



Reality check - Let's not waste a crisis

What have we learned from the recent and potentially ongoing hide market debacle? It appears that there is little evidence that the creators of our precious and often contentious raw material have changed their ways or approach to marketing hides. We need to fundamentally improve the value proposition. We must address the rules by which we operate in terms of providing our customer base with true and only viable hide supplies. We should stop the airline culture of passing on our problems to the next destination and, instead, deliver useable and viable materials.

It should be so simple to understand that delivering unwanted material to your customers is not a sustainable business model. Synthetics are, frankly, eating our lunch in providing the shoe industry with an efficient material that is a more profitable and more sustainable substrate compared to leather. We should assume that shoe leather's de-contenting is a direct result of poor yields, a preponderance of waste materials and outdated, old-fashioned and out-of-touch standards.

Packers, processors, convertors, chemical and machinery companies all have skin in the game. Pun intended. Just think of a world in which tanners were occupied to capacity, utilising raw material that could be converted directly into leather without needing to constantly trim off the unnecessary parts, not needing to calculate a percentage of chemicals that simply go down the drain and require treatment.

While to some it is obvious that these are perfect initiatives for hide associations to embrace, there appears a lack of interest, coordination and conviction to challenge the existing status quo. It seems that trade socialisation, together with leveraging meet-and-greet governmental programmes have a higher priority. This *laissez-faire* approach in the face of the global leather crisis shows how out-of-step these archaic institutions have become. There should be an industry-coordinated global initiative to address waste management. I am not talking about separating office rubbish, but the need to stop selling and sending materials to tanners that are simply waste. Annual meetings become simply finger drumming exercises as participants lack constructive leadership and a proactive position. The industry is in a death-spiral where management puts a self-serving agenda ahead of solving the fundamental issues of making leather.



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Getting real about leather is only a small part of fixing what's wrong with our industry and is not an attempt to change the value proposition. In fact, this initiative clearly avoids the real and truthful issue that the conversion of an animal by-product into leather is challenging and somewhat inefficient.

Leather Naturally is far better positioned on a global basis to promote and defend the numerous attributes of leather, while regional associations should instead focus on developing supply chain improvements and raising the standards and performance of the raw materials their members produce.

Just consider the volume of hide trimmings that are accumulated at wet blue facilities and then sent to a landfill. Besides the labour and freight costs incurred, how about the ridiculous amount of chemicals that are first applied and then require treatment. Why do certain producers literally throw hides into a big bag only to have the recipient deal with a giant ball of knotted hides? This further demonstrates the absolute lack of comprehension of product delivery, customer handling challenges and inventory management. The ensuing result is lower values, lack of respect and disposal issues for these dirty, damaged and unwanted bags.

Why do we pay for producers to flesh and trim hides when in numerous cases the result is inadequate? Why is it acceptable that at certain times of the year this aspect of hide preparation is ignored under the pretext that it might damage the hide? Figuring out a solution shouldn't be as hard as this; it is a condition that existed long before climate



change and there are relatively easy solutions. Fleshing and trimming hides is an unregulated process that defies consistency. Producers and processors are being compensated to perform these tasks, yet it is difficult to find consensus amongst companies willing to actually over-deliver what they have under-promised.

We should be data driven across all lanes of supply. Setting new trim standards for the shanks, bellies and head could easily be accommodated and it should be a simple calculation to determine the benefits in terms of waste disposal, chemical avoidance and labour savings. These are easy and do-able strategies that would bring back credibility to an industry that often struggles with integrity.

Sending unwanted product to tanneries is not a constructive or positive business model. Over-representing hide deliveries is one of the central and key reasons why leather has lost its place to synthetics in the shoe segment. Hide utilisation is measured by the amount of useable and therefore billable leather shipped to product manufactures. Increasing the percentage of uppers or seats cut from a piece of leather is the only denominator that counts. We cannot grow complacent as the market finds ground. We should not drift back into an apathetic mood and adopt this 'supplier is king' mentality. Leather is fighting to remain front and centre, while the passengers in the rear seats appear immune to the proliferation of fake leather.

Consider that the sneaker business hit \$44 billion in sales in 2018, up 9% from the previous year (according to *The Wall Street Journal*). Of the 29 shoes featured on the "Elements of Sneakers" article published in September, we had a hard time finding any leather uppers. The majority were made from synthetics. This boat has sailed and does not look like it will ever return. The recent "fake leather" show held last month in Shanghai reflected an abundance of really good alternatives, and more importantly the cost per square-foot was between 25% and 50% below leather for similar products. The approximate annual production of 45 million economical hides (cows, small packers, TR3s and various other global low-priced selections) cannot compete in this space considering that just the conversion costs, including waste management, exceed the sales price of the synthetic alternatives. The important aspect of our industry's challenge is to optimise the conversion process and not simply bang the same old drum representing that leather is better than the alternatives.

Promoting leather as a viable, recyclable, natural raw material are initiatives better left to people and industries that occupy and operate marketing-related businesses. Raw hide sellers, processors and the few remaining traders are ill equipped to assemble a viable marketing campaign when considering their track record of obfuscation, attrition, subjective standards and questionable product integrity. Getting real about the value proposition of the hide supply is the core issue to regaining lost market share.

Leather can always do better while plastic remains, for ever, what it is. 🌐

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