



Tanners never reached the point of believing that footwear manufacturers could walk on water, but there has been a mutually beneficial relationship between them for thousands of years.

CREDIT: MICAM

Leather shoes an endangered species

Not long ago, few would have argued that any material other than leather was the best option for shoe uppers. Now the notion frequently is being challenged, on technical, cost and environmental grounds and footwear's share of global leather production has declined from around 65% in 2009 to nearer 55% today. There is work for tanners and the wider leather industry to do to preserve a relationship that has endured for thousands of years.

For years, tanners have taken for granted that, among shoe manufacturers, they would have willing buyers for their finished leather. Shoes are an essential for people in almost every village, town or city on earth and the best material from which to make shoe uppers is leather. For generations, for millennia, the relationship between footwear and leather has seemed symbiotic. In recent months, however, the connection has begun to appear fragile and, at times, on the point of fracturing.

High prices pushed some buyers away from leather in the period between 2009 and 2014 when the cost of hides reached record levels. Seasoned observers said the natural conflict along the value chain that links hide traders, tanners and footwear manufacturers has always gone in circles; if the price had gone up, it would eventually come down. This time, though, by the time the price did come down, an array of interesting things had happened in the world of footwear that made it not just possible but even desirable for brands to resist a return to leather. We are, therefore, in strange territory, what *World Leather* columnist David Peters has referred to as a brave new world.

Times change

Mr Peters says that, while raw material prices were rising towards their peak of more than \$110 per hide in 2014, many footwear-facing tanners were “eroding their customer-base”. As a result, leather is now no longer an essential component of the shoes that many brands sell. Other factors were also in these

brands' favour. Several developments in alternative materials, including new woven and knitted textiles and waterborne-polyurethane coatings, hit the footwear market at more or less the same time, and low oil prices have kept them cheap. These materials lack the durability of leather, but products that will need replacing after a few months represent good news for fashion-focused brands for whom the most important thing in the world is being able to report growth figures to Wall Street quarter after quarter.

All of this coincided with the rise and rise of the fashion trend that everyone now knows as ‘athleisure’, in which much of the clothing and footwear people wear to work out is often also acceptable in the workplace, the coffee shop, the bar and the restaurant. To dress formally is unusual (schools have been in the news for having had to ask parents not to wear pyjamas to drop their children off for lessons), and even in situations in which formal attire is still *de rigueur*, such as job interviews or weddings, men and women have begun to wear athletic shoes with their suits.

On releasing its results for the first half of 2016, Hong Kong-based footwear group Stella said specifically that the rise of athleisure in China, where it sells its “affordable luxury” shoes under a series of brand names (including Stella Luna and What For), was one of the reasons for a year-on-year decline in revenues of almost 10%, to just over \$720 million, and a fall in volume of 4.5%; over the six-month period in 2016 it sold 25.4 million pairs of shoes. Exports of leather shoes from China as a whole fell in volume by 20% in the first seven months of 2016 compared



with the same period last year. In terms of value, the year-on-year decline was almost 22%. Between January and July this year, Chinese shoe manufacturers exported just under 395 million pairs of leather footwear, compared with 493 million pairs over the same period in 2015. Export revenues from these volumes were \$5.5 billion in 2016 and just over \$7 billion in 2015.

Natural appeal

"It's in the DNA of human beings to connect to animal skins," David Peters argues. "It's been part of our experience for ever that the correct material to wear on our feet is leather. But human beings change; we are not the same as we were 500, 200 or 100 years ago and the ways in which we live and trade have changed." He insists that many millennials, people aged between 15 and 35 today, have "lost the sensory connection" with leather; shop online most of the time, and you have to rely almost entirely on the images sellers upload to form an impression of a product, meaning a material like leather loses the natural advantage it has always had of feeling luxurious and smelling wonderful as well as looking beautiful.

At the All China Leather Exhibition in Shanghai in September, he travelled into the city by train each morning from Haining and noted that only 5% or 10% of commuters were wearing shoes with a leather upper. He has heard that traditional white leather basketball shoes are still very popular and has taken on board early signs that high leather boots are about to become fashionable again. "But it's not enough," he insists. "For every one woman wearing a pair of those boots there will be 10,000 people wearing synthetic shoes. I have friends in senior sourcing roles for major footwear groups and they are not predicting a comeback for leather. They acknowledge that, even in models that traditionally had all-leather uppers, there is a lot of redesign of the vamp and other areas to use synthetics, at least in part, and they are doing this for a very simple reason: the margins are larger."

Three steps towards winning back demand

In keeping careful track of the percentage of finished leather going into each application area across the world, David Peters' current figure for footwear is 55%. The figure in 2009 was nearer 65%. Automotive and furniture are on the up, so tanners that can adapt can continue to prosper; it's tanners that can't adapt that are the worry here. Those that have built a business making the cheapest leather they possibly can to satisfy the exacting demands of big shoe corporations, companies that, as we have seen, will no longer think twice about turning to suppliers of synthetics instead because, no matter how low tanners are prepared to go, they will not compete with producers of plastic whom they, the tanners, have allowed to become rivals.

"There are three clear steps that we as an industry need to take to ensure that we recover from this downturn in leather demand and avoid a potential crisis," David Peters says. "Innovation, creative marketing and outstanding customer service are all central to our ability to reposition hides and therefore leather, returning this desirable substrate to its rightful place at the feet of human progress."

He acknowledges that this is likely to work only if players along the supply chain combine their efforts to convince consumers that leather is better and worth paying more for (a high enough premium to permit tanners to invest in the materials, machinery and practices they need to have in place to treat the environment, their workers and their local communities well). "Tanners always try to accommodate their



High boots may be coming back, but for every one woman wearing footwear as tasteful and beautiful as this, there will be 10,000 people buying shoes with synthetic uppers.

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customers," he continues, "but it cannot be left to tanners to take these three steps on their own, and the same applies to hide traders and shoe manufacturers. Everybody has to reach the same conclusion. It has to be systemic and systematic. We have to fight together to win back demand; we have to fight for customers, and we are losing the fight at the moment by putting price ahead of quality, service and delivery."

Star-struck

Someone with a hard-to-beat perspective of both sides of the debate between tanners and shoe companies is Jon Hopper, VF Corporation Asia's director of leather since June 2015, but previously a holder of senior positions in footwear-facing tanning groups such as PrimeAsia and Tata International. His observation is that footwear reflects society and that, because society is becoming more and more casual and relaxed (about dress, about manners, about the way we act and so on) it's inevitable for this to be reflected in footwear styles, so that the growth of sports-inspired shoes being worn and admired in non-sports environments is a reflection of these more general changes. "There's something else about the marketing of sports-inspired footwear," he adds. "If you look back 20 or 30 years we had sports stars, but sports stars now are celebrities in ways they have never been before."

Lots of fans want to wear similar-looking shoes (today, usually with synthetic uppers) to those of their heroes, and the impact of this on the wider footwear market and on the leather industry is impossible to ignore. "It's not necessarily reversible either," Mr Hopper says. "I don't see us going back [to a world in which most people in major economies wore shoes with leather uppers most days and sports shoes were for taking part in sports]."



Technical challenge

Apart from the margins, there are some other possible advantages for footwear manufacturers in shifting from leather to synthetics. Ecotex, a Dongguan-based supplier to footwear manufacturers, holds stock of a nylon material that it insists on calling “microsuede” in more than 100 colours and will add new colours at customers’ request. It has a production capacity of 1.2 million metres per month and, in spite of its company name, offers an option to have the nylon material coated in polyurethane (PU). Lead-times are 15-20 days for non-coated and 20-25 days for companies that want the PU coating. It claims it can “duplicate” looks such as crocodile leather or woven leather, but for much less money. More worryingly, it lists footwear brands that have always been (and still are) deeply involved in the leather industry among its customers.

Jon Hopper also points to “opportunities for efficiencies in manufacturing techniques”, with developments in no-sew and in knitted materials as examples of changes in the way shoes are constructed that are not possible to replicate with leather. “The big thing is the dollars companies can save, though,” he continues. “Synthetic material is cheaper and, with technology such as fly-knit, for example, you can use it to make shoes closer to market, with fewer people and a lower defect rate. What’s more, the shoes look cool so, even though the costs are halved, you can sell the shoes for twice as much.”

And yet, there are shoe brands that are sticking with leather, in spite of all the complexities inherent in the leather supply chain, companies that continue to believe that using leather to make their shoes is part of their DNA. “It’s about back-story and heritage,” Jon Hopper explains, “things that resonate with the consumer. For certain brands, leather is part of what resonates and those brands would be risking their brand equity if they changed their product from a shoe made from leather to a shoe made from synthetics; they would risk changing the way the consumer perceives them and it’s a risk, for many of them, that would outweigh any financial gain they could make in the short term by switching.” He makes the additional point that any risk of switching would be lower for a sports footwear brand because the public expects those companies to be at the forefront of developing and trying out new materials and new constructions.

Niche product

Specialist leather chemicals manufacturer TFL announced at the 2016 All China Leather Exhibition at the start of September that it intends to expand its business into “related industries”; it said specifically that leather and synthetic alternatives are going to have to co-exist in the future, hinting that providing solutions to help manufacturers of those alternative materials will be part of its expansion plan. It’s hard to imagine this co-existence helping tanners as much as it may help their rivals, the companies that make plastics that look like leather and often misuse leather’s name in presenting their products to consumers, but head of research at TFL, Dr Jürgen Christner, says he can see some possibilities. For example, synthetics manufacturers are avid users of polymers and he can envisage polymer developments that could be of use in leather production too.

“Leather and the synthetic material that imitates it are both flexible substrates,” he says. “Of course leather has a future, but its future is to be a niche product. We have population growth and there are simply not enough hides in the world to satisfy the needs of all the people in the world, so we need synthetics too. There are market segments that leather cannot address, those at the cheap



Times change: the leather adidas F-181a, worn at the 1958 World Cup by Just Fontaine of France, and the adizero 99g, tested by current player David Alaba of Austria. The former weighs 352 grammes, while the latter, as the name suggests, weighs just 99 grammes, thanks to an upper made from a single layer of woven polyester mesh.

CREDIT: ADIDAS

end of the market and fast fashion, when you throw away the product after one season. It’s too much effort to make leather for that; it would be a sin to throw away leather in that way.”

But there is also a market segment that will continue to want the uniqueness, the durability and the longevity of leather, Jürgen Christner insists, as long as the leather is produced in an ecologically sensitive way. “Synthetics cannot compete with this type of leather and the industry needs to build its marketing strategy on the special characteristics of leather,” he says.

As for leather produced in a less responsible way, Dr Christner says its days are numbered. Not next year or even the year after perhaps, but he predicts tanning at this lower end of the environmental responsibility scale will not just decrease, but cease. “That’s a good thing,” he insists. “There’s a big challenge ahead of tanners, technically and ecologically. And even those with access to big common effluent treatment plants may struggle to cope. Polluting tanneries have to cease; they damage the image of the entire industry.”

Fashion is famously fickle and wearing shoes with leather uppers may become overwhelmingly popular again in the seasons ahead. Rather than stand back and wait for that to occur, the leather industry could take David Peters’ advice and try to make a change for the better happen. Making leather as cheaply as possible, sometimes regardless of people’s wellbeing or the environment, looks to have an uncertain future. This is the part of the leather industry that is struggling to compete with synthetic alternatives to leather, which are even cheaper, and probably always will be. Cheap leather may even have no future at all, but we can be 100% certain that high-quality, high-value leather does have a future, including in discerning parts of the footwear industry. Leather may no longer feature in all the shoes footwear manufacturers produce, but as long as good tanners continue to do good work and present themselves to their customers in a positive and transparent manner, the relationship between leather and footwear will endure. ☺