



It's a buyer's market. If a consumer can't find the footwear desired in Berlin, he or she can go online and buy it in Buenos Aires.

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CONSTANZE TILLMANN

A revamped industry

A senior figure in the industry in Spain has said changes in the footwear supply chain are revolutionising the way the industry works. Five years from now, he warns, the industry will be unrecognisable; the new ways companies make and sell shoes are set to have a big impact. Tanneries supplying the footwear producers will need to be aware of the possible changes in the supply chain.

The chief executive of Spanish footwear group Hergar, Basilio García, is an important figure in the industry in his country, especially in his home region, La Rioja. His father, also Basilio, set the company up in the Arnedo footwear hub in 1968 with the aim of using to the full the area's artisanal values while finding new ways to add value with touches of modern design and technological innovation.

This vision has served Hergar well. It waited a number of years before launching brands of its own, eventually bringing out a successful boot brand called Tanke in 1978, inspired by high-quality hunting boots, with hand-sewn waterproof leather uppers, but also a rugged rubber sole. In time, Tanke inspired Basilio García senior's best known brand, Callaghan, which he launched in 1987. Nothing to do with Ireland, where the Callaghan family name comes from – the choice owed more to Hollywood (Callahan, rather than Callaghan, is the surname of Clint Eastwood's famous character in the Dirty Harry films). The boss of the business today says he believes the important aspect of choosing an "international" name was that his father "knew by intuition that the times were changing".

Open to the world

In 1987 Spain completed its first year as a member of the European Union and of defence alliance NATO. Barcelona had

just been announced as the host city for the 1992 Olympic Games and preparations got under way for Seville to host the Universal Exposition of 1992. The country, ten years on from the death of dictator Francisco Franco and the restoration of democracy, was opening up to the world again. To launch a brand called Callaghan was to anticipate the impact globalisation was about to have on the footwear industry, including the industry in Arnedo.

It's because of changes that have emerged in more recent times that the founder's son is now anticipating another new set-up for shoe manufacturers. He points out that the main protagonists in the footwear supply chain used to be the retailers. Now consumers call the shots and this changes everything.

Distribution control

He explains that in the 1980s and 1990s, the "kings" of footwear were the owners, managers and buyers of the footwear retail companies. At that time, controlling distribution of the finished product (shoes, in this case) was even more important than controlling production (a residue of this remains at the big footwear shows, for which the main target visitors are retailers, not the public). In those decades, the shopkeepers were the experts whose role it was to interpret consumer demand and select and stock the shoes that would



Grupo Hergar chief executive, Basilio García says consumers rather than retailers are now the people who matter in the global footwear sector and that, as a result, the industry is about to change beyond recognition. CREDIT: GRUPO HERGAR

sell best. Manufacturers manufactured.

These lines have blurred now. Shoe producers launched their own brands and then began to open their own retail outlets, shops dedicated to their collections alone. Basilio García has talked of a time when important international buyers began to “discover” Spain’s shoe-producing talent and placed big orders with outsource manufacturing partners in the region around Elda and Petrer in the province of Alicante on the east coast. It’s a world away from Arnedo and companies there, including Grupo Hergar, were left alone to develop not just brands and retail networks, but design capacity, research and development, in-house marketing and everything else needed to run a business.

Touchstones of success

With the globalisation of the industry, of course, cheaper manufacturing locations than Spain soon appeared on the map. Mr García recalls the conversations with industry gurus, who insisted he and his fellow manufacturers in La Rioja ought to outsource production and concentrate all their energies on brand-building. “We certainly thought about it,” he recalls, “and we even reached the conclusion that they were probably correct.” In the time it took to reach this conclusion, things had begun to change again and suddenly an ability to engage completely with design, to have the flexibility to carry out small-scale production, to make mini-collections and to add value through innovation and personalisation had become the new touchstones of success.

No resemblance

Then online sales began to grow and, in a relatively short space of time, brought about yet more changes, ones that will transform the industry again, Mr García believes. “Now the consumer is king,” he says, “and the rest of us are at the service

of consumers and have to bring our offerings to them.” Increasingly, competitors all over the world are able to offer their collections (and sometimes their slightly amended versions of your collections, only at a cheaper price) to exactly the same consumers. “This is making everything different,” he says, “and in five years the footwear business will bear no resemblance to what it is today. There will be a huge range of shoes on offer, through multiple channels.”

Basilio García said he believes the way forward is to take a leaf out of fast fashion’s book and run a production set-up that allows companies to design, make and launch shoe collections, not by season, but at the time and in the quantities that the market demands. To have your own factory, your own highly skilled workforce, your own design team and your own research and development resources will be big advantages.

Levels of control

For Guy West, one of the founders of English high-end men’s shoe brand Jeffery West, some aspects (at least) of this new vision for the industry make sense. To have your own production facility will make it easier for any footwear company to shorten its lead times. “You control what goes in and what comes out,” he explains. “If it’s not your factory, you need huge volumes to be able to exercise that level of control.” But he’s less sure about online shoe shopping taking over to a great enough extent to alter the footwear supply chain. “Let’s just say that lots of companies have appeared to be successful with their online shops,” he explains, “but things are not always what they seem. You have to pay heavily to get high up on search engine lists and pay even more to stay there. That can cost so much that you won’t make a penny from your sales.”

Mr West points out that every business will have its “critical mass”, the number of pairs of shoes it can make and the number that it can sell. It’s important for companies to have



Jeffery West co-founder Guy West says that having control over production and a smaller range of footwear are advantages in today's market. CREDIT: THE WORSHIPFUL COMPANY OF CORDWAINERS



Professor Alan Waller recommends trying to find a happy balance between retailing and e-tailing. CREDIT: VERENIGING VOOR INKOOP EN LOGISTIEK

ambition and a desire to grow, but it's also important for them to be able to live within their means and pay their bills while they are on the way up. He still likes shops. "A shop can do more than just sell shoes," he insists. "They can get your name known." That said, he concedes that rents for good retail spaces are going up, as are all costs, while sales are difficult and the market "very competitive".

Word of mouth

He explains that this is more or less what happened when he and Mark Jeffery launched their brand in Northampton in the 1980s. They did not have their own factory, but Guy West insists they were still able to keep control of production because Northampton at that time still had, as Arnedo does, materials and component suppliers and manufacturers for each stage of the shoemaking process all within a small radius. "We did the design and relied on outside support for production," he explains, "but it was all on hand and we controlled it all. To have control over production is good, to have a limited range of shoes is also good because it's easier to control. And to sell online can be good provided you can fulfil demand; there's no point trying to sell shoes online unless you have them ready."

Word of mouth is what helped Jeffery West become what he calls "an established business" and he says he still thinks this is the best way, even though it takes time. "It's hard to know what the future will hold; we all have to find a way to stand out."

Lean versus agile

The impression of Professor Alan Waller, vice-president for supply chain innovation at international consultancy EFESO Consulting and a visiting professor in international supply chain management at the UK's Cranfield University, is that this is a

debate about lean supply chains versus agile supply chains and it has been raging for at least 20 years now. Whether it would work in footwear or not remains to be seen, but he says that the model that has been successful in automotive supply chains is to try to have the best of both.

"In most industries, we went from having inefficient production to having mass production, with a smaller number of large facilities, leading to a lot of commonality among brands," he explains. "More recently there has been a move to a more flexible manufacturing model and greater responsiveness. You have volume economics at one end of the spectrum and a huge amount of choice at the other. With the best of both worlds, you can have some of the volume economics and still keep some of the choice. The combination exists."

Concept of postponement

How this works in other sectors is for companies to use lean production to make in advance and as cheaply as possible (or have made for them) as many components as they can. The key is then to assemble the finished product, responding as exactly as they are able to customer requirements, in a location closer to the target market. This uses what the professor calls "the concept of postponement", making components en masse for later use. He agrees that "the balance of power" in the supply chain is changing because of the amount of choice consumers have now: if a shopper cannot find what she wants in Berlin, she can go online and buy it from Buenos Aires (or vice-versa). Making it work requires a supply chain that is leaner upstream and more agile downstream, plus finding what he calls "the magic combination of e-tailing and retailing". Some fast moving consumer goods companies have become good at it. Professor Waller wonders if it can work in the footwear supply chain too. 🌐