



CICEG headquarters in León. The Guanajuato industry association often represents the whole of Mexico at international events.
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CAMARA DE LA INDUSTRIA DEL CALZADO
DEL ESTADO DE GUANAJUATO

Country Commentary

A changing environment for footwear

Guanajuato's pivotal role in the leather industry in Mexico remains undisputed, but not unchanged. Guanajuato processes around 85% of Mexico's total leather output. It is home to Mexico's biggest and most advanced common effluent treatment plant, to its best leather engineering courses, to some of its biggest leather industry associations, as well as to chemical and machinery manufacturers. Traditionally, footwear has been the most important market for the leather that the 500 or so tanneries (many of them very small) in and around the state's biggest city, León, and this is a tradition whose documented history goes back to the year 1645.

By 2014, however, an industry association in Mexico said that half of the 42,000 hides being processed in Guanajuato every day are now destined for the automotive sector. Our main Tannery of the Year report in this issue devotes considerable space to the rise of the automotive industry in Mexico in recent years and the parallel growth in automotive leather production. As a complement to that, this country commentary will focus more on the current state of the footwear industry in Guanajuato and in Mexico as a whole, and on

There are plenty of challenges ahead for Mexico's footwear industry, ranging from competition for leather from the automotive sector to a fluid environment across the border in the US, which can have an effect on everything from production costs to consumer buying habits in the domestic market. Nevertheless, the president of CICEG, the main footwear industry association in the state of Guanajuato, Luis Gerardo González García, is looking forward to addressing all of these issues.



its prospects for the future.

Footwear industry leadership has long come from CICEG, the footwear industry association of the state of Guanajuato. For example, it was CICEG that represented Mexico at the 2017 meeting of Latin American footwear industry associations. This annual event took place for the twenty-first time at the end of June this year, with Santiago, Chile, as the host city. Addressing colleagues from Argentina, Brazil, Chile, Colombia, Ecuador, Uruguay and Venezuela, CICEG president, Luis Gerardo González García, said the arrival in the White House of President Donald Trump has presented a series of challenges to footwear manufacturers in Mexico. The peso lost value against the dollar in the early months of his presidency, making production costs more expensive. At the same time, though, what he referred to as “the concentration of purchasing power in the hands of a smaller group of buyers” has made it impossible for manufacturers to raise their prices, leading to a fall in earnings.

CICEG’s compilation of figures for the whole of Mexico (not just its home state) suggest that Mexico manufactured 254 million pairs of shoes, sandals and boots in 2016. Mexican consumers are keen on Mexican-made footwear and 90% of that output, all but 25.4 million pairs, remained on the domestic market. Domestic consumption amounted to 310 million pairs in total. The value of Mexico’s footwear exports in 2016 was \$456.6 million, giving an average price per pair of just over \$18; more than three-quarters of all exports went to the US. During the first half of 2017, Mexico exported 10.3 million pairs, suggesting a decline in volume compared to 2016 (unless the numbers pick up substantially in the second half of the year). Values also seem to be going down because those 10.3 million pairs brought in total export revenues of \$162.5 million, giving an average price per pair of \$15.81.

Mr González believes Mexico’s US-dependent footwear exports are suffering because of two trends in that market: consumers seem to want to spend money on ‘experiences’ rather than products, and what spending on shoes is taking place is focused more on athletic and casual shoes than on the more classic shoes with leather uppers that Mexican manufacturers typically produce.

On taking up the presidency of CICEG in March 2017, after a lifetime in the industry (he says his mother sent him, with his siblings, to the family footwear factory with their father from about the age of seven during school holidays for the sake of some peace at home), Luis Gerardo González, laid out a programme for the future of the industry in this part of the world. His six strategic points of focus are to develop skills and knowledge, to make the Mexican shoe industry more international, to focus on fair and equal pay and conditions, develop the sector’s competitiveness, promote commercialisation and put in place a sound financial platform.

All of this must take place in a fast changing environment in which traditional ways of selling shoes are suffering. The CICEG president, with one eye on developments in footwear retail across the border in the US, says the sector is coming under great pressure. His information is that around 8,000 of the 50,000 or so shoe retail outlets that exist in the US at the moment will close before the end of 2017.

“These are changes that we will surely see in the future in our country too,” he predicts. “Analysts point out that on the one hand, US consumers are buying more goods online. Therefore, the simplest explanation for the disappearance of traditional shoe shops is that Amazon is eating up the retail market.”

In fact, the CICEG president says recent studies of consumer



This statue in León pays tribute to the city’s centuries-old footwear traditions. CREDIT: WTP

buying patterns in Mexico already show a similar pattern. In 2007, more than 40% of sales of shoes in Mexico occurred in street-level shoe shops. By 2017, those retailers’ share of sales had fallen to 28.3%. The whole shopping-mall culture is still building up in Mexico (just as it begins to decline sharply in the US) and mall sales of shoes south of the border increased from a share of 12.7% in 2007 to 21.6% now. For now at least, shopping-malls are making much more of an impact on traditional Mexican shoe shops than the internet. Online sales in 2007 accounted for just 0.01% of the total in 2007 and, even by 2017, had only risen to a share of 0.3%.

Nevertheless, the new CICEG president believes online sales are poised to make an important impact on the sector in Mexico too. In describing the situation, he uses a phrase that means ‘when you see the barber shaving your neighbour’s beard, start putting the shaving soap on your own face’. It’s another way of saying that what is happening to retail in the US, will, in time, happen in Mexico as well. Across the country, there are now 71.5 million internet users, around one-third of whom have already begun purchasing goods online. “What’s happening in the US needs to encourage footwear businesses in Mexico to strengthen or start their online sales efforts,” Mr González says, “because it’s an area of business that still has lots of potential for Mexican companies. The distribution channels are changing and online sales represent an opportunity for us to sell our products directly to the consumer.”

The CICEG president is looking forward to addressing these challenges head on. “I’m just grateful to have the chance to give something back to an industry that has given me so much,” Mr González says. 🌐