



State of the global footwear industry

As tanners look ahead to what 2012 might bring, we review the situation in different parts of the world of the footwear industry, which is still the biggest consumer of leather.

The first World Footwear Yearbook report, which APICCAPS produced in September 2011, put global production for the previous year at 20.18 billion pairs, including shoes made from all types of material. In manufacturing terms, China is the clear leader, with a production output that APICCAPS puts at almost 12.6 billion pairs in 2010. India is second on the list, with just over 2 billion pairs manufactured, followed by Brazil with 894 million pairs, Vietnam with 760 million, Pakistan with 295 million and Thailand with 245 million. Other countries making more than 200 million pairs of shoes a year are Mexico (244 million) and Italy (203 million).

Naturally, in the months since the yearbook's publication, these figures have provoked considerable debate. Our follow-up dialogue with APICCAPS suggests that the figure for China, which accounts for 62.4% of the total, comes from a declared figure from the China Leather Industry Association for exports of leather shoes of just over one billion pairs in 2010 and an APICCAPS calculation of 2.6 billion pairs as the size of the local Chinese market, for which most shoes are produced domestically. We have seen no figure for exports of non-leather shoes from China, but APICCAPS insists its research shows exports of leather footwear to be 10% of the total shoe exports, which would make 10 billion pairs the combined figure for leather and non-leather footwear exports. Add this to the APICCAPS estimate of the domestic market and it arrives at a total production figure for China of 12.6 billion pairs in 2010 and, from that, its global total exceeding 20 billion for the first time.

Per capita consumption

Whatever the accuracy of the figures, consumers clearly love shoes. Further analysis reveals that Spain and the UK



Experts suggest 12.5 billion square-feet of finished leather went into footwear in 2011

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have the highest per capita consumption figures. Both are struggling to achieve economic growth and have governments urging caution and austerity. In Spain's case at least, financial problems are attracting serious concern from many observers of the global economy. Nevertheless, the APICCAPS report suggests that, on average, people in Spain bought 9.3 pairs of shoes each in 2010, 427 million pairs in total. The UK consumed 504 million pairs that year, with each person in the country buying an average of 8.1 pairs of shoes. The US came third, buying an average of 7.5 pairs of shoes per capita (and consuming 2.3 billion pairs of shoes), followed by France, where people bought an average of 6.3 pairs of shoes each during 2010 (and consumed 415 million pairs during the year).

Japan consumed 693 million pairs of shoes during 2010, or an average of 5.4

pairs per capita. Germany came next, consuming 385 million pairs and buying an average of 4.7 pairs each. Brazilian people bought an average of 4.1 pairs of shoes per capita, while, of the big ten shoe-consuming countries, Indonesia, China and India bought the fewest pairs per capita, at 2.6, 2.0 and 1.7 pairs respectively. The figures include all shoes bought in each country in 2010; there is no way of knowing how many pairs were bought by visitors to, rather than citizens of, the country concerned.

Market size

What keeps people buying shoes is an interesting question. Seasoned industry observer Peter Mangione believes that the consumer has no interest whatsoever in the sourcing, supply chain, manufacturing and (in many cases) even the material challenges shoe companies face. In the case of China, so central to the APICCAPS



The question of what it is that keeps consumers buying shoes is a complex one. Portuguese industry association APICCAPS has said that the global footwear market in 2010 was more than 20 billion pairs.

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Director general of ANCI, Fabio Aromatici, says leather will continue to be the material most synonymous with Made in Italy.

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Vito Artioli, president of European footwear industry association CEC, says bilateral agreements between countries and trading blocs will help footwear manufacturers in the absence of global agreements on fairer and freer trade.

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calculations and to the global industry, there is what Mr Mangione calls “an apparent consumption” (reinforcing the difficulty of giving exact numbers when official figures are hard to come by) of 3.6 billion pairs a year. This makes China the biggest market in the world for consumption as well as for manufacture, and consumption can only go up sharply, he says. Europe is next, with a market size of 2.84 billion pairs a year, and the US in third place with its 2.3 billion pairs. The latter two economies face well publicised challenges at the moment, while the economy in China is still booming. “There is no question,” he continues. “In the mid-1990s, footwear consumption in China rocketed and now we have brands such as Belle, Aokang, Kangnai, Li Ning, Daphne and others who are all expanding at an amazing rate. Overheads [for retailers] are high because landlords are greedy, but if the per capita rate of consumption reaches four pairs per year the domestic market would be 6 billion pairs.”

At the same time, many Chinese footwear factories still make shoes for export markets and he acknowledges the doubts that remain in the western world over the fairness of the competition. Mr Mangione is a frequent visitor to China and was personally instrumental in helping the China Leather Industry Association get off the ground 20 years ago. His view is that any company making

shoes for US or European customers in China at the moment will be subject to strict audits and will be meeting all its obligations with regard to social security payments and workers’ rights.

Labour is certainly becoming increasingly expensive there. A survey the industry consultant mentions of “dozens and dozens of factories” puts workers on an average wage of \$1.50 an hour. “It’s the highest-cost major footwear manufacturer in Asia,” he says. “Vietnam, Thailand, Indonesia and Bangladesh are all cheaper and China can only go up.” However, he confirms that China will continue to be a big player in shoe manufacturing because it has 800 million people of working age.

Protectionism or trade defence actions continue. Mr Mangione claims that the European Union placed restrictions of one kind or another on imports of footwear from China for 20 years until the most recent anti-dumping measures ended on March 31 2011. But the EU is far from the only market to take such steps, as the current situations in Mexico, Argentina, Peru and Brazil show clearly. “And that’s to say nothing of Japan,” Mr Mangione continues, “and Japan won’t change. Good luck if you are trying to sell street leather shoes in Japan.”

Free trade, fair trade

Across the board, the president of European footwear industry association CEC, Vito Artioli, says that attempts to

make global trade in shoes fairer, including the work carried out by the World Trade Organization and the Doha Round of trade talks, have not been effective. Instead, he suggests, footwear industry organisations and the footwear companies that make up their membership should push for bilateral agreements to make trade free and fair.

“A bilateral agreement between the European Union and the Mercosur countries in South America would be a good example,” he said. “I would ask the political authorities in the EU and in Mercosur to sign the agreement they have been attempting to negotiate for a long time.” First discussions of a free trade agreement between Mercosur and the European Union took place in 1999 but were suspended in October 2004. What the two trading groups have called “a process of informal contacts to take stock of the situation” occurred in 2009 and 2010, leading to a decision in May 2010 that a relaunch of negotiations “should be possible”.

Vito Artioli has also called for the duties on exports of hides to be lifted to make it easier for footwear manufacturers to source and use leather. This is a subject particularly close to his heart because, as well as running his own high-end leather footwear brand, he only ended a long tenure as the president of the Italian National Footwear Association (ANCI) in June this year. Leather shoes accounted



China now has the biggest market in the world for production and for consumption.

CREDIT: CHINA SHOES

for almost 83% of the export value of footwear shipments from Italy in the first five months of 2011, but only 58% of the volume as exports and the value of non-leather shoes also increased. Over the January-May period, Italy exported nearly 25.8 million pairs of shoes with synthetic uppers, 21.2% more than in the same period in 2010. The organisation's director general, Fabio Aromatici, says 'Made in Italy' will always be associated with leather more than any other material, but he points out that a decrease in consumption of red meat in many parts of the world and the increase in the use of leather in the domestic market in China is putting strong pressure on leather supply worldwide. Vito Artioli agrees and adds: "The prices of leather and hides are being affected by this, but also by export duties. In Italy, we mainly use leather so we feel we need more vertical integration, more free trade and better communication."

However, as Mwinyikione Mwinyihija, president of the Leather Development Council of Kenya, has pointed out, with per capita consumption of shoes on the increase in many parts of the developing world and projections of a global population of 10 billion people within 20 years, demand for footwear made from any material will be high. "There could be demand for 25 billion pairs a year," Mr Mwinyihija says, "synthetic or leather. Whether we [in the leather industry] like it or not, the leather sector is prestigious;

that is leather's place."

What leather's place will be in the footwear market of the future has still to be decided. Industry observers calculate that around half of the leather produced globally in 2011 (Mr Mwinyihija's figure for the total is 25 billion square-feet) has gone into footwear, and 12.5 billion square-feet of finished leather is worth a lot of money to tanners. Not too long ago, though, 75% of the leather the world's tanners could produce was snapped up by shoe manufacturers, so change is occurring. Some tanners blame raw materials suppliers for forcing this change on the world by driving the price of hides

and, consequently, finished leather too high. At the same time, they accuse footwear brands of failing to make the case for leather, while footwear brands say they are simply responding to consumer demand for fresh, bright footwear that functions well and doesn't cost too much. Consumers decide if shoes, made from leather or any other material, represent good value for money or not, and this brings us back to Peter Mangione's original point. Suppliers that fail to understand what consumers are looking for and are willing to pay for are likely to end up with unsuccessful products and very tight margins at best. ☉

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