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28th International Footwear Conference, Guangzhou, China, 1 - 2 June 2009

A Report by: K. Abdul Sattar Khan, Asst. Director, Council for Leather Exports, HO.



Group Photo of the participants. Mr. K. Abdul Sattar Khan, Asst. Director, CLE is seated 2nd from right

Preamble

► The **International Footwear Conference (IFC)** is an international event hosted annually by each of the Member-countries of the IFC. There are 12 member-countries, who are major footwear producing countries in Asian region. The basic charter of IFC is to complement each others unique strengths and needs to encourage co-operation and reduce competition, thereby enlarging export market.

The 12 member countries are represented by the following Associations:

1. China Leather Industry Association, China
2. Council for Leather Exports, India
3. Hong Kong Footwear Association, Hong Kong.
4. Indonesian Footwear Association, Indonesia
5. Japan Rubber Footwear Manufacturers Association, Japan
6. Korean Footwear Industries Association, S.Korea
7. Malaysian Footwear Manufacturers Association, Malaysia.
8. Philippine Footwear Federation Inc., Philippines
9. Taiwan Footwear Manufacturers Association, Taiwan-China.

10. The Federation of Thai Industries, Bangkok
11. Vietnam Leather and Footwear Association. Vietnam
12. The Association of Guangdong Shoes Manufacturers, Guangzhou

The 1st International Footwear Conference was held in Hong Kong on May 21, 1982 with nomination and acceptance of Taiwan as the First General Secretary of IFC. Since then each member-country Association is hosting the IFC every year. **Council for Leather Exports** hosted the 26th IFC during



Discussion in Progress

from 30th August to 1st Sept.2007 in Chennai. The 27th IFC was held in Jakarta, Indonesia from 12th to 13th August, 2008.

28th International Footwear Conference

The 28th IFC was held from 1st to 2nd June 2009 in Guangzhou, China, which was hosted by the Association of Guangdong Shoe Manufacturers. Representatives of all member-country Associations, except Korea participated in the Conference.

After the opening remarks and introduction of Guests/VIPs from various countries, **Mr. Frank Z. Kung**, General Secretary, International Footwear Conference delivered the introductory address. He outlined the objectives of holding the IFC every year, which provides an invaluable platform for exchange of statistical information on international footwear production and sales, exports amongst the member-countries; for discussion of solution and strategically planning on shoe making material & labour cost issues; and through communication to access world business opportunities.

Ms. He Guiling, President of the Association of Guangdong Shoes Manufacturers, Guangzhou, China delivered the welcome address.

Thereafter representatives of each member-country made presentations about the status of footwear industry in their respective countries, providing statistical data on footwear production, sales, exports and issues concerning developments.

On behalf of the Council for Leather Exports, **Mr. K. Abdul Sattar Khan, Asst. Director**, made the presentation about the Indian Footwear Industry, highlighting the status and also the opportunities available for overseas entrepreneurs to forge business collaborations with Indian footwear manufacturers.



Mr. K. Abdul Sattar Khan, Assistant Director, CLE making the presentation

The Brief of each country presentation is given below:

China

The Chinese footwear Industry and China has become one of the world's largest footwear manufacturing countries,



Opening remarks by the Organisers

with production of about 10.21 billion pairs and accounting for 63.75% share in global footwear production of 16 billion pairs in 2007. Rubber & Plastic footwear account for 53% whereas Leather footwear account for 14% only, remaining 33% is Textiles and other types of footwear.

USA, EU, Hong Kong & Japan are major export destinations. Footwear Export in 2008 declined from 8.17 Billion Pairs in 2007 to 8.12 Billion pairs in 2008 but in the first quarter of 2009 (January to March), there was much decline in export by 0.2% in value and 5.3% in volume, mainly due to global economic crisis. However, China's import of Footwear has increased from 22 Million pairs in 2007 to 34 Million pairs in 2008. Leather Shoes imports constitute 69% of total footwear import and these are mainly from Vietnam, Italy, Thailand and other countries.

Hong Kong

Hong Kong is no longer a manufacturing base for footwear industry. The majority of manufacturers have set up offshore production facilities on the Chinese mainland to reduce operation cost due to challenges of shortage of labour, increasing labour cost, fluctuations of RMB currency, higher demands and overheads spending on environmental /social responsibilities.

There are a total of 10 manufacturing establishments hiring 40 workers only as per official statistics but after relocation of production facilities offshore, import-export establishments have increased to 1370 hiring 6180 employees. USA took up 44% share in exports during 2008. Export to US fell by 3% in 2007 and 7% in 2008. Western European countries account for 14% and Canada 3%. Footwear export from Hong Kong decreased from 0.33 million pairs 2007 to 0.05 million pairs in 2008 and in value from HKS 26.80 million to HKS 4.26 million but average unit price increased from HKS 80.66 to 87.27. Exports to Chinese mainland continued to perform well.

India

India is the second largest producer of footwear in the world with 2.06 million production capacity and accounting for 13% of global footwear production. Exports account for 115 million pairs and remaining 1991 million pairs account for domestic consumption. Footwear sector mainly comprise of Small and Medium Enterprises (SMEs)

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Major export destinations are Germany (16.66%), UK (16.31%), Italy (15.32%), USA (9.22%), France (7.81%) and Spain (5.10%). Footwear Product mix has 58% Men Footwear, 34% Women Footwear and 8% Children Footwear. Major world renowned Brands are sourced from India.

Footwear exports increased at a CAGR of 11.03 % during last ten years and touched US \$.1475.83 million in 2007-08 but in the first 11 months of 2008-09 (April 2008 to Feb 2009) footwear export increased only marginally, due to global economic melt-down.

Indian footwear sector which is the engine of growth of entire leather industry in India is poised to grow further in the years to come. Footwear export from India is projected reach US\$.2.5 Billion in 2011-12.

The Indian Footwear Industry has advantages like own raw-material base, best tanning expertise, availability of skilled workforce, institutional support towards design development capabilities and HRD, and increase in domestic consumption besides attractive policies of the Govt. of India towards Foreign Direct Investment/Joint Ventures. Hence there are opportunities and potential for overseas entrepreneurs to establish business collaborations with footwear and component manufacturers in India.

Indonesia

The national footwear production of Indonesia was 597 Million Pairs in 2008 employing 415 thousand people. The domestic consumption was 362 million pairs with 235 million pairs export to a value of US \$.1.885 Million. USA is a major destination having 20.90% share, followed by prominent European Countries accounting for 50% share.

The global economic crisis which started in 2008 affected the footwear industry in Indonesia, due to increase in fuel price, slow down in export volume and the significant weakening of The Rupiah (Indonesian currency). However, series of actions by the Government like lowering of fuel prices, stabilizing Rupiah exchange rate against US dollars and other major currencies, promoting consumption of locally produced footwear; regulations and enforcement in stemming the import of illegal goods including footwear have made the footwear industry stable.

Japan

As the world economy sharply declined in 2008 due to global financial crisis, the Japanese economy had the same situation. The GDP of 2008 first became negative growth of -1.6% since 2002. The first quarter of 2009 the GDP dropped seriously at -8.6%.

As a result, domestic Footwear production declined from 114,969 pairs in 2007 to 104,745 pairs in 2008 but Import of footwear in Japan increased in 2008 both in quantity (596,134 million pairs) and value (525,870 thousand Yen). Major imports are from China, ASEAN Countries and Bangladesh. Leather Shoes are main items of import with about 45%.

But current situation in Japanese footwear industry is influenced by low price policy and over dependence on

imports, especially from China and major retailers' private brand policy and diversity on personal preference towards niche fields (or brands). At the same time the booming of walking rallies in Japan as a healthy life theme may bring a strong need for good shoes for walking.

Malaysia

The footwear industry in Malaysia went through an extremely challenging period in 2008 but it still managed to maintain a positive growth of 8.7% with exports to totaling RM 665 million. The Malaysian home grown footwear brands made successful inroads into the ASEAN Markets.

Singapore is the No.1 footwear destination with 21.03% share. Except export to Germany which has come down by 40.54% and to India, which has come down by 12.24%, the footwear export to other countries like Mexico, UK, Italy, Thailand, Saudi Arabia and UAE have shown upward trend during 2008.

Malaysia also imported footwear to value of RM 607.15 , mainly from China - RM 236.32 million, Vietnam - RM 110.98 and other countries like Hong Kong, Indonesia, UK, Italy, Thailand, Taiwan and Switzerland and India. Malaysia can no longer compete on the basis of country's traditional low labour cost and land cost advantage. Instead innovation is the only way forward, if Malaysia is to remain competitive. For this quality human capital to generate quality R &D with right branding and marketing approach would be required for the Malaysian footwear industry.

Philippines

The Philippines footwear industry earlier made investments in new equipments and machinery for increasing production base to meet the demand of local and foreign buyers, but it suffered heavily due to global financial crisis since the buyers have asked to slow down production and delay or defer deliveries and some potential contracts were put on indefinite hold.

Starving for business, the domestic market became the battleground which is estimated from 135 to 150 million pairs per year. High end brands had to fight out in a dwindling segment since more families cross the threshold from Class to Class B and from Class B to Class C due to reducing income levels. Even low-end market was not spared which shrunk by 5 to 10%.

Many of the Philippine footwear manufacturers have closed down their manufacturing facilities and are engaged in trading. Only established local brands are expected to survive, specifically Mid brands.

Taiwan

In late 1900' and entering 2000' Taiwan Footwear Industry changed from exporting to importing country ,making overseas investments in mainland China, Vietnam, Cambodia, Thailand, Indonesia, Bangladesh and India.

This was due to certain difficulties faced by the shoe industry in Taiwan like infrastructure changes, shortage of labour and wage increase, shoe material prices soaring,

severe labour laws and appreciation of Taiwan currency against US dollars. As a result only 280 factories remain in Taiwan as on 1st April 2009.

Taiwan footwear manufacturing industry also suffered setbacks due to some domestic factors and exports continued to decline in 2008 a drop of 1.46% in volume from 14.9 million pairs in to 14.6 million pairs in 2008. However, there is increase in value terms from US. \$.78.1 million to US. \$.80.3 million.

Top five export destinations are USA (25.3%), Japan (10.9%), Hong Kong (9.1%), Mexico (6.7%) and Belgium (5.7%). Slippers account for 36.3% in total footwear export followed by sandals 15.1%, athletic 6.3%, Children 3.5% and Casual Shoes 2%.

Footwear Import into Taiwan also decreased in 2008 by 7.96% from 71 million pairs in 2007 to 65 million pairs in 2008 but in value terms, it increased from US. \$.326 million to US. \$.356 million.

Taiwan footwear industry aims at R & D, design development, shoe materials and machinery, with focus on mid-high quality shoe production and value addition, marketing channels for own branded shoes, improvement for light weight, easy to operate and multi-function and going global for setting up shoe production units.

Thailand

Thailand's export comprises of: Footwear with Outer Soles of Leather, Sports footwear, Slippers, Footwear parts, etc. Thailand Footwear Industry was badly affected by the present global crisis and trying to review the industry's performance by concentrating more on Men's Footwear.

Under Thai-Japan Trade Treaty, Footwear export from Thailand to Japan will be without quota and there will be duty free access to import of footwear from Thailand.

Vietnam

Vietnam Footwear industry has grown steadily and the exports reached US. \$.4.767 Billion in 2008 - an increase of 13.3% compared to 2007 but in the first 4 months of 2009, exports reached US\$.1.2 Billion - a decline of 10.8% compared to same period in 2008, which was due to global crisis. It is estimated that exports will reach US. \$.5.1 billion in 2009.

Sports shoes account for 68.86% share, ladies shoes 6.82% rest account for Canvas shoes, different kinds of sandals & slippers. EU countries are major export markets accounting for 52.32% share followed by USA (22.55%). By 2008, more than 900 complete production lines were equipped for making various types of finished shoes with total capacity of 780 million pairs. For stable development of leather and footwear industry, Vietnam encourage foreign investors to invest, especially on the projects such as supplying and production of footwear materials, components and accessories, setting up Institutes for shoe technology, design development, training of human resources, setting up service centers, waste treatment system for tannery and footwear enterprises.

Korea

Export of footwear from Korea increased marginally from US\$.462.62 million in 2007 to US\$.483.07 million in 2008. China is the major export destination accounting for more than 50% followed by Vietnam, Japan, USA, Indonesia and others. Leather Shoes are major item of export from Korea with value of US. \$.60.97 million, followed by Plastic Shoes and Canvas Shoes. Parts of Footwear also account for major share with export value UKS. \$.385.50 million.

After the country presentations, an exclusive presentation was made by **Mr. Peter T. Mangione**, Former President, Footwear Distributors and Retailers Association (FDRA) of USA. His presentation was on '**US. Economy and the Outlook for U.S. Footwear Sales**'.

The brief highlights of the presentation are given below:

U.S. Economy - What happened: Synchronized boom and bust – US saves too little spends too much. Huge Flow of foreign savings combined with loose U.S. monetary policy (Interest rates too low and repayment period too long) which caused unprecedented run-up in the value of all assets. Soaring prices of oil, Iron ore, soya beans, most tellingly US Residential Real Estate soared. Banks home loan mortgages reckless - no down payment - no income verification, interest only pay backs.

What's happening now in the US Economy: The U.S. Economy will not recover unless and until the U.S., financial system is freed of the "toxic" assets and allowed to function normally. Bailouts to date are insufficient and present Administration face difficulties to secure Congressional and public support for more ambitious financial bail-outs. Only 20% of \$ 800 Billion "stimulus package" goes to 'creating new jobs" and rest bails out weak state governments. "Real" economy sank as credit dried up, confidence was lost, unemployment shot up and commodity and asset values tumbled.

U.S. Shoe Business in financial disaster: U.S retail in general is suffering greatly, with department and apparel stores experiencing double digit declines. In first Quarter of 2009, US Retail sales were down by 30%.

Overall US footwear business fared better, avoiding double digit declines, but struggling to be in the black, with modest purchases of footwear by consumers. Stores - to - stores footwear sales declined by 4%. GAP Inc. sales declined by 25%. Macy's closed down many malls.

U.S. Shoe Market - Key Factors: Large market and high consumption but little growth, 99% imports. Viciously competitive at all level, dominated by mega chains and mega brands. Low prices too many stores and brands.

Intense competition for consumers disposable income, autos, housing, electronics, mobile technology, entertainment, restaurants, little leisure time, shopping is no fun. Ageing population conservative, no s consumption or fashion driven.

Footwear Consumption in USA 2409.2 million pairs per annum. With population of 303.8 million, the Per capita

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consumption is 7.9 pairs. USA Footwear Production 39.7 million pairs – Imports 2405.4 million pairs and Exports 35.9 million pairs. Footwear sales by channel of distribution in USA - 60% Chain/Mass markets. 15% Departmental Stores, 10% Sport shops, 10% Independent shops and 5% others.

Top 15 retail chains like, Wal-Mart, Payless, Target, K- Mart, JC Penny, etc control 53.4% of total footwear market. Top 15 Brands like, Nike, Reebok, Adidas, Timberland, New Balance, Nine West etc. account for 38% of Total footwear market in USA.

US Import of Non-Rubber Footwear in 2008

Total Imports: 1884.45 million pairs (-7.57% against 2007)- Value US\$.16641.27 Million (-0.61% against 2007) Average Unit value US. \$.8.83 (+7.53% against 2007).

Major Supplying Countries of Non-Rubber Footwear: China 87%, Vietnam 4%, Brazil 2%, Indonesia 2% Italy 1%, Thailand 1%, Others 3%. USA's import from India- 10.40 million pairs with a value of US\$. 186.22 million and average unit price US. \$.17.90 per pair. Average unit price of Footwear imported from China is US\$. 7.47. Average unit price from Italy is US. \$.63.76 per pair. which is the highest.

Outlook of US Market: Bleak, Big risk due to inflation, weak banks- loss of confidence in dollar and U.S.economy. Likely outcome: long term weak dollar value, lower U.S. standard of living, slower global growth, seminal shift of wealth away from U.S.

View of the Participants



Hope: Economic stimulus and lower commodity prices, rate cuts, stabilize banks and re-ignite growth.

Commercialization of US Market: Partnership with Brands and/ or Chain retailers for direct business. – Onsite monitoring essential through local office or Agent, quality control.

Buying Agent: Representing buyers and provide design and market input, etc. Typically has local presence.

Independent Retailers: Only 10-15% of US market – very small direct buying from factories and 95% are sales of Brands. Focus on market niche and Trade Shows.

After this presentation details about Development of Guangdong Footwear Industry, 2008-2009 were highlighted by the representative of The Association of Guangdong Shoe Manufacturers Association.

With all these presentations, the 28th IFC was concluded and the General Secretary Mr. Frank Z. Kung announced that the 29th IFC will be hosted by the Vietnam Leather & Footwear Association- LEFASO in September 2010 in HCM City, Vietnam.

It was also informed that IFC will continue to be the organizer of **International Footwear Design Competition (IFDC)** for 2010 and 2011. The Venue of the IFDC for 2010 & 2011 will be in Guangzhou, which will take place in May/ June every year.

The 19th International Exhibition on Shoes & Leather Industry, Guangzhou, China 2 – 4 June 2009

- A brief Report

► **“The 19th International Exhibition on Shoes & Leather Industry” (Shoes & Leather 2009 Guangzhou)** incorporated with “Guangzhou International Leather Exhibition – GILE” and “Guangzhou International Tanning Technology & Machinery Exhibition – GTTME” was held recently from 2 – 4 June 2009 at the Chinese Import & Export Fair Pazhou Complex Area B. **Shoes & Leather 2009 Guangzhou** is a renowned sourcing fair for raw materials and manufacturing equipments for leather products and footwear industries in Asia, which provides the interaction platform between exhibitors and visitors, even likely to look for new cooperate partner.

Global Suppliers and Buyers under One Roof

This year, the exhibition brought together over 700 exhibitors and 15 Pavilions from 24 countries and regions, namely Australia, Brazil, Bangladesh, China, Egypt, France, Germany, Hong Kong SAR, India, Indonesia, Iran, Italy, Korea, Macau SAR, Mexico, New Zealand, Pakistan, Spain, Taiwan, Thailand, Turkey, United kingdom and USA, etc.,

The gross exhibition area of 40,000 sq.m was covered by four halls in total, two for raw materials and two for machinery, which showcased the latest tanning technologies and superior leather. A wide range exhibit profile includes: Leather / Tannery, Synthetic Leather, Garment Leather, Furniture Leather, Raw Hides, Tanning Machinery, Synthetic Machinery, Machinery for Leather goods, Footwear Machinery, Shoes Materials, Chemical, Accessories / Components, etc. The approximate number of walk-ins included 25,000 trade visitors from 56 countries. Apart from China, visitors from emerging market also visited the fair.

Interflow World – Wide Information:

Five informative technical seminars were held during the show period on 2 & 3 June, supported by Design Department of Footwear & Recreation Technology Research Institute (FRT), Intertek Testing Services Guangzhou Ltd., UNIDO Consultant, Europe Confederation of Shoes Trade Association (CEDDEC), and SATRA Technology Centre to address the changing trends and market development in field of shoes and leather industry. An exclusive “Trend Area” showcased 2009 – 2010’s fashion and senses by new materials, components, and finished products. Here, everyone was possible to anticipate coming edition trends, hence to create their own innovative collections.

International Footwear Design Competition 2009 (IFDC)

The exhibition featured the final round of IFDC on 2 June 2009; this competition was meant to increase footwear design and fashion to a higher prominence level, to develop & foster the youngster talent and help the diversified growth of the footwear industry. Design entries from China, Hong Kong, Taiwan, India, Indonesia, Malaysia, Vietnam and Philippines, etc; were displayed in the “Trend Area” during the exhibition period.

Important Platform to Enrich your Business

Although Chinese leather and footwear industry is encountering different unfavorable conditions, **“Shoes and Leather – Guangzhou”** is regarded as a highly reputed shoes and leather exhibition in China which links the advanced tanning and superior leather technologies all under one roof.



View of Stands in Shoes & Leather Fair