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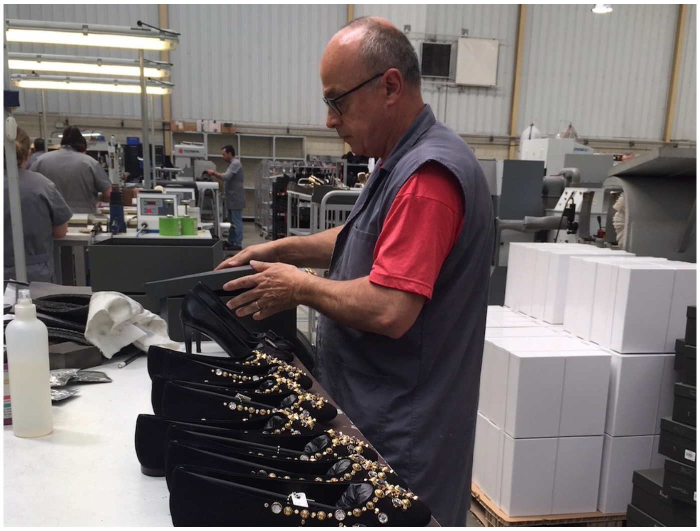
Why the Global Footwear Industry Needs to Rethink Traditional Ideas

By Angela Velasquez



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If there was one message made clear at the 20th UITIC International Technical Footwear Congress in Porto, Portugal last week, it was that the traditional leather footwear industry needs a wake-up call if it wants to survive.

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"Our industry is one of the oldest in the world. We are using the same material as our ancestors; the way we design and developed has not changed," Claude-Eric Paquin, president de la Fédération Française de la Chaussure, said at the show. "We've relied on traditional retailers, but now we are facing major changes coming from consumer behavior and new technologies."

The leather shoe industry is up against new consumer demands that require companies to be faster, cheaper and more innovative—areas

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where athletic brands have excelled, and Paquin said it shows in sales.

"Over 50 percent of market in France is sneakers, over 30 percent of women's market is sneakers and 80 percent for children. This is a major challenge because the way we make sneakers is not the same as leather shoe products," he said.

Paquin said footwear brands must adjust to this new normal, which puts consumers in the driver seat.

"[Consumers] they think bigger," he said. "We have to adapt to a new code of conduct that consumers are asking from us or many of us will be left behind."

A shift away from China and leather

Up until 2012, China's exports increased each year, but Vasco Rodrigues, economics professor at the Portuguese Catholic University, said that trend is now being reversed.

China lost 7 percentage points of market share in four years, which has proved a benefit to other Asian countries that have managed to claim back some of the share they lost in previous seasons.

Europe still represents one-third of worldwide footwear exports in terms of value, nearly the same as China. However, Asia has a clear upward trend with 61.3% of share, Rodrigues said. But really, he said all eyes should be on

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Vietnam. Between 2011 and 2016, the country's exports jumped 75 percent.

In 2016, the global footwear industry produced 23 billion pairs of shoes, or three pairs per person alive today. Most production, Rodrigues said, is taking place in Asia, (roughly 87 percent), with smaller contributions from South America (mainly Brazil), Europe and Africa. Of the 14 billion pairs exported worldwide in 2016, China represented 67.8%, followed by Vietnam (7.4%), Indonesia (1.9%), Germany (1.8%) and Belgium (1.7%).

European countries remain a key market for footwear exports with a relatively high price, around $15 FOB. The U.S. remains the largest importer in the world, accounting for 20 percent of the world's footwear imports. However, the average import price for the U.S. is a lower $11.17, reflecting consumers' new preferences in fast fashion and non-leather footwear.

Leather has been losing ground to textile, rubber and plastic footwear as trends and styles change in favor of more casual footwear. In fact, Rodrigues said leather footwear exports are falling rapidly, accounting for just 40 percent of export value in 2016. Meanwhile, textile footwear exports doubled its share. Rubber and plastic are increasing, though at a slower clip.

Where Portugal comes in

The Portuguese footwear industry has come a long way from the doomsday feeling of the 1980s, a time when Alberto Castro, Portuguese Footwear Association (APICCAPS) consultant and chairman of the Instituição Financeira de Desenvolvimento, said Portuguese politicians were ready to give up on their domestic footwear industry.

The sector was damaged goods, hurt by the global footwear industry's shift to Chinese manufacturing and lack of investment, but companies rallied together to prove that Portuguese footwear could compete in the free market.

"The industry had to build trust with politicians, change their mindset and the way they thought about the industry. We had to deliver and prove that we could bring value," Castro said.

In 2017, the Portuguese footwear sector experienced its eighth consecutive year of growth. The industry exported 83 million pairs of shoes worth 1.965 million euros ($2.3 million), a 2.8% increase from the year prior. The export oriented sector (95 percent of the shoes made in Portugal are destined for other counties) serves 150 markets worldwide.

Portuguese footwear companies delivered, but Castro pointed out that footwear made in Portugal has an uneven presence in the world. More than 80 percent of its exports remain in the EU, while exports of footwear to Canada and the U.S. dipped 1.5% to 99 million euros ($116 million) in the last year.

For many Portuguese footwear companies, success in the U.S. is the equivalent of a global seal of approval. “Mr. Trump, be aware that we’re coming,” Castro said.

In order to reverse the trend, Castro said the sector is regrouping—just as it did in the ’80s—and is putting forth a new plan for 2020 focused on training and rejuvenating the industry, innovation investments, internationalizing its business and ramping up communications.

This summer, the focus will be on the U.S. when APPICAPS brings Portuguese product showcases to New York City and Las Vegas. APICCAPS has crafted “Road to America,” a trade marketing initiative designed to capitalize on America’s desire to find alternatives to China, while emphasizing Portugal’s history in comfort constructions, innovative materials and new fashion.

A call for shoe makers

Attracting new employees is a challenge for every industry, and more so for footwear, which is one of the oldest industries in the world.

“Traditional industries need to look at how they present themselves to young people,” Christine Powley-Williams, assistant director at SATRA Technology Center in the U.K., said.

And the support begins in schools. Powley-Williams said schools should offer more diverse pathways in the education level when it comes to design.

"We need to redesign the designers," she said, adding, "They get locked into the design side and have trouble finding jobs. They don't pick up other positions in the industry and are poorly prepared for that."

In 2006, Powley-Williams said British leather goods company Mulberry had a dire workforce situation on its hands.

"Over 50 percent of its employees were over 50 years of age, some already over the retirement age of the time, but the brand was growing in popularity," she said.

The company implemented an apprenticeship program to attract young talent to join its manufacturing team. By placing an emphasis on building a career in fashion versus manufacturing, Powley-Williams said the firm has successfully completed 100 apprenticeship and currently employs 75 former apprentices.

The average age of Mulberry's workforce in 2018? Thirty-eight.

"The hook was fashion," she said. "Young people saw opportunity."

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