



The volume of Italian footwear exports is down across the board, but the average price per pair in key markets such as Russia has continued to go up.

CREDIT: MICAM

The global footwear industry today

This report aims to give an up-to-date picture of the state of the industry at the close of 2009, with in-depth reports and analysis of what is happening in a number of the most important footwear producing countries in the world.

Italy: the fightback starts here

The irrepressible president of the Italian Footwear Manufacturers' Association (ANCI), Vito Artioli, acknowledges that 2009 has been far from an *anno mirabilis* for his member companies, but he points out that the footwear industry has always fought its corner and says it will fight now. "We feel like fighting back," he says.

He says that the "crisis exploded" in the global economy in the last quarter of 2008. As a result, Italy's footwear manufacturers, whose shoes have always been in demand among high-end consumers in all parts of the world, reported a decrease in production of 12.1% in the first half of this year. By June, the number of footwear manufacturing companies in Italy had fallen 2.3% compared to last December, with a total of 143 businesses out of just over 6,000 closing down. This cost 1,839 jobs; the sector now employs 84,000 people.

Exports decline

ANCI figures for the first five months showed a decline in the value of exports of 25% compared to the same period in 2008.

During those months this year, Italian footwear manufacturers exported an estimated 90.4 million pairs of shoes, 17 million pairs or 16% down on the volume of exports in the same months a year earlier. The value this time around was just short of €2.5 billion. The decline in the value of exports, compared to the year before, was 9.2% in January, February and March. But in April and May that decline worsened to 20%, in value and volume.

More than 70% of Italy's shoe exports go to other countries in the European Union, but over the period under scrutiny (the latest for which ANCI has statistics) export volumes to these countries fell by 12.1%.

Quantities of shoes being shipped by Italian firms to Germany fell by 9.7% and because the drops in shipments to France were less severe (2.2% in volume and 1.3% value), Italy's transalpine neighbour is now its biggest footwear export market. The fall in exports to the US was huge, 35.4% in volume. ANCI has said that the US is still Italy's third largest export market in terms of value, but is now only fifth in volume. Also painful has been the 35% drop in the volume of exports to Russia, a market that had offered considerable growth in volume and value in the last few years. One piece of more positive news was that the average

price of Italian shoes in Russia has continued to rise, by 14.5% over the first five months of 2009 compared to the same period in 2008.

An increase in the average price of Italian shoes in the Middle East meant that the value of exports to that part of the world has remained steady, even though volume dropped by 27%. Volume also fell, by 19.5%, in the Far East, although African markets recorded growth of 11%.

Incoming traffic

Footwear imports into Italy have also shown decreases. From January to May, a total of 152 million pairs of shoes entered Italy with a combined value of €1.4 billion. Imports of shoes with leather uppers were down by 9.2%.

The volume of imports from the Far East declined by 22%, and from Brazil by 24%, but there was an increase in the volume from other European countries (1.5%) and from Africa (6.6%).

Hunger for trends information

ANCI's insistence is that there is still strong demand for Italian shoes in the world's biggest and fastest growing economies. The organisation's general manager, Fabio Aromatici, says efforts to



promote Italian footwear around the globe will continue.

Tours and meetings with shoe buyers in different cities are already set up, with ANCI selecting companies that have a good chance of being successful in the various markets. These encounters also often involve Milan-based trends consultant Aldo Premoli, who has worked with the association for many years, and whose workshops on footwear fashion always prove popular.

"There is a real hunger in these market for trends information," Mr Aromatici says. "We provide that. But the main thing about these initiatives is that, while Italian shoes are the best, we know they are expensive. This gives us a chance to explain why they are so expensive, with details such as the newer technology that manufacturers here have. Also, leather tanning processes in Italy are more expensive, but if you buy shoes made from Italian leather, it's better for the environment."

He says the fightback Italian footwear firms are embarking on now involve staying true to their traditions, to their identity, while putting across detailed messages about what goes into the shoes they make.

China's slow start to the year

Figures revealed by the China Leather Industry Association (CLIA) at the 2009 China International Footwear Fair in September showed that, for the first half of 2009, the export value of leather and leathergoods (including shoes) was \$18.2 billion, down by 7% on the figure for the same period last year. At the same time, the value of leather and leathergoods imports decreased by 24.8% to just over \$2 billion.

Over the first eight months of this year, footwear manufacturers in China exported just less than 600 million pairs of leather shoes, with a combined value of \$5.6 billion. These figures, too, represent a downturn compared to same period in 2008, of 24.5% in volume and 15.9% in value. Chinese buyers imported 8.8 million pairs of leather shoes over the January-August 2009 period. This represents a 23.2% decrease in volume, and with the value of those shoes reaching \$290 million, the decline in value was 11.5% compared to leather footwear imports in the first eight months of last year.

CLIA secretary general, Su Chao Ying, says that the pace of the downturn in the



China's domestic economy is strong and the demand for high-class, high-quality luxury goods, including shoes, is higher than ever.

CREDIT: SHANGHAI MODE LINGERIE

Chinese leather sector overall has now slowed and that the situation is improving month by month. He insists that the industry shows signs of having overcome its difficulties.

Madam Zhang Shuhua, CLIA chairman, backs this up. She points out that the whole global economy has suffered in the past year because of a "financial tsunami". But she says China is now expecting "revitalisation".

In spite of the negative results for footwear in the first eight months, she points out that China's gross domestic product (GDP) has been growing this year; official figures suggest it increased by 7.2% in the first half of 2009. She says the order-books of Chinese manufacturers, including those in the leather sector, began to increase again in May and that this positive momentum continued over the summer and into the autumn.

She comments: "In my opinion, the economy was frozen for the first part of the year. There has been an economic downturn and it has affected the Chinese industry. However, our domestic market is very large and the number of

manufacturers we have making goods for that market is huge. A lot of enterprises in the coastal cities in the east focus much of their effort on export markets and, it's true, they have been badly affected, but the situation has had less impact on those companies that focus more on the Chinese domestic market."

Contractions in the US

Unsurprisingly, the US shoe market contracted in 2008, as it had already done in 2007. Data from the American Apparel and Footwear Foundation shows that, on average, US consumers bought seven pairs of shoes in 2008 compared with eight pairs the previous year. Just over 2.2 billion pairs of shoes were purchased in the US last year compared with 2.4 billion in 2007. Furthermore, the association says that preliminary data for 2009 shows footwear consumption will be lower again this year. Should this be the case, it will spell the first three-year period of decline since 1972-74, just at the start of the oil crisis and recession during those years.

The good news, if there is any, is that high-end shoe manufacturers and retailers may not suffer too much. A shopping habits survey conducted by Shop It To Me shows that many women in the US are refusing to cut back on shoe and handbag purchases. Half of respondents were spending less overall on clothing and accessories but, however, 34% said they were still splashing the cash on expensive shoes.

"The bottom line is that despite whatever economic pressures they face, Americans still buy new things to wear, and as some of life's necessities, most buy new things to wear as their old clothes and shoes wear out," AAFA comments. "Americans, however, are picky about their shoes and clothes. They continually want an ever-wider variety of higher-quality shoes and clothes at lower prices, especially in the face of today's slowing economy, and the US apparel and footwear industries have successfully responded to this challenge."

Former president of the US Footwear Retailers and Distributors Association (FRDA), Peter Mangione, explains that, while the world's largest footwear market, the EU, is dominated by leather footwear, the US market, the second largest, is dominated by athletic shoes, which often tend to be made from synthetics. He explains that around 99.5% of the shoes sold in the US are imported and that, at best, consumption is growing in line with



population growth.

"Believe me, the US is going through a wrenching recession," he says, "it's unprecedented. US retail has really suffered, but the good news is that footwear retail has fallen less than other sectors." He says, however, that the situation is "still pretty grim" and that it continues to be an extremely competitive market. Because of the recession, he says footwear retailers now have to compete more aggressively with other industries that are vying for consumers' reduced disposable incomes. Perhaps one consolation is that fewer people are able to afford big-ticket items such as cars and technological items, while most can still afford to cheer themselves up with a nice new pair of shoes.

Mr Mangione explains that the only sector within the footwear retail market that is really growing is the online channel. He says: "Americans work hard. It's such a hassle to go to the mall, park 11 miles away from the store, look around the store, and then walk 11 miles back." He said that the ageing population has also had an impact on shoe consumption for some time. "Older people are conservative, they're not fashion-driven," he points out. "They might buy good stuff, but they buy less."

Mr Mangione describes the long-term outlook for the US economy as "bleak" with a risk of rising inflation and a loss of confidence in the US dollar. "My opinion is that the likely outcome is a weaker dollar, a lower standard of living in the US, slower global growth, and a shift of wealth away from the US." He adds that it has been "China's day" in the footwear business for some time, and that, while shoe prices have fallen in most countries across the globe, Chinese shoe prices have continued to rise.

India: shoes still 'significant'

According to India's Council for Leather Exports (CLE), footwear production continues to account for a "very significant segment" of the country's leather industry, consuming around 50% of its total leather production. The council claims the country produces the most footwear in the world after China. It currently manufactures 2.1 billion pairs of shoes per year and exports around 115 million pairs, mainly to the US and Europe—particularly the UK, Germany, Italy, France and the Netherlands. Interestingly, almost 95% of its production is consumed domestically.

The country's leather shoe sector is particularly strong, CLE claims, because India's livestock base is so large. India is the



In the first nine months of the year, Brazil exported 93.8 million pairs of shoes. CREDIT: COUROMODA

largest livestock holding country, including 21% of the world's cattle and buffalo and 11% of the world's goat and sheep.

At last count, India had 628 footwear production centres in major hubs such as Chennai, Bangalore, Delhi, Agra, Kanpur, Kolkata and Mumbai. India's Central Leather Research Institute (CLRI), estimates that the country's leather footwear production capacity is 909 million pieces, with leather shoe upper capacity at 100 million pieces. Non-leather footwear capacity is thought to be around 1.1 billion pieces.

One particularly large footwear park in Chennai's special economic zone houses 25 production units with a total daily production capacity of 250,000 pairs. Meanwhile, a new footwear component park capable of housing around 20 units is also about to open in Chennai. According to the CLE, developments like these are attracting a significant amount of foreign investment, particularly from Spain, Italy and Portugal. A number of Indo-EU footwear component joint ventures have recently been set up, it says.

One reason for this is that factories are becoming more aware of and compliant with international standards and many Indian shoe companies now adhere to the ISO 9000, ISO 14000 and SA 8000 standards. The organisation claims India has become a preferred sourcing location for some major shoe-selling brands including Pierre Cardin, Clarks, DKNY, Florsheim and Versace.

The government's intelligence and statistics department has published figures that paint a positive picture for the Indian

footwear industry over the last few years. Its data shows that shoe exports totalled \$10.5 billion in 2005-06 rising to \$12.4 billion in 2006-07. And export value continued to rise in 2007-08, with exports reaching \$14.8 billion. The compound annual growth rate up to this point was 9.8%.

According to the CLE, this is because shoes can be obtained at "convenient" prices. The labour force, it says, is accessible and cost-effective and its goods are of a high standard. "The investments in modern technologies in the last years led to products of the best quality, which respect the available consumer safety and environmental standards," the council says. It believes the country's potential for development will be "intensively exploited" in the next few years.

"The future growth of the footwear industry in India will continue to be market-driven and oriented towards the European and the US markets," says the CLE. "With the technology and the quality of Indian leather footwear improving year after year, India is increasingly looking at stamping its class and expertise on the global footwear trade for a long time to come."

Brazil's tough year

This year has been tough for Brazilian footwear brands, too, especially those focused on the export market.

In the first nine months of the year, exports of shoes made in Brazil were down 30% on the same period last year, and imports were 7.1% lower. In those first



three quarters of 2009, Brazil exported a total of 93.8 million pairs of shoes, a fall of 26.5% on the figure for the same months in 2008, when the total was 127.6 million pairs. Footwear exports from January to September 2009 brought \$1.4 billion into the country, giving Brazilian shoes an average export price of \$10.84, down from an average of \$11.38 in 2008.

In volume terms, the US remains the biggest buyer of shoes made in Brazil, importing 20.7 million pairs in the January-September period this year, for a total of \$260.8 million. These figures represent a fall of 30.6% in volume and 31.4% in value.

Argentina was the second-most popular destination for Brazilian footwear, buying 8.9 million pairs during the period under scrutiny for an average price of \$10.84 per pair; this earned Brazil \$96.2 million in export revenues. The figures show that, so far this year, Brazil has exported 34% fewer pairs of shoes to its neighbour to the south and brought in 36.7% less in export earnings compared to the same period last year.

The UK was Brazil's third-most important export market in the first nine months of 2009, but here too the numbers were down, by 29.4% in volume and 28.4%. Brazilian manufacturers shipped 5.7 million pairs to the UK in the first three quarters of the year for a combined value of \$141.1 million. One bright spot here was that the UK market paid the highest average price for Brazilian shoes, \$24.86 per pair, with France offering the next highest average at \$21.53. Paraguay at \$2.32 and Angola at \$4.21 paid the lowest average price for Brazilian shoes.

Better news regarding Angola was that it was one of only three countries to increase the volume of shoes it brought in from Brazil, the others being Colombia and the Philippines. The Asian country was, with France, one of only two to increase the amount of money it spent on Brazilian shoes over the period in question. France imported 1.8 million pairs and paid a combined total of \$40 million for them (33.6% up on the same period in 2008), while the Philippines placed orders for 2.6 million pairs, with a value of \$11.8 million, increases of 57.3% and 69.6% respectively.

On the import side, Brazil brought in 24.5 million pairs of shoes over these months, a fall of 20.6% compared to the same period in 2008. In terms of value, the drop was only 7.1%, to \$215.5 million. Of these imported shoes, a huge proportion, 19.7 million pairs, came from China.



Ladies' boots continue to be the best-selling footwear category in Germany.

CREDIT: SRENE TILLMANN/MESSE DÜSSELDORF

Overall, only 2.5 million pairs of shoes imported into Brazil were made of leather.

Hope for jobs

Perhaps the best news to have come from the industry in Brazil so far this year is that the number of people employed in footwear manufacture there is on the rise again.

Since the mid-point of the year, the sector in Brazil has created 20,000 new jobs, taking the total number of people working in the industry throughout Brazil to 323,000. The president of industry association Abicalçados, Milton Cardoso, has said he believes the new jobs are a direct result of a decision Brazil took at the start of September to apply anti-dumping duties to shoes imported from China. Mr Cardoso said that one of the main reasons the government approved the anti-dumping measures was that, in the last quarter of 2008, Brazil lost 42,000 footwear jobs because of the volume of shoe imports from China.

Germany: fluctuations in retail

According to a recent study from the Federal Association of German Footwear Retail Trade (BDSE), Germany's shoe retail revenues fell in 2008 compared with the previous two years. Footwear retail revenues totalled €6.39 billion in 2008 compared with €6.52 billion in 2007 and €6.45 billion in 2006. Major fluctuations in retail sales took place in 2008, with March, April, June, August and October recording negative growth. March and April sales were particularly poor, with sales falling around 20% for each. Total turnover for Germany's footwear market is around €8.5 billion, with retail turnover accounting for approximately 75% of the total.

BDSE president, Brigitte Wischniewski, says that average income for footwear retailers dropped about 2% last year, and that around half of the country's retailers had posted lower income. However, 18% of companies reported an increase in turnover. "In the second half of the year [2008] the effects of the global financial crisis began noticeably to affect the domestic market," she says. "The greatest concern for footwear retailers is currently the fall in customer frequency, something which 58% of respondents [in the BDSE survey] complained about. Second among current problems is income development; almost 50% of companies reported a decline here. Rising energy costs are also causing a headache, affecting 94% of respondents."

Boots continue to be the best-selling footwear category. "Apart from the weather, fashion was the most important factor promoting sales of boots," Ms Wischniewski claims. "Particularly when combined with jeans, they developed into a defining fashion image of the last season." Meanwhile, sportier styles are popular with young buyers. "Among young customers, demand for fashionable footwear such as Converse and Vans continues," she adds.

According to the BDSE survey, 40% of German footwear retailers were anticipating that 2009 turnover would equal last year's, while 11% were actually expecting an increase. "A five-year comparison shows clearly that the fluctuations in turnover in the footwear retail trade have been moderate. Wear and tear means that there is a steady demand for shoes. Women, in particular, want to keep up with fashion," Ms Wischniewski concludes.

However, overall shoe production in



Germany fell around 1.1% year-on-year in 2008 to approximately 26.3 million pairs, according to Manfred Junkert, chief executive of HDS, the German Footwear Industry Federation. The production of outdoor shoes with leather uppers dropped significantly (9%), partially offset by growth in the production of sandals and safety shoes. Retail prices for shoes rose 0.9% in 2008 compared with 2007 prices.

On a positive note, the number of people employed in the footwear sector rose 5.3% to around 13,165 posts in 2008 from 12,507 the previous year. "The employment situation in the German shoe industry has improved markedly for the second year in a row," Mr Junkert says. Moreover, the number of manufacturers rose slightly to 56 in 2008 compared with 55 in 2007.

He reported that German shoe exports rose 10.9% from 141 million pairs in

2007 to 156 million pairs in 2008. The average price per pair was €15.57 compared with €15.55 in 2007. In terms of export destination, Poland was the most significant with a 15% share. Exports to Poland rose 20% in 2008 to 23.6 million pairs. Meanwhile, exports to Austria fell to second place with 22.4 million pairs, down 1% compared with 2007. Austria's export share decreased from 16% to 14.3%. The Netherlands were next with a 7.7% share, followed by France (7.5%) and the UK (5.2%).

After a significant increase in 2007, German footwear imports were almost unchanged (+0.2%) in 2008 at 498.5 million pairs. The average price per pair increased by 1% from €8.78 in 2007 to €8.86 in 2008. Shoe imports from Europe fell 12.6% from 113 million pairs in 2007 to 98 million pairs in 2008. Imports from Asia rose 3.8%, however, from 374 million pairs in 2007 to 388

million pairs in 2008. China now accounts for 53% of German shoe imports, followed by Vietnam with a 15.8% share.

Mr Junkert says that the industry had to maintain a cautious outlook for the near future. "You are all aware of the reasons for the declines in sales; the global recession has not passed by the German shoe industry," he explains. However, he points out that consumer confidence studies show that the mood among consumers has significantly improved, mainly because of the decline in crude oil and energy prices since the start of 2009.

"It becomes clear that bright spots remain in the German shoe industry. At least the intensity of the economic downturn in our export markets is different. For us, we now need to maintain strong export markets as far as possible at a stable level," he says. 🌐

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