://straitresearch.com/report/footwear-market>

<sup>4</sup> <https://www.imarcgroup.com/asia-pacific-footwear-market#:~:text=The%20Asia%20Pacific%20footwear%20market,and%20comfort%20to%20the%20feet>

<sup>5</sup> [https://leatherpanel.org/sites/default/files/publications-attachments/present\\_and\\_future\\_role\\_of\\_africa\\_in\\_the\\_world\\_leather\\_and\\_derived\\_products\\_industry.pdf](https://leatherpanel.org/sites/default/files/publications-attachments/present_and_future_role_of_africa_in_the_world_leather_and_derived_products_industry.pdf)

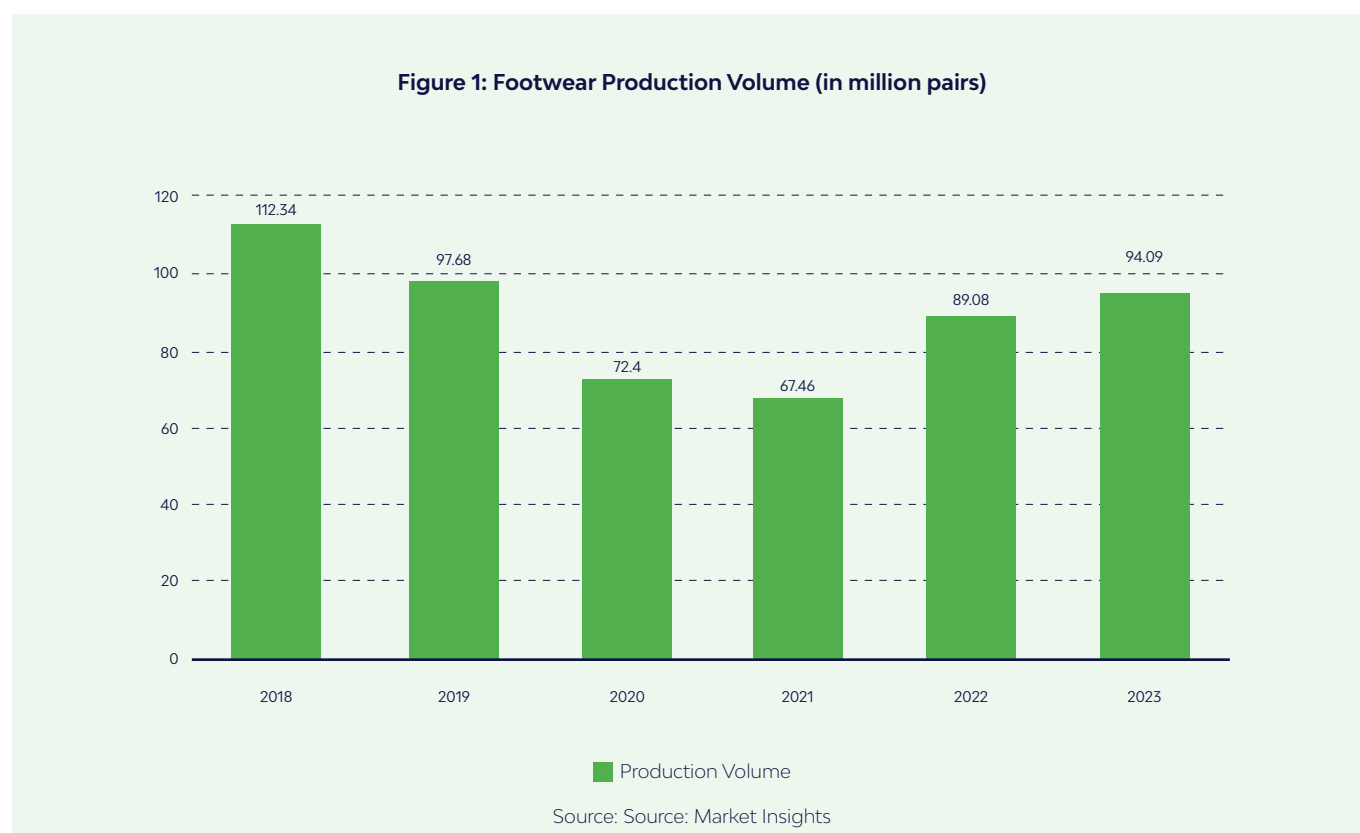
<sup>6</sup> [https://downloads.unido.org/ot/26/09/26092957/FutureTrends\\_b.pdf](https://downloads.unido.org/ot/26/09/26092957/FutureTrends_b.pdf)

lying within the shoe market. However, maximising the above advantages can push the Nigerian shoe market onto the global stage and contribute significantly to job creation and economic diversification.

In this insight note, an analysis of the Nigerian shoe market is explored, providing an overview of key trends in the market. In addition, while the study explores selected government policies that shape the market, the challenges peculiar to the market as well as recommendations for potential private investors are discussed.

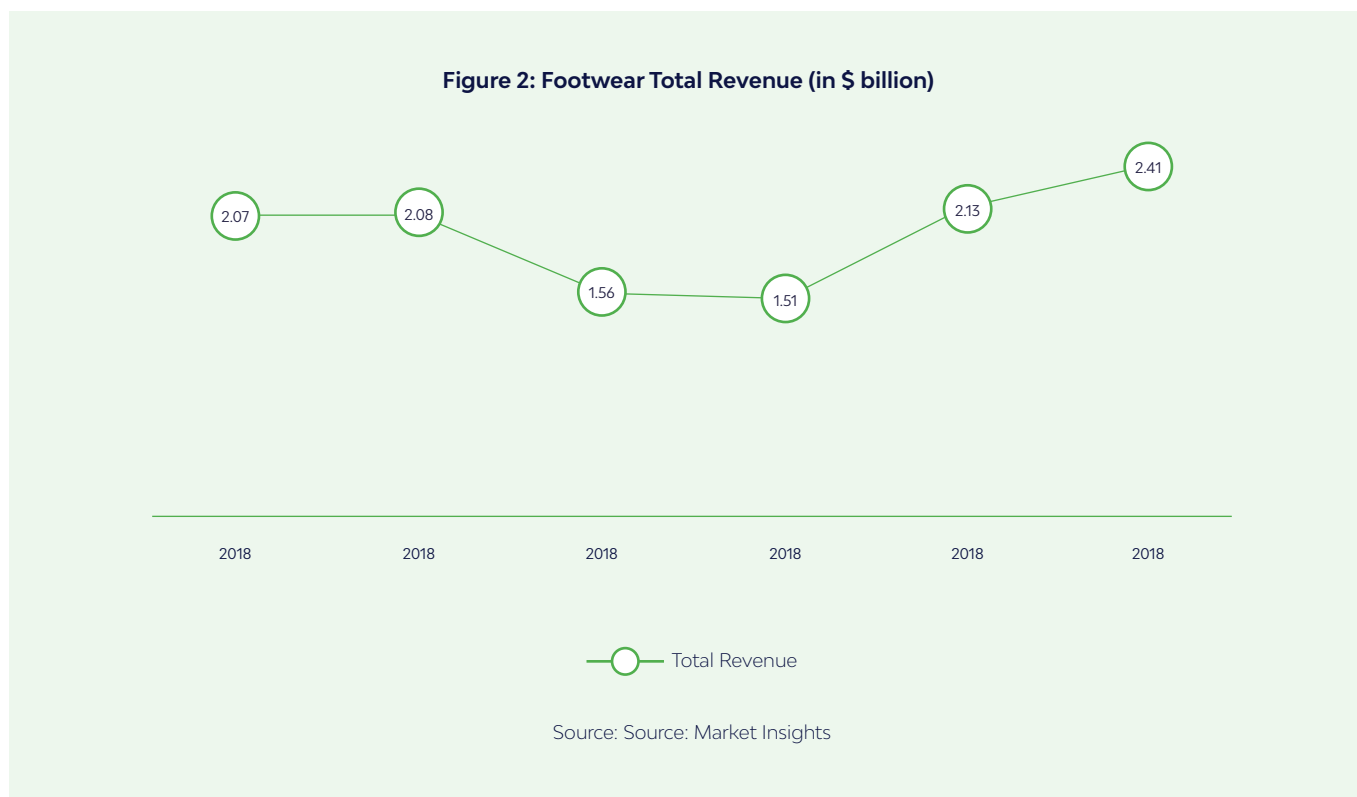
## DATA POINTS

The Nigerian shoe market, despite not optimising the available opportunity and maximising its full potential, has achieved some milestones in the last decade. In 2020, the industry achieved a global penetration rate of 2.5% and a production volume of 72.4 million pairs, contributing only 0.00126% to the global market in 2020<sup>7</sup>. However, 2023 marked a significant improvement for the Nigerian shoe market, with the production volume reaching 94.09 million pairs, a notable increase of 5.01 million compared to 2022, as evident in Figure 1 below. The figure below shows progress in production in Nigeria's shoe market since 2021, after experiencing a dip in production volume.



<sup>7</sup> <https://businesspost.ng/economy/nigerias-penetration-in-global-shoe-industry-at-2-5-ikpeazu/>

A key factor responsible for this dip was the high cost of raw materials for the production of footwear<sup>8</sup>.



In terms of revenue, Figure 2 above shows that the Nigerian shoe market generated \$2.41 billion in 2023, an increase of about \$0.28 billion in 2022. Within the period under observation, shoe market revenue was at its lowest level in 2021, with a total revenue of \$1.51 billion.

Nigeria's shoe industry's developments are mainly influenced by the Aba cluster's (Abia State, Nigeria) shoe production. The Aba shoe hub is valued at N120 billion, producing over a million shoes each week and over 48 million pairs annually. The Aba shoe hub houses over 100,000 entrepreneurs and contributes 50 percent of the total supplies in West Africa<sup>9</sup>. Currently, there are over 200,000 entrepreneurs and over 30 firms producing shoes in different locations in the country<sup>10</sup>.

Aside from the Aba shoe hub, Kofar Wambai<sup>11</sup> in Kano State is another significant shoe-making hub that has contributed to the Nigerian shoe market. The Kofar shoe hub specialises mainly in the production of high-quality royalty styles and sandals for men and women. Footwear from Kofar (Kano) is mostly exported to Asian countries like Dubai and Saudi Arabia.

<sup>8</sup> <https://businessday.ng/real-sector/article/shoemakers-others-decry-high-cost-of-raw-materials/>

<sup>9</sup> <https://www.pwc.com/ng/en/assets/pdf/odinaka-anudu-as-nigerian-government-slumbers-n144bn-aba-shoe-industry-crawls.pdf>

<sup>10</sup> <https://engineeringall.com/list-of-shoe-manufacturing-industries-in-nigeria/#gsc.tab=0>

<sup>11</sup> <https://www.stelladimokokorkus.com/2015/11/short-documentary-kofar-wambai-tannery.html>

## BENCHMARK

Due to the importance of the shoe market in providing employment opportunities, the government has implemented policies and programmes aimed at boosting the efficiency of the market. A key policy intervention for the shoe market is the Common Facility Centre (CFC) for leather and leather products, which was set up in 2012 by the Nigerian Export Promotion Council (NEPC). This facility targets the shoe manufacturing clusters in Abia and Kano States<sup>12</sup>.

The objective of the programme is to provide skill acquisition in the leather and garment enterprise and to provide modern technology to enhance competitiveness in the market and facilitate exports. The overarching goal of the programme is to ensure that the quality of the products meets international standards.

Unfortunately, since its inception, the facility is yet to fully realise its objectives, highlighting shortcomings in implementation. The government's reluctance at the state level to encourage shoe manufacturers to utilise the facilities has contributed to their underutilization. This necessitates intentional efforts from the government to engage with stakeholders to ensure buy-in and capacity development that incentivizes shoe manufacturers to use the centre.

There has also been intervention from the Bank of Industry, which provided access to finance to shoe manufacturing clusters in Nigeria<sup>13</sup> for scaling. The primary target of the programme is artisans, aimed at boosting the domestic production of shoes. While this programme has benefited thousands of shoemakers, expanding coverage is essential to provide more access for thousands of other small-scale shoemakers who are struggling to access finance for scaling.

## CHALLENGES

In this section, the key challenges in the Nigerian shoe market are discussed. Some of these challenges include an underdeveloped e-commerce system, obsolete technology, unpredictable and expensive energy supplies, limited access to funding opportunities, and the increasing cost of raw materials. These challenges are discussed in chronological order.

- **Underdeveloped e-Commerce:** Nigeria has an underdeveloped, though growing, e-commerce system, which is hindering access to the global market. Digital infrastructure in Nigeria is still developing, and the lack of trust in online payment platforms, coupled with constraints in international delivery systems, further inhibits the growth of e-commerce in Nigeria. Many small and medium scale manufacturers do not yet understand and trust online financial transactions, limiting e-commerce and online transactions.
- **Technological Obsolescence:** The use of outdated shoe manufacturing tools has continued to be an impediment to production volumes. In both Aba and Kano market clusters, small and medium-scale shoemakers rely on crude equipment, hindering both quality and volume, further limiting their ability to penetrate the global market.

<sup>12</sup> <https://nepc.gov.ng/blog/export-support/common-facility-centre-cfc-for-leather-leather-products-aba-abia-state/>

<sup>13</sup> <https://www.boi.ng/products/fashion-beauty/>

- **Limited Access to Funding Opportunities:** For most shoemakers in Nigeria, funding is a challenge. The limited access to funding impedes production and scaling. It also constrains the use of modern equipment in the production process. The shoe market in Nigeria cannot expand and attain global competitiveness if finance remains a challenge. Finance is required for boosting productivity, conducting market research, and understanding distribution networks.
- **Unpredictable and Expensive Energy Supplies:** Nigeria currently distributes about 4,000 megawatts (MW)<sup>14</sup> of electricity for its over 200,000 million population, which is shared across businesses and households. This has led to an erratic power supply that is impacting the shoe market negatively. Due to poor power supply, many shoe manufacturers have had to rely on generators, which have become expensive due to the removal of fuel subsidies.
- **High Cost of Raw Materials:** Shoe manufacturers in Nigeria rely largely on foreign raw materials for production. The devaluation of the naira by the federal government and the consistent depreciation of the naira in the parallel market have led to an increase in the cost of imported raw materials. The dependence on imported raw materials has made the shoe market vulnerable to price volatility and has fed into production costs<sup>15</sup>. Also, inflation in Nigeria has increased significantly, growing by more than 5.67% between 2022 and 2023<sup>16</sup>, revealing the rising cost of production in the shoe market.

## STEPS TO TAKE

Private investors can overcome the challenges in the Nigerian shoe market and take advantage of the profitability of the market by overcoming the challenges in the sector through the following steps:

- **Digital Infrastructure and Online Innovation Solutions:** The need to invest in digital infrastructure is essential if private investors are to exploit global opportunities. The development of user-friendly platforms can bridge the gap between markets and consumers. Private investors must ensure they invest in mobile-app development where they can leverage the growing use of smartphones and mobile devices for online transactions. According to the World Bank, global mobile cellular subscription base reached 8.47 billion in 2021<sup>17</sup>, and about 63.1% of the world population uses the internet<sup>18</sup>. Leveraging mobile and internet penetration will not only help to improve visibility but also help to improve market share.

Private investors can also build trust and awareness around online shopping through marketing and advertising showcasing the convenience and affordability of online shopping while addressing concerns about online security and fraud. Moreover, investors must continuously prioritise the integration of innovative technology into their digital platforms in order to stay competitive and meet evolving consumer needs. Incorporating augmented reality for virtual try-on experiences, implementing artificial intelligence (AI) for customer support, and using data analytics to gain insights into consumer behaviour and market trends are important to ensuring competitive advantage.

<sup>14</sup> <https://www.usaid.gov/powerafrica/nigeria>

<sup>15</sup> <https://businessday.ng/real-sector/article/shoemakers-others-decry-high-cost-of-raw-materials/>

<sup>16</sup> <https://www.cbn.gov.ng/rates/inflrates.asp>

<sup>17</sup> <https://data.worldbank.org/indicator/IT.CEL.SETS>

<sup>18</sup> <https://data.worldbank.org/indicator/IT.NET.USER.ZS>

- **Optimising Logistics and Supply Chain:** Private investors must ensure that they can optimise logistics and supply chains to gain traction. Partnering with reputable courier and logistics companies can hold the key to addressing supply chain bottlenecks. Leveraging the expertise and infrastructure of established logistics partners will help streamline operations, reduce shipping fees, and improve overall logistics.

Investors can also implement advanced tracking and delivery systems to monitor shipments in real-time. This enables proactive management of logistics operations that allows investors to identify and address potential delays or issues that impact customer satisfaction. Real-time tracking also provides visibility and transparency throughout the supply chain. This improves trust and accountability.

- **Leverage the African Continental Free Trade Area (AfCFTA) Regional Bloc:** Private investors can leverage AfCFTA as an economic union to expand market reach. Access to larger markets enables shoe exports within the union without facing tariffs or trade barriers. To maximise this potential, it is crucial to implement digital platforms and establish efficient logistics and supply chains, thus ensuring seamless operations.
- **Utilising Modern Shoe Producing Technologies:** The use of modern technology in the production processes cannot be overstated. It significantly improves productivity, reduces manual labour, and improves quality. This is an area for investment for investors looking to partner incumbents or start new ventures. Also, investors can look towards acquiring clicker cutting machines, drag knife cutters, footwear upper stitching machines, strobel sewing machines, and toe-lasting machines. These are the conventional pieces of equipment used in modern shoe manufacturing. Investors can also explore 3D printing in shoemaking.
- **Seek alternative Funding Source:** Shoe manufacturers can explore alternative sources of funding to navigate the lack of finance in the Nigerian shoe market. Funding options such as venture capital and angel investors can be explored to raise capital. Manufacturers can collaborate with private investors to build partnerships with banks, microfinance institutions, or development finance institutions to access tailored financing for the shoe market. Manufacturers can also leverage the various government initiatives aimed at promoting the non-oil economy. Funding can be sourced from the Bank of Industry, the Development Bank of Nigeria, and the Central Bank of Nigeria. These options provide loans with single-digit interest rates, which investors can explore.
- **Transition to Alternative Energy:** Investors can adopt alternative sources of energy, such as solar power. It has been revealed that Nigeria has the capacity to generate about 427,000 megawatts of electricity from solar energy<sup>20</sup>. Investors can adopt solar electricity to gain round-the-clock access to electricity. Modern energy-efficient technologies should also be adopted to reduce energy consumption. Lighting facilities that reduce energy consumption should be utilised in facilities to save costs. The need to also optimise production schedules can also be effective in minimising energy consumption. Alternatively, investors can explore energy storage solutions, such as battery storage systems.
- **Diversification, Vertical Integration, and Hedging:** Diversifying the source of raw materials to include local and international raw material sources for shoe manufacturing reduces the reliance on a single source. This mitigates the impact of the naira's volatility

<sup>19</sup> <https://www.angelinvestmentnetwork.com.ng/>

<sup>20</sup> [https://assets-global.website-files.com/618a9de0f5ee92b306a4c52d/65201501e751432883168e83\\_INSIGHT%20NOTE%20-%20Nigeria%E2%80%99s%20Solar%20Power%20Market%20eCopy.pdf](https://assets-global.website-files.com/618a9de0f5ee92b306a4c52d/65201501e751432883168e83_INSIGHT%20NOTE%20-%20Nigeria%E2%80%99s%20Solar%20Power%20Market%20eCopy.pdf)

on procurement costs. Investors can also explore vertical integration by investing in backward integration to produce or source raw materials locally and establishing partnerships with local suppliers, which would reduce the dependence on imported raw materials and minimise exposure to currency risk.

## INVESTMENT CASE

The shoe market in Nigeria is a viable and lucrative investment opportunity. Investors aiming to optimise profits can potentially gain substantial returns, given the high demand for comfortable footwear and the notable import numbers.

In 2022, Nigeria imported shoes and footwear totaling \$42.18 million<sup>21</sup>, indicating significant potential for domestic growth, investment, and demand. Additionally, there is a growing awareness and preference for locally produced shoes, providing an avenue for private investors to capitalise on. Both domestic and global demand for footwear is expected to persist, driven by population growth and the perpetual need for footwear replacement due to wear and tear.

Private investors can further expand their market reach beyond Nigeria by accessing the ECOWAS market and leveraging the African Continental Free Trade Area (AfCFTA)<sup>22</sup>. Through AfCFTA, investors can tap into a vast market comprising approximately 1.4 billion consumers, thereby unlocking increased sales potential and revenue streams.

## CONCLUSION

The demand for shoes will persist, given the perpetual need for footwear. The Nigerian shoe market holds enormous potential for growth, and private investors can earn substantial returns by investing in the market.

Nonetheless, there are challenges that private investors must navigate through to reap the benefits of the market. These challenges include an underdeveloped e-commerce system, technological obsolescence, and poor funding, among others.

Investors would need to efficiently navigate through the various challenges outlined to optimise profits. A key step investors must take is to enhance digital infrastructure and provide innovative online solutions. Also, to benefit from the vast potential of the shoe market, investors need to embrace modern shoe-making technologies, leverage the ECOWAS regional bloc, seek alternative funding opportunities, and consider a transition to alternative energy sources such as solar energy.

By embracing innovation and promoting sustainability and collaboration, investors can navigate through the challenges in the shoe market effectively and position themselves for success in this dynamic and promising market.

<sup>21</sup> <https://tradingeconomics.com/nigeria/imports/footwear-gaiters-like>

<sup>22</sup> <https://au-afcfta.org/>