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FOOTWEAR FROM NEPAL

MARKET ANALYSIS AND MARKET ENTRY STRATEGY
IN TEN SELECTED MARKETS



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Trade Promotion Programme (TPP)
National Trust for Nature Conservation
(NTNC) Complex
Khumaltar, Lalitpur
P.O. Box 1457
Kathmandu, Nepal
T + 977 1 5555289
F + 977 1 5554593
E giz-nepal@giz.de
I www.giz.de/nepal

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Author

Lex van Boeckel, Searce
Ian Liddell, Searce

Photographs

Lex van Boeckel
Karin Grabner
Shutterstock

Illustrations

Jacqueline Vissers

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SCOPE OF THE STUDY

The NTIS 2016 (Nepal Trade Integration Strategy) prepared by the Government of Nepal (GoN) aims to increase the production and exports of the footwear sector in Nepal. The intended outcome of the NTIS will be achieved through nine short term (2016-2017) and two medium term (2018-2020) actions. Some of these actions are conduction of trade fairs and market surveys; anti-piracy measures against counterfeit imports; rationalisation of tariff rules; empowerment of the association to provide useful business intelligence to the private sector to both domestic and export markets; and establishment of common production facilities.

Nepal has a total of 206 companies, registered as footwear and leather goods manufacturing companies with the Company Registrar's Office, and 850 footwear manufacturing enterprises registered with the Department of Cottage and Small Industry and Cottage and Small Industries Development Board. The major functions in the footwear value chain in Nepal include input supply import or local collection and utilisation, production/packaging, transportation, export and domestic trading (wholesale/retail). The major actors involved are raw material manufacturers, domestic and international importers, clearing agents and transporters, and the Nepalese footwear manufacturers.

Of the total footwear produced in Nepal, 70% is consumed locally while 30% is exported. Of the 30% of the exports, 99% is exported to India only. Hence, there is a need to increase market diversification. To facilitate market diversification, an in-depth study to analyse the main markets for footwear and preparation of Market Entry Strategies was needed as a basis for further export promotion intervention of the footwear sector in Nepal.

The purpose of the assignment is to identify and recommend potential markets for Nepalese footwear and develop market entry strategies for the selected ones. Its

completion consists of three different stages:

- Understand the local footwear sector
- Recommend countries for export
- Develop market entry strategies for selected countries

In the first stage, company visits were done and discussions were held with the Ministry of Commerce and FMAN (Footwear Manufacturer's Association) in March 2017. A clear idea was obtained about a possible match of the production and quality of the Nepalese footwear sector and its potentiality with the needs and demands of the potential markets.

It was agreed to mainly concentrate on 6404 footwear (textile uppers) and to some extent on leather footwear or on footwear of other material e.g. made of felt, canvas, wild nettle etc..

In the second stage, 10 markets were selected out of 16 recommended countries in the proposal for the footwear market analysis that was presented at the focus group discussion, held on the 30 of March 2017. This selection was done through votes by all members representing the public and private sector in Nepal.

Markets: USA, Germany and Japan (Cluster 1), UAE and South Africa (Cluster 2) and markets being geographically closer to Nepal such as India, Malaysia, Vietnam, Thailand and Bhutan (Cluster 3).

For the third stage of the study, market entry strategies were prepared for the 10 selected countries.

The study gives recommendations to understand the market developments, main market segments, relevant trends, main manufacturers and players, market access requirements and to give recommendations for an overall global market access strategy. This is done by providing relevance on:

- How to enter each market with the best opportunities for selected footwear from Nepal and providing addresses of potential trade partners, useful organisations and trade fairs in each market ?
- How to comply with the strict market access requirements in the USA, Germany and Japan and to comply with specific requirements (specific quality requirements, import duties) in the other seven selected countries ?
- The best Global market access strategy for Nepali companies and suggest how to move forward to make the Nepalese footwear sector export ready in a sustainable manner with the support of governmental institutions, trade associations and development partners.

The main topics in the second part of the study covered in Chapter 11 were presented and discussed during the validation workshop on 25 August 2017 with all stakeholders. The most important topics include:

- Current situation of the footwear sector in Nepal.
- Choosing the best of market or cluster of markets for Nepali exporters based on footwear retail sales development for 2021 in each market, market segments, specific niches, main producers, competitive Asian supplying countries and the possible footwear or footwear components to export for Nepalese companies.
- Global footwear consumption and trends in footwear and opportunities for the ten selected products from Nepal, mainly sneakers (640419), canvas shoes, eco and ethical shoes, slip-ons, sandals or specific Nepali shoes (military, safety).
- How to comply with market access requirements (legislative, quality and voluntary)?
- Dealing with competitive countries. How Nepal can differentiate by clever positioning and providing ideas for inspiration to develop specific footwear from Nepal?
- Recommended strategy to strengthen the sector in Nepal to the benefits of all actors in the value chain to encourage collaboration on all levels and to attract foreign companies for sustainable sourcing and approach manufacturers – especially in Cluster 3 – for the production of footwear components.
- Enhancing the marketing skills of companies and cooperatives by taking a structured and more

customer oriented approach by using marketing mix (product, price, distribution and promotion strategy).

Methodology for the study

Extensive desk research was conducted where all available secondary source information was accessed. A thorough search was made using official statistics (ITC, US Statistics, World Factbook), research databases, market reports (e.g. Euromonitor, Global Industry Analysts, KPMG, Yano Research), trade press, trade associations/ web portals, embassies, company information sources, governmental and non-governmental trade information as well as other information via the internet. Some discussions with footwear importers were conducted to back up the findings of the desk research.

Limitations

The scope of this study is primarily on the development and potential in exports markets in terms of significance (market size), consumer segments and market opportunities. The current situation of the footwear sector in Nepal is briefly reviewed and issues like production capacity of the exporting companies and policy making were not specifically requested in the team of reference. However, some recommendations are given in Chapters 11.6 and 11.7.

Acknowledgement

This market study was made under the Nepali - German Trade Promotion Programme (TPP) - being implemented under the guidance of Nepalese Ministry of Commerce with the support of GIZ, commissioned by the German Federal Ministry for Economic & Co-operation Development (BMZ). I especially would like to thank Mrs. Safala Shrestha, Mr. Anup Acharya as well as Mr. Volker Steigerwald and Ms. Lisa Sophia Zoder of GIZ and Ms. Sneha Shakya of FMAN for their support during my visits to Nepal. I am also grateful to various stakeholders who have provided me valuable input for this study notably Mr. Rabin Shrestha (FMAN), Mr. Saurabh Shrestha (FMAN), Mr. Birat Thapa (FMAN), Mr. Nawa Raj Gautam (FMAN), Mr. Nar Bame (FMAN), Mr. Shambhu Timalisina (FMAN), Mr. Rishi Raj Ghimire (FMAN), Mr. Manoj Kumar Shrestha (FMAN), Mr. Amir Rana (Kiran Shoes), Mr. Surendra Niraula (Kiran Shoes), Mr. Gaurav Basnet (Kiran Shoes), Mr. Nani Raj Ghimire (Shubhakaman Footwear product), Mr. Ram Krishna Prasai (Shikhar Shoe), Mr. Anup Manandhar (Comfort Felt & Craft), Mrs. Bhawani Khadka (Comfort Felt & Craft), Ms. Saroja Singh (Felt Industries Association), Mr. Vidur Ghimire (Ministry of Commerce), Mr. Tarka Raj Bhatta (Ministry of Commerce), Mr. Mahendra Kumar Sapkota (Ministry of Commerce), Mrs. Sharadha Chalise (Ministry of Commerce), Mr. Rabindra Duwady (TEPC), Mr. Kewal Bista (TEPC), Mr. Surendra Dahal (Leather Wings), Mr. Jhab Lal Paudel (Famous Footwear), Mr. Gyanendra Dahal (Mega Shoe Industry), Mr. Sushil Kumar Shah (NBSM), Mr. Ganga Shrestha (Boss Shoes), Mr. Rudra Neupane (Run Shoes), Mr. Ian Liddell, Mr. Jan Pieter Servaas and - last but not least - my wife Jacqueline for all her support.

I sincerely appreciated the spirit of cooperation and openness of all.

It has been a great challenge to make this study and having further insight in the complex but very dynamic world of Footwear. I sincerely hope that this market study will be a good reference tool for all stakeholders and will contribute to further development of the Footwear sector in Nepal.

Lex van Boeckel
Searce
La Mationne
Saint Genès la Tourette
France
www.searce.eu
lex@searce.eu



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EXECUTIVE SUMMARY

REPORT OVERVIEW

This report is designed to inform the relevant bodies, organisations, companies and individuals concerned with and involved in the footwear industry in Nepal. It assesses both the current state of play in the industry in relation to its capacity, competitiveness and output, and the challenges it faces in becoming more efficient and trading more widely with the rest of the world. The context is set by putting the global footwear market in perspective and looking more closely at ten country markets that have been pre-selected as having export potential. It looks at the key market characteristics and other information necessary in understanding how to enter each market. The report then proposes a strategy for developing the industry in Nepal and for moving forward to become export ready.

GLOBAL SCENARIO

Global demand for footwear is increasing at an average of 6% per annum and is estimated to be worth US\$ 350 billion in retail terms by the end of 2017. The increased influence of fashion is the primary driver of growth, particularly amongst younger consumers, who contribute considerably to the replacement purchase of footwear. Sports footwear accounts for a growing proportion but non-athletic footwear still accounts for 70% of global sales. 55% of all sales were made through footwear specialists. 53% of all consumption now takes place in Asia, although the US market is still the largest.

Global production of footwear was estimated at 23 billion pairs in 2016, 87% of which was produced in Asia. China is the clear leader, although its share fell below 60%, as countries like India, Vietnam and Indonesia reinforced their positions. Europe and North America imported over 60% of this production. Part of the reason for Asian dominance in production is that export prices on average are three times higher in Europe than in Asia, despite increasing Asian prices.

Footwear types have been changing. The domination of leather footwear continues to reduce. It represents 42% of market value but just 15% of market volume. Now more than half of all footwear is made of rubber or plastic. However, the category that has shown the strongest growth is textile footwear (6404), which accounted for one quarter of global exports in 2016. This has clear implications for footwear manufacturers' design and development of footwear and how they plan to match production with changing global demand and with shorter delivery times.

Exports from Nepal are currently small, but potential for growth exists. The majority of Nepal's exports go to neighbouring India, a massive market in its own right. Most exported footwear is classified as textile footwear (6404), although footwear of felt, nettle, canvas or leather could offer opportunities for exports as well.

THE TEN SELECTED MARKETS

The selected markets represent over one third of all global sales and are: USA, Germany, United Arab Emirates, Japan, Malaysia, Vietnam, Thailand, India, South Africa and Bhutan. This reports highlights the different drivers and dynamics within each of the markets. It shows how there are some overlapping global trends that are common to each market. The report also shows how some trends and opportunities are unique to particular markets.

The largest markets were the developed economies of **USA, Germany and Japan**. However, although per capita consumption tends to be higher, these developed markets registered lower growth rates than some of the other emerging Asian markets, such as **India, Bhutan and Vietnam**. The report also highlights how opportunities can also be found beyond the developed markets and nearby Asian economies, including **Thailand and Malaysia**. Specific possibilities exist in the **United Arab Emirates**, particularly with its fast growing economy and

its large Nepali population, and in **South Africa**, which has not received as much attention from other global exporters.

KEY DRIVERS

Global population dynamics continue to generate demand. Whereas slow population growth and an ageing population characterizes some of the selected markets, elsewhere there are rapidly increasing populations and still a high proportion of young people, although this will slowly change. This significantly affects footwear demand. Age, attitudes and levels of affluence also determine the type of footwear purchased. Each selected country features a section on segmentation, which looks more closely at footwear demand for different potential target groups.

More casual, healthy lifestyles can be observed by many consumers in the selected markets. In fact, to greater or lesser degrees, this phenomenon is widespread. The key consequences of this trend is the continuing growth of sports footwear, also sometimes called sneakers. Sports footwear is now worn more often for leisure than for the pursuit of sport. The other key consequence is the decrease in demand for formal footwear, traditionally made of leather, and the parallel increase in more casual footwear styles, often made of textile material.

Fast fashion, initially affecting the clothing sector, now very important for footwear and related accessories, contributes to growing expectations by consumers that they can continue to expect greater footwear choice and continuous new product innovation. This poses great challenges for manufacturers in being able to keep up with the pace of market demand. It also contributes to a perception that footwear has diminishing value as it will soon be replaced by a newer model.

Sustainability and corporate responsibility are global trends that have not escaped the footwear sector. Consumers, especially in Germany and USA, but increasingly in many of the other markets, are worried about the environment in which they live. They are demanding more responsible and ethical behaviour by manufacturers and suppliers. This has created particular challenges for leather footwear due to its manufacturing process, but also for sports trainers that are very difficult to recycle. Consumers also are looking closer to home for purchasing footwear. This trend is not yet so strong in the selected Asian markets (except Japan) and South Africa, but it is coming.

Social media and greater connectivity is almost universal, with perhaps Bhutan and South Africa somewhat lagging behind the other selected markets. Consumers

can instantly be made aware of the latest footwear fashions, they can easily compare prices, not to mention be influenced by positive and negative product reviews. Manufacturers need to stay close to what their consumers and potential consumers are thinking.

Online sales are challenging traditional retail formats in almost all selected countries. There are still some exceptions - Bhutan, United Arab Emirates, South Africa and Malaysia to a lesser extent - but some commentators express surprise that this channel has gained such widespread penetration when many consumers still prefer to try a pair of shoes before buying them.

MARKET ENTRY BARRIERS AND OPPORTUNITIES

Nepal faces different challenges entering the respective selected markets. For example some countries such as India, Japan and Malaysia enable Nepal to import 6404 footwear tariff free, a number of other countries impose significant tariff barriers, particularly Vietnam (30%), Thailand (27%), South Africa (24%) and USA (20.4%). Other barriers, such as legislative hurdles on quality standards, safety standards, labelling and packaging standards vary, with rules perhaps most stringent for entering Germany and USA. Details can be found in the respective chapters.

Global population dynamics significantly affects footwear demand. Age, attitudes and levels of affluence also determine the type of footwear purchased.

On the other hand, the respective countries provide different opportunities for footwear from Nepal, depending on the situation and circumstances of the market in each country. For example, exporters might be encouraged by the opportunities provided by significant resident Nepali populations in India, Bhutan, Malaysia and the UAE. Interesting niche segments for ethical footwear might be more readily found in Germany or USA, while some exporters might be encouraged by the higher market growth rates and looser regulation in some neighbouring Asian countries. Interesting potential trade contacts are provided for each country.

CHALLENGES FOR NEPAL TO OVERCOME

The challenges for the footwear industry are clearly set out, particularly in terms of poor quality control, limited capacity due to power shortages, low productivity, lack of sufficient skilled labour, poor infrastructure and high transport costs impacting on delivery schedules, access to the required parts and components, limited investment in technology and infrastructure and insufficient training and support. Being able to compete on the international stage in design terms and working to the time scales of the international fashion cycle are both also important issues. The other key issue is low awareness of Nepal as a footwear producer making it difficult to develop a coherent and effective marketing strategy.

RECOMMENDATIONS FOR THE FOOTWEAR SECTOR

Outline strategies for developing an export capacity are provided, in both short and medium terms. This includes establishing a permanent training institute, developing footwear zones, providing access to finance, reduce barriers by trade alliances and greater attention to environmental issues to take advantage of the country's natural assets. Ideas are put forward to help Nepalese exporters to choose either to work to foreign customer's design or developing their own footwear collection based on a point of difference for selected key market segments.

In order to develop their export marketing strategy, key elements of the marketing mix - product, price, distribution and promotion strategies must be considered; which export markets to target, the relative merits of the different segments within each market, and how Nepali footwear can become more visible by clever positioning and taking advantage of the available opportunities within the proposed options.

The other key issue is low awareness of Nepal as a footwear producer making it difficult to develop a coherent and effective marketing strategy.

FOOTWEAR IN THE USA



CHAPTER 1

Brief overview



Population

324 million; growth rate 0.81% (2016)

- 0-14 years: 18.9%
- 15-24 years: 13.5%
- 25-54 years: 39.6%
- 55-64 years: 12.9%
- 65 years and over: 15.3%

Urban population 81.6% of total



Economy

GDP: US\$ 57,300 per capita

Unemployment rate: 4.7% (2016)



Other

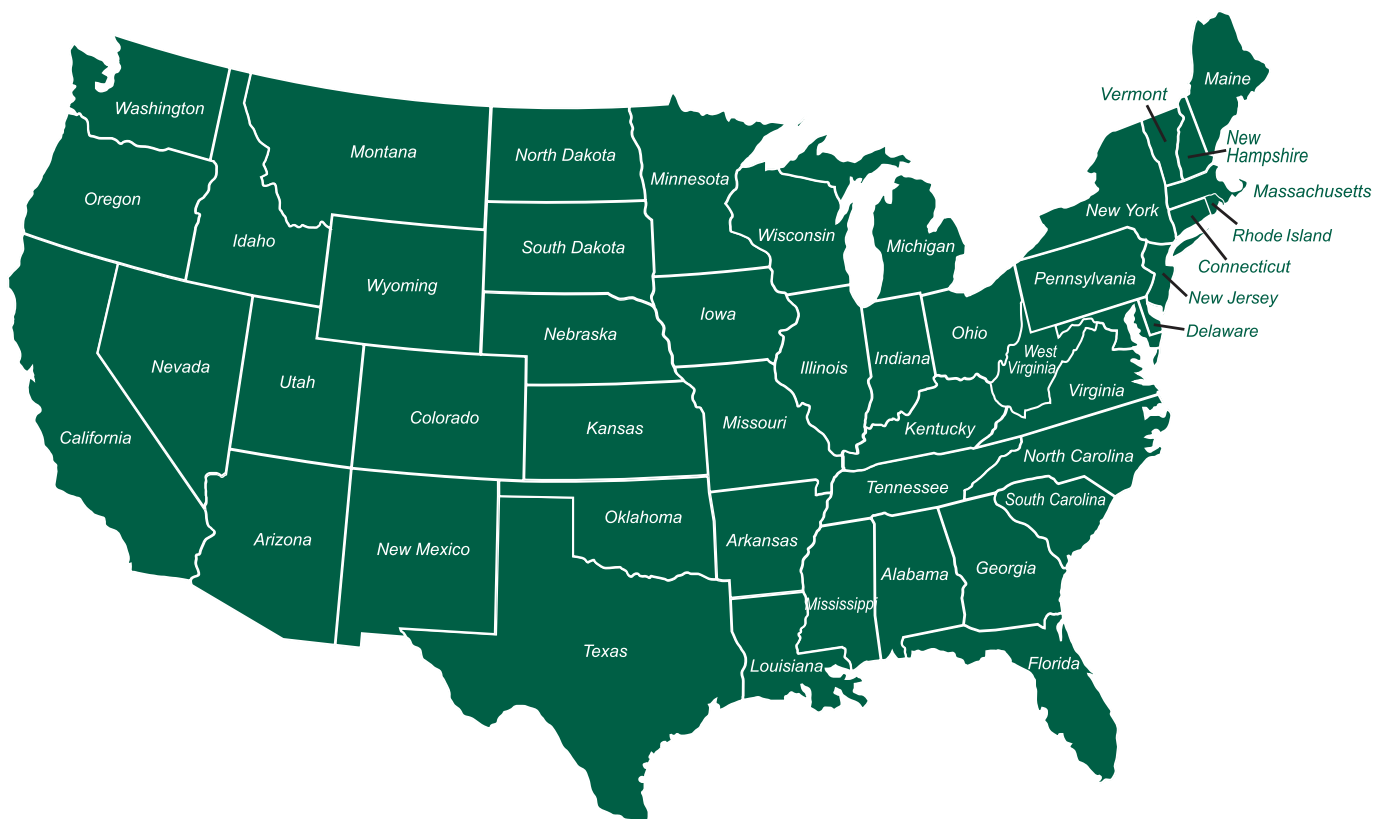
Women in labour force: 45.8%

Pairs per capita: 7.5 per year

Average footwear size:

- 8 (39 European size) for women
- 10.5 (44.5) for men

Tourists to Nepal in 2016: 53,645



Source: The World Factbook (2017)



1.1 Current size of the USA market

Consumer confidence is currently high in the USA after many years of stagnation. An improving job market and a growing economy is underpinning this confidence. This tendency is expected to continue at least in the short term.

A key dynamic in the US consumer market is a growing trend towards both healthy living and a greater interest in nature. Consumers are reacting to the obesity crisis by eating more healthily and taking more exercise. This latter point will sustain the high level of sales of sports footwear. Growing interest in nature will also impact on the broader footwear market.

As consumers become inclined to use their purchasing power towards more environmentally sound products, they are willing to spend more money on products that are guaranteed to have followed ethical and responsible manufacturing practices. This is particularly the case for millennial consumers (those born in the 1980s and 90s).

1.1.1 Footwear retail sales and segments

TOTAL FOOTWEAR SALES IN THE USA

- In 2016, the total US footwear retail sales was estimated to be worth US\$ 79,698 million, according to Euromonitor, and represented approximately 19%

of global footwear retail sales. This is the biggest global market in value terms. However, the USA is ranked second after China in terms of consumption volume, although India is soon expected to become the second largest volume consumer.

- Market growth has been higher since 2015 as the US economy has improved. Footwear market growth in 2016 was 6%, compared with 4% for clothing. US market growth has picked up, although at a lower rate than the, growth of the global footwear market. The US market growth can be compared with an annual growth rate of 8% for the Asia Pacific region.
- The footwear market benefited in 2016 from the **growing casual and athletic lifestyle trends**. Sports footwear represented 41% of all sales in 2016, and this segment grew by 8% over the year, ahead of the overall market, driven by more consumers adopting healthy and active lifestyles. Furthermore, more relaxed dress codes at work, and casual and comfortable shoes that complement an active lifestyle also enjoyed strong sales.
- US consumers spent US\$ 246 per capita on all footwear. In volume terms, this represented 7.9 pairs per person (compared with 2 pairs globally). This equated to an average price per pair of \$31.14 (up from \$ 29.05 since 2011). Retail values have been increasing more quickly than retail volumes. This is explained by an increasing share of the market taken by sports

Table 1 USA – Retail sales of footwear, 2011-2016, value in US\$ million / volume in million units

	VALUE					VOLUME				
	2011	2013	2015	2016	2011/16*	2011	2013	2015	2016	2011/16*
TOTAL	64,775	66,953	75,541	79,698	+4.2%	2,230	2,267	2,458	2,553	+2.7%
Women's footwear	33,408	35,812	40,413	42,750	+3.8%	1,215	1,208	1,312	1,363	+2.3%
Men's footwear	21,454	22,688	25,904	27,277	+4.9%	622	655	712	739	+3.5%
Children's footwear	7,914	8,453	9,224	9,670	+4.1%	394	404	434	451	+2.8%

* Compound Annual Growth Rate

Source: Euromonitor (2017)

footwear, which is higher priced on average than the majority of other footwear types.

- **Women's footwear** was the largest segment, accounting for 54% of market value (and volume), most of which were casual shoes. A Consumer Reports survey on women's footwear buying habits shows that the American consumer has an average of 19 pairs of shoes, buying an average of four a year, with a growing trend of buying online. According to a study by the consultancy E-marketer, it is more difficult to satisfy the female client than the male. The American female consumer is primarily looking for high quality footwear, exclusive and original styles, with personalized service at the point of sale.

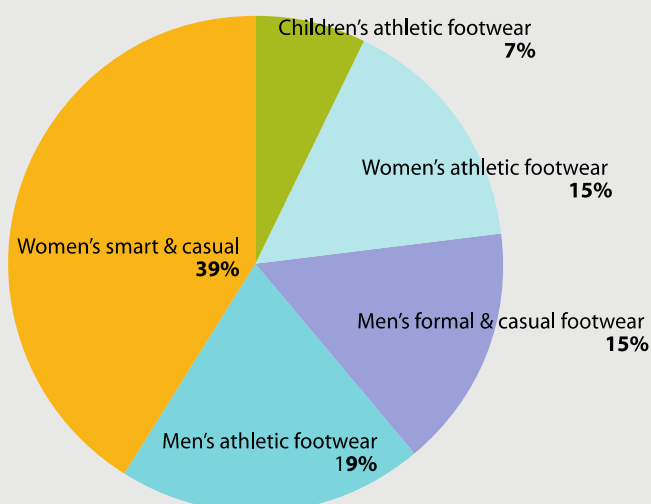
MAIN MARKET SEGMENTS

Segmentation by user

Related to gender and use (athletic and non-athletic footwear), we can distinguish the following market segments in relation to the type of footwear bought by these user groups:

Men's and children's footwear are over-represented within the athletic footwear segment, while women's footwear is under-represented in athletic footwear sales. It is also important to recognise that athletic footwear is growing at a faster rate than non-athletic footwear, and that, although it is a smaller segment, men's non-athletic

FIGURE 1: Footwear retail sales by consumer group and major product category, 2016
% Share



Source: Packaged Facts, Statistics Brain, Seacore estimates (2017)

Table 2 Average annual expenditure on footwear in the USA, 2012

Basis	Category	Ave. annual \$ expenditure
Age	Under 25	280
	25-34	372
	35-44	440
	45-54	403
	55-64	242
	65-74	250
	Over 75	165
Education	Non graduate	351
	Graduate	267
	University	382
Income \$	20-29,000	285
	30-39,000	245
	40-49,000	248
	50-69,000	332
	Over 70,000	484
Region	North east	340
	Mid west	303
	South	323
	West	350
Area	Big cities	443
	All urban areas	34
	Rural	299

Source: US Department of Labor Statistics, Consumer Expenditure Survey

footwear is growing at a faster rate than women's non-athletic footwear.

Figure 1 provides a good overview of the main footwear market segments in the US footwear market. Clearly, the size of the women's non-athletic segment is affected by the different price segments, which are covered in the next paragraph. Within the women's non-athletic segment, two thirds of this is casual footwear, and the other third is dress or formal footwear.

There are also important distinctions in terms of the spending power of different age groups. Differences can also be found between different parts of the country, different income levels and educational attainment. Expenditure on footwear, according to the US Department of Labour Statistics in their Consumer Expenditure

Report, highlights the fact that the 35-54 age group spends more on footwear, as do those with a university education, those that live in the west of the country, and those that live in large urban areas. This also has an important bearing on where and to whom you target your footwear. For example, casual styles are most popular in California, more colourful footwear in Florida. Climate is also important, as is ethnicity.

Segmentation by price/quality

The key market segments in terms of price in the USA can be categorised as follows:

- **Couture (Luxury).** These are designer shoes, made to measure for a very exclusive clientele, and with very high purchasing power. They are not usually marketed in stores.

- **Designer** shoes are high quality shoes made by well-known designers or carrying prestigious brand names.
- **Bridge** sell at slightly more affordable prices. In this category are the secondary lines of great designers, as well as prestigious brands from a lower price level.
- **Contemporary** is one of the categories that has extended the most in recent years. Originally a category of style rather than price, mainly for 20-40 year old women.
- **Better** is a category of footwear of medium to high quality. This category, and those above compete on the basis of design and quality. The subsequent categories compete on price.
- **Moderate**. This category is more accessible for the average consumer, normally US brands.
- **Popular**. Medium-low ranges. They are usually brands aimed at the general public, often informal.
- **Budget/mass market** is the lowest price category, usually made in Asia or Central America. But note also:
- **Discount**. This includes sale items, factory sales, liquidation sales, previous season's stock. They imply reductions of between 30-80%.

Couture, Designer and Bridge groups probably represent 15% of the market value; Contemporary and Better groups accounts for a further 15%; Moderate and Popular groups for 35% and the Budget and Discount groups the remaining 35%. In volume terms, the lower segments will account for the greatest volume.

In relation to these segments, Table 3 provides an indication of the average price points of different footwear types, and the popular brands in the USA that fit each segment.

RELEVANT TRENDS IN THE US MARKET

- **Men's footwear sales is catching up with women's.**
This reflects a cultural shift. As dress becomes more casual, habits are converging, with women buying more versatile styles while men expand their shoe collections. Women are buying shoes they can wear all year round, such as ankle boots or sneakers. For women, less formal footwear means fewer purchases. Meanwhile men are collecting different styles of sneakers.
- **Sales of sports footwear now exceed those in the dress and casual footwear categories**, which has interesting implications for companies in both segments of the market.
- **Only about 25% of athletic shoes purchased are used for their intended purpose** within the athletic footwear segment. Despite the ongoing growth in this segment, there has been a broad **move from performance to leisure**. For example, in running footwear, the "technical as fashion" trend has been challenged for a couple of years. According to the NPD Group, while sales of performance running shoes have declined, sales of lifestyle running shoes are up considerably. A similar shift is occurring across all major performance categories.
- **Sneakers are currently in a retro-style cycle**, where "low-tech" and "no-tech" shoes are popular. Most of the recent success of Adidas is from non-performance styles. This makes the sector more competitive, brands without a performance sporting heritage can enter the market, and performance sports specialists could compromise their heritage if they just focus on fashion.
- **Retro or classic sports footwear** is the fastest growth

Table 3 Footwear Price Segments in relation to footwear types in the US

Segment	Sandals price	Pumps price	Boots price	Brand
Budget/mass market	<\$10	<\$30	<\$50	Supermarket brands
Popular	\$8-30	\$20-50	\$40-70	Payless, H&M
Moderate	\$20-75	\$40-100	\$50-150	Aerosoles, Aldo
Better	\$60-150	\$70-180	\$100-300	Nine West, Banana Republic
Contemporary	\$100-300	\$175-800	\$300-800	Tory Burch, Via Spiga
Bridge	\$150-500	\$300-600	\$300-1,000	
Designer	\$400-800	\$600-1,500	\$750-2500	
Couture	>\$1,000	>\$2,000	>\$2,000	

Source: Commercial Section, Spanish Embassy in New York



segment. While retro basketball shoes have been popular for some time, this trend has now extended to retro running shoes and retro tennis shoes. The retro styles have adapted to the demands of today's consumer, so materials are lighter and more breathable (breathable footwear is a trend of its own), and sizes are bigger. Retro matching clothing is also being developed to complement the footwear.

- **Social fitness** is a lifestyle trend that is underpinning the continued growth of athletic footwear. Fitness has moved from being a solo activity to a social interaction. This trend is driven by the growing importance of Millennials. Now outnumbering the baby boom generation, they represent 25% of the population and will soon account for one third of all retail sales. They are committed to a healthy lifestyle but in a more light hearted way - wanting to have fun and share the experience with friends.
- **Less singularity** of sporting activities and not being committed to any one activity is driving more demand for versatile, multi-purpose sports footwear. The emphasis is on products that can be used for a fitness routine and a casual lifestyle, rather than those for single purposes or extreme conditions. The concept of **light performance** requires products that get the job done, but in a less serious way.
- **Convergence of outdoor and athletic footwear.** As with the blurring of the boundaries between fashion footwear and sports footwear, a similar trend is taking place in the outdoor footwear market. For example,

strong sales of hiking footwear is resulting in sporting brands bringing out adapted products, that previously were restricted to outdoor footwear specialists, in order to extend their reach.

- **In terms of fashion footwear, footwear fusion** is a key trend. The focus for footwear is becoming less about dress and more about innovation and comfort. The term **hybrid footwear** is increasingly being used, as new styles are seen to have multiple or dual uses. A variant on this trend is **unisex footwear** that appeals to both men and women.
- **Multi-functional footwear.** As well as mixing sport and casual footwear, people are also looking for footwear that they can wear for leisure as well as at formal occasions.

Evening footwear that is used for formal occasions, for parties, as well as for everyday use at work is another example of **multi-functional footwear**. Alternatively examples such as sandals that can be turned into boots, or sandals that can become sneakers, are interesting developments. Matching footwear to other accessories e.g. socks as well as clothing is also increasingly popular.
- **Ankle boots** are showing growing sales, as consumers now wear them throughout the year, rather than for a specific season. Amongst young female consumers, ankle boots are now popular for wearing at music festivals.
- **The trend towards casualization in clothing will continue to extend into footwear.** This is driving

the move from sales of dress shoes towards more comfortable, casual styles. Previously comfort has been the most important criterion for older consumers buying footwear. Now younger consumers are also demanding comfort first.

- **Organic fibres** - already an important growth niche in clothing - will extend further into footwear sales. This will particularly impact on shoes made of textiles and leather. *Eco-fashion* has become a segment in its own right within the fashion industry. More people are interested in the material of footwear and how shoes are produced. Footwear designers and manufacturers are now being required to incorporate some form of sustainability or recycling into the material used.
- **Timeless footwear** is an important trend. Although the fashion industry dictates the seasonality of fashion footwear, and the frequency that styles changes, many consumers are rebelling against this. Partly because of the unpredictability of the weather at different times of year, there is growing demand for footwear that can be worn either throughout the year, or at any time in the year.
- **Wearable technology**, such as fitbit, is not a new trend, but incorporating technology in any manner of ways into footwear, is becoming more popular. Innovation is the key to the wider adoption of this trend.
- **Customisation** is increasingly popular, as consumers expect a perfect fit and demand optimum functionality. One aspect of delivering customised footwear is 3D printing technology, which enables production to be speeded up, and makes it easier for manufacturers to provide customised footwear.
- **Some younger consumers buy a multitude of low priced pairs.** This is due to the fast changing fashion footwear segment (a counter trend to timeless footwear above). It means these pairs, often of lower quality will only be worn on a few occasions and then discarded, justifying new purchases when the next season comes.

- **Fashion trends for footwear** change regularly. For 2017, **platforms** are a good way to express **statement footwear** that matches footwear with designer dresses. "Platforms" which combine platforms with flat shoes are also popular.
- **Kitten heels** particularly with strappy sandals are on trend this year. Thin stilettos are the other popular heel type in 2017. The heel is no longer just a structural support of the shoe, it is a feature.
- **Rounded heels** and other types of circular heel designs have been on trend in previous years. **Branded footwear**, building fashion logos into the body of the shoe is increasingly done by the big fashion houses. **Online fashion blogs** continue to be influential in what consumers buy, especially younger female consumers. Trendsetters can emerge from any source.
- **Discounting** is expected throughout the year now, and many consumers with low disposable incomes are increasingly only buying footwear that has been discounted.

1.1.2 Future retail sales

EXPECTED FOOTWEAR SALES IN THE USA

- According to US Population Projections made in 2014 by the US Census Bureau, the US population is expected to increase by a further 25 million by 2026, reaching 350 million people. By this time the median age for women will be over 40, and 38 for men, both 1.5 years older than in 2016, confirming the ageing trend of the population.
- According to the Nepal Tourism board the number of visitors from the USA rose between 2013 and 2016, from 47,355 to 53,645 people. Although this is a fraction of the US population, this contributes to a growing awareness among US people about Nepal.
- The footwear market is forecast to grow by an average rate (CAGR) of +3%, reaching \$ 92,550 million by 2021. Volume sales over the period will be slightly lower at a

Table 4 USA – Retail sales forecast of footwear, 2016-2021, value in US\$ million / volume in million units

	VALUE					VOLUME				
	2016	2018	2020	2021	2016/21*	2016	2018	2020	2021	2016/21*
TOTAL	79,698	85,452	90,435	92,550	+3.0%	2,553	2,680	2,799	2,853	+2.2%
Women's footwear	42,750	46,040	48,889	50,091	+3.2%	1,363	1,433	1,499	1,530	+2.3%
Men's footwear	27,277	29,163	30,806	31,533	+2.9%	739	775	809	825	+2.2%
Children's footwear	9,670	10,249	10,740	10,925	+2.5%	451	472	491	498	+2.0%

* Compound Annual Growth Rate

Source: Euromonitor (2017)

CAGR of 2.2%, reflecting prices increasing slightly over the period.

- **In 2021, women's footwear is expected to represent approximately 54% of the total US footwear value sales and volume sales.** This is growing slightly ahead of the market. Meanwhile children's footwear represents a slightly reducing share (from 12.1% in 2016 to 11.8% in 2021) indicating falling prices of children's footwear and/or a slight reduction in the number of pairs purchased.
- **Future growth will continue to be influenced by the health and wellness trend** as consumer demand for athletic comfort takes precedence in the buying process. Footwear with a blend of fashion and functionality will continue to perform well, as well as the continuing introduction of innovative new products, underpinning confidence in future forecasts.

1.2 Market structure

1.2.1 The footwear value chain

Manufacturing

Footwear manufacturing in the USA is a fraction of its former size. Nowadays, virtually all footwear bought in the US has been imported, mainly from China and Vietnam. Only 29 million pairs were produced in 2015, representing 1% of the retail market. Some of that quantity (around 30%) was exported, so it is quite difficult to find domestically produced footwear on the US market.

American made shoes have a global reputation for high quality and value and are concentrated in specialised niches, such as plastic/protective footwear (military boots, firemen's boots, work boots), high end athletic shoes and leather dress shoes. China, Vietnam and Canada were the main export markets. While half the exports to China comprised footwear parts used to assemble shoes for the US market, Chinese demand for finished footwear also grew. Footwear parts were also exported to Vietnam.

By 2015, there were 236 footwear manufacturing establishments, employing 11,800 people, according to

the latest data from US Statistics (139 employed under 10 people; 52 employed between 10-50 people; 31 employed between 50-250 people; 13 employed between 250-1,000 people, while just one enterprise employed more than 1,000 people). The reduction in production has also meant that there is now a concentration on design and marketing for many of the remaining personnel.

To give an indication of how the industry has shrunk over the years, the last detailed figures were published in 2004 as follows:

This highlights the fact that footwear production of 29 million pairs in 2015 (now valued at under \$ 300 million) has shrunk from production of 313 million pairs in 1989. Production of leather footwear (non-rubber footwear) has reduced by more than any other category. Texas, California, Pennsylvania and Wisconsin accounted for a large proportion of this type of production.

In relation to Table 6, further breakdown can be given by type. Non rubber footwear (primarily leather) consisted of 75% work boots, 25% dress and casual shoes and boots. 30% of slippers were for men.

Trends in Production

There is a political focus in the US now of trying to restore some domestic manufacturing industries. This is also partly driven by the demands of fast fashion, where the leading sports footwear manufacturers are looking at ways to bring their products to market faster than manufacturing in Asia allows.

Automation is one way that production may return, although the large work forces of the past are unlikely to return due to the high labour costs. For example, Adidas is building a speedfactory in Atlanta that will allow it to manufacture 50,000 shoes in 2017, with aspirations to make up to 500,000 per year. This is a very small proportion of the retail market, but it may become a more significant trend in the future.

Variations on this trend are also occurring. For example, one Hong Kong manufacturer has opened up a factory

Table 5 Footwear production by type 1989-2003, million pairs

Year	Non-rubber footwear	Rub/plastic soles /fabric uppers	Rubber and plastic footwear	Total
2003	22.3	11.2	6.1	39.7
2002	41.1	15.2	4.9	60.9
1999	78.6	31.8	10.5	120.9
1989	221.9	76.8	14.1	312.8

Source: US Statistics (2017)

Table 6 Footwear production breakdown 2003, million pairs and US \$'000

Type	Pairs	Value
Non-rubber footwear	22.3	1,084,310
Shoes (except slippers)	18.5	1,064,007
Men's (except athletic)	12.7	877,337
Women's (except athletic)	5.2	156,188
Juveniles (except athletic)	0.3	10,871
Athletic	0.1	15,648
Other (ballet, theatrical etc)	0.2	3,963
Slippers	3.8	20,303
Shoes with rubber/plastic soles/fabric uppers	11.2	313,180
Athletic	8.6	301,900
Non-athletic	2.6	11,280
Rubber & plastic footwear	6.1	78,270
Rubber upper protective	2.8	44,040
Plastic or fabric protective	3.3	34,230
TOTAL	39.7	1,475,760

Source: US Statistics (2017)

in Tennessee for industrial work boots. Previously the leather would be exported from the US and then return in the form of boots. Other examples include Walmart supporting a Georgia-based manufacturer of polyurethane sandals and clogs, and a German company TanTec is opening a tannery in Mississippi, because of its proximity to suppliers of animal hides in Texas and South America.

Reinvesting in separate components of the supply chain, whether in tanneries or other parts of the production process could be the beginning of some production returning. Sourcing certain parts from overseas are always likely to be less expensive. Items such as shoe boxes, laces or eyelets may always be cheaper to import.

Innovation and new technology are also ways that footwear manufacturing could be brought back on a bigger scale. Some companies, including Under Armour and Digitsole, are looking at connected smart sneakers containing trackers. Other developments include enabling you to warm your feet via your smartphone, adaptive cushioning to shift support while running. It may be that the technological content of a shoe may determine where it is made. Other advancements include 3D printers, which some companies are now using to produce shoe components such as soles and flanks.

Main players in the USA

Many of the leading global sports footwear brands are based in the USA, although their production is largely outsourced. Large companies such as Reebok, New Balance, Converse, Rockport and Wolverine are now located (or part-located) in the Greater Boston region, in order to be close to skilled talent. This part of the country has had strong historic connections with the footwear industry. This clustering is a way that companies in the same area can compete for talent.

As indicated earlier, the number of domestic manufacturers is now quite low, but the majority of them focus on the top end of the market. Important companies include:

Rancourt & Co, manufacturing loafers, boots, boat shoes and slippers for men and women, are one of the few companies to produce US-made sneakers - <http://www.rancourtandcompany.com>.

The **Alden Shoe Company** was founded in Massachusetts in 1884. Surviving the great demand for lower quality mass markets, they focus on high quality dress shoes and specialist orthopaedic and medical footwear. Still a family business, they are the only remaining boot maker in New England - <http://www.aldenshoe.com>.

Red Wing Shoes have produced purpose-built footwear for over a century, primarily work boots requiring heavy duty usage, using leather from their own tannery. Based in Minnesota, they also produce hiking boots, and other stylish casual shoes for both men and women - <http://www.redwingshoes.com>.

Danner, now based in Oregon, have produced handcrafted work boots since 1932. Danner hiking boots are one of the industry standards, including for combat. It was the first company to develop a waterproof boot. They merged with the LaCrosse Footwear Co to also become a force in rubber footwear. Their products sell around the world - <http://www.danner.com>.

The **West Coast Shoe Company** has manufactured highly crafted leather footwear since 1918. Also based in Oregon, it produces customised footwear for men and women - <http://www.wescoboos.com>.

1.2.2 USA imports of footwear

The USA was the largest importer of footwear in both volume and value terms, still accounting for over 20% of world imports by volume. This is over three times the volume of the next largest importer, the UK. In 2016, the USA imported footwear valued at \$ 26,552 million (2,342 million pairs). This also represented 20.6% of world imports by value.

USA footwear imports were sub-divided as follows:

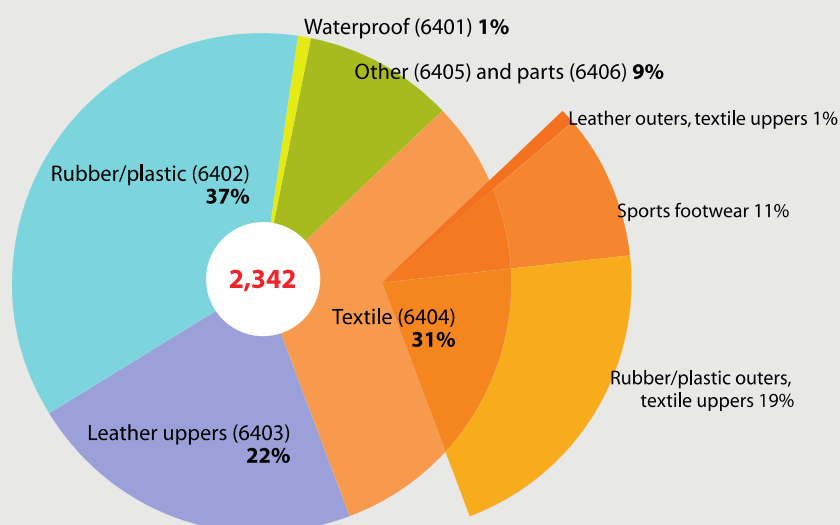
- Footwear (6404) with textile uppers \$ 7,389 million (739 million pairs) of which:

- a. Sports footwear \$ 3,604 million (246 million pairs)
- b. Footwear of rubber or plastic outers and textile uppers \$ 3,611 million (487 million pairs)
- c. Footwear of leather/composition leather outers and textile uppers \$ 174 million (5.9 million pairs).

- Footwear (6402) with outer soles and uppers of rubber or plastics \$ 6,268 million (860 million pairs)
- Footwear (6403) with leather uppers \$ 11,630 million (515 million pairs)
- Waterproof (6401) footwear \$ 165 million (16.5 million pairs)
- Other (6405) footwear (e.g. of wood, cork etc) \$ 701 million (211 million pairs)
- Footwear parts \$ 400 million (22,500 tons)

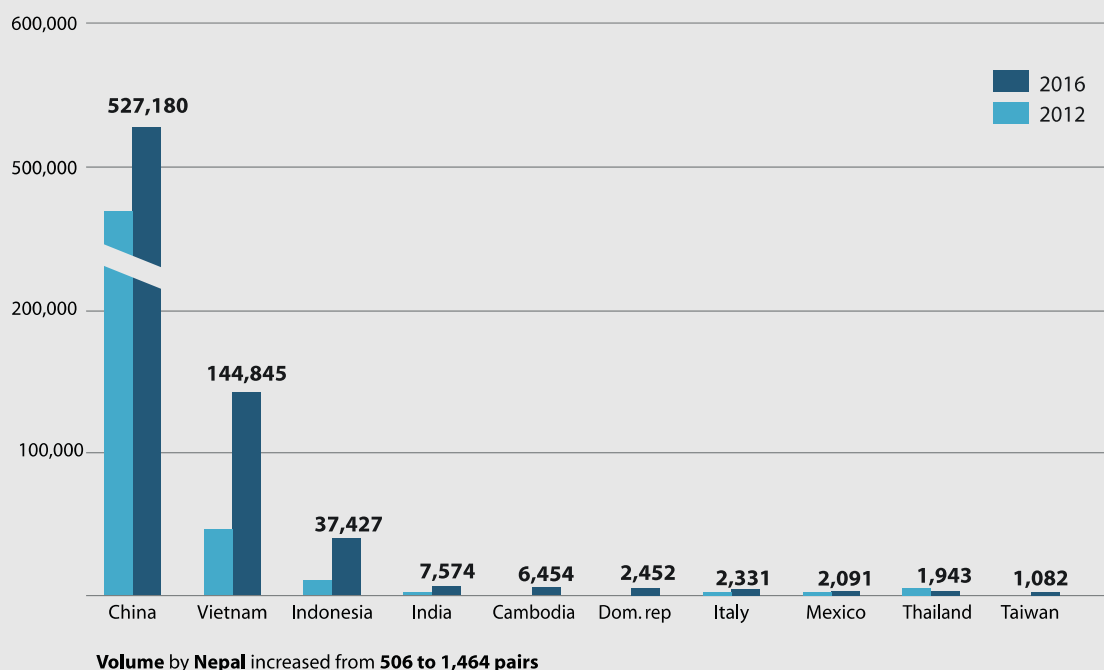
- a. Footwear with outer soles of rubber or plastic and leather uppers was the largest footwear group by value and represented 44% of the total value of USA footwear imports, but just 22% of volume imports. Meanwhile footwear with outer soles and uppers of rubber or plastic was the largest group by volume, accounting for 37% of volume imports (24% by value).
- b. Imports of footwear with textile uppers increased by an average annual rate (CAGR) of 17% from \$ 4,000 million in 2012 to \$ 7,389 million in 2016. Within this group, the biggest CAGR growth (+32%) was for sports footwear. A large increase in

FIGURE 2: USA - Footwear imports by productgroup, 2016
Volume in million pairs



Source: ITC Trademaps (2017)

FIGURE 3: USA - Imports of footwear textile (6404), 2012-2016
Volume increased by 17% from 487,321 to 738,892 thousand pairs



Source: ITC Trademaps(2017)

imports of footwear with textile uppers coincided with decreases in value of the other groups.

- c. The leading suppliers to the USA market of footwear with textile uppers were China, Vietnam and Indonesia, representing almost 94% of value imports between them (\$ 6,912 million) and 96% of volume imports (709 million pairs). Both Vietnamese and Indonesian imports increased strongly over the period, but imports from China also continued to grow. Other fast growing Asian importing countries were India (+72%) and Cambodia (+106%).
- d. Figure 3 highlights the changing pattern of the import trade. Nine Asian countries featured in the USA's top 15 importing countries for footwear with textile uppers.
- e. Supplies from other small Asian countries increased strongly from \$ 1.3 million in 2012 to \$ 8.9 million in 2016, the largest increases by Philippines, Bangladesh and Macao.
- f. Nepal supplied 1,464 pairs in 2016, valued at \$ 9,000, a 22% average annual increase between 2012 and 2016. Thus the average price paid per pair in 2016 was \$ 6.15.
- g. Nepal was ranked 72nd in supplies of footwear with textile uppers to USA. See table 2 and table 3 in Annex 2 for more detailed statistics.

Competitors for Nepal

There is much competition for Nepal from its Asian neighbours. For 6404 footwear, with the exception of the many Asian countries already established in the US market, Laos is a new supplier to the USA, already supplying more than Nepal. Mongolia is also a new supplier with the potential to overtake Nepal.

1.2.3 USA price structure of footwear

FOOTWEAR PRICE DEVELOPMENTS

Import prices

These vary considerably by supplying country, as this summary table indicates. Here the import price differences can be seen, with prices from Italy, Israel and Spain being the highest. Prices vary between Asian countries, but prices from Nepal are considerably lower than most, including that of China.

Retail prices

An example of retail prices for various types of footwear at different price segments can be found in section 1. The average unit price of footwear in the US was \$31 in 2016, compared with the global average of \$24.

Margins

Specific margins for footwear products tend to be confidential, but there are some broad margin parameters

in the fashion industry to which the footwear trade would broadly conform. For example, wholesale margins would be in the range of 5-7% when buying from a manufacturer. Margins would be in the range of 15% when selling to a retailer. The retail margin when selling to consumers would be much higher than that.

The following table summarises how the price of footwear might be made up, depending on the route to market that they take.

Note that these figures are general estimates and would vary by product group, but they provide a useful look at how margins vary through different sales channels, and how these accordingly affect the final selling price. Retail margins would also vary depending on the market segment. For example margins in the luxury segment will be much higher than margins in the mass market segment. Other factors affecting price would be currency variations against the US dollar, and the specific margins you are able to negotiate with your chosen trade partner.

Table 7 USA – Import price per pair US\$ for footwear 6404, 2016 of leading and selected suppliers

	\$ '000 value	Pairs	Unit value per pair \$	Ave tariff applied %
World	7,388,797	738,892,687	10.00	
China	4,341,978	527,180,344	8.24	20.4
Viet Nam	2,031,504	144,845,081	14.03	20.4
Indonesia	538,613	37,427,232	14.39	20.4
Italy	143,438	2,331,265	61.53	20.4
India	75,988	7,574,768	10.03	20.4
Cambodia	54,160	6,454,146	8.39	20.4
Mexico	30,286	2,091,469	14.48	0
Thailand	25,227	1,943,225	12.98	20.4
Dominican Rep	24,159	2,452,167	9.85	0
Spain	21,666	481,212	45.02	20.4
Taipei	21,413	1,082,822	19.78	20.4
Hong Kong	8,476	1,421,351	5.96	20.4
S Korea	7,887	299,008	26.38	1.5
Israel	7,296	138,490	52.68	0
El Salvador	6,910	590,619	11.70	0
Bangladesh	3,957	403,048	9.82	20.4
Myanmar	1,473	141,867	10.38	20.4
Singapore	1,364	73,149	18.65	0
Japan	681	28,040	24.29	20.4
Pakistan	536	26,738	20.05	20.4
Philippines	467	24,655	18.94	20.4
Macao	350	12,472	28.06	20.4
Laos	72	3,059	23.54	20.4
Nepal	9	1,464	6.15	20.4
Mongolia	7	101	69.31	20.4
Sri Lanka	1	292	3.42	20.4
Malaysia	0	1	n.a.	20.4

Source: ITC Trademaps (2017)

Table 8 Breakdown of footwear showing various cost elements

Cost element	%	Via agent	Via distributor	Direct sale
FOB Price		\$100.00	\$90.00	\$100.00
Transport & Insurance		\$10.00	\$10.00	\$25.00
Broker's fee	2%	\$2.00	\$1.80	\$2.00
Customs	10%	\$10.00	\$9.00	\$10.00
Customs guarantee	1%	\$1.00	\$0.90	\$1.00
Other costs	1%	\$1.00	\$0.90	\$1.00
Landed Duty-paid price		\$124.00	\$112.60	\$139.00
Wholesale margin	Varies	\$15.50	\$33.78	\$0.00
Other costs of sale	10%	\$12.40	\$11.26	\$13.90
Wholesale price		\$151.90	\$157.64	\$152.90
Retail margin	125%	\$189.88	\$197.05	\$191.13
Price before tax		\$341.78	\$354.69	\$344.03
Sales tax	8.875%	\$30.33	\$31.48	\$30.53
Retail price		\$372.11	\$386.17	\$374.56

Source: Estimates made by Spanish Embassy in New York (2017)

The athletic footwear industry operates with an average gross margin of approximately 45%, which is higher than the 38% average of the top 10 companies in the US consumer spending index. The industry's higher margins are primarily attributed to lower input costs, which include raw materials like synthetic rubber, canvas and nylon, as well as premium pricing of finished products. Margins have increased recently due to a decline in raw material costs as well as companies focussing on direct sales to consumers, instead of wholesale distribution, or sales through other channels.

1.3 Access requirements for the USA market

Generally, there are two kinds of market access requirements

- **Legislative requirements** take the form of regulations, which are mandatory
- **Voluntary requirements** take the form of standards. Guidelines are often voluntary but in fact may be de facto industry standards which are expected to be adhered to.

There are a range of recognisable labels among buyers and consumers, which you can obtain from certifying organisations if you can comply with their criteria. You need to invest time and make commitments, but a label will increase your ethical credentials and buyers are likely to treat your company and products with greater respect.

1.3.1 Legislative requirements

There are a number of different federal agencies that administer regulations associated with footwear.

1. The **Consumer Product Safety Commission** - <http://www.cpsc.gov> - is responsible for children's footwear, particularly hazardous substances. This organisation is responsible for the Consumer Product Safety Act and the Consumer Product Safety Improvement Act, both of which are designed to protect the public against unreasonable risks of injury associated with consumer products.

This regulates specific products in **children's footwear** (children aged 12 or younger), setting *limits for lead content and phthalates*. The lead content limit is 100 parts per million (ppm). In addition, the use of paint or similar surface coating on children's shoes must not exceed 90 ppm.

Tracking labels are required for children's footwear. The label must be affixed to the product and packaging, visible, legible, and provide certain basic information including manufacturer's name, location and date of production, detailed information on manufacturing process.

Certificates and Mandatory Third Party Testing. Every manufacturer or importer subject to these consumer safety rules needs to obtain a general certificate of conformity based on testing the product, and stating that the product complies with the applicable standard

or regulation, including the issuance of a children's product certificate.

The **Federal Hazardous Substances Act** requires that products that contain substances that meet the definition of hazardous bear a cautionary label to warn the consumer of the hazard. Included in this are *sharp points and edges* on buckles/straps.

There are standards for **flammability of clothing and textiles**. However footwear is exempt from these requirements, provided it is not affixed or does not form an integral part of another garment.

2. **Customs and Border Protection (CBP)** - <http://www.cbp.gov> - is responsible for enforcing regulations related to the marking of imported articles and containers. All products should be marked legibly, indelibly and permanently to indicate to the ultimate purchaser the English name of the *country of origin*.

See also the CBP publication «What Every Member of the Trade Community Should Know About Footwear» https://www.cbp.gov/sites/default/files/documents/icp022_3.pdf

3. The **Environmental Protection Agency** - <http://www.epa.gov> - is responsible for the *Federal Insecticide, Fungicide and Rodenticide Act*, which provides for regulation of the distribution, sale and use of pesticides to protect human health and the environment. The EPA will not register a pesticide, including pesticides used on textiles to provide antimicrobial or other pesticidal characteristics, until it has been tested to show that it will not pose a risk.

The **Toxic Substance Control Act** covers the reporting and testing requirements and restrictions relating to chemical substances, including flame retardants in consumer textiles.

4. The **Federal Trade Commission** - <http://www.ftc.gov> - is responsible for the Act that prohibits unfair acts or practices affecting commerce that may mislead consumers or affect consumer choice.

There are **guides for select leather and imitation leather products** (Code of Federal Regulation (CFR) 24), which applies to the manufacture, sale, distribution, marketing or advertising of all kinds or types of leather or simulated leather, including footwear.

The **Fur Products Labelling Act** covers regulations for products containing fur.

All footwear containing wool must comply with the **Wool Products Labelling Act**.

Legislation relating to **environmental claims** is covered in the CFR 260 Guides for the Use of

Environmental Marketing Claims. This relates to labels and marketing materials, whether asserted directly or by implication, through words, logos, emblems, brand names, where claims are made about the environmental attributes of a product, including compostability, degradability, recyclability, carbon claims, free-of, non-toxic, renewable energy or material claims.

5. The **Occupational Safety and Health Administration (OSHA)** - <http://www.osha.gov> - is responsible for the Act ensuring safe and healthful working conditions, requiring the use of personal protective equipment to reduce exposure to hazards, in particular for *protective footwear*. Protective footwear is required to be tested at one of the accredited footwear testing laboratories.

Protective footwear must comply with one or more of the following standards:

- ASTM F-2412-2005 Standard Test Methods for Foot Protection
- ASTM F-2413-2005 Standard Specification for Performance Requirements for Protective Footwear
- ANSI Z41-1991 American National Standard for Personal Protection - Protective Footwear

6. **United States Department of Agriculture (USDA)** - <http://www.usda.gov> - is responsible for organic certification. USDA produce a handbook covering the labelling of textiles that contain organic ingredients and how to obtain the National Organic Programme (NOP) organic certification and the USDA organic seal. Products produced in accordance with the Global Organic Textile Standard (GOTS) may be sold as organic in the US but not refer to NOP certification.

Note there are some State laws and regulations that are more stringent than Federal laws, including regulations for products, labelling, packaging, chemical restrictions. California and New York are heavily regulated.

More details in full on quality standards for footwear and how to submit information is detailed here https://view.hsn.net/WebDocuments/documents/20_Footwear_QAManual.pdf

1.3.2 Voluntary requirements

The majority of US standards are voluntary and developed through consensus methods that reflect the needs of manufacturers, consumers and government. The American National Standards Institute (ANSI) - <http://www.ansi.org> - coordinates much of the private sector activity for voluntary standards.

- F2232 Standard Test Method for Determining the Longitudinal Load Required to Detach High Heels from Footwear
- F2412 Standard Test Methods for Foot Protection
- F2413 Standard Specification for Performance Requirements for Protective (Safety) Toe Cap Footwear
- F2892 Standard Specification for Performance Requirements for Soft Toe Protective Footwear (Non-Safety, Non-Protective Toe)

The Footwear Distributors & Retailers of America (FDRA) Association operates a **Responsible Factory Programme**, designed to enhance compliance at footwear factories around the world. There are several initiatives included in this, such as the Footwear Production Code of Conduct, the Factory Enhancement and Sourcing Committee and the Recognised Responsible Footwear Manufacturer Programme. Joining this programme could benefit exporters to the USA.

It is recommended that hides of common ruminant animals (sheep, cattle and horses) and pigs should be used to ensure that they are obtained from animals that may be affected by this Agreement and whether their foreign trade is covered by specific CITES certificates. Exporters can visit this website to obtain additional relevant information on the application of this agreement - <http://www.cites.org>.

Americans are much taller and larger than Nepali people and most Europeans, this implies larger footwear. American women on average wear a size 8 wide shoe (68% of American women wear shoes between the sizes of 6.5 and 9.5), while the average size for men is 10.5.



1.4 Distribution

1.4.1 Indirect and Direct Channels

The *indirect approach* means that all export activities are taken care of by an importer, wholesaler or agent. You will need to find out to what extent your possible trade partner in this channel sells to your target group, how they work, in which regions, buying volumes and how specialised they are in particular footwear types. The key options are:

- **Via importer or distributor.** The distributor buys the merchandise at the FOB price, performs all the customs and internal procedures and covers the expenses, making it more comfortable for companies with little or no experience in the market. The distributor takes care of all the promotion, distribution, sale and collection to customers. On the other hand, the exporter loses control over the sale process and does not know the actual market situation, so it is recommended to monitor the distributor as far as possible. However, the influence of the distributor is declining, particularly for medium to high priced products.
- **Via agent or representative.** These are local agents who work on commission on behalf of the manufacturing company. He is a particularly important figure in the US market, whose choice may be your key to success. His most valuable contribution is market knowledge and portfolio of potential clients. They usually have a showroom/s where orders are placed. The responsibility for importing and distribution is left to the exporting company. To cover the entire market, it is usual to start with a representative in New York or in Los Angeles, which are the two main footwear trade centres. It usually takes a minimum of two seasons to get established. After this, the network of regional agents is usually expanded, depending on the target market (e.g. an agent in Dallas, Atlanta or Florida to cover the south of the country).

Direct sale has a number of advantages, such as allowing total control over the product, customers and prices; In addition there are no margins to be paid to intermediaries. On the other hand, this option usually generates fewer sales, not to mention the difficulties that arise from the physical distance and lack of local information, as well as the fact that the exporter is responsible for transportation, customs and delivery.

- The most common way of doing business is to attend specialized trade shows, as well as direct visits to

maintain and track existing contacts and locate new customers. Orders that are collected in this way are subsequently serviced and shipped via courier or others.

Direct implementation can be advised once the company has a few seasons in the market and has reached a certain turnover. The main possibilities are:

- a. **Establish a subsidiary:** a trading company created according to the rules of the state in which it is constituted with the capital contribution of the parent company.
- b. **Establish a branch:** a permanent establishment without its own legal personality, so the parent assumes the responsibilities. Both allow the company a direct presence in the market and control all stages of commercialization. It is highly recommended to have a dedicated person in the market to perform or supervise the work of sales agents, but the biggest drawback is the cost involved.
- c. **Opening of own store:** despite the costs, this option allows the manufacturer-exporter to have total control of the operation, and eliminates intermediaries. If this option is chosen, a return on investment would not be expected for some time.

For a footwear manufacturer from Nepal without any significant pre-existing contacts, it is recommended that a suitable agent or agents are located. Make sure the agent you select either specialises in, or has considerable knowledge of the target segment in which you believe the best opportunities can be found. This may even be a local manufacturer with whom you could work.

Retail trade

Store-based retailing remains the most common source of purchase for footwear, accounting for 83% of all sales. Consumers still prefer to try on a pair before making a purchase.

Footwear specialists dominate the market, accounting for 59% of sales in 2016. From the “off-price” segment, value chains such as:

- **Ross Stores** - <http://www.rossstores.com> - a nationwide chain located in malls in 35 states, mostly in western USA, of around 1,400 outlets employing 80,000 people.
- **TJ Maxx** which operates 1,200 stores in 49 states and
- **Marshalls** which operates just over 1,000 stores in 46 states (both owned by TJX - <http://www.tjx.com>). These retailers also sell clothing.

Retailers just selling footwear include:

- **DSW (Designer Shoe Warehouse)** - <http://www.dswinc.com>.

com - has 500 stores nationwide, selling a wide range of well-known brands. They also recently acquired the ShoeMetro chain.

- *Shoe Carnival* - <http://www.shoecarnival.com> - is one of the largest family footwear retailers offering a wide range of moderately priced family footwear, and operating 400 stores in 33 states.
- *Famous Footwear* - <http://www.famousfootwear.com> - specialises in athletic and casual shoes, selling a wide variety of brands like Nike, Converse, Vans, Sperry, Skechers from over 1,000 outlets nationwide.
- *Payless* - <http://www.payless.com> - is an international retailer with their own brands such as American Eagle, Airwalk and Champion. They claim that to be the number one US shoe retailer with nearly one in ten of all children's footwear is purchased in one of their stores. They have 4,000 stores in over 30 countries.

Note that some retailers just sell their own brand (e.g. Aldo) while more are multi-brand outlets.

There are many other footwear retailers that operate on a regional level only. Some are own brand outlets, such as *Reformation* and *Pretty Ballerinas* (both in New York State);

others are regional specialist operators selling a range of brands, such as *Tip Top Shoes* and *Michele Olivieri*; others are regional clothing chains such as *Intermix*, *Scoop*, *Sarc*; there are also regional clothing and footwear chains just selling their own brands such as *Coclico* and *Creatures of Comfort*.

Department stores are still an important channel, although now just accounting for 8% of sales. Many of these have responded to the "off price" specialists by opening off-price retail stores of their own (e.g Nordstrom Rack, Last Call, Saks off 5th and Macy's Backstage). Leading department stores include:

- *Macy's* - <http://www.macysinc.com> - operating 700 department stores under the name of Macy's and Bloomingdales and a further 125 specialty stores, including the off-price chain Macy's Backstage.
- *Saks* - <http://saksfifthavenue.com> - now has 39 stores servicing 22 states. It is owned by the Hudson Bay Company.
- *Nordstrom* - <http://shop.nordstrom.com> - started from a single shop in Seattle in 1901, it is now a leading fashion retailer with 350 stores in 40 states and

Table 9 Retail distribution share (by value) in the USA in 2011 - 2016

Outlet type	2011	2014	2016
Store-Based Retailing	90.6%	87.4%	83.4%
Food retailers	2.5%	2.3%	2.3%
Hypermarkets	2.5%	2.3%	2.3%
Non-food specialists	69.9%	67.9%	67.0%
Clothing & Footwear Specialists	62.3%	60.3%	59.4%
Leisure & Personal Goods Specialists	6.7%	6.7%	6.9%
Sports Goods Stores	6.7%	6.7%	6.9%
Other Non-Grocery Specialists	0.9%	0.9%	0.8%
Mixed Retailers	18.2%	17.1%	14.1%
Department Stores	11.2%	10.2%	8.0%
Mass Merchandisers	4.4%	4.3%	3.7%
Variety Stores	1.1%	1.1%	1.0%
Warehouse Clubs	1.6%	1.5%	1.4%
Non-Store Retailing	9.4%	12.6%	16.6%
Direct Selling	0.5%	0.3%	0.3%
Home Shopping	1.1%	0.9%	0.8%
Internet Retailing	7.8%	11.4%	15.5%

Source: Euromonitor (2017)

Canada. 221 of these are Nordstrom Rack. They have a strong online presence also via nordstrom.com.

- *The Neiman Marcus Group* - <http://neiman.gcs-web.com> - owns both Neiman Marcus Stores, 40 outlets and a further 40 clearance centres, as well as two Bergdorf Goodman outlets in New York
- *Burlington* - <http://burlingtoncoatfactory.com> - is a national off price department store retailer with 590 stores in 45 states. Founded in 1972, it employs 28,000 people.

Sports retailers are an important sales channel for sports footwear. Despite the strength of this segment, some retailers have struggled in a competitive marketplace. For example, the Sports Authority Chain recently went into liquidation. Leading sports retailers include:

- *Dicks Sporting Goods* - <http://www.dickssportinggoods.com> - is the largest omni-channel sporting goods retailer in the US, founded in 1948 and now operating 690 outlets for athletes and outdoor enthusiasts.
- *Academy Sports* - <http://www.academy.com> - operate 230 outlets in 16 states and also sell outdoor footwear.
- *Nike, Foot Locker, Skechers and Adidas* are strongly represented in sports footwear retailing.

Non specialist retailers are led by *Walmart* - <http://www.walmart.com> - the largest retailer in the world. With almost 4,700 outlets in the US, it is an important player in both the mainstream and sports footwear market. *Target* - <http://www.target.com> - is a discount retailer with 1,800 outlets.

HOME DIRECT SALES

Mail order and TV shopping have traditionally been important sales channels in the USA. Some retailers have catalogues for selling their ranges. QVC is the biggest TV sales channel. However, away from retail outlets, online sales have been growing rapidly and now account for over 15% of all footwear sales - one of the highest shares globally.

The **online channel** is developing along the same lines as the physical retail channel and consists of multi-product retailers and footwear specific retailers. Part of the reason why this channel is so strong is the extent to which the internet is used as a source of product information for footwear. All the leading store retailers have their own online presence and use their apps and websites to attract customers to their stores via loyalty offers and special discounts.



As online payment systems and delivery options continue to improve, the trend to online is forecast to continue. In fact none of the top 3 online retailers for footwear - Amazon, Walmart and Ebay - are footwear specialists. Other leading non-specialist online retailers are Target, Sears, QVC and Kmart.

The leading online footwear specialist is Zappos. Nike, 6PM and East Bay are important online footwear specialists. Other leading online clothing and footwear specialists not mentioned elsewhere in this report that have strong footwear sales include Kohls, JC Penney, Old Navy, Lands End, Woman Within and Forever 21.

An interesting online channel in the USA are those websites developed specifically to offer “flash sales”. They started by just offering very short term discounts but they have evolved and combine the experience of getting a bargain with promoting the image of brands. These web pages have subscriber databases and valuable consumer data that enables them to send personalised newsletters. Leading players include <https://www.gilt.com> and <https://fab.com>.

According to IbisWorld there were 1,166 businesses in 2013 dedicated to selling footwear online. Currently, more than 80% of the population over the age of 14 uses the Internet. In 2016 there were more than 227 million Internet users, of which 91% used the network as an aid to purchase and 77% (or 175 million people) will make at least one electronic purchase per year.

Trends in retailing

- **Quality, transparency and sustainability** are the three key requirements for products and companies to prosper. There will be a continuing trend for retailers, both on and offline to incorporate these broad points into their offering, as consumers increasingly invest in where their money is going rather than just what it is buying. High quality footwear in particular will increasingly require information about the origin of the products and how they were made.
- **Unique in-store experiences** will be increasingly used to differentiate retailers and give a further reason for shoppers to keep coming to their store. This may be something like a virtual reality headset to show how you would look in different types of footwear, or a treadmill to measure your stride length etc.
- **Mobile payments.** As consumers increasingly choose not to use cash, providing non-cash options for payment is essential. Payment by mobile phone is set to become more widespread.
- **Less is more.** This relates to a trend towards smaller stores. Consumers are choosing not to wander around

massive retail outlets. Their time is precious and they want to be able to easily target the products they want to buy. Convenience and accessibility is also driving this trend. Speciality stores will benefit more than department stores from this trend.

- **More personalised shopping experiences.** 56% of consumers are more likely to shop at a retailer that recognises them by name. In footwear, Nike is leading the way. As well as facilitating personalised sneakers, they produce personalised fitness videos on their Nike+ app. Loyalty programmes are part of this, and those consumers that feel a personal connection with a retailer are also more likely to share their data, further enhancing the personalised offers they can receive.
- **Same day deliveries, multiple collection options** apply mainly to online purchases, but store retailers that offer rapid delivery are also seeing benefits.
- **Maximising use of data.** Putting customer data to good use will produce benefits. For example fashion retailer JustFab uses style quizzes to learn more about its members and makes recommendations based on each member's preferences. This will give some customers footwear ideas that they had not previously considered.

1.5 Opportunities and how to enter the US market

OPPORTUNITIES

The US footwear market is mature and saturated, and most consumers are quite sophisticated and knowledgeable, so although the market is large with many opportunities, new market entrants need to adopt a considered and professional approach to be successful.

Sports footwear for young people. Teenagers and people in their early twenties identify strongly with brands and footwear for this group is as much a lifestyle statement as a necessary item to wear. The leading sports brands have successfully tapped into this group. This group also responds quickly to new footwear trends, whether because of advertising by a celebrity athlete or some technical or design innovation. There is an opportunity to create a sports heritage brand from Nepal, using the heritage of the natural outdoor and the mountains of the country to legitimise such a brand.

Casual footwear for men. Sales of men's footwear are catching up with those of women. This is for both fashion conscious men and those interested in sport. Men are looking to have a wider range of casual or leisure footwear to be worn at different occasions and opportunities

exist for providing new products for this market. Most opportunities can be found by targeting Millennial consumers. Textile footwear is ideally suited to many casual styles.

Young women buying “disposable” footwear. This is a low priced segment where fashion is important. Despite the rapidly changing styles, many of these consumers remain loyal to particular footwear types or loyal to a particular retailer, even though they buy many pairs on a regular basis. Even though this is a very competitive segment, the sheer volume that passes through these consumers makes it an attractive opportunity.

Ethical footwear is a smaller but growing niche segment that is represented across many types of leather and textile footwear styles. It is found in the mid to higher market segments, as ethical footwear carries a price premium over non-ethical footwear.

Customised or personalised footwear. Some of the leading sports footwear manufacturers such as Nike and Adidas are already supplying the market with various forms of customised footwear. This is a strong trend and one that has applications beyond just sports footwear. It stands to reason that finding a niche form of customisation, perhaps based on country of origin, will find potential interested customers.

HOW TO ENTER THE US MARKET

Identifying buyers and know more about your final consumers

As an exporter from Nepal, you can contact established importers or agents in the USA and categorize them by segment (footwear style, material, market position) based on the opportunities. Those buyers selling to those

FOCUS	SNEAKERS	MENS CASUAL	ETHICAL FOOTWEAR
Market Segment	<ul style="list-style-type: none"> Teenagers, young men and women Students Young people 	<ul style="list-style-type: none"> Millennial men “Non-sporty” stylish men interested in fashion 	<ul style="list-style-type: none"> Concerned consumers Health conscious consumers
Possible products	<ul style="list-style-type: none"> Retro sneakers Sneakers for children Sneakers with unique Nepalese design/material 	<ul style="list-style-type: none"> Hand-made sneaker, made from material exclusive to Nepal Loafers with prints or design inspired by Nepal style 	<ul style="list-style-type: none"> Any footwear made of canvas, hemp, nettle or other eco material. Platforms
Competition	<ul style="list-style-type: none"> China, Vietnam, Indonesia and other South-East Asian countries. Nike, Adidas, Skechers and other International Brands 	<ul style="list-style-type: none"> China, Vietnam, Indonesia, and other South-East Asian countries Central and Latin American suppliers 	<ul style="list-style-type: none"> Other developing countries. Unique new products from local and other international sources
USP Positioning (why Nepal?)	<ul style="list-style-type: none"> Unique designs and materials such as hemp, nettle Sporty and comfort heritage Fashion/style from the top of the world 	<ul style="list-style-type: none"> Unique designs and materials such as hemp, nettle Hand-made, personalised Made by women in small communities 	<ul style="list-style-type: none"> Himalayan heritage Sustainability connections Made by women in small communities
Price level	<ul style="list-style-type: none"> Low-Medium price level; value for money 	<ul style="list-style-type: none"> Medium price level; value for money 	<ul style="list-style-type: none"> Medium-high segment
Distribution Channels	<ul style="list-style-type: none"> Agent Wholesaler Importer Online retailer 	<ul style="list-style-type: none"> Agent Wholesaler Importer Online retailer 	<ul style="list-style-type: none"> Agent Wholesaler Importer Online retailer Eco niche segments
Challenges	<ul style="list-style-type: none"> Designs need to be updated frequently and need to demonstrate awareness of fashion trends Good quality control needed 	<ul style="list-style-type: none"> Proper focus required for what is a broad segment Design important, excellent finishing and good quality is expected Need to incorporate technological advances in footwear e.g. breathability 	<ul style="list-style-type: none"> Need to be able to substantiate product claims Good quality control needed New eco footwear appearing from unexpected sources

consumers will be more open to new suppliers. Many buyers are traditional and some are resistant to new suppliers from unfamiliar sources.

Your final consumers. The millennials and baby boomers are likely to be more open to new products from Nepal. If you are familiar with their lifestyle, motivations and buying behaviour, this will form a basis for discussions with a buyer and to begin a dialogue. As an exporter, you can provide the heritage of the natural materials used, the unique manufacturing process used or the success stories elsewhere.

Based on the best opportunities for Nepalese footwear, here are some possible product market combinations related to particular consumer segments with some points to consider to become successful when entering this market:

When selling your own collection try to find a reason to talk about something other than the price. There is a low awareness of Nepalese products in the USA, but it is always worth trying to promote the point of difference based on quality or originality of material.

Choose a target segment that is 'easy to enter' in order to get your first market entry. For example, find a popular category where the demand is always strong, such as sneakers, or where the customers are more receptive to new ideas. You want to be able to find the required opportunity to highlight or showcase the best of your skills or advantages.

Price is very important, but find a different point of advantage. China and Vietnam represent 90% of all imported (6404) footwear value but much of this is the import of sporting footwear of American brands of high quality produced elsewhere. However many of these imports are mainly low priced medium or low quality footwear. The best way to penetrate the market is to offer products of consistently high quality, good appearance (design, colour and finish) and if possible, with properties setting them apart from competitive countries.

A marketing approach is based on a win-win situation aiming to establish a long-term relationship. Despite the reputation for importers preferring trusted sources they have used in the past, smaller wholesalers and footwear shops may well be quite receptive as they need to be more pro-active in their own marketing strategy. They do not want to further lose their clients to the big international brands and retail chains, and are looking to find niches of their own to maintain their own competitive advantage.

Contacting buyers. Identify the addresses of companies that operate in your target segment by doing a small research on the Internet (online trade show catalogues, company's website, Google). Try to find out the right contact person (either the proprietor or the purchasing dept). One way to do this is by searching for companies on professional social media e.g. linkedin. This work could be done by a trainee in Nepal. Make a distinction between large and small companies

- Approach them by e-mail, invite them to a trade show. If you do not have a booth, try to see them at a trade show - preferably during the last days as people become more relaxed.
- If they show an interest, send an offer with representative samples.
- Have your sample evaluated and if OK start a discussion about the required quality, quantity and your selling price. Discussions are ideally done face-to-face, by Skype or by email. American people are straightforward. Try to be honest, realistic in quantity commitments. You must confirm important decisions by e-mail and keep the buyer informed regularly. Especially if there is a problem!
- Negotiate contract on the basis of quantity, lead time and terms of delivery and payment.

1.6 Potential trade partners and useful addresses

The first place to look would be to contact the main trade association(s), followed by trade fairs, which tend to feature a list of exhibitors, many of which may be potential partners. There are many manufacturers listed in section 2 and many retailers listed in section 5. Any of those companies could be worth approaching. In addition, the following companies and organisations may be worth looking at:

Trade Associations

Footwear Distributors and Retailers Association of America - <http://fdra.org>

American Apparel & Footwear Association - <http://www.wewear.org>

National Shoe Retailers Association - <http://www.nsra.org>

Fashion Footwear Association of New York (FFANY) - <http://www.ffany.org>

Wholesalers		
Wholesale Central	http://www.wholesalecentral.com	Portal with dedicated footwear section
NY Wholesale	http://www.nywholesale.com	Based in New York
Chengs Enterprise	https://easyusa.com	Based in New Jersey
Golden Road Fashion	http://www.goldenroadfashion.com	Based in New York
Retro Fashion	https://www.retrofashionus.com	Based in California
Fashion Go	http://www.fashiongo.net	Based in Los Angeles
H2K Trader	http://h2kshoes.com	Based in California

Importers		
		See list of retailers in section 4
Retailers and online retailers		
Zappos	http://www.zappos.com	
6PM	http://www.6pm.com	
East Bay	http://www.eastbay.com	
Shoes.com	http://www.shoes.com	
Anthropologie	http://www.anthropologie.com	

Trade shows

The Atlanta Shoe Market in August - <http://atlantashoemarket.com>

Shoe Market of the Americas (SMOTA) in Miami three times a year - <http://www.smota.com>

FN Platform and Footwear Sourcing twice a year in Las Vegas - <http://www.ubmfashion.com>. UBM also organise shows in New York.

New York Shoe Expo - in August, organised by FFANY - see link above

The Sport Style Show in Fort Lauderdale in June - <http://www.sportstyleshow.com>.

The Metropolitan New York Footwear, Apparel & Accessories Marketplace (New Jersey) - <http://marketplaceny.com>.

Trade press

Footwear News - <http://www.footwearnews.com>

Footwear Insight - <http://www.footwearinsight.com>

Footwear Plus - <http://footwearplusmagazine.com>

Focus on Shoes - <http://www.focusonshoes.com>.

Other sources/contacts

Two Ten Footwear Foundation - <http://www.twoten.org>

Office of Textiles and Apparel (OTEXA) - http://otexa.trade.gov/FLTCAT_imp.HTM - also includes a section on footwear labelling requirements

US Chambers of Commerce - <https://www.uschamber.com>

US Department of Commerce - <http://www.commerce.gov>

FOOTWEAR IN GERMANY



CHAPTER 2

Brief overview



Population

82.6 million; growth rate -0.16% (2016)

- 0-14 years: 12.8%
- 15-24 years: 10.2%
- 25-54 years: 41.0%
- 55-64 years: 14.2%
- 65 years and over: 21.8%

Urban population 75.3% of total

Obesity (adult prevalence): 22.7%



Economy

GDP: US\$ 42,330 per capita (2016)

Unemployment rate: 4.3% (2016)



Other

Women in labour force: 45.9% of total

Health expenditure: 11.3% of GDP

Physicians' density: 3.89 per 1,000

Tourists to Nepal in 2014: 18,028



Source: The world Factbook (2017)



2.1 Current size of the German market

Germany is the largest consumer market in Europe, in terms of both population size and purchasing power. Despite certain political and economic concerns, most German consumers are positive and optimistic about their current financial and economic outlook. This translates into a continuation of discretionary spending but value growth will come from consumers seeking out better value for money.

Ethical and health concerns are driving many purchases, and the footwear market is significantly influenced by this trend. In particular, a growing interest in animal welfare is challenging manufacturers and retailers of leather-based products. Footwear products of other materials will benefit from this trend.

German consumers are more likely to care about child labour in the manufacture of products including footwear, than consumers in other developed markets.

Online shopping is very popular in Germany. In fact it has increased by 88% between 2011 and 2016. Clothing, footwear and personal accessories are the most popular

products bought online, according to a recent study by the EHI Retail Institute.

2.1.1 Footwear retail sales and segments

TOTAL FOOTWEAR SALES IN GERMANY

- **In 2016, the total footwear retail sales** in Germany was estimated to be worth \$12,231 million, equivalent to 445 million pairs. Germany is ranked eighth in the world in terms of consumption volume. This represented about 2.2% of global consumption by volume, similar in consumption volume to France.
- **The footwear market in Germany is dominated by quality brands.** Although much of Germany's production is destined for export, their reputation for quality leather footwear also informs styles on the domestic market. In addition, Germany is home to Adidas, one of the top two global players in sports footwear.
- **The footwear market declined** marginally over the period, but future forecasts are more positive. The market declined more in volume terms than value

Table 1 Germany – Retail sales of footwear, 2011-2016, value in US\$ million / volume in million units

	VALUE					VOLUME				
	2011	2013	2015	2016	2011/16*	2011	2013	2015	2016	2011/16*
TOTAL	12,359	12,210	12,358	12,231	-0.2%	460	454	451	445	-0.6%
Women's footwear	6,782	6,750	6,821	6,693	-0.3%	231	230	227	223	-0.6%
Men's footwear	3,575	3,533	3,641	3,633	+0.3%	105	105	106	106	+0.2%
Children's footwear	2,002	1,927	1,896	1,905	-1.0%	124	119	118	117	-1.0%

* Compound Annual Growth Rate Exchange rate based on \$1.06/1 euro

Source: Euromonitor (2017), World Footwear Yearbook

terms, suggesting that prices were not falling to the same extent. German consumers look for value for money, irrespective of whether the economy is strong or weak.

- Note that the respected Institute for Research, based in Köln, has said that the market value, in comparison with the Euromonitor estimate has increased over this period, at around the rate of 1% per annum.
- **The two principle drivers of footwear sales have been men's footwear and sports footwear.** The ageing population is staying healthy and is purchasing more sports footwear. Although not shown in the table, sales of sports footwear were increasing at an annual rate of 5.3%, according to figures quoted at IFH in Cologne in 2016.
- **Per capita consumption** of footwear in Germany is \$148 per annum. The declining population may in part explain the small fall in market values. Downward pressure on prices has meant that some consumers can afford to purchase more pairs.
- **Textile footwear (6404) represents up to 35% of the market by volume**, based on imports. This large group will include many styles of sports footwear and types of everyday footwear, particularly for women and children.

MAIN MARKET SEGMENTS

Segmentation by user

The footwear market is usually segmented by user, as listed in Table 1.

- **Women's footwear** is the largest segment, accounting for 55% of market value and 50% of market volume, according to Euromonitor, although other estimates put the share of this segment closer to 60%. Women are more fashion conscious than men, they tend to own more pairs of shoes, they are more demanding in what they buy and make greater use of social media and fashion blogs in looking for the latest trends and fashions.

- **Women's footwear comes in numerous types:** cemented shoes; slippers; sports; boots; espadrilles; high heels etc. These are characterised by a huge diversity of models, often rich in colour, a wide variety of materials and details. The main fashion trends are in spring/summer and autumn/winter but in fast fashion trends come and go at high speed. Footwear shape is very important.
- **Men's footwear** accounts for 30% of the market by value but just 24% by volume according to Euromonitor. Men tend to choose quality, comfort and fit above style and fashion. In a relatively stable or flat market, the value sales of men's footwear are holding firm.
- **Children's footwear** accounts for the remaining 15% of the market value but a significant 26% of volume purchases. Although the smallest segment, this is an important segment, as the footwear that children buy influences their attitude to future purchases as adults.

Other types of segmentation

- There are various other ways to segment the German footwear market, including **by type of footwear**. This divides into the athletic and non-athletic market, which is further subdivided accordingly:
 - Athletic footwear* sub-categorised into insert shoes, sports (cross training), hiking shoes and backpacking boots.
 - Non-athletic footwear* is sub-categorised into dress/formal footwear, casual footwear, fashion footwear

This method of looking at the market has become challenged by the growing number of footwear products that cross over between the categories e.g. hybrids, sneakers or brogues etc. Lifestyles have become more casual. Some people wear sports shoes for non-sporting occasions, while others wear casual footwear in formal situations. This is particularly accentuated by more relaxed dress codes at work.

The Institute for Market Research in Cologne has figures for the average annual growth rate for each footwear



Table 2 Germany - Average annual growth of footwear market segments

Footwear market segments	CAGR* 2009-2015
Women's footwear	-0.3%
Men's footwear	-0.7%
Children's footwear	+0.9%
Sports footwear	+5.1%
Leisure footwear	+10.2%
Plastic sandals	+8.2%
Special footwear	+10.3%
Indoor footwear	-5.3%
Work footwear	+5.2%
Total footwear	+2.4%

*Combined annual growth rate

Source: IFH Köln 2016

segment between 2009 and 2015. Without providing information on the actual size of each segment, it is useful to see the relative performance of different shoe types in Table 2. It can also be assumed that the largest segment is at the top, followed by the others in descending order of size:

From this table, it can be seen that the best performing footwear segments over the period were special footwear, leisure footwear and plastic sandals.

- Another interesting way to look at the market is to segment it by **type of purchaser**. This is a psychographic way of looking at the market, where the consumer motivations are looked at. This research carried out by Psychonomics AG indicates five key consumer types for footwear:

- a. Stylists (21%);
- b. Indifferent (20%);
- c. Shoe Lovers (20%);
- d. Spontaneous buyers (17%)
- e. Planned Shoppers (21%)

Each of these different types have a different attitude to how they make their purchases, and how much they are prepared to spend. For example, shoe lovers treat shoes like jewellery, something valuable and to be carefully selected. They spend a lot on shoes and want shoes for every occasion. Shoes are a status symbol, hence this group is very interested in designs and brand names. They also want to shop in top and exclusive retail outlets. Women are over-represented in this group, as are over 55s in their prime.

RELEVANT TRENDS IN THE GERMAN MARKET

- Footwear styles in 2017 are strongly influenced by **casualisation**. While there are specific themes for each season, broad trends remain. Sneakers remain in top spot. Pantolettes (similar to sandals or flip flops) and sabots (clogs) are also increasing in popularity. Ethnic themes are popular. White is the most popular shoe colour for this season.
- Colours are **discrete**. Neutral colours, with high quality finishes, in the context of **sportiness** or **easy living** reflect the factors that are determining the trends.
- In terms of materials, with all the hype around sneakers, **high-tec** is the keyword. Extremely smooth and glossy surfaces dominate not only sports footwear.
- Based on these key trends, trend experts have formulated three main themes for footwear in 2017
 - a. *Energetic culture* characterised by a combination of multicultural inspirations and sporty modernity. Dark, earthy colours meet with bright colours; denims and weaves mix with modern materials. Product focus on espadrilles, sandals and boots.
 - b. *Fantastic realism* exudes coolness, calm styles and soft colours. Lightweight and perforated materials show clear, unfussy styles.
 - c. *Blooming pop* is cheerful, incorporating floral prints, imaginative patterns, eccentric colours and shapes to such as embroidery, decorative rhinestones and metallic effects, which are complemented by playful pastel tones, thereby producing a decorative effect.



- **For women's footwear, athleisure** is dominant. The sneaker has become universal in terms of the situations and occasions where it is acceptable to wear. Sandals with heels, block heels for clogs, running shoes are among some of the more popular trends.
- **For men's footwear, sporty** is the dominant trend. Lightweight sneakers in particular, but functional characteristics are important such as flexible footbase, quick release velcro, lateral zipper, all designed to improve comfort. Business footwear has become more casual with e.g all variations on the brogues-type inspired on UK classics with sturdy leather uppers and decorative perturbations.
- **For children's footwear, sneakers** continue to be the dominant fashion. White soles continue to represent freshness and sportiness. Light flashing footwear is popular still for the very young. Parents require both **sport and functionality** in the shoes they buy for their children.
- **Children's trends in detail** include sneakers in the form of slip-ons. Furthermore, sporty to elegant sandals are back on trend. Strong colours, colour blocking and pastel tones in combination with metallics are predominant. Highlighted soles, high quality material mixes, embroidery, graphics, emblems, patches, all over prints (tropical, jungle), fun details, 90s heroes (Super Mario, Ninja Turtle, Power Ranger), vintage graphics, basketball, surfing, safari and digital.
- Other interesting new product trends include **flexibility**, whereby soles made of a material such as Poron enable greater ease, comfort and flexibility of wearing, compared to shoes stitched in the traditional way.
- **New materials**, such as a sneaker made from merino wool. The properties of this wool means that they neither sweat in the heat nor freeze in the cold. This regulation of the temperature by the natural air chambers in the wool is a major benefit for footwear. In addition, the material is low weight. It also scores highly for sustainability.
- **Custom made shoes.** Previously custom made shoes have been very expensive to produce and realistically only available for those with high disposable incomes. Now affordable custom made shoes are available thanks to the use of modern 3D technology in combination with craftsmanship. Made to measure insoles are also possible with this technology. Variations on this trend include personalised footwear based on customers putting their footprint in a digitised box, this impression is then turned into a footbed for the manufacturer.
- **Specially adapted for gripping.** To take advantage of the outdoor walking and trekking trend, footwear is being developed to ensure that users do not slip when walking. This may be when walking on ice, or climbing on rocks or other unstable surface.

- **Health trend.** An important trend affecting footwear is the **health trend**. German people are more health-conscious nowadays. This means there are opportunities for many kinds of footwear, including many speciality variations, such as sports, health and outdoor shoes. More consumers are realising that the shoes they wear can significantly affect their foot health and general well being.
- **High heels for any occasion.** Working with orthopaedic experts to create a specially made insole, high heeled shoes have been developed that would enable women to even run in high heels if they needed to.

2.1.2 Future retail sales

EXPECTED FOOTWEAR SALES IN GERMANY

- **The prospects for economic growth are improving.** The total footwear market in Germany is expected to grow by an average rate (CAGR) of +0.9% per year, reaching a value of \$ 12,785 million in 2021 – see Table 3. It is forecast sales of men's footwear that is driving the market, particularly in volume purchases.
- **The ageing population** is expected to constitute a growing share of the footwear market in future years, both in value and volume terms. This creates good opportunities for suppliers, for instance in the use of healthy materials or special shaping and sizing.
- **The changing ethnic mix** of the population will also affect the demand for different footwear styles. For example, there are now six million Muslims in Germany, soon to represent 7% of the population. This will create a significant cultural influence on future footwear designs and potentially change the product composition on the market.
- **Competition in the market will be strong.** Manufacturers will need to continue to offer a wide selection in line with current consumer demands

and fashion trends. New product launches offering innovative designs, styles and functionality are expected to increase in frequency.

2.2 Market structure

2.2.1 The footwear value chain

Manufacturing

The footwear industry is an important part of the German economy. Ranked 32 in the global list of footwear manufacturers, according to the World Footwear Yearbook, with output approaching 33 million pairs. Germany is a significant exporter of footwear, particularly to other EU Member States. In 2016, the German footwear industry reported mixed results. Manufacturers of safety and sports shoes performed well, while many large walking shoe manufacturers reported negative sales figures.

Profile. According to the Federal Association of the German Footwear & Leather Goods Industry, there were 13,840 people employed in the footwear industry in 2016, a 7.5% increase since 2015. Most of the higher employment is taking place in individual rapidly expanding companies. However, German statistics report smaller figures for footwear manufacturing, citing 60 enterprises employing 7,536 people in 2014, with a turnover of \$2 billion (compared with 67 in 2010 employing 8,392 with a turnover of \$1.8 billion).

Capacity. Footwear production is spread throughout the country with the main regions being in North Rhine-Westphalia and in Bavaria in the South. German production of footwear, according to Eurostat Prodcom data, was as follows:

Clearly not all information is declared in these statistics, but a number of key points can be made about German footwear production:

Table 3 Germany – Retail sales forecast of footwear, 2016-2021, value in US\$ million / volume in million units

	VALUE					VOLUME				
	2016	2018	2020	2021	2016/21*	2016	2018	2020	2021	2016/21*
TOTAL	12,231	12,367	12,715	12,785	+0.9%	445	446	451	451	+0.2%
Women's footwear	6,693	6,745	6,967	7,024	+1.0%	223	222	226	226	+0.3%
Men's footwear	3,633	3,735	3,851	3,871	+1.3%	106	109	112	112	+1.2%
Children's footwear	1,905	1,897	1,897	1,910	+0.1%	117	115	112	112	-0.7%

* Compound Annual Growth Rate

Source: Euromonitor (2017), World Footwear Yearbook

Table 4 Germany - Production of footwear by type, 2011-2015, \$m and pairs

	2011		2012		2013		2014		2015	
	Pairs	\$m	Pairs	\$m	Pairs	\$m	Pairs	\$m	Pairs	\$m
Men's / leather uppers	1,838,666	88.1	1,491,297	74.3	1,532,082	76.2	1,818,362	93.6	1,628,927	89.8
Women's / leather uppers	4,013,190	238.5	3,652,804	225.6	3,264,216	207.7	n.a.	182.9	n.a.	175.3
Men's sandals/ l. uppers	456,450	15.7	311,652	11.9	292,068	n.a.	286,781	11.6	226,926	10.0
Women's sandals/ l. uppers	9,977,642	57.3	7,356,589	54.2	9,597,851	57.7	n.a.	218.1	n.a.	n.a.
Indoor / textile uppers	485,522	8.0	285,315	4.8	366,585	3.6	308,583	3.4	307,315	3.4
Sports / textile uppers	n.a.	5.0	n.a.	5.7	n.a.	5.7	n.a.	5.7	n.a.	5.1
Other sports exc skis	1,004,407	34.2	1,008,911	34.4	929,880	30.0	890,774	28.3	874,638	29.5
Footwear toe cap	4,689,536	234.7	4,468,941	226.3	4,770,916	244.0	4,967, 09	263.8	5,369,969	289.4
Leather uppers & parts	n.a.	33.5	n.a.	31.9	n.a.	33.2	n.a.	44.6	n.a.	42.1
Other Parts	n.a.	63.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

- Overall production has remained fairly stable over the period
- Women's sandals is the largest production category
- Work footwear (with metal toe cap) is an important category
- Footwear parts contributes significantly to the overall production value
- Footwear of textile uppers represents a relatively small share of total output, which is dominated by leather.

Trends in Production

Sustainability. Global markets and consumers demand companies to include sustainability in their business strategy, and therefore new tools and methods are needed to support businesses to introduce sustainability in their organisational decisions. German footwear manufacturers can now count on a new tool, recently developed and tested under the C02Shoe, a project co-funded by the European Commission. The tool will play a significant role in identifying the areas that most require action.

The C02Shoe tool calculates C02 emissions throughout the lifecycle of a pair of shoes, which means that

companies will be able to identify which stages of production and packaging produce the most C02, as well as how much C02 is involved in the distribution of footwear and up to the end of the product's lifecycle. This will provide the following benefits:

- To reduce their costs by optimising their production processes, use of resources, raw material consumption, and use of electricity and water
- To improve, in an environmental sense, the new shoe model they launch into the market
- To increase sales and employment opportunities by meeting consumer demands and suppliers who value environmentally friendly products
- To contribute to the fight against climate change

Producer prices increased by 1.4% (higher than consumer prices at 0.6%), thereby reflecting the higher production costs in the sector.

Main players in Germany

Adidas is the number one German footwear manufacturer, although much of its manufacturing takes place at numerous sites around the world.

Some other important companies in Germany include:

- **Salamander** is of the market leaders in the EU. They are well known in Germany and Eastern EU countries with 1,700 employees. They offer fashionable and quality footwear, bags and accessories. In Germany they have 60 retail outlets and 230 outlets in the EU and Russia.
- **Reno** offer a large range of footwear for men, women and children and have much footwear produced in foreign countries. They are the second EU footwear chain operator with 750 outlets und 4,000 employees.
- **Ara Schuhfabriken** specialise in fashionable women's shoes. About 4,000 employees produce Ara shoes in six wholly owned production facilities.

2.2.2 German imports of footwear

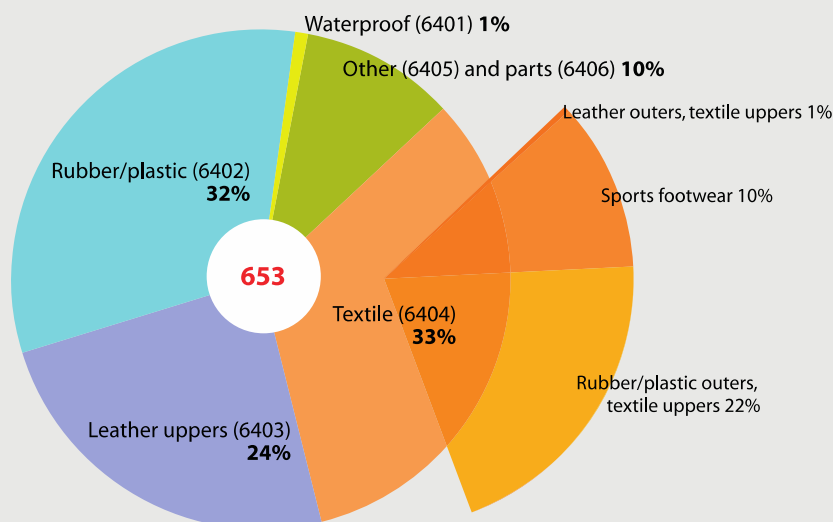
Germany was the second largest global importer of footwear, the USA being the largest, representing 8.1% of world imports according to the World Footwear Yearbook (2016). In 2016, German imports of footwear totalled \$ 10,520 million, equivalent to 654 million pairs.

German footwear imports were sub-divided as follows:

- Footwear (6404) with textile uppers \$ 2,701 million (220.1 million pairs) of which:
 - a. Sports footwear \$ 1,491 million (71.8 million pairs)
 - b. Footwear of rubber or plastic outers and textile uppers \$ 1,188 million (147.6 million pairs)
 - c. Footwear of leather/composition leather outers and textile uppers \$ 21 million (661,000 pairs).

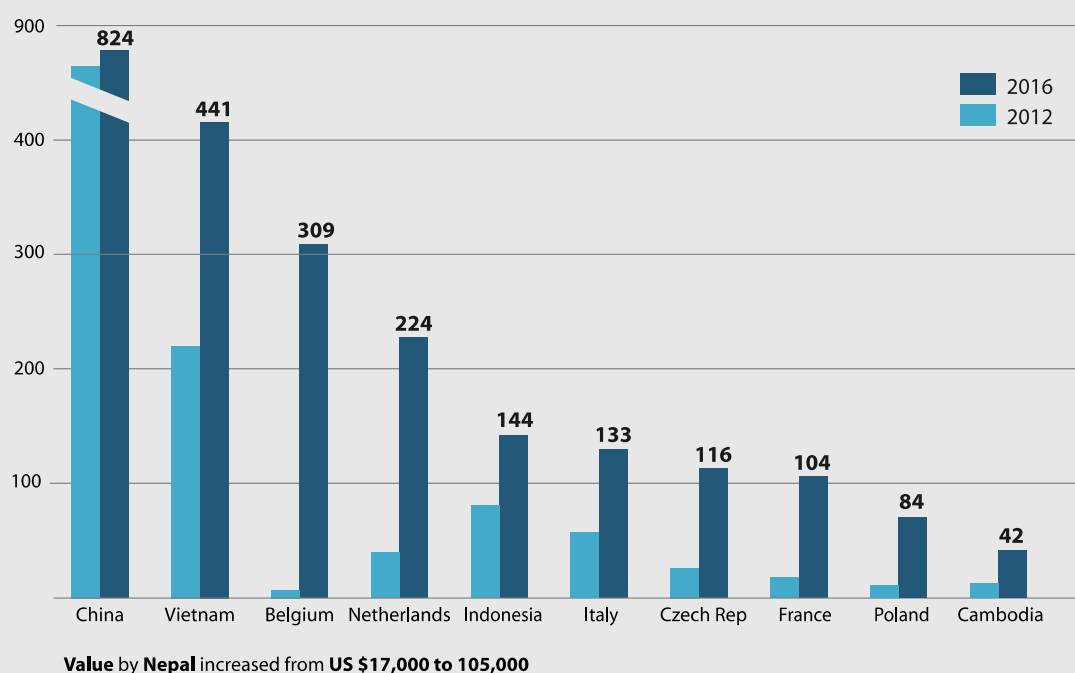
- Footwear (6402) with outer soles and uppers of rubber or plastics \$ 2,290 million (210.7 million pairs)
- Footwear (6403) with leather uppers \$ 4,252 million (161.3 million pairs)
- Waterproof (6401) footwear \$ 80 million (10.2 million pairs)
- Other (6405) footwear (e.g. of wood, cork etc) \$ 761 million (51.2 million pairs)
- Footwear parts \$ 435 million (19,000 tons).
- **Footwear (6403)** with leather uppers was the largest footwear group and represented 40% of the total value of German footwear imports, and 25% of volume imports.
- **Footwear (6404)** with textile uppers represented 26% of value shares but was the largest group by volume (34% share). Within this group, sports footwear experienced a 30% average annual rate of growth, the biggest of all growth rates of all footwear categories.
- Imports of footwear with textile uppers increased by an average annual rate (CAGR) of 17% from \$ 1,447 million in 2012 to \$ 2,701 million in 2016.
- By volume, there was a rising trend in German 6404 footwear imports, as shown in Annex 2 Table 5. Due to inconsistency in volume data (one year in tons, another year in pairs) from ITC, volume comparisons for Germany can only be made in tons between 2012 and 2014. During this period the volume rose substantially from 77,580 to 103,656 tons.
- **The leading suppliers** to the German market of

FIGURE 1: **Germany - Footwear imports by productgroup, 2016**
Volume in million pairs



Source: ITC Trademaps (2017)

FIGURE 2: **Germany - Imports of footwear textile (6404), 2012-2016**
Value increased by 17% from 1,446 to 2,701 million US \$



Source: ITC Trademaps(2017)

footwear with textile uppers were China, Vietnam and **Belgium**, representing almost 60% of value imports between them (\$ 1,576 million) and over 70% of volume imports (156.5 million pairs). Chinese imports slowed over the period, but imports from Vietnam and especially Belgium increased significantly. Other fast growing Asian importing countries were Indonesia (+71%) and Cambodia (+14%).

- Figure 2 highlights the changing pattern of the import trade. Four Asian countries featured in Germany's top 15 importing countries for footwear with textile uppers.
- **Supplies from other small Asian countries** increased overall from \$ 29 million in 2012 to \$ 41 million in 2016, the largest increases by Sri Lanka, Nepal and Bangladesh.
- **Nepal** supplied 12,347 pairs in 2016, valued at \$ 105,000, a significant increase from 2012 when the value was \$17,000. Thus the average price paid per pair in 2016 was \$ 8.50.
- **Nepal was ranked 50th in supplies of footwear (6404) with textile uppers** to Germany.

Competitors for Nepal

Most Asian countries supplied footwear 6404 to the German market. Apart from the biggest supplying countries (China, Vietnam and Indonesia), Sri Lanka, India, Bangladesh and Malaysia all increased their supplies significantly over the review period. Pakistan and Thailand had reducing values.

2.2.3 German price structure of footwear

FOOTWEAR PRICE DEVELOPMENTS AND RETAIL PRICES

Consumer prices of clothing and footwear have increased by 3.7% between 2011 and 2015, according to the German Consumer Price Index. Shoe prices increased by 0.6 percent in 2016 and thus mirrored the price increases seen in the overall consumer price index. This will vary between the different footwear sectors, with much downward price pressure in the value sector, but prices have remained firm or increased in the higher market segments.

Broadly speaking the cost price of footwear is broken down as follows: raw material (59.5%); labour costs (24%); packaging (8%); shipping (3.5%) and import and processing (15%).

Import prices

These vary considerably by supplying country, as this summary table indicates. Here the import price differences can be seen, with prices from Japan being the highest. Prices vary between Asian countries, but Pakistan and Sri Lanka have the lowest prices, followed by China, Bangladesh and Nepal.

Table 5 Germany – Import price per pair US\$ for footwear 6404, 2016 of leading and selected suppliers

	\$ '000 value	Pairs	Unit value per pair \$	Ave tariff applied %
World	2,701,136	220,107,679	12.27	-
China	824,823	117,242,884	7.04	16.9
Vietnam	441,338	29,282,039	15.07	11.9
Belgium	309,672	10,026,387	30.89	0
Netherlands	224,969	7,030,949	32.00	0
Indonesia	144,697	8,361,964	17.30	11.9
Italy	133,417	5,352,742	24.92	0
Czech Republic	116,938	6,128,105	19.08	0
France	104,362	3,613,661	28.88	0
Poland	84,834	5,138,087	16.51	0
United Kingdom	71,800	2,293,785	31.30	0
Cambodia	42,330	3,263,514	12.97	0
Denmark	28,523	1,286,453	22.17	0
Slovakia	28,371	1,003,966	28.26	0
Spain	26,372	1,933,397	13.64	0
Austria	21,399	953,648	22.44	0
India	15,056	883,140	17.05	11.9
Bangladesh	8,074	1,065,599	7.58	0
Thailand	6,835	639,614	10.69	16.9
Philippines	3,729	370,510	10.06	0
Myanmar	3,329	305,997	10.88	0
Hong Kong	1,376	55,111	24.97	16.9
Pakistan	1,041	271,992	3.83	0
Taipei	584	53,307	10.96	16.9
S Korea	346	31,420	11.01	0
Sri Lanka	277	57,718	4.80	11.9
Laos	196	7,795	25.14	0
Japan	178	4,870	36.55	16.9
Nepal	105	12,347	8.50	0
Malaysia	38	1,499	25.35	16.9

Source: Trademaps (2017)

Table 6 Germany – Retail price examples of selected footwear US\$

	Economical/ Discount	Medium/Fine	Luxury
Sports shoes	\$20	\$75	\$700
Men's casual	\$15	\$100	\$1,000
Women's sneakers	\$12	\$120	\$1,500
Women's formal	\$10	\$100	\$500
Men's formal	\$15	\$100	\$700
Children's	\$10	\$80	\$400
Indoor (slippers)	\$3	\$60	\$800

Retail prices

There are numerous different footwear products on the German market, ranging very widely in price depending on quality, material and source of purchase, amongst others. Table 6 summarises a range of prices for selected footwear styles, based on prices found on various German websites for footwear and fashion. They do not include discounted prices.

2.3 Access requirements for the German market

2.3.1 Legislative requirements

As a member of the EU, Germany conforms to EU legislation in respect of legal requirements for entering the footwear market. The main regulations for selling footwear in the EU follow:

- **General Product Safety Directive.** This ensures that products not covered by sector specific legislation have a high level of product safety
- **European Labelling Directives.** Footwear must be labelled with information relating to the material content of the upper, the lining and insole sock, and the outer sole of the footwear article. The information must be conveyed by means of approved pictograms or text as defined by the European Labelling Directive for Footwear - 94/11/EC. At present there is no EU legislation on country of origin labelling for footwear.
- **REACH.** These regulations refer to products which include chemicals. This will include the important adhesives used for glueing footwear together. In addition, if biocidal products are added to provide specific properties (e.g. avoidance of allergies), such products need to be labelled accordingly. In footwear, chemicals to be aware of include restrictions on the use of chromium and polycyclic aromatic hydrocarbons (PAH), dimethylfumarate, phenylmercury. Restrictions on the use of azo-dyes (colorants) include footwear.
- **Personal Protective Equipment.** For example, footwear providing protection against hazardous chemicals falls into the PPE Directive “complex design” category. The standard for safety and occupational footwear covers issues such as physical performance of the upper and outsole materials, and criteria for other protective features offered by the footwear, including protection of the toes against impact. Other issues include slip resistance for occupational footwear.

2.3.2 Voluntary requirements

- **German consumers expect high standards** in the production of footwear. Issues such as child labour in the industry, as well as low wages, unsafe working environments, and highly publicised embarrassing cases of leading manufacturers are caught being involved in unacceptable manufacturing practices, usually in Asia, has created a situation in Germany where voluntary requirements are as important, if not more so, as mandatory standards.
- **Social accountability standard SA8000** is expected by German footwear buyers. This standard focuses on the social performance of the company, in particular of manufacturers and suppliers. It includes principles on child labour, forced labour, health and safety, freedom of association, working hours amongst others.
- **Compared to other EU countries, German consumers tend to study carefully the detail on product labels.** Other voluntary requirements that can make a big difference in Germany include **fair trade** (organisations such as the Fair Labour Organisation, the Ethical Trading Initiative), and **environmental sustainability** (the Oeko-Tex label applies mainly to textile clothing but may extend to include textile footwear. The Eco Label, also known as the Eco Flower Label, has criteria that apply to footwear, specifically to labour conditions at final footwear assembly sites. It applies to all categories of footwear, including sports, occupational, children’s, men’s, women’s and specialist footwear for cold, casual use, fashion and indoors.
- **Codes of conduct.** Leading retailers e.g. H&M and manufacturers e.g. Adidas and Nike have their own codes of conduct. Other buyers in the trade are aware of these. The consequence is that standards expected of suppliers to the footwear trade are increasing all the time.

2.4 Distribution

2.4.1 Indirect and Direct Channels

For exporters looking to enter the German market, it is important to understand how the distribution system works, and to appreciate the different options before you commit to market entry. Finding a suitable partner is the easiest way to enter the market for the first time, particularly when dealing with small quantities and responding to demand, as well as gaining distribution. In addition no investment is involved, other than for promotional activities.

The German market is less concentrated than some. Wholesalers are reducing in significance but may still



offer good opportunities. Buying groups are important in Germany, but may not be suitable for a new exporter.

Retail trade

There has been a growing move away from store based footwear retailing towards the Internet. Many consumers still prefer to try on footwear, and get professional advice. However other negative aspects of shopping in-store, such as long waiting times to get advice or long queuing times to get served are driving more people to the online channel.

According to the BDSE, the Association of German Footwear Retailers, high street retailers account for roughly two thirds of all footwear sales, the remaining one third of the market includes department stores, mail order companies, sports retailers, supermarkets and online. Women's footwear sold at an average of US\$ 64.50, men's footwear at US\$ 75.30 and children's at US\$ 46.

Figures from the BDSE also indicate that in 2015 online footwear sales experienced growth of roughly 7%. Although this is still a very positive growth figure, it is quite moderate if compared with the two-digit rates from previous years.

A growing digitalisation of information and purchasing patterns among consumers are posing additional challenges to retailers. As the rate of change is enormous, small retailers in particular have to invest in considerable efforts to respond quickly to competitors and consumers.

Vertical integration in clothing chains, now happening in footwear as well, is another element to bear in mind.

According to Marketmedia24, a German research company that reports regularly on the footwear trade, **it is pessimistic about the future for footwear retailers.** It forecasts that their share of the market will fall from 52% in 2016 to 41% in 2025. Citing the fact that online business has grown 22% since 2012, compared to 4% for retailers, retailers will need to meet this challenge by embracing a **multi-channel approach** to their business, and being more **focussed on specific segments**, rather than offering a very wide selection.

Deichmann is the leading footwear retailer in the footwear specialist sector, which currently still dominates the German market. They have over 1,000 retail outlets and their own online shop. According to German Statistics, the number of enterprises involved in the retail sale of footwear and leather goods in 2014 was as follows:

Trends in retailing

- **Internal cost control.** Due to intense online competition and rapidly changing markets, internal cost control by means of benchmark values enables retailers to optimise their cost structures in each of the key business areas, including handling goods, personnel etc.
- **Increasing competitive pressure** on fashion and footwear retailers has meant that **supplier negotiation**

is another important area of business focus. While buyers have always expected high standards from their suppliers, this process is becoming more methodical, planned and strategic. Getting the best from a supplier partnership is in the interests of both parties.

- **The proliferation of smartphones** is changing the purchase process. Retailers can now get in touch with customers using a special offer on their phone to influence their in store purchasing. Because of this also, customers are receiving significant amounts of information about footwear products in advance of entering a retail outlet.

- **More investment in shop interiors and store design.** This is as a result of both greater competition between retailers, but also because of the threat from online trade. Retailers are investing more in items such as lighting, air conditioning, cooling and information technology, all designed make the shopping experience as positive as possible for consumers.
- **Combating fakes and counterfeits.** It is estimated that 5% of all goods imported into the European Union are fakes, with footwear being the most copied item. Germany is a significant destination for these products, and retailers are working closely to prevent these reaching the consumer.

Table 7 Retail distribution share (by value) in Germany in 2011 - 2016

Outlet type	2011	2014	2016
Store-Based Retailing	81.5%	78.2%	77.0%
Food Retailers	4.3%	4.3%	4.1%
Discounters	0.9%	0.9%	0.9%
Hypermarkets	2.0%	2.0%	2.0%
Supermarkets	1.4%	1.3%	1.3%
Non-Food Specialists	72.3%	69.4%	69.0%
Clothing & Footwear Specialists	54.3%	52.2%	51.8%
Leisure & Personal Goods Specialists (Sports Goods Retailers)	16.9%	16.1%	15.7%
Others	1.0%	1.1%	1.5%
Mixed Retailers	5.0%	4.5%	3.9%
Department Stores	4.3%	4.0%	3.4%
Variety Stores	0.6%	0.5%	0.4%
Non-Store Retailing	18.5%	21.8%	23.0%
Direct Selling	0.0%	0.0%	0.0%
Home Shopping	4.6%	2.3 %	1.5%
Internet Retailing	1.9%	19.4%	21.5%

Source: Euromonitor (2017)

Table 8 Enterprises and Employment, footwear and leather goods retailers, Germany 2014

	Enterprises	Persons employed
1-2 persons employed	1,263	1,971
3-5 persons employed	2,364	8,999
6-19 persons employed	2,108	17,296
20 or more persons employed	593	69,121
Total	6,328	97,387

Source: German Statistics



2.5 Opportunities and how to enter the German market

OPPORTUNITIES

The various options for market entry have been discussed in the previous section, but there are a number of opportunities to be aware of that are specific to the German market:

- Entering the German market can be challenging for suppliers without experience of it. It is advisable that new suppliers demonstrate their knowledge of both legislative and voluntary standards and take a **proactive approach**. This will entail that you should be fully familiar with and taking the various steps required to conform to the social and environmental standards.
- **Vegan footwear** will appeal to the eco and ethical nature of German consumers. For example, there is a new fibre made from the reject (recycled) leaves of pineapples. These leaves historically were just disposed of as it was thought they did not have a use. This particular example is called Pinatex, a totally new fabric that is strong, versatile, breathable, as well as soft, light and flexible. It can be stitched, cut and printed on. Resembling leather, this new material can be turned into shoes, wallets and bags. Are pineapples grown in Nepal? Are there equivalent products where this idea/principle can be applied? German consumers would be interested. Experiments are also done

with mango peels and pulp of rotten peaches and raspberries.

- **Fair Trade footwear** is a potentially big opportunity. As yet, the only certified fair trade footwear available is a company from Ethiopia that makes the soles of their footwear from old, unwanted truck tyres and tubes hand cut by artisans. Fair trade certification is a big advantage on the German market.
- **E-commerce and social media** are shaking up the market. Apart from shopping online, consumers use the Internet and social media to follow trends and develop their own styles and preferences. Companies that combine e-commerce and online activities with offline commerce will be the most successful. For example, in the specialty footwear segment, consumers want extra information and service in trying on new shoes.
- **Technology and new materials are creating new opportunities.** New manufacturing techniques involving robotics, or new and faster machines are pushing the market in new directions. Technology is progressing in several areas: fabrics technology (sustainability, durability, weather resistance), technology aimed at cost-price reduction, and technology based on alternative materials. For example, more and more synthetic materials are entering the footwear market. Many of these are just as attractive as, and almost impossible to distinguish from leather. New materials offer added benefits, such as increased comfort, breathability, improved performance or environmentally friendly.

HOW TO ENTER THE GERMAN MARKET

Identifying buyers and know more about your final consumers

Identify buyers. As a Nepalese exporter dealing in relatively small quantities with your own footwear range, make contact directly with importers, wholesalers or internet retailers. A key benefit of this approach is that an importer or wholesaler is well aware of the local trade, market and consumer preferences. They often have strong relationships with local retailers.

Alternatively you could produce to order for importers with customized footwear, either complete or as parts. If you agree a prototype, producing small quantities on a regular basis is a good option to start with. Better not to take a big risk initially, but to give yourself a chance to see how easy the logistics between the two countries are.

Based on the best opportunities for Nepali footwear, here are some possible product market combinations related to particular consumer segments with some points to consider to become successful when entering this market:

FOCUS	SPORTS FOOTWEAR SNEAKERS	MAINSTREAM FOOTWEAR	ECO FOOTWEAR
Market Segment	<ul style="list-style-type: none"> • Students • Children 	<ul style="list-style-type: none"> • Students • Young people • Immigrants 	<ul style="list-style-type: none"> • Young people • Concerned consumers • Health conscious consumers
Possible products	<ul style="list-style-type: none"> • Sport-themed sneakers based on particular sports e.g. climbing • Sneakers with prints inspired by images from Nepal for children. 	<ul style="list-style-type: none"> • Walking shoes • Comfortable sneakers (with grip) • Slip-ons and Clogs 	<ul style="list-style-type: none"> • Any footwear made of canvas, hemp, nettle or other eco material. • Felt (indoor) footwear.
Competition	<ul style="list-style-type: none"> • China, Vietnam, Indonesia India, Cambodia and other South-East Asian. • Adidas, Nike, Puma and other International Brands 	<ul style="list-style-type: none"> • China, Vietnam, Indonesia India, Cambodia and other South-East Asian. • Local, European and other manufacturers e.g. Brazil 	<ul style="list-style-type: none"> • Other developing countries. • Unique new products from local and other international sources
USP Positioning (why Nepal?)	<ul style="list-style-type: none"> • Fitness the Nepali way • High mountains/Cool/fresh • Outdoor, healthy • Animal prints (e.g. Red Panda) 	<ul style="list-style-type: none"> • Distinctive culture • Comfortable footwear from a nation of trekkers • Ethnicity and Hand-made • Multi-functional, practical 	<ul style="list-style-type: none"> • Himalayan heritage • Sustainability connections • Made by women in small communities
Price level	<ul style="list-style-type: none"> • Low-Medium price level; 	<ul style="list-style-type: none"> • Medium price level; value 	<ul style="list-style-type: none"> • Medium/high price
Distribution Channels	<ul style="list-style-type: none"> • Agents • Importer • Wholesaler • Online retailer/seller 	<ul style="list-style-type: none"> • Agents • Importer • Wholesaler • Online retailer/seller 	<ul style="list-style-type: none"> • Importer, Wholesaler • Department stores • Online retailer/seller • Local markets • Eco niche segments
Challenges	<ul style="list-style-type: none"> • Highly competitive segment • Designs need to be updated frequently and need to demonstrate awareness of international fashion trends • Speedy response times for new products 	<ul style="list-style-type: none"> • Proper focus required for what is a broad segment • Design important, excellent finishing and good quality is expected • Need to incorporate technological advances in footwear e.g. breathability 	<ul style="list-style-type: none"> • German consumers check product claims • Good quality control needed • New eco footwear appearing from unexpected sources

It is important to note that although the value for money/medium value price position is the most realistic, **bear in mind the potentially great opportunity to be derived from the uniqueness of the “Made in Nepal” label that could justify a higher market position.** There are many German consumers from the **baby boom age group** who have visited Nepal in the 1970s and 80s who retain very positive associations with the country and will be predisposed to Nepali-made footwear.

When selling your own collection try to find buyers who are likely to sell to this consumer segment. Consumers can also be attracted to a typical Nepalese design/style or the use of (natural) material. **Younger people** are also likely to be open to new products from Nepal. If you know about their lifestyle, buying behaviour & criteria, this can form the basis of a discussion with a suitable buyer. Footwear from Nepal is unknown and as an exporter, you can provide the heritage of the natural materials used or the success stories elsewhere.

The biggest challenge for a country such as Nepal is to create a low-waste, transparent, certified supply chain. Achieving this will create a very strong selling point. As well as a transparent, safe factory that is free of child

labour, an effective waste management system and low environmental impact is required. The push for greater professionalism means buyers are placing higher demands on suppliers. As an exporter, Nepal needs to distinguish itself by offering maximum transparency and traceability, above-average design and collection development skills, shorter delivery times and a rapid response to fashion trends.

A marketing approach is based on a win-win situation aiming to establish a long-term relationship. Smaller wholesalers and footwear shops now need to be more pro-active in their own marketing strategy not to further lose their clients to the big international brands and retail chains. They are also looking to find niches of their own to maintain their own competitive advantage.

2.6 Potential trade partners and useful addresses

Finding a trade partner in Germany

The first place to look would be to contact the main trade association(s), followed by trade fairs, which tend to feature a list of exhibitors, many of which may be potential

Footwear Manufacturers		
Salamander	http://www.salamander.de	Salamander also operate their own online store
Reno	http://www.reno.de	Reno also have their own retail chain
Importers		
GEB Essen	http://www.geb-essen.de	This is a buying group for its retail members
Garant Schuh + Mode	http://www.garant-deutschland.de	The biggest footwear buying group
Sabu	http://www.sabu.de	This group buys on behalf of 900 footwear retailers, and is part of the Garant Schuh group
Bartu	http://www.bartu.com	
Aktiv Schuh	http://www.aktiv-schuh.de	Originating from the famous Lehmann footwear family business 100 years ago
Tretter	http://www.tretter.com	-
Mayers	-	-
Retailers and online sellers		
Zalando	http://www.zalando.de	-
Otto	http://www.otto.de	-
Deichmann	http://www.deichmann.com	-
Mirapodo	http://www.mirapodo.de	-
Görtz	http://www.goertz.de	-
Schuh Welt	http://www.schuh-welt.de	-
Schuh Paradies	http://www.schuhparadies.net	-

partners. The following companies and organisations may be worth looking at:

Trade shows

GDS Dusseldorf, in February and July - <http://www.gds-online.com> - moving to become Gallery Shoes Exhibition from August 2017 - <http://www.igedo.com>

Premium Berlin, each January and July - <http://www2.premiumexhibitions.com>

Panorama Berlin, at the same time - <http://www.panorama-berlin.com>

Tag It - concurrent with the GDS Show - has a clear focus on private labels in the shoe trade - <http://www.tag-it-show.com>

Trade press

Schuhkurier - <http://www.schuhkurier.de>

Schuhmarkt - <http://www.schuhmarkt-news.de>

Shoez - <http://www.schoez.biz>

The Shoe Institute has information on fashion trends for footwear - <http://www.schuhinstitut.de>

Trade Associations

Association of German Footwear & Leather Goods Industry - <http://www.hdsl.eu>

Association of German Footwear Retail Trade - <http://www.bdse.org>

Association of the German Leather Industry - <http://vdl-web.de>

Association of Leather Goods Retailers - <http://www.lederwareneinzelhandel.de>

German Fashion - <http://www.germanfashion.net>

Fair Trade

Fairtrade Germany - <https://www.fairtrade-deutschland.de/>

Gepa - <http://www.gepa.de/en/welcome.html/>

World Fair Trade Organisation - <http://www.wfto.com/about-us>

Other sources/contacts

EXPORT HELPDESK

The European Helpdesk is a helpful interactive tool when you are exporting to the EU. Their extensive database offers information free of charge on all regulations and requirements on various footwear to be exported to the EU. The Export Helpdesk offers information on:

- **Import-related conditions** (e.g. sanitary regulations, environmental requirements, technical standards, marketing regulations, specific import restrictions).
- **Special provisions** (e.g. agreement on preferential treatment of imports, rules of origin)
- **Standard tariff provisions** (e.g. customs tariffs, customs exemptions, import quotas). Note that most footwear is free from import duty as most products from Nepal fall under the GSP (General System of Preferences).
- **EU foreign trade statistics** (by country, product, transport direction, volume and value). Statistics for footwear can be retrieved from the database with most HS codes up to 6 digits and of some up to 8 digits.

All information can be found on the basis of individual specifications. Export Helpdesk makes it easy to find out what absolutely must be observed when exporting a specific product in a particular EU country: simply enter the country of origin, the country of destination and the customs number (via the drop-down menu) of the product to be exported.

See also at <http://trade.ec.europa.eu/doclib/press/index.cfm?id=901>



FOOTWEAR IN THE UNITED ARAB EMIRATES (UAE)



CHAPTER 3

Brief overview



Population

Population: 9.4 million; 1.5% growth rate (2017)

- Emirati 12%, Other Arab & Iranian 17%,
- Asian 62%, other expatriates 8%
- 0-14 years: 20.9%
- 15-24 years: 13.5%
- 25-54 years: 61.3%
- 55-64 years: 3.2%
- 65 years and over: 1.0%



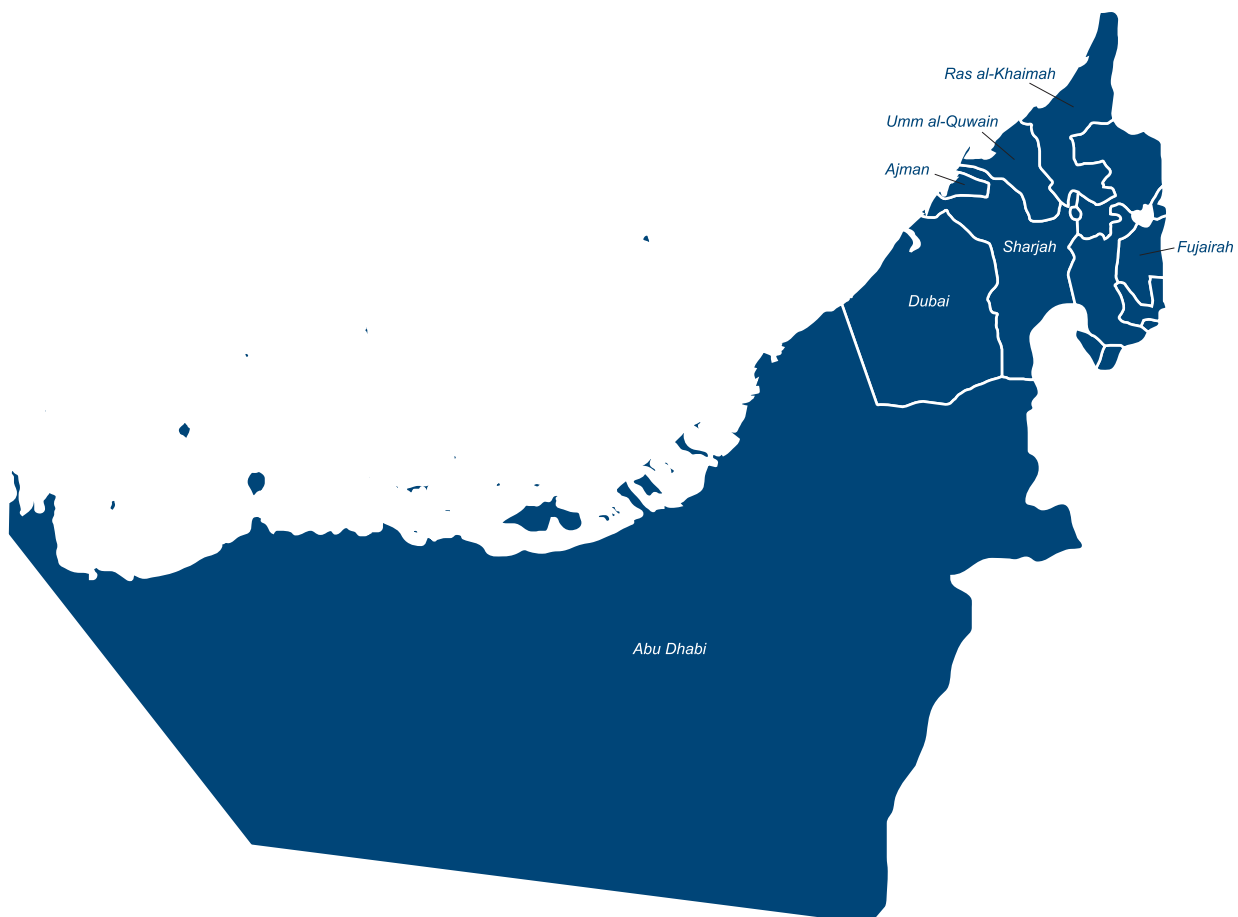
Economy

GDP: US\$ 75,843 per capita (2016)
Unemployment rate: 4.2% (2012)



Social

Women in labour force: 13.1% (2014)
Marriage rate: 2.4 per 1,000 (2012)
Over 90% of population live in urban areas



Source: The world Factbook (2017)



3.1 Current size of the UAE market

The UAE has become the gateway country for the footwear and broader fashion market to access the wider Gulf region and Middle East. Companies come to Dubai in particular and use this as a base from where further expansion is often planned. The UAE is located within an eight hour flight of two thirds of the world's population and is home to people from over 200 nationalities.

Levels of disposable income grew strongly between 2010 and 2015, driving consumer spending to new levels, with many consumers feeling optimistic about their financial situation. Recent falls in oil and gas prices has dampened this somewhat, but this is seen as a relatively short term issue.

In 2016, Dubai's apparel and footwear market was valued at \$11.5 billion, accounting for the largest share of the Emirate's retail sector, according to Dubai Chamber of Commerce and Industry. Apparel accounted for 73% market share, followed by footwear at 18% and sportswear at 9%.

3.1.1 Footwear retail sales and segments

TOTAL FOOTWEAR SALES IN UAE

- **In 2016, the total footwear retail sales** in the UAE was estimated to be worth \$3,156 million, equivalent to 50 million pairs. The World Footwear Association ranked the UAE eleventh in the world in terms of consumption volume (estimated at 372 million pairs). This represented about 1.8% of global consumption, similar in volume to the Russian Federation and Pakistan. Note however that Euromonitor volume estimates are lower and are potentially more realistic in relation to the size of the population.
- **The footwear market in the UAE is dominated by brands.** As there is no longer any significant local production, the market is dominated by large international brands. Many of the leading brands such as Adidas and Nike have their own local subsidiary. They have large advertising budgets and these brands both influence and dominate the footwear market at the top end.

Table 1 UAE – Retail sales of footwear, 2011-2016, value in US\$ million / volume in million units

	VALUE					VOLUME				
	2011	2013	2015	2016	2011/16*	2011	2013	2015	2016	2011/16*
TOTAL	2,635	2,814	3,062	3,156	+3.7%	36	44	48	50	+3.9%
Women's footwear	984	1,034	1,131	1,163	+3.4%	20	21	23	24	+4.4%
Men's footwear	1,159	1,252	1,347	1,387	+3.7%	8	9	9	9	+2.3%
Children's footwear	492	528	583	606	+4.3%	14	15	16	17	+4.0%

* Compound Annual Growth Rate Based on exchange rate 1 UAE Diram/\$0.27

Source: Euromonitor (2017), Trade estimates

- **Footwear market growth** stood at 3% in 2016. This was slightly lower than volume growth at 4%, reflecting the fact that consumers have been taking advantage of special offers and seasonal discounts.
- The two principle drivers of footwear sales have been **children's footwear** and **sports footwear**. The young population is growing, but children are becoming more fashion conscious and are highly influential when their parents buy them footwear.
- **Per capita consumption** of footwear in the UAE is \$335 per annum, amongst the highest anywhere in the world. The population is growing and sales values are holding up. Downward pressure on prices has meant that some consumers can afford to purchase more pairs.
- **Textile footwear (6404)** represents up to 25% of the market by volume, based on imports. This large group will include many styles of sports footwear and

types of everyday footwear, particularly for women and children. Leather footwear is the largest group, accounting for 30% of the market.

MAIN MARKET SEGMENTS

Segmentation by user

Unlike many advanced markets, the **population structure** is biased towards younger ages. Although life expectancy is increasing, the over 60s still represent a small share of the population. This is reflected in the footwear styles available. 23% of the population are aged under 15. An important fact in understanding the market is the high number of males in the population (2.2 males for every female in the 20-35 age group and 70% of the total population), which accounts for higher sales of men's footwear as a proportion of the total market, compared to many other footwear markets where women's footwear is the largest segment.





The other key characteristic of the UAE, which has a significant bearing on the footwear styles available, is the **diverse ethnic mix** of the country. Less than 20% of the country's population is indigenous to the Emirates. **There are significant numbers of South Asians (Indian, Pakistani), including Nepalis.**

Other expatriates account for a large value share of the market. Added to this are the significant and increasing numbers of international tourists to the country, many of whom come with shopping in mind. Among the ethnic segments, the domestic Arab population has the highest propensity to purchase footwear, estimated to be about six pairs per year, according to the Emirates Industrial Bank.

Segmentation by price/quality

The lower segment (footwear priced below \$25 per pair):

The lower end of the market, constituting casual footwear made of plastic or rubber, is predominantly supplied by Chinese manufacturers who dominate the market. China is followed, albeit at a long distance, by Vietnam, Indonesia and India.

The medium segment (footwear priced between \$25-\$70 per pair) is also primarily supplied from China, India and other Asian countries. There is likely to be some leather component to these shoes.

The upper segment (footwear priced between \$70-\$180 per pair) constituting footwear of at least some leather component (usually the uppers), has a considerably different supply structure. European manufacturers lead

the market. China, though not as dominant as in the lower segment, nevertheless has a significant market share.

The luxury segment (footwear priced over \$180) is almost exclusively supplied from Italy and Spain. According to Euromonitor, the luxury segment has been growing most strongly, particularly the children's luxury footwear segment.

Sports and trendy footwear: A major component of the footwear market is for sports/leisure shoes which have textile uppers. However, sports shoes frequently overlap with casual/leisure shoes and these shoes are not necessarily worn exclusively for sports participation.

RELEVANT TRENDS IN THE UAE MARKET

Main market trends

- **Healthy living.** In the UAE, the drive to a healthier lifestyle has been expressed in more cycling as the way to get and keep fit. It is also seen as an environmentally conscious lifestyle choice. Much of the high demand for outdoor clothing and footwear has been driven by increasing awareness of health and wellness, particularly young people.
- **Online fashion.** Interest in fashion is expressed online and via social media. Consumers have become very knowledgeable about the latest trends and styles, and know what they are looking for. This trend was more prevalent in 2016, due to high exposure through social

media and online fashion blogs, as well as fashion magazines and TV shows.

- **Footwear continues to be an important reflection of personal identity and style**, especially among local women and men, who wear the traditional standard abaya and kandora. Many men now purchase the kandora online together with the various accessories, including sandals.
- **Dubai is a regional fashion hotspot** with its large luxury shopping malls. Consequently consumers are aware of the latest designer footwear styles and trends from elsewhere around the world. Another consideration is the increasing number of international air passengers who choose to break their journey in one of the E mirates, further enhancing the exchange and awareness of other fashion and footwear styles.
- **Sandals** dominate the market in terms of type of product most frequently purchased. New design trends in both materials and patterns mean that innovations in sandals continue to drive the market forward. Arabic sandals, the most preferred footwear of Arab nationals are open, styled like this **because of the hot and humid weather**. Tradition does not allow for people to walk with shoes or sandals on carpets and rugs. Sandals are popular because they are easy to wear and to take off. They can also be worn at any occasion, both formal and informal.

3.1.2 Future retail sales

EXPECTED FOOTWEAR SALES IN UAE

- **Better value for money.** The composition of the population, primarily younger (median age of 33)

and more men will in a large part determine the future direction of the market. More consumers are expressing a desire to get better value from their purchases and are looking for bargains. This is more likely to mean that there will be some reduction in the very top of the market towards mid-market prices, rather than an increase in purchases at the bottom of the market.

- **Nepalis account for over 5% of the population representing 470,000 people.** Although a large proportion of these people are men on short-term work contracts, a growing number are making their home in the UAE. It is reasonable to conclude that these people would still be interested in buying footwear that they are familiar with.
- **The market is forecast to continue growing, albeit at a slower pace than recently.** The total footwear market in the UAE is expected to grow by an average rate (CAGR) of +2.3% per year, reaching a value of \$ 3,532 million in 2021 – see Table 2. It is forecast sales of children's footwear that is driving the market, particularly in volume purchases.

3.2 Market structure

3.2.1 The footwear value chain

Manufacturing

Demand. Since there is a large demand for footwear products unique to the region, namely Gulf Arab sandals for gents and ladies, some of these products are being manufactured and sourced locally within the Gulf region. Although it is not a natural habitat for the footwear

Table 2 UAE – Retail sales forecast of footwear, 2016-2021, value in US\$ million / volume in million units

	VALUE					VOLUME				
	2016	2018	2020	2021	2016/21*	2016	2018	2020	2021	2016/21*
TOTAL	3,156	3,287	3,469	3,532	+2.3%	50	53	58	61	+4.0%
Women's footwear	1,163	1,199	1,260	1,282	+2.0%	24	26	27	28	+2.7%
Men's footwear	1,387	1,441	1,498	1,513	+1.8%	9	9	10	10	+1.7%
Children's footwear	606	648	711	736	+4.0%	17	18	21	23	+6.9%

* Compound Annual Growth Rate

Source: Euromonitor (2017), Trade Estimates

industry because of the unavailability of the required raw materials, nevertheless a footwear manufacturing industry has developed in the region based on a local niche demand for styles and makes specific to the region.

Capacity. Saudi Arabia is the leading producer of Gulf Arab footwear. The UAE has a small footwear manufacturing base. Although no official figures are available, it is understood that 75-95% of local production is of low or medium quality and destined for export. The majority of lower priced sandals supplied to the local market are produced in China and other parts of Asia, while higher priced leather sandals are imported from Europe, as well as parts of Asia.

Trends in Production

The international brand ASICS, originally from Japan, has recently opened a subsidiary in Dubai to handle all of its sales and marketing in the Gulf region. Previously they had a distribution arrangement with Falaknaz. This reflects the main trend in the industry where leading international branded manufacturers **set up a base in the country** or region to best control their own interests.

Counterfeiting is an issue especially for brands at the luxury end of the market. Dubai's Department of Economic Development is working with some top brands to raise public awareness of counterfeit goods, combat fraud and protect the interests of trademark owners.

Main players in UAE

- **Gulf Footwear.** One of the remaining local footwear producers is Gulf Footwear, based in Ajman. They

employ 1,500 people and have 3 manufacturing points in the area, manufacturing fashionable Arabic style footwear for men and other styles of sandals for men, women and children. They export to Africa, the Middle East and Europe. Other players such as the Dubai Footwear Company have reduced their market presence.

- **Al Mandoos,** established since 1986 is a respected manufacturer of leather footwear with retail outlets around the Emirates and wider Gulf region. They source some of their leather from Italy. Hand stitching, attention to detail and skilled craftsmanship reflect their high standards.

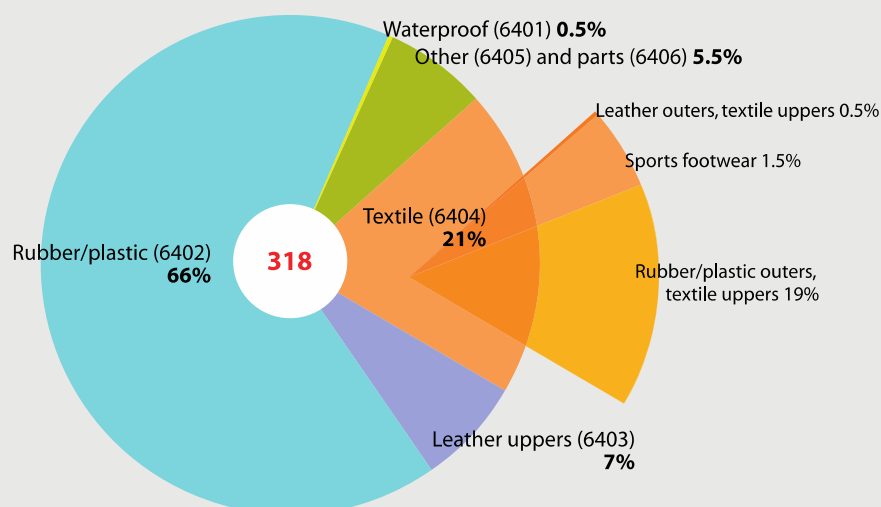
3.2.2 UAE imports of footwear

The United Arab Emirates was the fifteenth largest importer of footwear in value terms. Note figures are based on ITC mirror data and estimates have been made of imports from some countries. In 2016, the UAE imported footwear valued at \$ 1,725 million (318.2 million pairs). This represented 1.8% of world imports by value.

UAE footwear imports were sub-divided as follows:

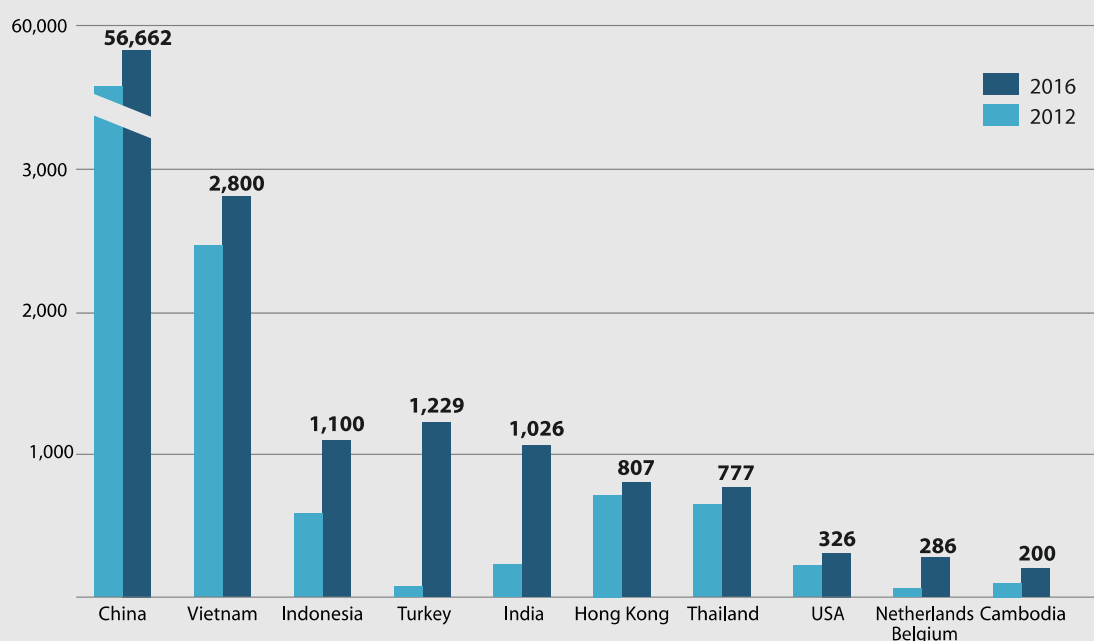
- **Footwear (6404) with textile uppers \$ 388 million (66.6 million pairs)** of which:
 - a. Sports footwear \$ 45 million (4.5 million pairs)
 - b. Footwear of rubber or plastic outers and textile uppers \$ 326 million (61.5 million pairs)
 - c. Footwear of leather/composition leather outers and textile uppers \$ 17 million (551,000 pairs).

FIGURE 1: **UAE - Footwear imports by productgroup, 2016**
Volume in million pairs



Source: ITC Trademaps (2017)

FIGURE 2: UAE - Imports of footwear textile (6404), 2012-2016
Volume increased by 27% from 33,803 to 66,551 thousand pairs



Source: ITC Trademaps(2017)

- **Footwear (6402) with outer soles and uppers of rubber or plastics** \$ 768 million (211 million pairs)
- **Footwear (6403) with leather uppers** \$ 499 million (23.4 million pairs)
- **Waterproof (6401) footwear** \$ 6.4 million (2.6 million pairs)
- **Other (6405) footwear (e.g. of wood, cork etc)** \$ 48 million (14.6 million pairs)
- **Footwear parts** \$ 16 million (1,700 tons).
- **Footwear (6402) with outer soles and uppers of rubber or plastics** was the largest footwear group and represented 45% of total value of UAE footwear imports, and 65% of volume imports.
- Imports of **footwear (6404) with textile uppers** increased by an average annual rate (CAGR) of 27% from \$ 151 million in 2012 to \$ 388 million in 2016. By volume there was a significantly increasing trend in UAE 6404 footwear imports. Although mirror data is used, volume imports doubled between 2012 and 2016.
- **The leading suppliers** to the UAE market of footwear with textile uppers were **China, Vietnam** and **Indonesia**, representing over 80% of value imports between them (\$ 303 million) and 91% of volume imports (60.6 million pairs). Imports from all leading suppliers continued to increase strongly over the

period. Other fast growing Asian importing countries were India (+45%) and Cambodia (+36%).

- Figure 2 highlights the changing pattern of the import trade. Seven Asian countries featured in the UAE's top 15 importing countries for footwear with textile uppers.
- **Supplies from other small Asian countries** decreased overall from \$ 3.6 million in 2012 to \$ 3.3 million in 2016, the largest decreases by Singapore and the Philippines.
- **Nepal** registered no exports to the UAE over this period, according to mirror data, but in direct data figures, Nepal exported 6404 footwear to the value of \$16,000 in 2013 and \$1,000 in 2015.

Competitors for Nepal

Sri Lanka, as well as India and China, was an important supplier of footwear parts to the UAE. Thailand and Vietnam (as well as China and India) led the way with supplying waterproof footwear (6401) and footwear with outers and uppers of rubber or plastic (6402). Pakistan and Bangladesh were also represented in this group. Although not listed in the mirror data table, Bangladesh supplied the UAE with 51 tons of 6404 footwear in 2015. Myanmar has also started supplying 6404 footwear in 2015. Macao also exports 6404 to the UAE.

3.2.3 UAE price structure of footwear

FOOTWEAR PRICE DEVELOPMENTS and RETAIL PRICES

The price of footwear will depend on where it is sold, whether it has been imported or made locally, from which country it has been imported, and the number of channels in the distribution process. Apart from the supply chain, the other key determinant of price is the quality and style of the footwear item itself. Many international brands have located themselves in the UAE and are more able to control the final selling price, as they have their own retail outlets. However for a large number of types of imported

footwear, they will find their way through to consumers via wholesalers, many of whom are based in local markets, and many of whom also act as retailers.

Import prices

These vary considerably by supplying country, as this summary table indicates. Here the import price differences can be seen, with prices from Italy being the highest. Prices vary between Asian countries, but they are lower than European prices. Note these calculations are based on mirror data, and figures for some countries are estimated (Vietnam, Indonesia, Cambodia, Pakistan, Singapore, and Sri Lanka).

Table 3 UAE – Import price per pair US\$ for footwear 6404, 2016 of leading and selected suppliers

	\$ '000 value	Pairs	Unit value per pair \$	Ave tariff applied %
World	387,775	66,551,288	5.83	-
China	243,383	56,662,536	4.30	5
Viet Nam	45,000	2,800,000	16.07	5
Indonesia	15,000	1,100,000	13.64	5
Hong Kong	14,396	807,098	17.84	5
Italy	13,202	99,415	132.80	5
India	7,810	1,026,581	7.61	5
France	6,979	90,728	76.92	5
USA	5,795	326,711	17.74	5
Netherlands	4,638	135,396	34.26	5
Belgium	4,635	151,629	30.57	5
Thailand	4,352	777,427	5.60	5
Cambodia	4,250	200,000	21.25	5
United Kingdom	3,048	183,116	16.65	5
Turkey	2,401	1,229,112	1.95	5
Spain	2,340	106,561	21.96	5
Pakistan	1,200	120,000	10.00	5
Singapore	1,000	120,000	12.00	0
Taipei	466	83,319	5.59	5
Malaysia	326	26,976	12.08	0
Sri Lanka	200	30,000	6.67	5
S Korea	49	5,830	8.40	5
Philippines	14	584	23.97	5
Japan	3	190	15.79	5

Source: ITC Trademaps (2017)

Retail prices

The following Table 4 summarises a range of prices for selected footwear styles, based on prices found on various UAE websites for footwear and fashion. They do not

include discounted prices, so lower prices can also be found.

Table 4 UAE – Retail price examples of selected footwear in US\$

	Economical/Discount	Medium/Fine	Luxury
Sports shoes	\$40	\$100	\$700
Men's lifestyle	\$25	\$100	\$650
Women's lifestyle	\$20	\$100	\$550
Rubber/plastic shoes	\$10	\$175	\$300
Men's sandals	\$12	\$50	\$280
Women's casual and smart shoes	\$35	\$80	\$375
Women's sandals	\$10	\$40	\$350
Indoor slippers	\$25	\$60	\$250

3.3 Access requirements for the UAE market

3.3.1 Legislative requirements

The UAE is a member of the Gulf Cooperation Council, which consists of Kuwait, Qatar, Bahrain, the UAE, Oman and Saudi Arabia, and provides special trade and investment privileges to those member states. As a member, the UAE implemented a customs law in 2003 to facilitate regional trade. **Consequently, the UAE imposes a 5% tariff** on the CIF (cost, insurance, freight) value of most imported products, including footwear.

Standards exist for safety footwear provided with toe-caps. Other than all rubber and all plastic moulded types, it relates to safety boots and shoes for general use.

In addition, there are relevant ISO standards from 2007 in relation to performance requirements for footwear components, including Accessories (ISO/TR 20572); Uppers (ISO/TR 20879); Outsoles (ISO/TR 20880); Insoles (ISO/TR 20881); Lining and Socks (ISO/TR 20882); Shanks (ISO/TR 20883); Stiffeners and Toepuffs (ISO/TR 22648).

The Emirates Authority for Standardization & Metrology - <http://esma.gov.ae> - ESMA is an independent organization under the umbrella of the Federal Ministry of Finance and Industry. ESMA runs a conformity assessment programme called the Emirates Conformity Assessment Scheme (ECAS). This programme determines whether imports meet national or international standards for products.

ESMA is also developing packaging and labelling product standards. Currently it is mandatory that textile labels include the country of origin and the size. Inclusion of composition and/or care options is optional. Labels must be in Arabic only or Arabic/English.

Government entities prefer to deal with firms registered in the UAE, and will favour local products over imports. Invitations to participate in government procurement tenders are usually sent only to pre-qualified companies, and some are advertised in newspapers. The UAE partner of the company is usually responsible for registering the product with the UAE government. The following documents are usually required for the pre-qualification:

- Ministry of Economy Certificate
- Reference List
- Last 3 years audited bank statement
- ISO, or other relevant, certifications
- Quality and HSE manuals

For certain footwear products, additional documentation is required:

- **Footwear 6403 and 6405** a registration certificate for CITES (treaty to protect wildlife and endangered species) should be shown.
- **Footwear 6406** (parts) a permit to import endangered species and products thereof is required.

There are no additional requirements for footwear products in group 6404.

3.3.2 Voluntary requirements

The Emirates Quality Mark (EQM) is a voluntary mark of conformity operated by ESMA and granted to the products that can demonstrate compliance with the relevant UAE National Standards, Regional and/or International Standards and are manufactured by an organization implementing an effective Quality Management System to ensure continuous compliance. The process of achieving the license to use the Emirates Quality Mark involves a comprehensive evaluation of the product as well as the quality system used by the manufacturer through testing and inspection.



3.4 Distribution

3.4.1 Indirect and Direct Channels

Around 95% of retail outlets for international footwear brands are found in shopping centres. The trade that exists on the streets, usually in old neighbourhoods or in the souks, tends to sell products of lower quality, originating from Asian countries.

In order to export footwear to the UAE, you **need a trade licence** which is only available to locals. Consequently there are three options for market entry:

- **Establish yourself in the UAE.** You need to find a local partner who will contribute 51% of the share capital. Although this gives control over distribution, there are high set up costs, which makes this option quite prohibitive in the footwear sector. The relatively small size of the market does not favour a large number of distributors and agents
- **Make a franchising or distribution contract** with a local business. This is most suited to well-known international footwear brands. There are many franchising groups in the UAE, each of which are positioned in different parts of the market. For

example, in the **high or luxury end** Chaloub, Al Tayer and UAE Trading dominate. In the **mid-market** consider Al Shaya, Apparel, Azadea, Dubai Holdings, Jashanmal. For the **mid to low segment** look at Landmark and Mostafawi Groups.

- **Direct sale to a local retail company**, who will be responsible for importing and sale to the final customer. This could be via a multi-brand store, large retailer or online.

This is the key decision for entering the market, and strategically the most important decision to make. Distribution channels are quite short. The importer, distributor and often the retailer are found in the same company.

Retail trade

There are over 70 shopping centres in the UAE. Foreign tourists focus their visits on shopping due to the absence of consumption taxes and special promotions such as the Dubai Shopping Festival. The local population, expatriates and tourists conform to the profile of sophisticated consumers whose buying decisions are based on brand name, design, quality, country of origin and price. For the 75-80% of the population who are foreign workers on low or medium incomes, price is the determining factor when purchasing footwear. Many retailers have positioned themselves to appeal to this segment of the population by providing accessible footwear and fashion.

Well over **90% of footwear sales are channelled through specialist clothing and footwear retailers or sports retailers**. Despite the number of leading hypermarkets and department stores in the large shopping centres of the UAE, these channels are not important for footwear sales, accounting for perhaps 3% of the market between them, as the following table indicates.

The Apparel Group is the leading footwear retailer in the UAE (25% market share). They are a large fashion conglomerate with a portfolio of footwear retail brands such as Aldo, Dune, Call It Spring, Shoe Gallery and Shoe Studio. The number two retailer is the **Landmark Group** (18% share), mainly through its ownership of the Shoe Mart and Shoexpress brands.

The Al Shaya Group (3% share) handles Foot Locker, Milano and Payless. The remaining half of the market constitutes smaller retail outlets, many of which are single stores.

The leading retailers for women's footwear are Charles & Keith, Shoe Mart, Nine West and Aldo. These four retailers account for 35% of women's footwear sales. **For men's footwear** Shoe Mart, Aldo, Milano and Dune between



them accounted for 26% of men's footwear sales in the UAE in 2016. **The children's market** is more concentrated with over 50% of sales concentrated with two retailers Shoe Mart (27 outlets in the UAE) and Pablosky.

Sports retailers account for up to 20% of the market share. Leading international brands Adidas, Nike and Puma account for half of that with their own outlets. In addition, these brands are usually sold in other sports retail outlets.

The **online sales channel** is small, especially in comparison with the growing share this represents in many other countries. This is partly due to the fact that shopping in shopping centres or markets is ingrained in behaviour. It is also partly due to the fact that consumers lack confidence in buying online. Some online retailers that exclusively use this channel such as MarkaVIP, Namshi and Souq have found success by offering secure payment methods, or other features such as free delivery or sale or return.

E commerce is expected to increase gradually, but traditional retail groups do not consider this to be a threat at the moment. Many retailers, including the Landmark retailing group offer multi-channel retailing options, which includes the online facility.

Trends in retailing

- **Technological developments.** As the online channel is relatively underdeveloped, future market developments will be seen in this area. This will include initiatives to further enhance both the shopping experience and the ease of purchasing.
- **Big is best.** The 96,000 sq ft Level Shoe District inside the Dubai Shopping Mall is an entire district dedicated to luxury shoes, conceived as the ultimate one-shop experience featuring 40 separate boutiques and four multi-brand pavilions - women's designer, contemporary, trend and men's. This is the largest retail space dedicated to shoes anywhere in the world, and perhaps something that may be replicated in other places.

3.5 Opportunities and how to enter the UAE market

OPPORTUNITIES

The various options for market entry have been discussed in the previous section, but there are a number of opportunities to be aware of that are specific to the UAE market:

Table 5 Retail distribution share (by value) in the UAE in 2011 - 2016

Outlet type	2011	2014	2016
Store-Based Retailing	99.9%	98.8%	98.6%
Food Retailers	2.6%	3.2%	2.1%
Hypermarkets	2.6%	3.2%	2.1%
Non-Food Specialists	95.3%	94.1%	95.0%
Clothing & Footwear Specialists	74.0%	72.1%	73.1%
Leisure & Personal Goods Specialists	21.2%	22.0%	21.9%
Sports Goods Stores	19.5%	20.2%	20.0%
Other Leisure & Personal Goods Specialists	1.7%	1.9%	1.9%
Other Non-Grocery Clothing & Footwear Specialists	1.4%	1.4%	1.4%
Department Stores	1.4%	1.4%	1.4%
Non-store Retailing	0.8%	1.3%	1.4%
Direct Selling	0.0%	0.0%	0.0%
Internet Retailing	0.8%	1.3 %	1.4%

Source: Euromonitor (2017)

- **Women in the market place.** Women are expected to increase their spending power over the coming years, as more women in this society go out to work. Historically, the market has focused on footwear for men, but this emphasis is changing.
- **25 million tourists are expected to visit Dubai for the 2020 World Expo** - <http://www.expo2020dubai.ae/> - this will be the first to be anywhere in the Middle East/North Africa/South Asia region. It will be a major opportunity to showcase new products to both the local population and the many visitors coming specifically for the expo.
- **The 2022 World Cup** tournament is scheduled to take place in Qatar. This will attract many visitors and much global interest in the wider Gulf region, not just Qatar. Shopping in Abu Dhabi and Dubai will benefit.
- **Customised shoes**, involving the personalisation of shoes online. Customers are given a number of options for elements such as toe design, colours, stitching and size, effectively being able to design your own shoe. This trend is showing up in the Gulf region and elsewhere. It is a possibility worth considering for any new market entrant.
- **The 470,000 Nepalis living in the UAE** must offer a major opportunity. Although many are based there on short term contracts, the network of various groups already established in the country should be an important first port of call for any Nepali exporter.

- **Tourist visitors more generally.** The high per capita footwear expenditure in the UAE is largely as a consequence of luxury shopping expenditure by tourists. Tourists may be interested in seeing footwear with a distinctive Himalayan flavour in its design, as they are always looking for more interesting design styles, as well as international brand names.

HOW TO ENTER THE UAE MARKET

Identifying buyers and know more about your final consumers

Identify buyers. As a Nepalese exporter dealing in relatively small quantities with your own footwear range, make contact directly with wholesalers or internet retailers. A key benefit of this approach is that an importer or wholesaler is well aware of local trade structure/practices and local consumer tastes. They often have strong relationships with local retailers.

Alternatively you could produce to order for importers making bespoke footwear, whether this is the completed item or a particular part or parts. If you agree a prototype, producing small quantities on a regular basis is a good option to start with. Better not to take a big risk initially, but to give yourself a chance to see how easy the logistics between the two countries are. Direct flights take just four hours.

FOCUS	SPORTS FOOTWEAR SNEAKERS	OTHER FOOTWEAR	SANDALS
Market Segment	<ul style="list-style-type: none"> Events e.g. Dubai Expo Fashionable designs for children 	<ul style="list-style-type: none"> Working women Nepali residents and workers Health conscious consumers 	<ul style="list-style-type: none"> Emiratis Nepali residents Tourists looking for something unique
Possible products	<ul style="list-style-type: none"> Sport inspired sneakers for women Event related sneakers based on World Cup Sneakers with prints with inspiration from Nepal. 	<ul style="list-style-type: none"> Footwear made of canvas, hemp or Nepalese nettle. Comfortable shoes for work Nepali footwear (e.g. leather boots) 	<ul style="list-style-type: none"> Indoor slipper made of felt, canvas or other soft natural material. Comfortable / Fashionable sandals, platforms or slip-ons.
Competition	<ul style="list-style-type: none"> China, Vietnam, Indonesia, Thailand, Cambodia. Adidas, Nike, Puma and other International Brands 	<ul style="list-style-type: none"> China, Vietnam, Indonesia India, Cambodia and other South-East Asian. Attractive design will be necessary (co-design) 	<ul style="list-style-type: none"> Vietnam, Indonesia, India and other developing countries. Local manufacturers
USP Positioning (why Nepal?)	<ul style="list-style-type: none"> Comfortable footwear from a 'walking country' High mountains/Cool/fresh Spiritual themes 	<ul style="list-style-type: none"> Nepal as a country of nature Nepalese nettle is used for a long time Ethnicity and Hand-made Multi-functional, practical 	<ul style="list-style-type: none"> Himalayan heritage Hand-made Thematic images Felt by women in small communities
Price level	<ul style="list-style-type: none"> Low-Medium price level; value for money 	<ul style="list-style-type: none"> Medium price level; value for money 	<ul style="list-style-type: none"> Medium price level
Distribution Channels	<ul style="list-style-type: none"> Importer Wholesaler Online retailer/seller Retailer Franchising 	<ul style="list-style-type: none"> Agents Importer Wholesaler Online retailer/seller Retailer 	<ul style="list-style-type: none"> Importer, Wholesaler Department stores Online retailer/seller Local markets Retailer
Challenges	<ul style="list-style-type: none"> UAE is a diverse market Highly competitive segment Designs need to be updated and need to demonstrate awareness of international fashion trends Good quality control needed 	<ul style="list-style-type: none"> Difficult to find the right sales channel Design will be important and excellent finishing and good quality is expected Comfortable fit, Easy to take off, easy to unbuckle. 	<ul style="list-style-type: none"> Timely production Good quality control needed Design important, especially for children.

Based on the best opportunities for Nepali footwear, here are some possible product market combinations related to particular consumer segments with some points to consider to become successful when entering this market.

It is important to note that although the value for money/medium value price position is the most realistic, bear in mind the potentially great opportunity to be derived from the **uniqueness of the “Made in Nepal” label**. This USP, if the product captures the imagination (good publicity required) could result in a product being viewed in a higher market position. Do not diminish the significance of this potential market advantage.

When selling your own collection try to find buyers who are likely to sell to the consumer segment that are interested in

Nepalese products e.g. because they have visited the country, see common points in culture/religion or who have seen documentaries. Consumers can also be attracted to a typical Nepalese design/style or the use of (natural) material.

Your final consumers. Younger people are likely to be more open to new products from Nepal. If you know about their lifestyle, buying behaviour & criteria, this can form the basis of a discussion with a suitable buyer. Footwear from Nepal is unknown and as an exporter, you can provide the heritage of the natural materials used or the success stories elsewhere.

Choose a target segment that is easier to enter in order to get your first entrance to the UAE market. For example, children's sandals. Compared to sports footwear or men's formal footwear, the market is less competitive. Once

more market understanding is gained, you could enter other footwear segments or other related markets using the same material.

A marketing approach is based on a win-win situation aiming to establish a long-term relationship. Smaller wholesalers and footwear shops now need to be more pro-active in their own marketing strategy not to further lose their clients to the big international brands and retail chains. They are also looking to find niches of their own to maintain their own competitive advantage.

Visit the country. It will be extremely instructive to visit the **Deira market in Dubai** to see for yourself the range of footwear specialists. You will also notice that many Indian and Chinese footwear wholesalers are already there, providing a good base and point of entry for their own manufacturers back home.

3.6 Potential trade partners and useful addresses

Finding a trading partner in the UAE

The first place to look would be to contact the main trade association(s), followed by trade fairs, which tend to feature a list of exhibitors, many of which may be potential partners. The following organisations may be worth looking at:

Trade Associations

Federation of UAE Chambers of Commerce and Industry - <http://www.fcciuuae.ae>

Trade Shows

Dubai Footwear & Leather Expo takes place in November - <http://dubaifootwarexpo.com>

Leatherworld Middle East takes place in Dubai at the beginning of May - <http://www.leatherworldme.com>

Trade Press

Gulf News - <http://www.gulfnews.com/> - is a respected regional business publication that features occasional articles on footwear. They also publish a fashion supplement called Red Hot.

There are a number of consumer magazines with articles on footwear and fashion.

Emirates Woman - <http://www.emirateswoman.com>

Other sources

Federal Competitiveness & Statistics Authority - <http://www.fcsa.gov.ae>

The Emirates Authority for Standardization & Metrology - <http://esma.gov.ae>

Importers		
Falaknaz Sports Group	http://www.falaknazsports.com	-
K M Trading	http://www.kmt-group.com	-
Wholesalers		
Leader Sports	http://www.leadersports.com	-
Deira Market	http://www.deiramarket.com	This is the main market in Dubai and numerous small footwear wholesalers can be found here. Many of these act as importers and representatives for Indian manufacturers that supply the UAE.
Arax International	http://www.araxinternational.com	Also involved in second hand footwear
Dubai Footwear	Jebel Ali tel +971 48816424	-
Bin Jebbly Shoes	Murshid Bazaar tel +971 42266653	-
Mobson Shoes Trading	Murshid Bazaar tel +971 42254325	-
Retailers and online retailers		
Level Shoes	http://www.levelshoes.com	-
Sivvi	http://en-ae.sivvi.com	-
Souq	http://uae.souq.com	-
Shoemart	http://www.shoemartstores.com	-



FOOTWEAR IN JAPAN



CHAPTER 4

Brief overview



Population

126.8 million; - 0.13% growth rate (2016)
Japanese 98.5%, Koreans 0.5%, other 1%

- 0-14 years: 13.0%
- 15-24 years: 9.7%
- 25-54 years: 37.7%
- 55-64 years: 12.4%
- 65 years and over: 27.3%



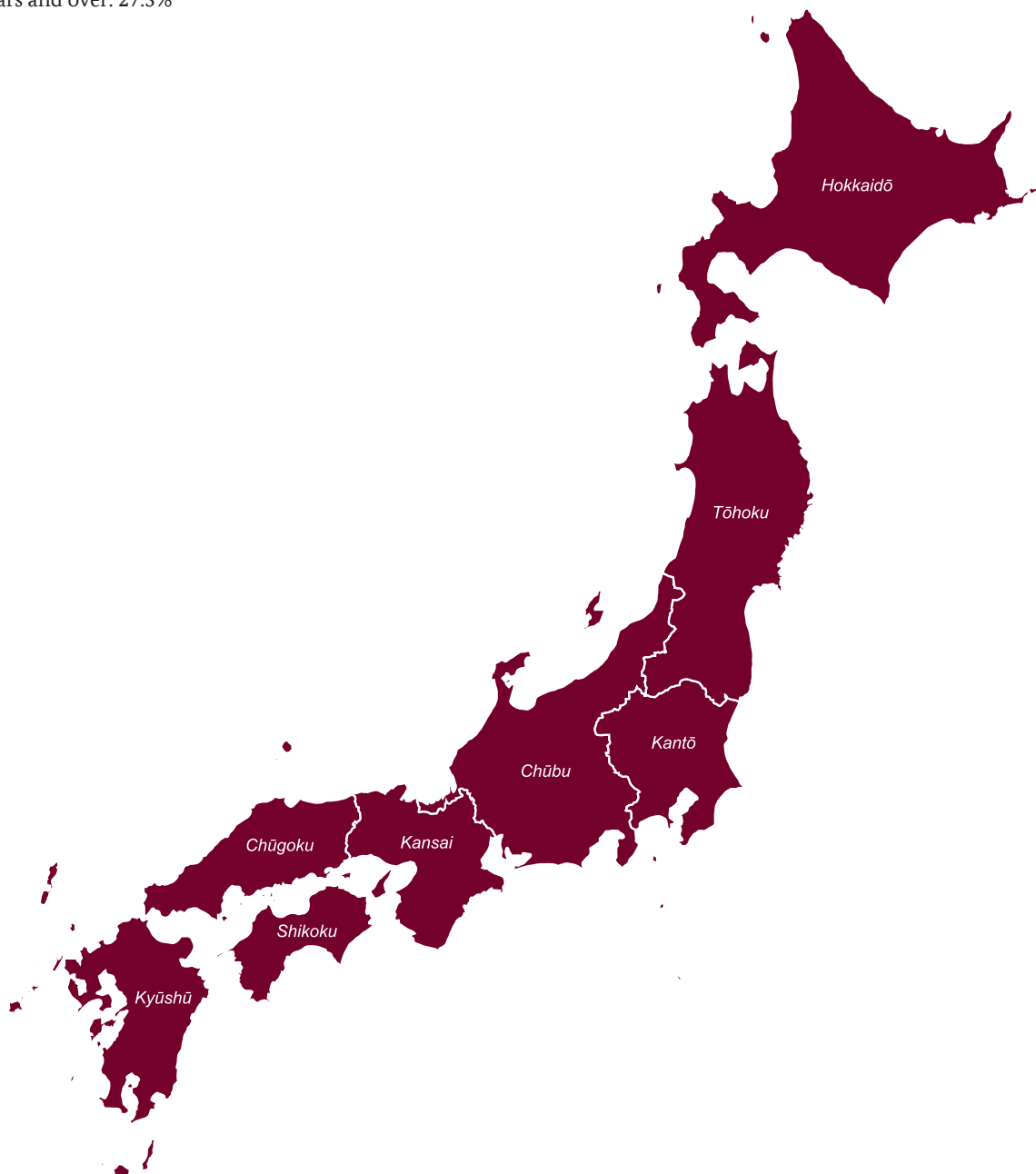
Economy

GDP: US\$ 36,214 per capita (2015)
Unemployment rate: 3.4% (2015)
Inflation rate: -0.1% (2016)
Retail sales: US\$ 528 billion (2012)



Social

Women in labour force: 42.7% of total (2014)
Marriage rate: 5.1 per 1,000 (2015)
Tourists to Nepal in 2016: 22,797





4.1 Current size of the Japanese market

Consumer confidence in Japan has been affected considerably in recent years by falling levels of disposable income and an uncertain economic environment. Hence consumers have been postponing purchases of non-essential items. The footwear market is impacted by this situation.

In general, Japanese people tend to wear their shoes longer and think twice before buying a new pair.

This wariness about spending has also resulted in more consumers spending more time indoors, for both living and socialising. Perhaps this may result in a shift in the proportion of footwear for indoor rather than outdoor use.

Fashions in Japan are growing more diverse due to influences picked up via the Internet, rather than more traditional media such as TV and magazines. Fashion blogs have become increasingly influential in determining styles of footwear, and other fashion items, purchased.

4.1.1 Footwear retail sales and segments

TOTAL FOOTWEAR SALES IN JAPAN

- **In 2016, the total footwear retail sales** in Japan was estimated to be worth \$11,524 million. Japan is the sixth largest world market and represented 3.2% of global footwear volume sales according to the World Footwear Yearbook (compared with China (18.2%), USA (11.8%) and India (10.6%). The volume sales in Japan was lower than in Indonesia and Brazil.
- **The footwear market in Japan is very competitive.** Japanese footwear production has been decreasing, and a wide range of imported products have provided greater consumer choice.
- **Footwear sales have been relatively flat over recent years**, as the Japanese economy is still overcoming its long period of deflation. However the two principle drivers of footwear sales have been **women's footwear** and **sports footwear**. Women's sports footwear was driven more by fashion than fitness.

Table 1 Japan – Retail sales of footwear, 2011-2016, value in US\$ million / volume in million units

	VALUE					VOLUME				
	2011	2013	2015	2016	2011/16*	2011	2013	2015	2016	2011/16*
TOTAL	11,014	11,209	11,356	11,524	+0.9%	642	652	654	660	+0.5%
Women's footwear	5,350	5,489	5,611	5,744	+1.4%	310	313	315	321	+0.7%
Men's footwear	4,825	4,915	4,932	4,964	+0.6%	236	243	245	245	+0.8%
Children's footwear	840	805	813	817	-0.5%	96	95	94	94	-0.6%

* Compound Annual Growth Rate Exchange rate based on \$9.117/JPY '000

Source: Euromonitor (2017), World Footwear Yearbook

- **Per capita consumption** of footwear in Japan is \$91 per annum. Although the population is not growing, sales values are holding up. Downward pressure on prices has meant that some consumers can afford to purchase more pairs.
- **Japanese people generally are brand focussed**, and brands are intensively promoted, particularly in the sports footwear and sneaker segment.
- **Textile footwear (6406) represents up to one half of the market by volume**, based on imports. This large group will include many styles of sports footwear, sneakers, ballerinas, sandals and other types of everyday footwear for casual use, particularly for women and children. This will equate to about one third of the market by value, as this type of footwear is less expensive than leather footwear.

MAIN MARKET SEGMENTS

Segmentation by user and age

The footwear market is primarily segmented by user, as described in Table 1. Women's footwear accounted for 50% of the Japanese footwear market. It is the part of the market with most activity, new product innovation and variety in styles.

The market also segments itself according to different cultures in Japan, but this applies more to women than men, as men's dress code is more limited. For example:

- **Recent graduates** who are starting work (22-26 year olds) - these women follow fashion and have high disposable income.
- **Young working career women** (25-30 year olds) - their tastes tend to adapt to their lifestyle and work, they are also interested in fashion, particularly imported footwear, especially from Europe.
- **Transition between work and marriage** (29-35 year olds) - despite marriage some women continue in the workplace, while others become housewives. However, for each generation they have fewer children. This

trend results in a bigger investment in more exclusive footwear.

- There is also a group of **women now preparing to retire**, those who experienced the economic bubble of the 1980s (Hanako), and Dankai, the baby boomers born after the Second World War, it is these women that promoted the introduction of luxury brands, and in both groups they were able to save. Now that they are approaching retirement, they have money to spend.

Men's footwear has a higher value share than volume share, whereas the reverse is the case for children's footwear. Typical in children's footwear is the large variety in prints coming from manga comics, cartoons (e.g. Pokemon) or Hello Kitty images for young girls and for teenage girls who dress up extremely colourfully and decoratively like a child. This childish dress style is referred to as 'Decora' or 'Kawaii' (cute).

Other segmentation criteria

Footwear can be segmented by type of material, by the price or by usage. Segmentation by type of material is more commonly used when discussing production or trade statistics.

In the consumer arena, in Japan segmentation by age has become more common. Older consumers represent an increasing share of the market and appear to be more willing to spend than their younger counterparts, particularly on items for themselves such as footwear. The over 65's will account for 35% of the population by 2020, which is high compared to 10% in China, or 6% in India.

RELEVANT TRENDS IN THE JAPANESE MARKET

Main market trends

- According to Euromonitor, **sports footwear and sneakers** accounted for 46% of the market value, increasing by 8% in the year, far ahead of the market as a whole. Both footwear types are now incorporated into everyday dressing and for work or socialising.



- Sports footwear sales are also being heavily promoted in the years leading up to the **2020 Tokyo Olympics**. This has particularly benefited sales of running footwear, but other styles of sports footwear are also enjoying strong sales.
- **The Athleisure trend** benefited the women's footwear market with a great variety in sneakers – from plain white to fashionable prints or thematic colour. This is affecting both the younger segment of the market, where fitness and leisure are combining as a fashion trend, and also the older end of the market.
- Ageing consumers are increasingly interested in health and fitness and are purchasing more sports footwear as a consequence.
- **Faster turnover of design styles.** Due to the increasingly rapid fashion cycle, turnover of shoes, especially women's shoes is fast. Retailers hold stocks for a matter of a few weeks before replacing them.
- **Design and quality** are key priorities. Consumers are looking for avant-garde footwear, innovative and colourful, following the latest fashion trends. Young Japanese in particular are heavily influenced by fashion styles in clothing and footwear. Most Japanese men remain conservative in their dress style and dress codes in offices are slowly becoming more relaxed.
- **More women in the workplace** has boosted sales of women's footwear. This has meant the women's sector has grown most strongly. Other fashion trends have impacted positively on the women's footwear market. Sandals and socks remain very popular.
- In 2016, Babouche backless slip-ons with pointed toes became a leading comfortable and fashionable shoe. Chunky platform or heeled sandals and shoes also remain popular.
- There has been a noticeable **shift away from luxury towards value** in recent years, particularly as the Japanese economy has suffered and consumers have less disposable income. Japan has traditionally enjoyed a luxury sector that is comparatively larger than those in other developed economies.
- **Second-hand footwear** surprisingly is quite popular in Japan. Perhaps more associated with some poorer countries, particularly in Africa, this trend is driven by the appeal of designer shoes. Many Japanese aspire to designer shoes but are unable to afford them, hence the sizeable market for second hand shoes.
- **Furoshiki** is a traditional Japanese wrapping cloth that is now used for shoes. These shoes have no laces, using wrapping soles that fold around the feet with a simple hook and loop system. They are more flexible on the size, are lighter, use less material, can be worn without socks. Currently quite expensive due to low volumes, but this has great potential for the Japanese market due to its cultural connection.

Table 2 Japan – Retail sales forecast of footwear, 2016–2021, value in US\$ million / volume in million units

	VALUE					VOLUME				
	2016	2018	2020	2021	2016/21*	2016	2018	2020	2021	2016/21*
TOTAL	11,524	11,609	12,430	12,065	+0.9%	660	668	713	700	+1.2%
Women's footwear	5,744	5,862	6,282	6,170	+1.4%	321	330	355	352	+1.8%
Men's footwear	4,964	4,942	5,329	5,091	+0.5%	245	247	267	258	+1.0%
Children's footwear	817	805	821	804	-0.3%	94	91	92	90	-0.6%

* Compound Annual Growth Rate

Source: Euromonitor (2017), World Footwear Yearbook

4.1.2 Future retail sales

EXPECTED FOOTWEAR SALES IN JAPAN

- Japan has an ageing and declining population. In future, people aged between 40 and 50 years and people aged 65 are expected to grow faster than the other age groups. This puts pressure on the future growth of the market. A shift away from luxury towards value purchases in recent years will also potentially limit future growth.
- According to the Nepal Tourism board the number of Japanese visitors decreased from 26,694 to 17,613 people between 2013 and 2015, but picked up reaching 22,797 people in 2016. Around 69% were holidays for pleasure and 13% for trekking. Even if this is a fraction of the Japanese population (127 million), this contributes to a growing awareness among Japanese people about Nepal.
- The prospects for economic growth are better although insecurity remains. Nevertheless, the total footwear market in Japan is expected to grow by an average rate (CAGR) of +0.9% per year, reaching a value of \$ 12,064 million in 2021 – see Table 2. It is forecast sales of women's footwear that is keeping the market moving, albeit at a slow rate of +1.4%.
- Similar growth rates by volume are expected both for women's (+1.8%) and men's footwear (+1.0%), while

the children's footwear segment will contract (-0.6%) between 2016 and 2021 due to women having children at a later age or choosing to have fewer children, as well as the continued ageing of the Japanese population.

- The **Cool Biz** initiative in Japan, an annual government campaign designed to encourage workers to dress more casually to reduce energy use, is recognised to be successful and also part of the trend to wear more sports footwear and sneakers at the workplace.

4.2 Market structure

4.2.1 The footwear value chain

Manufacturing

According to the Japanese MITI (Ministry of International Trade and Industry), Japanese production of footwear in 2015 was 31 million pairs. It is estimated that approximately 20% was footwear 6404 as is shown in Table 3.

Japanese footwear manufacturers are varied in their production types and style. A number of leading manufacturers are members of the principle trade association - <http://www.jsma.sakura.ne.jp>. For example, Otsuka have been established almost 150 years - <http://otsuka-shoe.com/> - and are a very good example of the attitude of quality that represents the tradition of Japanese footwear manufacture. They manufacture in Yokohama

Table 3 Japan – Production of footwear by type, 2011–2015, volume in '000 pairs

	VOLUME					
	2011	2012	2013	2014	2015	2011/15*
TOTAL	35,427	34,510	32,564	32,753	31,156	-3.2%
Footwear with soles of rubber or plastic, inc sandals	16,629	16,212	15,456	15,876	14,932	-2.7%
Leather footwear	16,531	16,215	15,034	14,730	14,046	-4.0%
Waterproof footwear (of rubber)	2,267	2,083	2,074	2,147	2,178	-1.0%

* Compound Annual Growth Rate

Source: MITI (2017)

Table 4 Japan – Production of leather footwear by type, 2011-2015, volume in '000 pairs

	VOLUME					
	2011	2012	2013	2014	2015	2011/15*
TOTAL	16,531	16,215	15,034	14,730	14,046	-4.0%
Work shoes	4,726	4,988	4,413	4,542	4,431	-1.6%
Men's shoes	4,345	4,152	3,901	3,721	3,491	-5.3%
Women & children's shoes	7,253	6,794	6,399	6,196	5,871	-5.2%
Shoes for exclusive sporting use	207	280	320	269	251	+4.9%

*Compound Annual Growth Rate

Source: MITI (2017)

Table 5 Japan – Footwear production enterprises and employment, 2014

	Enterprises	Employees
Rubber footwear & findings	116	2,464
Plastic footwear & findings	167	2,693
Leather footwear	356	6,994
Cut stock & findings for leather footwear	125	1,517
TOTAL	764	13,668

Source: MITI (2017)

and Chiba. Other leading manufacturers include Higashiritsu Shoemaking, Haruta Shoes and the Regal Corporation.

Of the 14,000 people employed in footwear manufacturing, the majority are in companies related to leather. Numbers are slightly down on 2013.

Production prices of Footwear

In terms of production prices, the average value of a pair of leather shoes was 5,882 JPY (\$53), whereas the cost of shoes of plastic or rubber soles was 1,702 JPY (\$15) in 2015. This indicates a significant price differential between footwear types.

Trends in Production

There is a **downward trend** in production, in all types of footwear. Since 2011, production has decreased by over 10%. Footwear with soles of rubber or plastic has overtaken leather as the type with the highest production.

Within the leather footwear segment, 42% of production is for women and children in 2015, down from 43% in 2011, as is shown in Table 4. Although they represent a small share, shoes for exclusive sporting use have shown the strongest growth, perhaps reflecting growing consumer demand. Although footwear for work accounts for a significant proportion of volume (32%), it represents just 16% of the value of leather footwear production in 2015.

The value of Japanese footwear exports is less than \$ 60 million (compared with imports of \$ 5,405 million), suggesting that most local production is destined for domestic consumption.

Sustainability is an increasingly important part of the footwear industry in Japan. Due to the difficulty of disposing of old footwear in landfill sites, some manufacturers are looking at novel ways of recycling old footwear or parts. For example, shoes inspired by Japanese Shinto temples can be taken apart and remade a bit like Lego (i.e. plastic de-constructable toys). There are new uses for old shoes, in terms of for example converting old trainers into material in the building trade.

Made in Japan is a trend in the market, which reinforces the reputation for quality of the domestic industry. For example the well-known brand Onitsuka - <http://www.ontukatiger.com/ja-jp> - sells a range of sports shoes which are made using traditional stitching methods.

Main players in Japan

Leading Japanese footwear brands tend to be mainly associated with sports. In terms of market share, Adidas and Nike are the main players, but leading Japanese producers such as Asics and Mizuno have a strong market presence. The strength of these brands are due to the fact that they are popular lifestyle brands and manufacture clothing products as well as footwear. For example, Asics

was founded in Japan in 1949, with its headquarters in Kobe, and has become a global brand. Just 27% of its sales are generated in Japan. Asics is a major sponsor of the 2020 Tokyo Olympics.

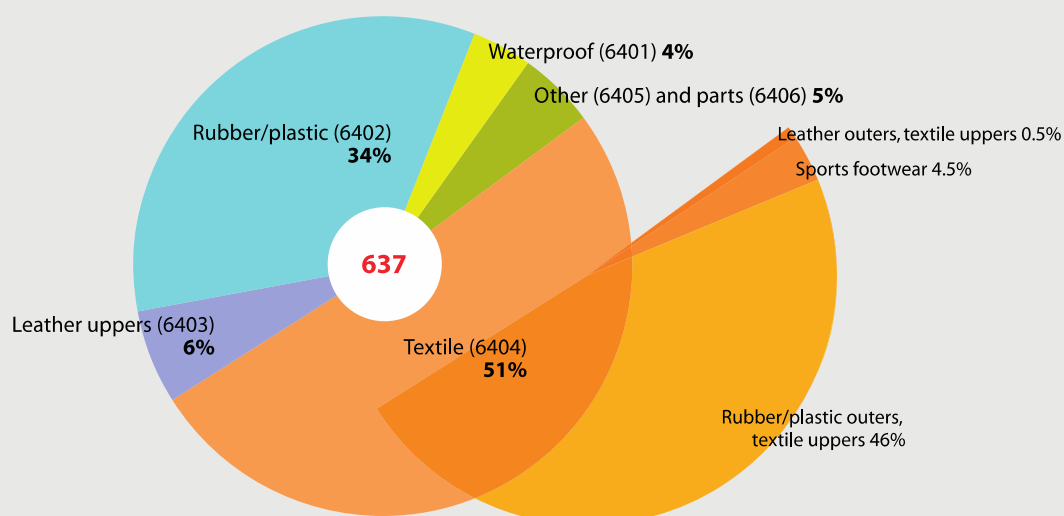
4.2.2 Japanese imports of footwear

Japan was the fifth largest importer of footwear in value terms, after the USA, Germany, the United Kingdom and France. In 2016, Japan imported footwear valued at \$ 5,405 million (637.5 million pairs). This represented 4.3% of world imports by value.

Japanese footwear imports were sub-divided in 2016 as follows:

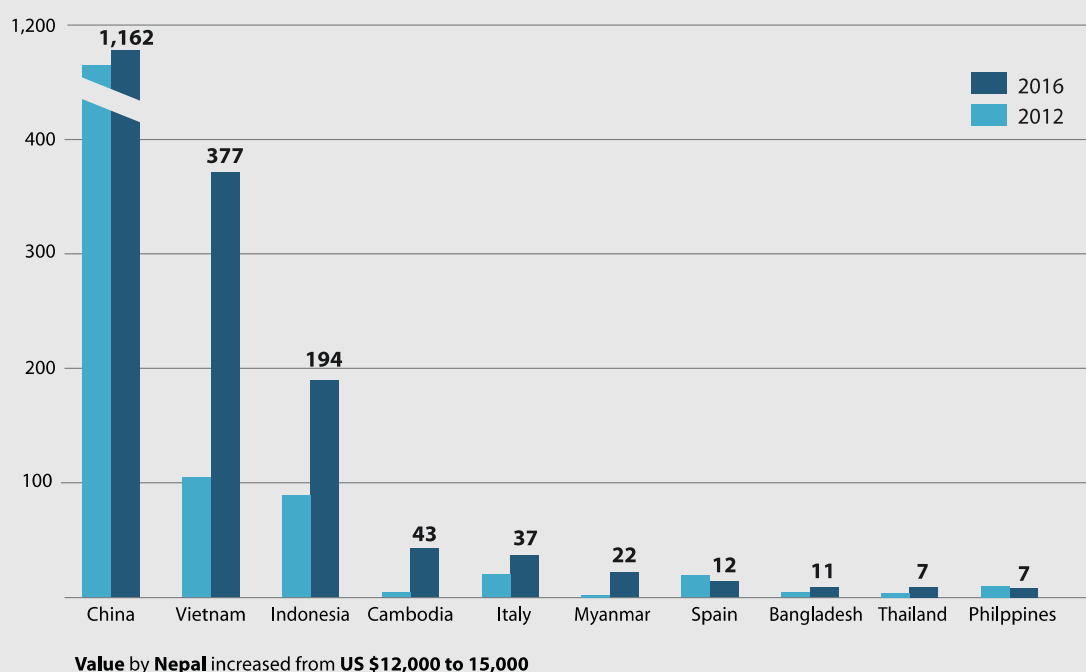
- **Footwear (6404) with textile uppers** \$ 1,900 million (328.6 million pairs) of which:
 - a. Sports footwear \$ 560 million (32.9 million pairs)
 - b. Footwear of rubber or plastic outers and textile uppers \$ 1,324 million (295.6 million pairs)
 - c. Footwear of leather/composition leather outers and textile uppers \$ 16 million (98,000 pairs).
- Footwear (6402) with outer soles and uppers of rubber or plastics \$ 1,722 million (210.6 million pairs)
- Footwear (6403) with leather uppers \$ 1,270 million (36.4 million pairs)
- Waterproof (6401) footwear \$ 153 million (23.5 million pairs)
- Other (6405) footwear (e.g. of wood, cork etc.) \$ 108 million (38.4 million pairs)
- Footwear parts \$ 252 million (11,000 tons).
- Footwear (6404) with textile uppers was the largest footwear group and represented 35% of the total value of Japanese footwear imports, and more than half (51.5%) of volume imports in 2016. This was reflected in the changing shares between the largest product groups. An increase in imports of footwear with textile uppers was in contrast with a decrease in value of the other groups.
- Japanese imports of footwear (6404) with textile uppers increased by an average annual rate (CAGR) of 9% from \$ 1,370 million in 2012 to \$ 1,900 million in 2016.
- By volume, there was a rising trend in Japanese 6404 footwear imports, as shown in Annex 2 Table 8. Due to inconsistency in volume data (one year in tons, another year in pairs) from ITC, volume comparisons for Japan can only be made in tons between 2012 and 2014. During this period the volume rose substantially from 89,127 to 108,779 tons.
- The leading suppliers to the Japanese market of footwear with textile uppers were China, Vietnam and Indonesia, representing a combined total of over 90% of value imports (\$ 1,734 million) and over 96% of volume imports (317.7 million pairs). Chinese imports slowed over the period, but imports from Vietnam and Indonesia increased significantly. Other fast growing

FIGURE 1: Japan - Footwear imports by productgroup, 2016
Volume in million pairs



Source: ITC Trademaps (2017)

FIGURE 2: Japan- Imports of footwear textile (6404), 2012-2016
Value increased by 9% from 1,369 to 1,899 million US \$



Source: ITC Trademaps(2017)

Asian supplying countries were Cambodia (+49%), Myanmar (+65%), Bangladesh (+16%), Thailand (+11%) and India (+21%).

- Figure 1 highlights the changing pattern of the imports. Eleven Asian countries featured in Japan's top 15 importing countries for footwear with textile uppers.
- Supplies from other small Asian countries decreased overall from \$ 370,000 in 2012 to \$ 134,000 in 2016, with the largest decreases in supplies by Hong Kong, Malaysia and Singapore.
- Nepal supplied 1,821 pairs in 2016, valued at \$ 15,000, a significant decrease from 2014, but an increase over 2012 levels. Thus the average price paid per pair in 2016 was \$ 8.24.
- Nepal was ranked 45th in supplies of footwear with textile uppers to Japan.

Competitors for Nepal

Pakistan and Sri Lanka had similar supply levels to Nepal and both countries increased their supplies to Japan considerably. Pakistan exported mainly waterproof footwear (6401) which were 1,350 pairs in 2015. There were almost no registered exports to Japan in the other years.

Sri Lanka exported four tons of footwear with outer soles of rubber or plastic (6402) in 2015, as well as one tonne of waterproof footwear (6401) to Japan.

Other competitors include India, Malaysia and the other aforementioned Asian countries.

4.2.3 Japanese price structure of footwear

FOOTWEAR PRICE DEVELOPMENTS AND RETAIL PRICES

The price structure depends on the type of distribution chosen. Consumer prices in Japan for foreign footwear are often higher than domestically made footwear because there are often many channels in distribution, especially if the footwear is exported via a trading company. These companies are still selling through the traditional channel, i.e. importer/wholesaler, smaller local wholesaler and independent retailer. In this case, price will increase notably, according to the margins added. The importer/wholesaler mark-ups average between 30% and 40%, and retailer mark-ups average between 45% and 75%. These mark-ups and the final retail price will depend on the style/quality/comfort level of the shoe, the brand, the consumer segment and the type of retail outlet.

Sales success is not determined by low price, but a good design, high quality footwear to be used longer with a comfortable fit. However, the rise of fast fashion chains such as Uniqlo, Forever 21 or Zara, as well as the popularisation of their own brands, makes the distribution

Table 6 Japan – Import price per pair US\$ for footwear 6404, 2016 of leading and selected suppliers

	\$ '000 value	pairs	Unit value per pair \$	Ave tariff applied %
World	1,905,500	328,616,926	5.80	
China	1,162,385	279,351,672	4.16	60.6
Viet Nam	380,039	24,798,993	15.32	8.7
Indonesia	196,342	13,574,980	14.46	6.5
Cambodia	43,759	4,464,130	9.80	0
Italy	37,520	275,691	136.09	60.6
Myanmar	21,753	2,069,945	10.51	0
Spain	12,963	631,791	20.52	60.6
Bangladesh	10,685	636,217	16.79	0
Thailand	7,564	542,870	13.93	5.6
Philippines	6,837	1,051,957	6.50	7.8
Korea, Republic of	3,729	255,442	14.60	60.6
Portugal	3,648	147,043	24.81	60.6
Taipei, Chinese	3,513	276,822	12.69	60.6
India	3,396	181,790	18.68	58.7
Romania	2,865	52,565	54.50	60.6
Hong Kong, China	45	1,725	26.09	60.6
Malaysia	45	2,553	17.62	5.2
Pakistan	16	720	22.22	60.6
Nepal	14	1,821	7.69	0
Sri Lanka	9	2,507	3.59	60.6

Source: ITC Trademaps (2017)

Table 7 Japan – Retail price examples of selected footwear US\$

	Economical/ Discount	Medium/Fine
Sports shoes	\$20	\$100
Men's sneakers	\$15	\$200
Women's sneakers	\$13	\$350
Rubber/plastic shoes	\$10	\$175
Women's sandals	\$12	\$250
Women's comfort shoe	\$20	\$350
Ballerina	\$6	\$150
Indoor slippers	\$10	\$200

channel, and therefore the final price, vary in respect of traditional import channels. For this type of business, the whole chain from producer to distributor is owned by the same company. This trend, not just in Japan but around the world, has reduced prices in the fashion sector.

Import prices

These vary considerably by supplying country, as this summary table indicates. Here the import price differences can be seen, with prices from Italy being the highest. Prices

vary between Asian countries, but they are lower than European prices.

Retail prices

There are thousands of different footwear products on the Japanese market, ranging very widely in price depending on quality, material and source of purchase, amongst others. The following Table 7 summarises a range of prices for selected footwear styles, based on prices found on various Japanese websites for footwear and fashion.

Note that prices for luxury sneakers could go up to \$ 400. Luxury prices for some women's footwear could be much higher:

4.3 Access requirements for the Japanese market

4.3.1 Legislative requirements

- Product requirements in Japan fall into two categories: technical regulations (or mandatory standards) and non-mandatory standards. Compliance with regulations and standards is also governed by a certification system in which inspection results determine whether or not approval (certification/quality mark) is granted.
- The Act on Control of Household Products Containing Harmful Substances (Act No. 112) has a requirement for textile products, which include footwear made of textile. In summary:

TEST ITEMS	LIMIT
Formaldehyde	Baby: Not detected (A-Ao <0.05) Others: 75 mg/kg
Organotins (TBT, TPhT)	Should not be detected
Organomercury compounds	Should not be detected
Polycyclic Aromatic Hydrocarbons (DBA, BaA, BaP)	3 mg/kg (each)
Flame retardants (TEPA, TRIS, BDBPP)	Should not be detected
DTTB	30 mg/kg
Dieldrin	30 mg/kg
Azo Dyes (proposed)	30 mg/kg

- **Certificate of origin**--All materials as provided for in the international convention on trade in endangered species, etc., require a certificate of origin.
- Other relevant laws include the **Household Goods Quality Labelling Act and the Consumer Product Safety Act**. More information can be found at <https://www.jetro.go.jp/en/reports/regulations/>
- Regarding footwear labelling, required information includes material of the upper, material of the sole; care and cleaning instructions; whether they are waterproof; company contact details; country of origin.
- The Industrial Standards Law standardises measurements and sizes of footwear. They have their own JIS logo, which signifies a company complies with the regulations.

- There are standards for occupational footwear, protective footwear and electrostatic footwear, which can be seen here <http://www.sbt.co.jp/En/products/RS/jis/jis.html>. Although it is unlikely that footwear exports from Nepal may apply here, it is worth being aware of the legislation.

4.3.2 Voluntary requirements

Although the Japanese Textile Federation has published a set of "Voluntary Standards on Non-use of Harmful Substances for Textiles and Clothing", textile footwear are excluded from these standards. However, a supplier to this market could derive competitive advantage by conforming to these standards.

There are a number of other **voluntary labelling schemes** applicable to the footwear sector, including **JES Labelling** (Japan Eco Leather Standards Certification) organised by the Japan Leather & Leather Goods Industries Associations; and a **voluntary label on sporting goods** organised by the Association of Japanese Sporting Goods Industries.

Tariffs and duties

Nepal enjoys preferential tariffs under the GSP Scheme of Japan, which means that the import duty is zero. Your trade partner (importer, agent) should submit a certificate of preferential country of origin issued by the customs or other issuing agency in the exporting country. If you follow this link, you can see how the zero tariff for Nepal compares with the WTO tariff rates for footwear imports to Japan. For example, the WTO tariff rate for sports footwear is usually 8% http://www.customs.go.jp/english/tariff/2017_4/data/e_64.htm

4.4 Distribution

4.4.1 Indirect and Direct Channels

For exporters looking to enter the Japanese market, it is important to understand how the distribution system works, and to appreciate the different options before you commit to market entry.

Direct export

This is the easiest way to enter the market for the first time, particularly when dealing with small quantities and responding to demand, as well as gaining distribution. In addition no investment is involved, other than for promotional activities.

Another option, which takes longer and is more expensive, but frequently used in the fashion sector, is to make use of



one of the large Japanese trading houses, such as Itochu, Mitsui and Mitsubishi. This route leaves little capacity to retain control over your product. However it offers the opportunity for wide distribution.

The key is choosing a suitable importer. This is likely to be a distributor or agent. Each type has his own strengths and weaknesses and it is important to find a partner you are comfortable with – some recommendations are given in section 6.5.

Other methods

This will involve some form of local representation, ranging from a representative office, a local branch of your own ownership or other type of subsidiary. Outsourcing is also popular in Japan.

Retail trade

The majority of footwear sold in Japan goes through one of three main types of retail outlet. Clothing & footwear specialists dominate, accounting for 45% of sales. Leisure & Personal Goods retailers (mainly sports goods shops) account for around 25% showing a decreasing trend between 2011 and 2016 as shown in Table 8. Department stores have a 13% share of footwear sales. Department stores can be found on the high street (e.g. Daimaru, Isetan, Mitsukoshi, Takashimaya), near railway stations (e.g. Hankyu, Seibu), in suburbs (Sogo) and in rural areas.

Although there are 88 million internet users in Japan, the level of internet sales appears to have peaked. There has also been a reduction in shopping from home, such as mail order catalogues and TV shopping channels. Footwear buyers still prefer to try a product before they buy. However M commerce in Japan is growing rapidly, quicker than many other developed markets for clothing and footwear, particularly young people.

Trends in retailing

- **Technological developments.** These apply instore and online to further enhance both the shopping experience and the ease of purchasing. As well as more sophisticated ways of measuring feet, this includes the use of interactive screens where customers can browse the latest trends, get additional product information over and above that which can be included on packaging and view other customers' comments.
- **Drone deliveries.** Japan is one of a number of countries that are testing the suitability of using drones to make deliveries. The nature of the size and weight of a footwear package makes this a real possibility in the future.
- **Pop up stores.** Pop up footwear stores, which might open for just a day or a week, take advantage of popular short-lived fashions, that would otherwise not justify the investment in retail premises.

Table 8 Retail distribution share (by value) in Japan in 2011 - 2016

Outlet type	2011	2014	2016
Store-based Retailing	87.8%	86.9%	87.3%
Non Food specialists	71.1%	71.0%	71.1%
Clothing & Footwear specialists (<i>Chiyoda, ABC_Mart, GFoot</i>)	46.3%	45.1%	45.0%
Leisure & Personal Goods specialists	24.8%	25.9%	26.1%
Sports Goods stores	23.3%	24.7%	24.9%
Other Leisure & Personal Goods Specialist Clothing retailers	1.5%	1.2%	1.2%
Other Non-Grocery Clothing & Footwear Specialists (Mixed retailers)	16.7%	16.0%	16.1%
Department Stores	13.4%	12.9%	13.1%
Mass Merchandisers	3.0%	2.8%	2.7%
Variety Stores	0.3%	0.3%	0.3%
Non-store Retailing	12.2%	13.1%	12.8%
Direct selling	0.9%	0.6%	0.5%
Home Shopping	4.5%	4.2 %	3.9%
Internet Retailing	6.8%	8.3%	8.4%

Source: Euromonitor (2017)

■ **Wide Variety, Small Lots, Short Fashion Cycles.**

Seasonal changes are clear in Japan; people switch outfits accordingly, and do the same with shoes. For ladies' shoes, it is common for merchandise turnover to occur more than eight times every year, and ladies' non-leather footwear can turn over twenty times in a year. Consequently retailers have to learn to handle short volumes very quickly.

4.5 Opportunities and how to enter the Japanese market

OPPORTUNITIES

The various options for market entry have been discussed in the previous section. In addition, there are a number of opportunities to be aware of that are specific to the Japanese market:

- **Indoor slippers as Japanese customs.** It is a custom in Japan to take off footwear on entering homes. Children also want to be barefoot as long as possible for health reasons. Footwear that is designed to unbuckle easily is an advantage. Another opportunity from this custom would be to design indoor slippers e.g. made of felt with prints or images of typical animals from Nepal (e.g. red panda), or slipper made of bamboo with textile. As well as their own slippers, some Japanese

homes keep additional pairs of indoor footwear for visitors and guests. It has been noted earlier that more Japanese are spending more time indoors.

- **Working women.** Unmarried working women in their 30s and 40s without children are a highly sought-after target group. With high disposable income, they seek out quality articles, particularly imported items.
- **Footwear adapted to the very specific climatic conditions of the country.** Japan's seasons are dominated by very different climatic conditions. Between June and September the climate is hot and humid. The first half of summer is a time of frequent rain. The end of summer is marked by typhoons. These contrast with low temperatures and snowfall in winter. Ankle boots or knee boots with modern designs have become very popular with fashionable women.
- **Potential niches** that take advantage of the climate are waterproof shoes for female office workers adapted in the style of ballerinas or even heeled shoes that allow walking comfortably in the rain. In addition, in high temperatures, traditional sandals or espadrilles that allow for correct ventilation of the feet could be popular.
- **Comfort shoes.** Comfort shoes require good explanations and a personal touch to sell. Usually,



“Shoe fitters”, employees who have high fitting techniques, dedicate time to serve customers well in order to meet their demands. Recently, “Stylish Comfort”, which is both functional and aesthetically pleasing, is becoming a mainstream item.

- **2020 Olympic Games and tourism.** This is driving more purchases of sporting footwear and offers many opportunities to develop new products directly or indirectly linked to sport and to this significant global event being held in Japan. In addition, some economic measures by the government have encouraged greater numbers of tourist arrivals to the country, particularly from other neighbouring Asian countries. Their spending power will present footwear opportunities, particularly at the higher end of the market.
- **Environmental Protection and Health.** There is a growing appreciation of the importance of protecting the environment in Japan. Whether it is the increase in extreme weather events, such as hurricanes, or the memory of the nuclear leak at Fukushima, consumers are increasingly interested in products that protect the environment. Footwear made of eco-friendly natural materials, or sustainable packaging all provide opportunities for new products, as do products that are hand-made or fairly traded. Other examples include products with strong ethnic colours from Africa. Sheep leather slippers are popular among the young.

- **M-Commerce.** Along with other Asian countries such as South Korea and China, in Japan the majority of electronic transactions are conducted through a mobile device (unlike Europe where more transactions are made via tablets or computers). According to research by Criteo, 82% of online purchases of fashion items are made by through smartphones, explained in part by their fast-paced lifestyle. Using instant messaging applications, and innovative new apps continue to drive this sales channel.

HOW TO ENTER THE JAPANESE MARKET

Identifying buyers and know more about your final consumers

Identify buyers. As a Nepalese exporter you could approach wholesalers or internet sellers if you offer your own footwear collection in smaller quantities. Another advantage is that an importer or wholesaler is well aware of local trade structure/practices and local consumer tastes. They often have strong relationships with local retailers.

For larger volumes, you could produce for Japanese importers making footwear according to design or produce parts of footwear for Japanese footwear manufacturers. Large volumes are also required if you sell

FOCUS	SPORTS FOOTWEAR SNEAKERS	OTHER FOOTWEAR	INDOOR FOOTWEAR
Market Segment	<ul style="list-style-type: none"> • Mainstream Market • (Relaxed dress codes at offices – men and women) • Events e.g. Olympics 2020 • Visit Japanese Asian tourists. • Easy and convenient footwear for Elderly people 	<ul style="list-style-type: none"> • Conscious consumers • (culture, social and environment) • Working women • Nepali residents • (48,000 in 2015) 	<ul style="list-style-type: none"> • Japanese families (conscious consumers) • Children • Elderly people
Possible products	<ul style="list-style-type: none"> • Fashionable sneakers for women – with chunky sole • for young women. • Event related sneakers • with Olympics themes or e.g. Valentine's Day (pink) • Sneakers with prints inspired of Nepal (red panda, nature, mountains). 	<ul style="list-style-type: none"> • Footwear made of canvas, hemp or Nepalese nettle. • Comfortable sandals or flatforms. • Babouche slip-ons with ethnic colours. • Multi-functional waterproof female shoes e.g. ballerina + replaceable (high) heel. 	<ul style="list-style-type: none"> • Indoor slipper made of felt, canvas or other soft natural material. • Slippers with prints of the red panda • Variations on Furoshiki shoes
Competition	<ul style="list-style-type: none"> • China, Vietnam, Indonesia, Myanmar, Thailand, Philippines. • Asics, Mizuno and other International Brands 	<ul style="list-style-type: none"> • Vietnam, Indonesia India, Africa (Morocco) and other South-East Asian. • Attractive design will be necessary (co-design) 	<ul style="list-style-type: none"> • Vietnam, Indonesia, India and other developing countries.
USP Positioning (why Nepal?)	<ul style="list-style-type: none"> • Comfortable footwear from a 'walking country' • High mountains/Cool/fresh • Spiritual themes • Other themes (animals – running etc.) 	<ul style="list-style-type: none"> • Nepal as a country of nature • Nepalese nettle is • used for a long time • Ethnicity and Hand-made • Multi-functional, practical (rainy season in June/July) 	<ul style="list-style-type: none"> • Comfort and warmth (used by people from Tibet/ Himalaya). • Hand-made • Thematic images • Felt by women in • small communities
Price level	<ul style="list-style-type: none"> • Low-Medium price level; value for money 	<ul style="list-style-type: none"> • Medium price level; value for money 	<ul style="list-style-type: none"> • Medium price level
Distribution Channels	<ul style="list-style-type: none"> • Importer • Wholesaler • Online retailer/seller • Trading house (high volume) 	<ul style="list-style-type: none"> • Agents • Importer • Wholesaler • Fair trade or World shops • Online retailer/seller 	<ul style="list-style-type: none"> • Importer, Wholesaler • Department stores • Online retailer/seller • Fair trade, World shops • Home interior shops
Challenges	<ul style="list-style-type: none"> • Japanese people are very brand and quality-minded • High competitive segment • Designs need to be updated and appealing for Japanese • Good quality control needed, particularly for chemical testing • Pressure on prices if via Trading companies • Japanese language. 	<ul style="list-style-type: none"> • Difficult to find the right sales channel • Design will be important and Japanese expect • well finishing, good quality • Comfortable fit, Easy to take off, easy to unbuckle. • Language, communication (story telling). 	<ul style="list-style-type: none"> • Timely production • Good quality control needed • Design important, especially for children.

to specialised trading companies. They expect a low price as they often sell on to importers or wholesalers. If you agree on the prototype, producing small quantities on a regular basis is a good option to start with. You could see how smooth the logistics are developing.

Based on the best opportunities for Nepali footwear, there are the following possible product market combinations related to particular consumer segments with some points to consider to become successful when entering the Japanese footwear market:

When selling your own collection try to find buyers who are likely to sell to the consumer segment that are interested in Nepalese products e.g. because they have visited the country, see common points in culture/religion or who have seen documentaries. Consumers can also be attracted to a typical Nepalese design/style or the use of (natural) material.

In all these cases, buyers selling to those consumers are more open to new suppliers.

Your final consumers. Younger people are likely to be more open to new products from Nepal. If you know about their lifestyle, buying behaviour & criteria, this can form the basis of a discussion with a suitable buyer. Footwear from Nepal is unknown and as an exporter, you can provide the heritage of the natural materials used or the success stories elsewhere.

Choose a target segment that is 'easy to enter' in order to get your first access in the Japanese market. For example, the indoor footwear for children with slippers made of colourful felt. Compared to sports footwear, sneakers or leather men's formal footwear, the market is less competitive and is less regulated. Once more awareness is gained, you could enter other footwear segments or other related markets using the same material e.g. felt toys for children, or felt cushion covers or felt rugs in the interior design segment.

Quality is very important to Japanese. China, Vietnam and Indonesia represent more than 90% of all imported footwear supplying low priced medium quality footwear to luxury footwear of high quality materials with a perfect fit and finish. For new supplying countries such as **Nepal**, the only way to penetrate the market is to offer products of consistently high quality, good appearance (design, colour and finish) and if possible, with properties setting them apart from competitive countries including India, Malaysia or Thailand. Japanese buyers/consumers are critical about quality and expect consistency.

A marketing approach is based on a win-win situation aiming to establish a long-term relationship. Smaller wholesalers or online sellers are receptive to something unique because they are experiencing more competition from mass merchandisers, superstores, department stores who buy direct (via trading companies) from overseas countries.

Smaller wholesalers and footwear shops now need to be more pro-active in their own marketing strategy not to further lose their clients and find niches in the competitive Japanese footwear market. The latest trend in retailing is *'Small is the next BIG trend'* **with small**

specialist shops popping up on the Main Streets selling new products.

Getting the business takes a long time. Often Japanese importers/wholesalers stay loyal to their usual suppliers whom they can trust, who are able to deliver quickly and provide e.g. the exact specifications, quality as agreed. Japanese are particularly interested in the details, eliminate all possible risks and do not accept minor mistakes or discrepancies. In this respect, try to find a Japanese speaker or consultant in Japan to reduce misunderstanding. In general, Japanese are very purpose driven and find foreigners 'too vague' in their explanation. Therefore, being to the point from the beginning is recommended with all points discussed/agreed to be confirmed by email.

It usually takes a long time before decisions are taken and the actual business is established. But once the good relationship has been created there will be a mutual effort to succeed. Also bear in mind that Japan to a certain extent is a trendsetting country for other Asian markets.

4.6 Potential trade partners and useful addresses

Finding a trading partner in Japan

The first place to look would be to contact the main trade association(s), followed by trade fairs, which tend to feature a list of exhibitors, many of which may be potential partners. The following organisations may be worth looking at (note some of the websites are only available in Japanese):

Trade Associations

Japan Leather Shoe Industrial Federation - <http://www.zkkr.jp>

Japan Shoe Manufacturers Association - <http://www.jsma.sakura.ne.jp>

Japan Leather & Leather Goods Industries Association - <http://www.jlia.or.jp>

Japan Federation of Shoe Wholesalers Organisations - <http://www.shoes.gr.jp>

Japan Rubber Footwear Manufacturers Association - <http://www.jrfma.gr.jp>

Japan Chemical Shoes Association - <http://www.csia.or.jp>

Japan Shoe Retailer Association - tel +81-3-3252-5656 <http://kutsu-kouri.jp>

Association of Japan Sporting Goods Industries - <http://www.jaspo.org>

Importers		
Van San-sho	http://www.vansan.co.jp	-
Marubeni Footwear	http://marubeni-footwear.com	-
Itochu	https://www.itochu.co.jp	-

Wholesalers		
Caron Shoes	http://www.caron.co.jp	-
Danyu	http://www.danyu.co.jp	Manufacture as well as distribute imported shoe brands
Foot Techno	http://www.foottechno.co.jp	-
Ginza Yoshinoya	http://www.ginza-yoshinoya.co.jp	-
Himiko	http://www.himiko.co.jp	-
Madras	https://www.madras.co.jp	-
Marubeni Fashion	http://www.mfl.co.jp	-
Minakai	http://www.minakai-shoes.jp	-
Misuzu	http://www.misuzu-shoji.co.jp	-
Okuni Japan	http://okunijapan.co.jp	-
Otsuka Shoe	http://www.otsuka-shoe.com	-
Sekaicho Union	http://www.union-royal.com	-
Teito	http://teito-shoes.com	-
Toho Lamac	http://www.toho-lamac.co.jp	-

Retailers and online retailers		
Shimamura	http://www.shimamura.gr.jp	-
Fast Retailing	-	-
Magaseek	http://www.magaseek.com	online fashion retailer

Trade fair schedule. The key trade fairs are mentioned below. Be aware of the timing of the key trade fairs in Japan. They form the basis of the shoe buying calendar for the trade. This will inform you as to when you should have your new product samples ready, and when your production should be ready for delivery to stores.

Trade Shows

Rooms, takes place in Tokyo each February and September and is a major fashion and design show, including footwear <http://www.roomsroom.com>

JFW, takes place in Tokyo in April and September - <http://www.senken-ex.com/iff>

Fashion World Tokyo takes place each April and November - <http://www.fashion-tokyo.jp/en>

Tokyo Shoes Expo every spring - <http://www.shoes-expo.jp/en>

Trade Press

Senken Shimbun is a daily Japanese fashion newspaper, boasting the largest circulation of any fashion industry newspaper in the world. Footwear is included - <http://senken.co.jp>

Other sources

Ministry of Economy, Trade and Industry, Economic and Industrial Policy Bureau (MITI):

<http://www.meti.go.jp/english/index.html>

Customs and Tariff Bureau/Ministry of Finance - <http://www.customs.go.jp/english/index.htm>

Ministry of Health, Labor and Welfare (MHLW) - <http://www.mhlw.go.jp/english>

SGS is the leading company for inspection and certification of standards - <http://www.sgs.com>

Japan External Trade Organisation - <http://www.jetro.go.jp>

FOOTWEAR IN MALAYSIA



CHAPTER 5

Brief overview



Population

30.9 million; - 1.4% growth rate (2016)

Malay 50.1%, Chinese 22.6%,
indigenous 11.8%

Indian 6.7%, other 0.7%,
non-citizens 8.2%

- 0-14 years: 28.2%
- 15-24 years: 16.9%
- 25-54 years: 41.1%
- 55-64 years: 8.1%
- 65 years and over: 5.9%



Economy

GDP: US\$ 30,328 per capita (2016)

Unemployment rate: 3.3% (2016)



Social

Women in labour force: 36.1% of total

Marriage rate: 6.9 per 1,000





5.1 Current size of the Malaysian market

Nearly half a million people from Nepal work in Malaysia, the second most popular foreign destination for Nepalese workers after Qatar. They work mainly in the manufacturing and construction sectors, but also in the domestic sector. Hence the country should be of interest to Nepali exporters. The total including family members may be as high as 700,000, according to Wikipedia.

However, the Malaysian economy has been sluggish in recent years and this has affected consumer confidence. Many consumers have reduced spending on higher value items, or traded down the type of purchases they have been making, in order to save money.

Malaysia is not a homogenous country. The varied ethnic mix, comprising Malays, Chinese and Indians create interesting opportunities when targeting this country.

5.1.1 Footwear retail sales and segments

TOTAL FOOTWEAR SALES IN MALAYSIA

- In 2016, the total footwear retail sales in Malaysia was estimated to be worth \$1,275 million, equivalent to 124.8 million pairs. Malaysia is ranked 29th in the world in terms of consumption volume.

- The footwear market in Malaysia consists of a mixture of local and international brands. In recent years imports have grown as consumers have sought out a wider choice, with new influences coming from international fashion magazines. At the same time many local producers have been developing exports as the Malaysian footwear industry builds a reputation overseas.
- Footwear market growth stood at 8% in 2016. This was similar to volume growth reflecting fairly steady prices. This growth rate was much higher than growth for broader consumer markets, further emphasising the importance of fashion to Malaysian consumers.
- The two principle drivers of footwear sales have been **women's footwear** and **sports footwear**. The young population is growing, but children are becoming more fashion conscious and are highly influential when their parents buy them footwear.
- Per capita consumption of footwear in Malaysia is \$41 per annum. The population is declining but sales values are holding up. Downward pressure on prices has meant that some consumers can afford to purchase more pairs.
- Textile footwear (6404) represents over one third of the market by volume, based on imports. This large group will include many styles of sports footwear and types of everyday footwear, particularly for women and children.

Table 1 Malaysia – Retail sales of footwear, 2011-2016, value in US\$ million / volume in million units

	VALUE					VOLUME				
	2011	2013	2015	2016	2011/16*	2011	2013	2015	2016	2011/16*
TOTAL	838	999	1,182	1,275	+8.4%	82	101	117	125	+8.7%
Women's footwear	430	507	600	651	+8.6%	41	52	61	65	+9.6%
Men's footwear	204	237	276	296	+7.7%	17	21	24	25	+7.4%
Children's footwear	245	256	306	329	+8.7%	24	29	33	35	+8.2%

* Compound Annual Growth Rate 1 MYR/\$0.23

Source: Euromonitor (2017)

MAIN MARKET SEGMENTS

Segmentation by user

Women's footwear accounts for 51% of the market value and 52% of market volume. Clearly this is the most important footwear segment, particularly as there are growing numbers of Malaysian women in the workforce with their own disposable income.

Some interesting shoe shopping behaviour was highlighted by a survey conducted with 1,000 rich-affluent women across Singapore and Malaysia commissioned by Chic Outlet Shopping. Clearly reflecting purchases at the top end of the market, it illustrates the importance of footwear to some women. It reported that women spend up to \$ 30,000 on shoes in their lifetime, with

\$ 21,000 reserved for luxury designer footwear. Two thirds of respondents in Singapore admitted to saving up \$ 300 each month for designer footwear, more than double the amount set aside by their counterparts in Malaysia.

Close to a third of those surveyed purchase multiple pairs of the same shoe or every colour of one style once they have found the perfect pair. 89% admitted to owning shoes they wore less than five times, with 46% owning shoes yet to be worn. According to the same survey, a third of the Singaporean women participating buy shoes to celebrate a success, while 49% admitted to buy shoes when they receive their salary. Nearly one in three women in Singapore wear up to a two-inch heel, 44% choose higher heels for job interviews and more than 40% wear them on a date. 27% of the women surveyed said that they form their first impressions of someone based on the shoes the person is wearing.



Men's footwear represents 23% of market value but just 20% of market volume. Men's footwear is more casual smart style that can be used either at work or leisure. Men's footwear registered the slowest value growth, as men limited their spending on footwear more than women due to the increased cost of living. Men spend less time shopping online than women. Just 37% of online shoppers are male. Within that segment, 16% of these males are aged 16-27; 58% are 28-40; 21% are 41-65; and 5% are 56 and over.

Children's footwear accounts for 26% of market value and 28% of market volume. Children increasingly have access to mobile devices and tablets, using chat apps in particular, and consequently are becoming more aware of the different choices available. They are becoming more influential in the purchase of clothing and footwear. This is helped by the growth in fashion retailers specifically targeting this young audience e.g. Osh Kosh B'Gosh, Seed and Padini Kids, all of which sell footwear.

Segmentation by income and ethnicity

There is an important distinction between the predominantly Muslim indigenous Malays and the Chinese population in relation to purchase of footwear styles and expenditure on footwear.

Malaysia's consumer market can be categorised according to income levels and ethnicity. The *Bumiputera* (Malaysian term used to describe the Malay race and other indigenous peoples) and the Malaysian-Chinese have different consumption patterns.

According to Malaysia's Department of Statistics, the average monthly household income of Malaysian-Chinese was 43% and 22% higher, respectively, than that of Bumiputera and Indians, indicating the relative differences in spending power. The more wealthy consumers are concentrated in Malaysia's major cities, notably Kuala Lumpur, Penang and Johor Bahru.

Mid-to-high end lifestyle products, such as footwear, may be better suited to the higher-spending Malaysian-Chinese consumer market. It would be wrong, though, to overlook the substantial purchasing power, of the majority Malay consumers, whose population and household income is rising. In fact a large part of footwear marketing is targeting this group specifically.

RELEVANT TRENDS IN THE MALAYSIAN MARKET

Main market trends

- **Casual styles** became more popular in 2016. More comfortable shoes such as wedges and flat shoes were

made available by footwear suppliers to satisfy this trend.

- **Chunky heels** were also popular for women, due to these shoes providing more support for the wearer, compared with slimmer heels. Neon colours were popular in 2015 but less noticeable in 2016. This illustrates how quickly fashions change.
- **Footwear tourism.** Linked to the above point, Malaysia is being promoted as a destination to come to buy shoes, helped by its reputation as a country that makes quality fashionable shoes, its self-acclaimed description as the **Shoe Capital of Asia**.
- **Promotional activity** from brands such as Bata (the number one footwear brand in Malaysia) and Vincci was behind the growth in women's footwear. Promotional activity was strong across the trade, boosting volume rather than value sales. For example, Bata organised Branded Shoe Fair events in various shopping malls, while Vincci offered multi-buy discount promotions and Padini ran clearance sales.
- **Made in Malaysia.** Efforts are continually being made to promote Malaysian-made footwear both at home and abroad, including the use of local celebrities such as Jimmy Choo. The International Shoe Festival is a shop window for Malaysian footwear to the world but is also used to boost the image of footwear at home. It showcases new designs and promotes the idea that Malaysian consumers should be proud of the footwear made in their own country. There is also an annual design competition, which encourages anyone with an interest in footwear design to submit their own ideas.
- **Community engagement.** Leading footwear retailers are increasingly making their presence felt in community projects. For example, Bata's Children's Programme is an employees' volunteer-led initiative that focuses on helping disadvantaged children. In Malaysia, it takes part in numerous activities, such as holding a special Ramadan celebration for children, offering back to school support for patients of children, organising educational trips to KidZania in Kuala Lumpur.

5.1.2 Future retail sales

EXPECTED FOOTWEAR SALES IN MALAYSIA

- **Malaysia's economic growth forecasts** for the next few years continue to be relatively restrained, but the population tends towards younger age groups (the median age is 26), from where the majority of future footwear purchases are expected to come.

Table 2 Malaysia – Retail sales forecast of footwear, 2016–2021, value in US\$ million / volume in million units

	VALUE					VOLUME				
	2016	2018	2020	2021	2016/21*	2016	2018	2020	2021	2016/21*
TOTAL	1,275	1,421	1,583	1,670	+5.5%	125	139	154	162	+5.4%
Women's footwear	651	739	844	906	+6.8%	65	74	84	90	+6.6%
Men's footwear	296	321	345	356	+3.8%	25	27	29	30	+3.5%
Children's footwear	329	362	394	409	+3.5%	35	38	42	43	+4.2%

* Compound Annual Growth Rate

Source: Euromonitor (2017)

- **The market is forecast to continue growing, albeit at a slower pace than recently.** The total footwear market in Malaysia is expected to grow by an average rate (CAGR) of +5.5% per year, reaching a value of \$ 1,670 million in 2021 – see Table 2. Sales of women's footwear is expected to drive the future market. Sales of children's footwear are expected to grow more strongly in volume than value.
- **Competition between local and internationally produced footwear** will continue to stimulate the market, offering a wide choice for Malaysian footwear consumers.

5.2 Market structure

5.2.1 The footwear value chain

Manufacturing

According to the World Footwear Yearbook, Malaysia produced 67 million pairs of shoes in 2015 contributing \$325 million to the economy, ranking it as the 21st largest global footwear manufacturer. The Malaysian Industrial Development Authority states that there are currently about 1,000 footwear manufacturers in Malaysia, employing a workforce of around 30,000 people. They are mainly located in the states of Perak, Selangor and Johor.

Cottage industry. A large portion of Malaysia's total production of footwear comes from the cottage industry located in **Seri Kembangan**, known as the **footwear capital of Malaysia**, quite close to the capital. Reputedly less than 30% of these manufacturers are licensed. However, there are also some that operate on a large scale basis equipped with proper manufacturing plant.

Demand. Predominantly producing to meet domestic demand, these small-and medium-sized operations remain the backbone of the footwear industry, co-existing with the more modern and better equipped manufacturing facilities operated by multinational companies. As the number of footwear manufacturers expanded, the industry also saw a proliferation of

supporting cottage industries supplying various parts, components and footwear-related accessories for the industry.

Type of footwear. The Malaysian footwear industry produces a wide variety of footwear ranging from safety and industrial footwear to sports shoes and high fashion footwear. Two thirds of Malaysia's footwear production is destined for export markets. Malaysia enjoys a good reputation around the world as a footwear manufacturer with a strong heritage of quality, value and experience.

In the search to create an identity for their products, Malaysian footwear manufacturers have successfully marketed their own brands such as DR. CARDIN, CROCODILE, JOHN BIRD and LARRIE. In addition several Malaysian footwear manufacturers are producing under license, internationally renowned brands like CAMEL, HUSH PUPPIES, SCHOLL, PUMA, NIKE and LA GEAR.

Trends in Production

Sustainability. While developments in manufacturing processes are always important to improve the quality and efficiency of footwear produced, leading manufacturers now, including the global brand Bata, are committed to supporting their employees, invest in their local communities and develop local sourcing and distribution options. This sense of local responsibility reflects that besides being a fashion item, shoes for many people are vital to protect against disease, improving mobility, providing comfort and ensuring safety. This has expanded the definition of who needs shoes to include the children educated in their schools, people who have built businesses around distribution and related areas.

Local traditional fabrics such as Pua Kumbu (a traditional patterned multi-coloured ceremonial cotton cloth made in Sarawak), Pua Sungkit (a similar material with a distinctive warped design), Dastar (a traditional style from Sabah), Tekat (the art of embroidering golden thread onto a base material) and Songket (a fabric that belongs to the brocade group of textiles) are being used and applied to new footwear designs.

Main players in Malaysia

Jimmy Choo was born in Malaysia. This well-known designers' name of elegant high heeled footwear has grown into one of the leading global brand in luxury leather footwear. This is used by the Malaysian industry as an example of the heritage of good style and design that comes from this country.

To illustrate the diversity and range of types of products, a selection of manufacturers can be found in section 6 in the list of importers.

5.2.2 Malaysian imports of footwear

Malaysia was the thirty ninth largest importer of footwear in value terms. In 2016, Malaysia imported footwear valued at \$ 640 million (110.6 million pairs). This represented 0.4% of world imports by value.

Malaysian footwear imports were sub-divided as follows:

- **Footwear (6404) with textile uppers** \$ 223 million (37.7 million pairs) of which:
 - a. Sports footwear \$ 71 million (5.5 million pairs)
 - b. Footwear of rubber or plastic outers and textile uppers \$ 146 million (31.3 million pairs)
 - c. Footwear of leather/composition leather outers and textile uppers \$ 7 million (0.9 million pairs).
 - d. **Footwear (6402) with outer soles and uppers of rubber or plastics** \$ 206 million (57 million pairs)

e. **Footwear (6403) with leather uppers** \$ 170 million (11.4 million pairs)

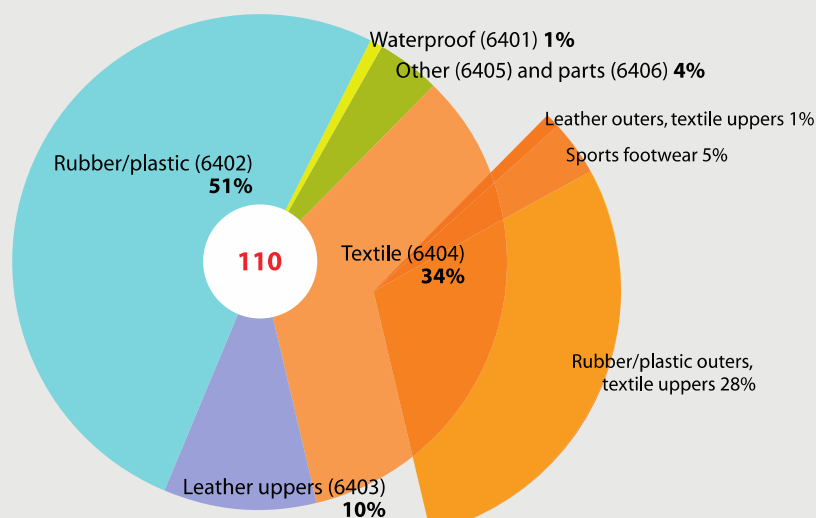
f. **Waterproof (6401) footwear** \$ 8 million (1.1 million pairs)

g. **Other (6405) footwear** (e.g. of wood, cork etc) \$ 22 million (3.4 million pairs)

h. **Footwear parts** \$ 11 million (467 tons)

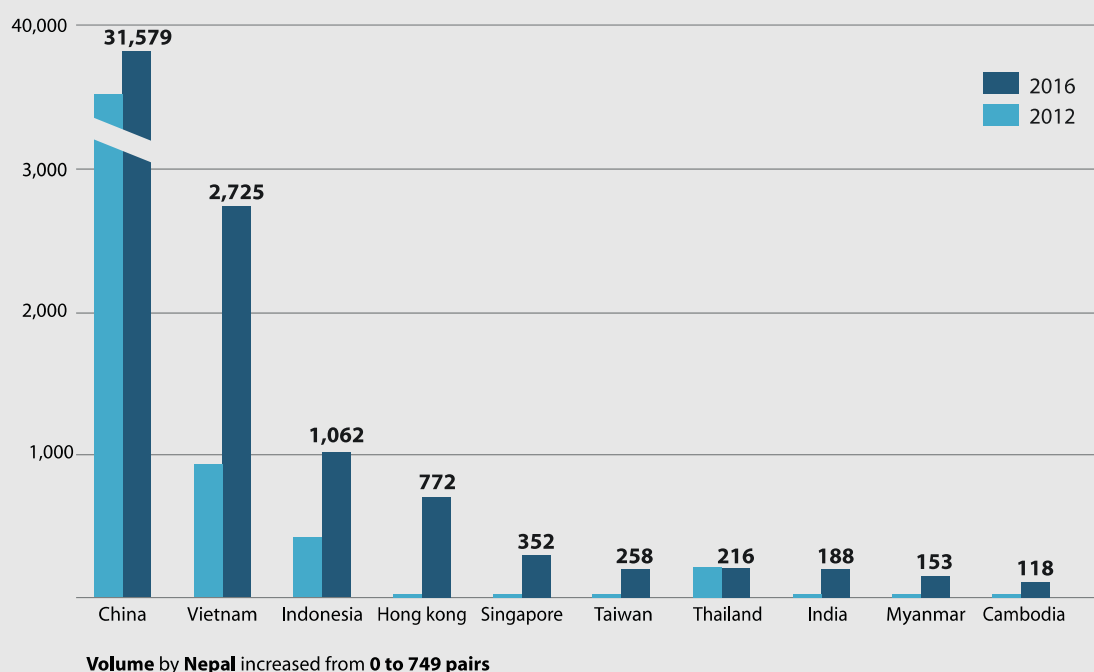
- Footwear (6404) with textile uppers was the largest footwear group by value and represented 35% of the total value of Malaysian footwear imports, but 34% of volume imports. (Footwear with outer soles and uppers of rubber or plastics accounted for over half the market volume).
- Imports of footwear with textile uppers increased by an average annual rate (CAGR) of 43% from \$ 53 million in 2012 to \$ 223 million in 2016.
- The leading suppliers to the Malaysian market of footwear with textile uppers were China, Vietnam and Indonesia, representing 87% of value imports between them (\$ 193 million) and almost 94% of volume imports (35.3 million pairs). Chinese imports increased by less than the average over the period, but imports from Vietnam and Indonesia increased above average. Other fast growing Asian importing countries were Singapore (+178%), Hong Kong (+60%) and India (+53%).
- Figure 2 highlights the changing pattern of the import trade. Eleven Asian countries featured in Malaysia's

FIGURE 1: **Malaysia - Footwear imports by productgroup, 2016**
Volume in million pairs



Source: ITC Trademaps (2017)

FIGURE 2: Malaysia - Imports of footwear textile (6404), 2012-2016
Volume increased by 43% from 18,968 to 37,743 thousand pairs



Source: ITC Trademaps(2017)

top 15 importing countries for footwear with textile uppers.

- **Supplies from other small Asian countries**
increased overall from \$ 446,000 in 2012 to \$ 934,000 in 2016, the largest increases by Bangladesh, Pakistan and Nepal.
- **Nepal** supplied 749 pairs in 2016, valued at \$ 2,000. Although not shown in the table, Nepal exported 1,000 pairs to Malaysia in 2015, valued at \$ 15,000. Thus the average price paid per pair in 2016 was \$ 2.67.
- **Nepal was ranked 50th in supplies of footwear (6404)** with textile uppers to Malaysia.

Competitors for Nepal

Apart from India and China, Thailand and Singapore were important suppliers of footwear parts to Malaysia. All the leading Asian suppliers provided footwear with outers and uppers of rubber or plastic (6402). In terms of Nepal's footwear exports, Malaysia was ranked the fourth leading destination. Nepal also exported footwear with leather uppers (6403) to the value of \$5,000 in 2015. See Table 10 and Table 11 in Annex 2 for more detailed statistics.

5.2.3 Malaysian price structure of footwear

FOOTWEAR PRICE DEVELOPMENTS and RETAIL PRICES

Import prices

These vary considerably by supplying country, as this summary table indicates. The majority of footwear is from China, at one of the lowest prices. Prices vary between Asian countries, but they are lower than European prices. Italian footwear is priced significantly higher than elsewhere. Other low cost producers include Taipei, Thailand and Myanmar. Of the smaller suppliers, Sri Lanka, Nepal and Brunei are the lowest priced.

Retail prices

There are numerous different footwear products on the Malaysian market, ranging very widely in price depending on quality, material and source of purchase, amongst others. The following Table 4 summarises a range of prices for selected footwear styles, based on prices found on various Malaysian websites for footwear and fashion.

Table 3 Malaysia – Import price per pair US\$ for footwear 6404, 2016 of leading and selected suppliers

	\$ '000 value	Pairs	Unit value per pair \$	Ave tariff applied %
World	223,418	37,743,313	5.92	-
China	113,525	31,579,479	3.59	0
Viet Nam	58,654	2,725,430	21.52	0
Indonesia	21,317	1,062,921	20.06	0
Singapore	8,275	352,924	23.45	0
Hong Kong	5,677	772,786	7.35	0
India	2,545	188,967	13.47	0
United Kingdom	1,875	36,702	51.09	0
Italy	1,797	10,290	174.64	0
Cambodia	1,431	118,289	12.10	0
Taipei	1,007	258,631	3.89	0
USA	982	29,702	33.06	0
Thailand	956	216,163	4.42	0
Philippines	890	37,272	23.88	0
Myanmar	826	153,674	5.38	0
Netherlands	681	27,205	25.03	0
Japan	402	9,674	41.55	0
S Korea	223	26,680	8.36	0
Bangladesh	191	21,052	9.07	0
Pakistan	89	4,300	20.70	0
Sri Lanka	13	2,563	5.07	0
Brunei Darussalam	7	3,570	1.96	0
Macao	7	144	48.61	0
Nepal	2	749	2.67	0

Source: ITC Trademaps (2017)

Table 4 Malaysia – Retail price examples of selected footwear in US\$

	Economical/ Discount	Medium/Fine	Luxury
Sports shoes	\$20	\$60	\$250
Men's slip ons	\$15	\$50	\$150
Women's flat shoes	\$15	\$80	\$250
Women's wedges	\$15	\$80	\$250
Men's sandals	\$4	\$30	\$120
Women's formal shoes	\$35	\$80	\$175
Women's flip flops	\$10	\$40	\$150
Women's heels	\$25	\$60	\$300

5.3 Access requirements for the Malaysian market

5.3.1 Legislative requirements

Legislative requirements

Product certification assures buyers that a product meets certain set specifications, a minimum level of performance, or set safety requirements. Products manufactured in Malaysia, either to a Malaysian standard or a foreign standard issued by the respective national standards institutes are accepted by SIRIM, the national standards development agency - <http://www.sirim-qas.com.my> - for its Product Certification Marking Scheme. Thus, products certified by SIRIM will bear the Malaysian Quality Mark ("MS" Mark) or the Safety Mark ("S" Mark) to denote compliance with Malaysian standards specifications.

All imported consumer goods are required to be labelled to identify the importing agent. This is usually done by affixing a label after goods have cleared customs. Labels may be in English or Bahasa Malaysia.

Malaysia is a member of ASEAN, the ten nation South East Asia trading bloc. ASEAN promotes free trade between its members and they share a number of regulations in relation to other nations accessing their markets.

There are no tariffs on footwear imports to Malaysia, although there are some tariffs on footwear parts (average of 25% for parts of outer soles and heels, of rubber or plastics; average of 16.1% on other parts, such as removable in-soles, heel cushions).

All imports are subject to a 6% Goods & Services Tax (GST), a recent tax that consumers pay at the point of purchase.

5.3.2 Voluntary requirements

Voluntary requirements

SIRIM also has an Eco-Labeling Scheme. Criteria exist for a range of different products, including ECO 34, which relates to Apparel & Textile Products from Natural Fibers. This may apply to textile footwear.

The GreenTag endorsement programme is not a certification scheme but it could be a possible first step for importers to move towards something like the Eco label. GreenTag provides information to consumers to help them make purchasing decisions. Further information can be found at the Malaysian Standards website.

5.4 Distribution

5.4.1 Indirect and Direct Channels

Malaysia has very specific restrictions on foreign retail ownership. Generally, companies are required to allocate at least 30% of their equity to Bumiputera (ethnic Malays and other indigenous people), with certain degrees of flexibility. It is suggested that foreign companies looking to sell into Malaysian store-based channels work with existing retail operators or set up specialty stores to establish brand presence.

Most exporters find that using a local distributor or agent is the best first step for entering the Malaysian market. A local distributor is typically responsible for handling customs clearance, dealing with established wholesalers/retailers, marketing the product and handling after-sales service.

Retail trade

Mass market channels continue to dominate the distribution of footwear due to the widespread presence of mainstream players such as Bata, Vincci, Sketchers and Aldo, the majority of which are located in shopping malls, the largest of which are in the capital, Kuala Lumpur.

Meanwhile, high end outlets have struggled recently with the uncertain economic climate, with fewer customers willing to spend on luxury designer footwear.

The 60% market share of retail distribution for footwear specialists has held fairly constant for the last few years, as has sales through department stores. Most department stores are in shopping malls, so they offer ease of availability. The leading department stores are AEON, Parkson, Isetan and Metrojaya. All offer extensive ranges of footwear for men, women and children.

Sales through grocery retailers have struggled, as internet sales progress slowly.

Bata is a global brand with more than 4,900 retail outlets in over 70 countries, and is the leading footwear brand in Malaysia, operating a retail chain of more than 250 outlets which consists of City, Family and Primavera stores. They account for 7% of the market. Each fascia differentiates itself in what it sells. Primavera are in the middle to high end, selling the latest in fashions and designs. Bata also has a wholesale division, which services many independent retailers.

While Bata are predominantly in footwear, the other leading retail brand owner, **Padini**, has its origins in the

Table 5 Retail distribution share (by value) in Malaysia in 2011 - 2016

Outlet type	2011	2014	2016
Store-Based Retailing	97.6%	97.2%	97.3%
Food Retailers	4.6%	2.1%	2.0%
Hypermarkets	2.8%	1.6%	1.5%
Supermarkets	1.6%	0.2%	0.2%
Traditional Grocery Retailers	0.2%	0.2%	0.3%
Non-Food Specialists	77.2%	79.1%	79.2%
Clothing & Footwear Specialists	59.0%	59.6%	59.8%
Leisure & Personal Goods Specialists (mainly Sports Goods Stores)	1.6%	1.5%	1.6%
Other Non-Grocery Clothing & Footwear Specialists	16.6%	18.0%	17.8%
Department Stores	15.8%	16.0%	16.1%
Non-Store Retailing	2.4%	2.8%	2.7%
Direct Selling	0.6%	0.6%	0.3%
Internet Retailing	1.8%	2.3 %	2.4%

Source: Euromonitor (2017)

clothing and textile business. In footwear, Padini operates over 40 of its own outlets, 16 Vincci outlets and 13 PDI outlets in Malaysia. Other retailers include Skechers, StrideRite and Bonia, the luxury leather specialist, which has almost 30 outlets in Malaysia. H&M performed strongly in footwear, despite being more focussed on clothing fashion.

The leading footwear specialists offer their own online platforms, while Vincci's products are available through third party sites like Zalora.

Internet retailing currently just represents about 2% of footwear sales (compared with 5% for online sales in total). However this is set to increase as leading internet retailers such as Zalora and Lazada are now offering free returns and exchanges to encourage more online purchasing. The company Boxit recently introduced a parcel locker arrangement with 7-Eleven stores in Malaysia to make it easier for receiving, collecting and returning purchases.

The ecommerce website eCommerceMILO makes another interesting point about internet retailing of fashion and footwear - in that **half of the top 10 online fashion sites in Malaysia either focus solely or mostly on Muslimah fashion**. In addition to this, the engagement rate on these websites is relatively higher with more time being spent on them.

Trends in retailing

- **Discount retailers** such as Shoopan are expected to do well in the current economic climate as consumers look for more bargains and are more cautious about spending on footwear.

- **Many online retailers are now investing in apps for mobiles** to make the purchase process easier and better. Apps offer greater functionality when compared with websites. Mudah is Malaysia's biggest ecommerce market place, selling almost anything you might need, including footwear.
- According to Google's Consumer Barometer, 80% of Malaysians conduct **online research before making a purchase**. In terms of clothing and footwear, 37% will then proceed with the online purchase (this compares with 83% for flights/71% hotels) while 39% go to a shopping mall to complete their purchase (top of this list is 77% for televisions). This research is cleared skewed to internet users but it is indicative of how the online trend is growing despite strong attachment to retail stores.
- According to a survey by Shoppu into online shopping behaviour, 68% of respondents shop and buy both offline and online, 25% shop and buy at online stores only, and the remaining 7% shop and buy at online more than offline.

5.5 Opportunities and how to enter the Malaysian market

OPPORTUNITIES

The various options for market entry have been discussed in the previous section, but there are a number of opportunities to be aware of that are specific to the Malaysian market:



- **Look for a niche.** There are a number of speciality segments of the market that may be easier to enter than others, where a small market entrant may find it easier to make contacts. An example of this could be **wedding footwear**. Malay weddings can be found in each of the main cultural traditions and footwear is an important item in each of the religions.
- **Military or other special use footwear.** This is a potential niche also. It may offer good opportunities to make contact with domestic manufacturers as many locally based Malaysian companies produce footwear specifically for either the military or the police.
- **Identify the areas where the majority of Nepalese live.** As there are significant numbers both working and residing in the country, this is a sizeable and natural group to target. Kuala Lumpur and Penang will be the principle places to target. Direct flights to Kuala Lumpur is facilitating more frequent exchanges between the two countries.
- **Muslim fashion.** It has been mentioned that this market segment offers opportunities that may be more interesting than the mainstream market. The key would be to demonstrate an understanding and sensitivity towards the cultural demands of this important group.
- **Handmade footwear using vintage fabrics.** Traditional fabrics and designs are popular in this country. Are there any interesting traditional footwear styles from Nepal that may appeal to Malaysian taste. Footwear made from unique materials, or footwear hand stitched in a particular way that would be interesting for the Malaysian market.
- **Malaysian Indians** are an important segment that may be more easily accessible for Nepali footwear exporters than other groups, such as Chinese Malaysians. There may be awareness in this community of Nepal footwear already sold in India.

HOW TO ENTER THE MALAYSIAN MARKET

Identifying buyers and know more about your final consumers

Be flexible. In order to attract buyers' attention, foreign exporters should be flexible and be prepared to accept smaller minimum orders than is the case in the other markets. This is especially true for the first few seasons. Depending on the designs and styles, buyers would like to try out the market for at least the first 6 months.

Identify buyers. As a Nepalese exporter dealing in relatively small quantities with your own footwear range,

make contact directly with specialist wholesalers or internet retailers. These people are familiar with local trade structure/practices and local consumer tastes. They often have strong relationships with local retailers.

Alternatively you could produce to order for importers making bespoke footwear, whether this is the completed item or a particular part or parts. If you agree a prototype, producing small quantities on a regular basis is a good option to start with. Better not to take a big risk initially, but to give yourself a chance to see how easy the logistics between the two countries are. Direct flights take just over four hours.

Based on the best opportunities for Nepali footwear, here are some possible product market combinations related to particular consumer segments with some points to consider when trying to access this market:

It is important to note that although the value for money/medium value price position is the most realistic, bear in mind the opportunity to be derived from the uniqueness of the **"Made in Nepal"** label. This USP, if the product captures the imagination (good publicity required) could result in a product being positioned in a higher market segment.

When selling your own collection try to find buyers who are likely to sell to the consumer segment that are interested in Nepalese products e.g. those with close connections to the local Nepali community. Consumers can also be attracted to a typical Nepalese design/style or the use of (natural) material.

Your final consumers. Younger people are likely to be more open to new products from Nepal. If you know about their lifestyle, buying behaviour & criteria, this can form the basis of a discussion with a suitable buyer. Footwear from Nepal is relatively unknown and as an exporter, you can provide the heritage of the natural materials used or the success stories elsewhere.

Find a complementary partner in order to get your first entrance to the Malaysian market. For example, a lot of women wear shoes with jeans. If you find a similar-minded company you may find interesting opportunities to enter the market jointly. Alternatively you could look for a local jeans manufacturer and find joint promotional possibilities.

A marketing approach is based on a win-win situation aiming to establish a long-term relationship.

Smaller wholesalers and footwear shops now need to be more pro-active in their own marketing strategy not to further lose their clients to the big international brands and retail chains. They are also looking to find niches of their own to maintain their own competitive advantage.

FOCUS	SNEAKERS	CASUAL FOOTWEAR	SPECIAL FOOTWEAR
Market Segment	<ul style="list-style-type: none"> Working women Students Special events 	<ul style="list-style-type: none"> Muslimah fashion Nepali residents and workers Indian community 	<ul style="list-style-type: none"> Footwear tourists (looking for something unique) Police & military
Possible products	<ul style="list-style-type: none"> Sport inspired sneakers for children and young women Event related sneakers based on sport (e.g. the Southeast Asian Games in Kuala Lumpur in 2017) Sneakers with images inspired by Nepal. 	<ul style="list-style-type: none"> Footwear made of canvas, hemp, nettle or other unique material. Fashionable sandals, platforms or slip-ons Comfortable shoes 	<ul style="list-style-type: none"> Comfortable footwear for armed forces Producing components for Manufacturers
Competition	<ul style="list-style-type: none"> China, Vietnam, Indonesia, Thailand, Cambodia, Singapore Adidas, Nike and other international Brands 	<ul style="list-style-type: none"> Other Asian manufacturers and exporters Domestic manufacturers 	<ul style="list-style-type: none"> Vietnam, Indonesia, India and other developing countries. Local manufacturers
USP Positioning (why Nepal?)	<ul style="list-style-type: none"> Expertise in hand-made footwear Outdoor sporting/climbing imagery Spiritual themes 	<ul style="list-style-type: none"> Nepal as a country of nature Nepal as a source of various sustainable fibres - hemp, nettle, buffalo leather Local community involvement, hand-made Multi-functional, practical 	<ul style="list-style-type: none"> Himalayan heritage good for walking Hand-made Spirituality
Price level	<ul style="list-style-type: none"> Low-Medium price level; value for money 	<ul style="list-style-type: none"> Medium price level; value for money 	<ul style="list-style-type: none"> Medium price level
Distribution Channels	<ul style="list-style-type: none"> Importer Wholesaler Online retailer/seller 	<ul style="list-style-type: none"> Importer Wholesaler Online retailer/seller 	<ul style="list-style-type: none"> Manufacturer Importer, Wholesaler Specialist channel Online retailer/seller
Challenges	<ul style="list-style-type: none"> Malaysia a diverse market, accurate targeting needed Need to demonstrate awareness of international fashion trends Cultural sensitivity required 	<ul style="list-style-type: none"> Difficult to find the right sales channel Design will be important and excellent finishing and good quality is expected Mainstream segment is highly competitive 	<ul style="list-style-type: none"> Timely production Good quality control needed Design important, especially for footwear tourists

5.6 Potential trade partners and useful addresses

Finding a trading partner in Malaysia

The first place to look would be to contact the main trade association(s), followed by trade fairs, which tend to feature a list of exhibitors, many of which may be potential partners. The following organisations may be worth looking at:

Trade Associations

Malaysian Footwear Manufacturers Association - <http://wms2.malaysiafootwear.com>

Trade Shows

Malaysia International Shoe Festival takes place in Kuala Lumpur each spring - <http://www.misfshoe.com>

Malaysia Fashion Week usually takes place each November - <http://www.malaysiafashionweek.my>

Trade Press

The Straits Times has a fashion section that sometimes features articles on footwear - <http://www.straitstimes.com>

Other sources

Malaysian Investment Development Authority - <http://www.mida.gov.my>

Malaysian External Trade Development Corporation - <http://www.matrade.gov.my>

Department of Standards Malaysia - <http://www.jsm.gov.my>

Malaysian Rubber Export Promotion Council - <http://www.mrepc.com>

Importers		
Bata	http://www.bata.com.my	-
Padini	http://www.padini.com	-
Pallas	http://www.pallas.com.my/	Produces family footwear with fashion and value for money in mind
Johnson Shoes	http://johnsonshoes-my.com/	Established in 1950 and produce both leather and rubber shoes
Harvik	http://www.harvik.com/	Produces rubber safety shoes
Bold Technics	http://www.megasafe.com.my/	Manufactures fashion and safety footwear
Kulitkraf	http://www.kulitkraf.com	Produce footwear for industrial and special purpose use
Kate Mosella	http://katemosella.com.my	Wedding shoes and other speciality footwear
Bonia	http://www.bonia.com	Produce a wide range of ladies' and men's footwear
Marano	http://ww.marano.com.my	Specialise in leather footwear
Syarikat Perniagaan Sooi Seng	http://sooiseng.com.my	Produce a wide range of footwear styles since 1988
Rong Hua Shoe Industries	http://www.veno.com.my	produce flip flops, safety shoes and insoles
East Shoes	http://www.sepatutimur.com.my	produce a range of types, including military, using the brand name Minoli
Wholesalers		
Yen Bee Enterprise	Bukit Mertajam, tel +60 12 4166887	Manufacturer and distributor/wholesaler of ladies footwear of various types
Marconie Creations	Ampang Tel 60 03 42966698	Manufacturer and trader of men's and ladies' shoes
Jex Enterprises	Kuching tel 60 16 8268969	Distributor and wholesaler of shoes and bags
Harian Shoes	Kuala Lumpur tel 60 03 79814735	Owner of the Jukebox brand, have 40 outlets
Brandshoetrading	Kuala Lumpur tel 60 12 2934916	-
Jack Liew	Ipoh, tel 60 12 5069688	Manufacturer and wholesaler of slippers and other footwear
Retailers and online sellers		
Zalora	http://www.zalora.com.my	-
Lazada	http://www.lazada.com.my	Alibaba acquired a controlling stake in 2016. It has more than 3 times traffic than its closest competitor, 11street
11street	http://www.11street.my	-
Nile	http://www.nile.com.my	-
Fashionvalet	http://www.fashionvalet.com	-

FOOTWEAR IN VIETNAM



CHAPTER 6

Brief overview



Population

95.3 million; 0.95% growth rate (2016)
Kinh (Viet) 85.7%, Tay 1.9%,
Thai 1.8%, Muong 1.5%
Khmer 1.5%, Mong 1.2%,
Nung 1.1%, Other 5.3%

- 0-14 years: 23.8%
- 15-24 years: 16.7%
- 25-54 years: 45.2%
- 55-64 years: 8.2%
- 65 years and over: 6.0%



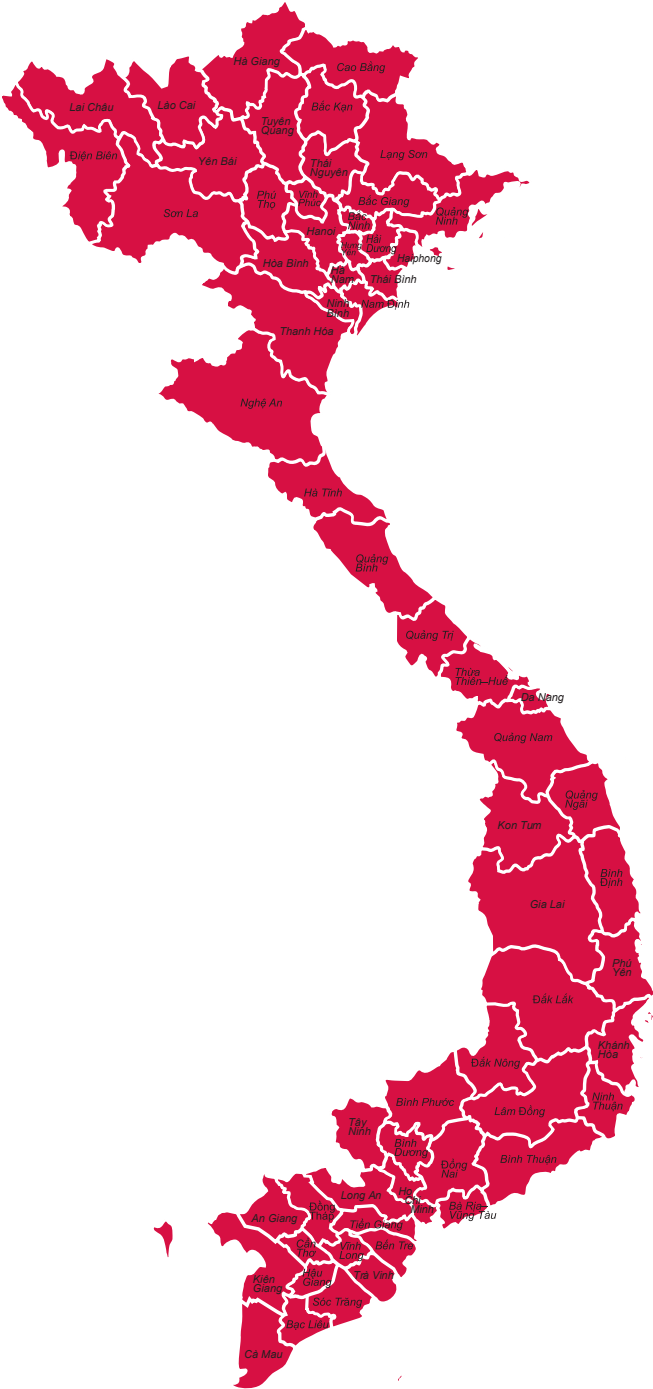
Economy

GDP: US\$ 7,136 per capita (2016)
Unemployment rate: 3.7% (2016)



Social

Women in labour force: 48.3%
Marriage rate: 11.8 per 1,000





6.1 Current size of the Vietnamese market

Vietnamese consumers are broadly optimistic about their future prospects. Vietnam's middle class is expected to double to 33 million people by 2020. Spending on children is an important focus of Vietnamese family expenditure to ensure their well-being, with spending ranging from education to fashion.

In recent years there has been a switch to local products, due to scandals related to the quality and safety of products with unreliable origin, often from China. A government campaign to promote locally made goods is having some success, particularly in the fashion segment. According to vovworld.vn, 80% of consumers indicated a preference for domestically produced clothing and footwear over those manufactured in China. Local designers and Made-in-Vietnam shops are gaining wide acceptance.

6.1.1 Footwear retail sales and segments

TOTAL FOOTWEAR SALES IN VIETNAM

- **In 2016, the total footwear retail sales** in Vietnam was estimated to be worth \$1,499 million, equivalent to 97.8 million pairs, according to Euromonitor. The Vietnamese Footwear Association estimates the market volume to be somewhat higher at 130 million pairs. Vietnam is ranked 25th in the world in terms of consumption volume.
- **The footwear market in Vietnam is dominated by international brands.** The domestic market has been neglected as manufacturers have developed exports. This has allowed imported brands to take a 70% share of the domestic market, although much of this is low price, low quality.

Footwear market growth stood at 15% in 2016. This was higher than volume growth reflecting increasing prices. This growth rate was higher than growth rates in neighbouring countries such as Thailand or Malaysia.

Table 1 Vietnam – Retail sales of footwear, 2011-2016, value in US\$ million / volume in million units

	VALUE					VOLUME				
	2011	2013	2015	2016	2011/16*	2011	2013	2015	2016	2011/16*
TOTAL	755	999	1,315	1,499	+14.7%	63	75	90	98	+9.3%
Women's footwear	428	567	759	874	+15.4%	35	43	50	55	+9.1%
Men's footwear	275	363	470	529	+14.0%	18	21	26	29	+9.8%
Children's footwear	52	69	87	97	+13.1%	9	11	13	14	+9.0%

* Compound Annual Growth Rate based on exchange rate 1000 Dong/\$0.044

Source: Euromonitor (2017)

■ **The two principle drivers of footwear sales have been women's footwear and sports footwear.**

Growing fashion awareness among young people and a preference for foreign brands has underpinned this growth. The other key factors were the strong development of online shopping and big promotional events by international brands. The popularity of sports fashion has also helped sales of sports footwear.

Children's footwear continued to grow, albeit lower than the review period CAGR due to the government's policy of decreasing the birth rate and modern lifestyles. However, there was still healthy growth thanks to the economic recovery. Parents are willing to spend more on children's footwear in order to protect their children after many scandals linked to toxins in Chinese products. As a result, more consumers returned to buying branded products from trusted companies like Nike or Adidas kids.

■ **Per capita consumption** of footwear in Vietnam is \$16 per annum. The population is increasing as are sales values. This relatively low per capita expenditure is set to increase significantly, especially as the middle classes with their higher disposable incomes grow.

■ **Textile footwear (6404) represents 20% of the market by volume**, based on imports. This large group will include many styles of sports footwear and types of everyday footwear, particularly for women and children. The biggest market segment is 6402 rubber or plastic footwear.

MAIN MARKET SEGMENTS

Segmentation by user

Women's footwear dominates the market, accounting for 58% of value sales and 56% of volume sales. Due to the development of social networking and a better economic performance, more and more woman are purchasing popular branded footwear, not only because of their high quality but also to show off their status in society. While women focus on footwear designs to follow fashion trends, men are more particular about the quality, material

and the sophisticated look of their footwear.

Men's footwear represents 35% of market value. Sports footwear has become fashionable within men's footwear in Vietnam, due to the huge promotional events of many sportswear companies like Nike and Adidas. Instead of letting woman buy their clothes or footwear at traditional markets as previously, more and more male consumers go shopping in modern channels such as supermarkets, hypermarkets and department stores, not only because of the convenience they offer but also due to high-quality products and attractive designs.

Children's footwear is the smallest market segment accounting for just 15% of the market. Although government policy used to limit families to just two children, there are moves to changing this restriction. This, together with the growing importance attached to investing in children's futures is likely to see this segment increase in importance. Children are also more fashion conscious and ready access to social media makes them demand more high priced footwear.

Segmentation by price/quality

Based on the retail market shares, there is a clear basis of segmentation for footwear in relation to price in various distribution channels. Vietnamese footwear shoppers have been used to a market which has been dominated by unbranded cheap imports (China, Thailand), often featuring counterfeit labels. This is changing. Three key forces have created the following segments:

■ **Top end of the market - Luxury footwear.** This segment is primarily characterised by international brands of both sports footwear and fashion footwear of high quality. International designer brands have come to Vietnam to take advantage of a welcoming retail environment and a growing middle class, aware of international fashion footwear, with the disposable income and aspiration to move away from what the market has previously had to offer. This segment is the highest priced, and available primarily in luxury



outlets, branded stores and large modern shopping malls. Representing perhaps 10% of market volume, it will account for 30% of market value.

- **Mid-market segment - Medium/Fine footwear.** Encouraged by the government which wants to promote “Made in Vietnam”, domestic manufacturers, many of whom had been only focussed on export, are now trying to develop their own brands, some of them with western-sounding names, to try to emulate international brands but also to differentiate themselves from the large volumes of unbranded stock on the market. This segment is also benefiting from growing disposable incomes and a demand for more stylish footwear. Many of these products can be found in local manufacturers’ own retail chains, and in some other non-specialist outlets. This segment is likely to account for 20% of market volume and 25% of market value.
- **Low end of the market - Economical/Discount footwear.** This segment is dominated by unbranded imports (and some domestically made) of low-medium quality. Available primarily through traditional street markets, this is the largest market segment by some distance in terms of volume, around 70%, but under half of market value. The majority of the Vietnamese purchase their footwear in this segment, primarily due to their lack of disposable income.

RELEVANT TRENDS IN THE VIETNAMESE MARKET

The focus on export has led to the neglect of the domestic market, with many locals preferring foreign-made products.

Main market trends

- **Improving quality.** The Vietnamese, especially young people, have a preference for foreign made shoes carrying brand names such as Dr Martens, Converse, Clarks. The prestigious High-Quality Vietnamese Product Business Association announces winners each year at an awards ceremony. Only a few footwear enterprises are eligible, and not many of these have conquered consumers’ hearts - Biti’s (Binh Tien Dong Nai Imex), Thuong Dinh, Hong Thanh, Asia private enterprise, Vina Giay, Biti’s, Long Thanh and BQ Production & Trade.
- **Established brands were out of touch.** Biti’s is a typical example. Once holding a very large domestic market share, its products are no longer favoured because of the lack of diversity of designs. The same thing is occurring with Vina Giay. The slow changes in designs keep young people away, while Vina Giay shoes are mostly used by middle-aged people who like durable products.

- **But, domestic manufacturers are fighting back.** Biti's, for example, has marketed Hunter, a sports shoes brand, to compete with foreign brands like Adidas, Nike and Puma. According to Biti's, the company has spent \$5 million on machines and equipment to make the products. More consumers on mid-range and higher incomes living in major cities are now looking to buy popular brands, not only because of quality but also to **show off their status** in society. In general, however, the footwear category is still dominated by unbranded products, which are imported mainly from China and Thailand and supplied by small local companies.
- **Footwear styles from both Western countries and South Korea** became popular due to the development of social media. For teenagers and the young population, running shoes and "hip-hop boost" were fashion trends to express their activeness and youthfulness. **Sneakers** became popular choices among both genders and most age groups. For consumers, they were easy and convenient, especially for outdoor activities. Besides sneakers, **pointed-toe heels, T-strap heels, mule heels and rope sandals** were hot footwear fashion trends over the review period.
- **Thai footwear is becoming popular.** Thailand, which never had advantages in shoe manufacturing, has been trying to penetrate the Vietnamese market by displaying products at Thai trade fairs and exhibitions. One analyst commented that soon more Vietnamese would wear Thai shoes, especially as Thais now control 50% of the Vietnamese retail market.
- **Counterfeit labels** is an issue in footwear. Branded footwear carrying "Made in Vietnam" labels has been found to have been manufactured in China. Some Vietnamese consumers are indifferent to whether some footwear is fake, mainly being interested in the brand name, but this changing as attempts are made to inject pride into buying domestically made shoes.
- **Higher heels for men.** Some outlets are selling shoes made with a taller heel so men can feel more confident.

6.1.2 Future retail sales

EXPECTED FOOTWEAR SALES IN VIETNAM

- **Strong economic growth is expected to continue.** The total footwear market in Vietnam is expected to grow by an average rate (CAGR) of +7.9% per year, reaching a value of \$ 2,196 million in 2021 – see Table 2. It is forecast sales of women's footwear that is driving the market. Sales of sports footwear are also expected to be strong, especially due to the interest generated by Vietnam hosting the South East Asian Games in 2021.
- **The growing population** is expected to contribute to the growth of the footwear market in future years, both in value and volume terms, despite government policies aimed at limiting the birth rate, which will reduce the growth trend in children's footwear.
- **More competition from branded footwear.** As average incomes grow, consumers will continue to shift from the lower priced unbranded footwear that still dominates the market towards branded products, both domestic and international, as consumers look to show more interest in their appearance and use footwear in part to reflect their status.

6.2 Market structure

6.2.1 The footwear value chain

Manufacturing

The footwear sector is an important contributor to economic growth in Vietnam. There are about **800 companies** in the whole country producing footwear, mainly small and medium enterprises. **Domestic enterprises accounted for over two thirds** of the number, the remainder are overseas businesses from places such as Korea, Taiwan and China. The majority of footwear companies are currently located in the south, Hanoi and Ho Chi Minh City in particular. The Vietnamese footwear sector employs about 1 million people directly. An estimated 25-30% of production is for leather footwear.

Table 2 Vietnam – Retail sales forecast of footwear, 2016-2021, value in US\$ million / volume in million units

	VALUE					VOLUME				
	2016	2018	2020	2021	2016/21*	2016	2018	2020	2021	2016/21*
TOTAL	1,499	1,652	2,075	2,196	+7.9%	98	113	128	136	+6.9%
Women's footwear	874	1,035	1,210	1,305	+8.4%	55	63	72	77	+6.9%
Men's footwear	529	615	709	760	+7.5%	29	33	38	40	+7.1%
Children's footwear	97	110	124	132	+6.4%	14	16	18	20	+6.2%

* Compound Annual Growth Rate

Source: Euromonitor (2017)

Table 3 Vietnam - Manufacturing of footwear by type, 2011-2015, millions of pairs

Footwear type (millions of pairs)	2011	2012	2013	2014	2015 (provis.)	CAGR* 2011/15
Leather footwear	200.4	222.1	227.8	246.5	278.4	+8.6%
Fabric shoes	49.6	51.1	53.1	55.1	56.9	+3.5%
Sports shoes	380.1	400.9	480.7	567.3	665.4	+15.0%
TOTAL	630.1	674.1	761.6	868.9	1,000.7	+12.3%

* Compound Annual Growth Rate

Source: General Statistics Office Vietnam (2017)

As Table 3 indicates, sports shoes accounts for the largest share of production, and is also the fastest growing segment. Production has been growing at an average annual rate of 12% overall.

Demand. Vietnam's footwear industry is targeting a domestic market share of 50% this year compared to the current 30%. According to Vietnam's Leather and Footwear Research Institute, the country's footwear consumption is expected to reach 130 million pairs, with imported products making up over 90 million pairs.

Production capacity. A dependence on imported raw materials and a lack of skilled workers are preventing Vietnamese footwear manufacturers from taking advantage of Free Trade Agreements (FTAs). The Trans-Pacific Partnership would mean the tariff on Vietnamese footwear products would be cut to zero, and this was expected to stimulate breakthroughs in the quantity and quality of domestic footwear industry production. Enhancing production capacity and competitiveness were critical for Vietnamese footwear companies to fully take advantage of opportunities that the FTAs were expected to bring.

Vietnam has advantages in footwear production such as a young labour force and the preference of the world's largest footwear companies to shift production location from China to Vietnam. However, the footwear industry still faces a shortage of raw materials and must rely on imports.

Figures showed that the domestic footwear industry's procurement rate was currently low, at just 40-50%. There is a requirement to improve the efficiency of purchasing to keep costs under control. The lack of skilled workers, product development and marketing capacity were also problems.

Trends in Production

- **Building and promoting trademarks** of Vietnamese companies is an issue of utmost importance to encourage local consumers to choose made-in-Vietnam footwear. Some of the new local brands have adopted foreign sounding names, such as Juno,

Dolly and Mirabella, in order to be more acceptable to consumers.

- **Local brands are less known** in the country as over two-thirds of the total 500 Vietnamese enterprises in the industry are operating as sub-contractors for well-known foreign brands such as Nike, Adidas and Converse. As such, local footwear makers are now heavily dependent on foreign partners' technologies and designs. Establishing a **joint distribution channel** contributes to domestic market penetration.
- **Leading world footwear manufacturer.** By the end of 2016, Vietnam was listed among the top four footwear manufacturers in the world. It ranks fourth in the world, after China, India and Brazil in terms of export volume, but ranks third in value, after China and Italy.
- **Leading world exporter.** In 2016, footwear manufacturers exported \$16.2 billion worth of shoes, which accounted for over 9% of total export turnover. Despite just accounting for 30% of the number of enterprises, foreign invested enterprises made up 81 percent of the industry's total export turnover. Most footwear is exported to USA, the EU and China. However, Vietnam still does the outsourcing for foreign partners, while it cannot make products of its own and export products under its brands.
- **Difficult to make own collections.** Vietnamese enterprises have been facing **difficulties in design and production**: manufacturers have to import some raw materials; their brands are unknown in the world market. The modest locally-made content ratio of 35-40% is lower than the targeted 60-65%. According to Lefaso, the Leather, Footwear and Handbag Association, in making sports shoes, Vietnamese manufacturers can only undertake some work, including cutting, sewing and trimming. In the time it takes Vietnamese enterprises to make six pairs of shoes, foreign invested enterprises will have made fifteen, thanks to automation.

Main players in Vietnam

- **Bitis.** When mentioning Vietnamese footwear brands, many people will think of **Biti's** because they are reliable, cheap and can be bought easily. In recent

years, foreign footwear such as Adidas, Nike, and Converse have made Biti's less popular. However, Biti's is one of the most successful domestic footwear brands, making high grade sports shoes, ladies' fashion shoes, leather shoes, canvas shoes and indoor footwear. In terms of scale, Biti's has 9,000 employees and produces around 20 million pairs of shoes annually. Biti's also has a presence in the Chinese retail market, and uses Cambo Trading to distribute its products in Cambodia.

- Pouyuen, Chang Shin, and Tae Kwang Vina are the largest footwear enterprises in the Vietnamese FDI (Foreign Direct Investment) sector. They are outsourcing manufacturing partners for most of the top shoe brands such as Nike, Adidas, and Converse. The biggest manufacturer in Vietnam is the Pouyuen Vietnam Company, part of the Taiwanese owned Pou Chen Group producing athletic and casual footwear. The group is now the largest global producer of such footwear, accounting for 20% of the wholesale value of the global branded athletic and casual footwear market.
- **Tae Kwang Vina** Industrial was named amongst the top footwear companies. They are an important supplier for Nike, as are Changshin Vietnam. Hwaseug Vina is also an important manufacturer. Each of these companies are Korean owned.
- **Thai Binh Shoes** (TBS Group) is a domestic footwear business that can compete in scale with foreign companies producing casual and sports shoes for global brands. They have an expansive network of factories

throughout Vietnam, operating 33 high-tech, self-contained production lines, employing 25,000 people with an annual production capability of 21 million pairs. TBS won awards last year for excellent performance in high business efficiency, high export sales, strong trademark and good environmental practices

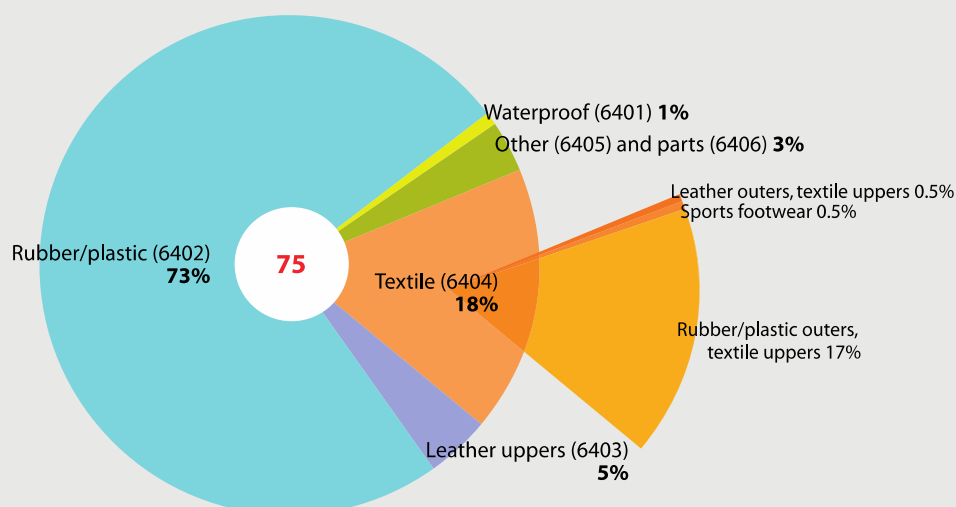
- **Dong Hung** Footwear Group is one of Vietnam's top 500 companies, employing 10,000 people making 12 million pairs each year. It develops products based on customers' own designs, uses CAD/CAM software for pattern creation and grading.
- **Thuong Dinh** footwear business specialises in canvas shoes, sports shoes and sandals, as well as leather sports shoes, it employs over 2,000 people, has the ISO 9001-2000 Quality Management System and a production capacity of 5.5 million pairs, 3 million of which are sold in the domestic market. It has a strong and well respected brand name.

More information on the Vietnamese footwear industry can be found in the GIZ report "Exposure visit to learn Good Practices from the Footwear Value Chain of Vietnam".

6.2.2 Vietnamese imports of footwear

Although Vietnam is the second largest global exporter of footwear, it ranked 35th leading importer in terms of value. In 2016, Vietnam imported footwear valued at \$ 1,264 million (75.7 million pairs). This represented 0.5% of world imports by value. Note that Vietnamese import figures are based on mirror data and some country figures have been estimated.

FIGURE 1: **Vietnam - Footwear imports by productgroup, 2016**
Volume in million pairs



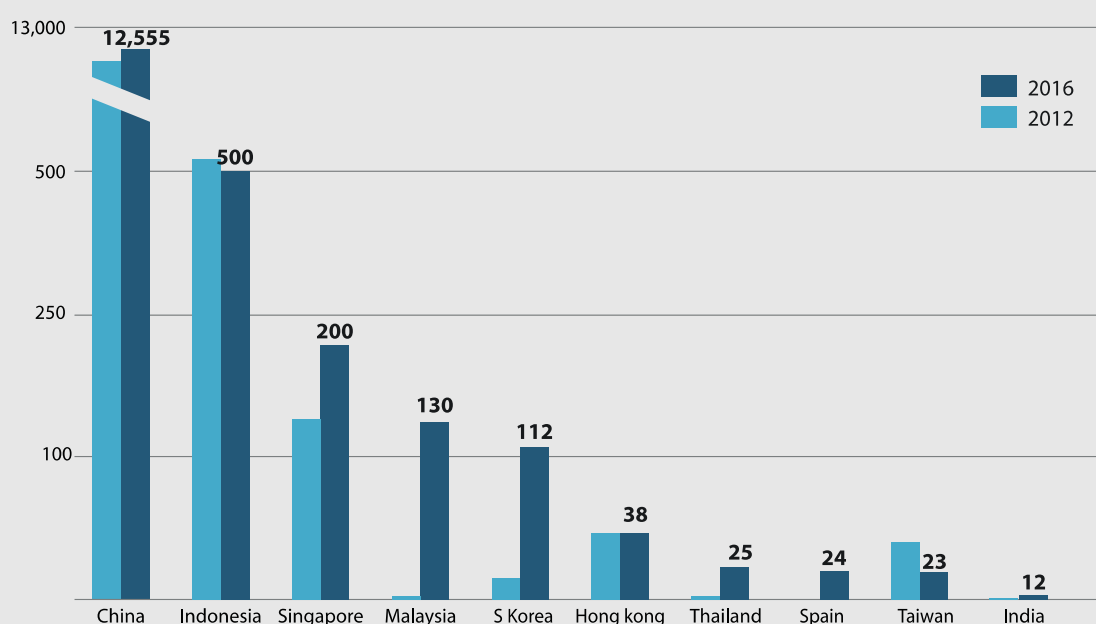
Source: ITC Trademaps (2017)

Vietnamese footwear imports were sub-divided as follows:

- **Footwear (6404) with textile uppers** \$ 111 million (13.6 million pairs) of which:
 - a. Sports footwear \$ 3.5 million (280,000 pairs)
 - b. Footwear of rubber or plastic outers and textile uppers \$ 108 million (13.3 million pairs)
 - c. Footwear of leather/composition leather outers and textile uppers \$ 230,000 (20,000 pairs).
- Footwear (6402) with outer soles and uppers of rubber or plastics \$ 235 million (55.2 million pairs)
- Footwear (6403) with leather uppers \$ 55 million (4 million pairs)
- Waterproof (6401) footwear \$ 4 million (1 million pairs)
- Other (6405) footwear (e.g. of wood, cork etc) \$ 7 million (1.9 million pairs)
- Footwear parts \$ 851 million (72,000 tons). Note the high level of footwear parts (two thirds of the total value of all imports), explained by their use in the footwear industry as manufacture for exports.
 - a. Footwear (6402) with outer soles and uppers of rubber or plastics was the largest footwear group (apart from footwear parts) and represented 19% of the total value of Vietnamese footwear imports, and almost three quarters (73%) of volume imports. This group experienced a significant average annual increase in value of 67%.

- b. Imports of footwear (6404) with textile uppers was the second largest footwear group valued at \$ 111 million, representing 9% of all value imports. These imports decreased by an average annual rate (CAGR) of 6% from \$ 143 million in 2012 to \$ 111 million in 2016.
- c. The leading suppliers to the Vietnamese market of footwear (6404) with textile uppers were China, Singapore, Malaysia and Indonesia, representing over 90% of value imports between them (\$ 1,734 million) and 98% of volume imports (13.4 million pairs). Chinese imports decreased in value over the period but continued to increase in volume, while imports from Singapore and Malaysia increased in both value and volume. Other fast growing Asian importing countries were Thailand (+39%), India (+17%) and Cambodia (+86%).
- d. Figure 2 highlights the changing pattern of the import trade. Ten Asian countries featured in Vietnam's top 15 importing countries for footwear with textile uppers.
- e. Supplies from other small Asian countries increased overall from \$ 17 million in 2012 to \$ 20 million in 2016, the largest supplying country being Japan.
- f. Nepal registered no exports to Vietnam over the period.

FIGURE 2: Vietnam - Imports of footwear textile (6404), 2012-2016
Volume increased by 6% from 12,211 to 13,648 thousand pairs



Source: ITC Trademap(2017)

Competitors for Nepal

The majority of Vietnam's footwear imports consisted of footwear parts, the majority of which were sourced from Asian countries, particularly China and S Korea, and USA. There may be opportunities for Nepal to supply parts to Vietnam but this would represent little value added. China is the dominant competitor for 6404 footwear. Other leading competitors were Singapore, Malaysia and Indonesia.

6.2.3 Vietnamese price structure of footwear

FOOTWEAR PRICE DEVELOPMENTS AND RETAIL PRICES

Vietnam is selling all its footwear products at prices 1.35 to 2.8 times higher than China on average, according to the Vietnam Footwear Association.

Import prices

These vary considerably by supplying country, as this summary table indicates. Here the import price differences can be seen, with prices from Italy being the highest by some distance. Prices vary between Asian countries. Note these calculations are based on mirror data, and figures

for some countries are estimated (China, Indonesia, Cambodia, Japan, Singapore), hence some of the price estimates are unreliable.

Retail prices

Vietnamese consumers have traditionally been very price conscious, which explains the high proportion of unbranded, low quality footwear on the market. However as incomes increase, the demand for and availability of higher priced products, incorporating more style and quality is becoming more widespread. The following Table 5 summarises a range of prices for selected footwear styles, based on prices found on various Vietnamese websites for footwear and fashion:

6.3 Access requirements for the Vietnamese market

6.3.1 Legislative requirements

Legislative requirements

Vietnam has an **automatic import licensing system** that requires importers of footwear to obtain a license from the Ministry of Industry & Trade to get goods through customs. Imports of second hand footwear are prohibited.

Table 4 Vietnam – Import price per pair US\$ for footwear 6404, 2016 of leading and selected suppliers

	\$ '000 value	pairs	Unit value per pair \$	Ave tariff applied %
World	111,323	13,648,727	8.16	-
China	102,679	12,555,461	8.18	0
Singapore	3,000	200,000	15.00	0
Malaysia	2,498	130,172	19.19	0
Indonesia	1,000	500,000	2.00	0
Hong Kong	498	38,946	12.79	30
Spain	279	24,199	11.53	30
Italy	236	1,829	129.03	30
Taipei	218	22,679	9.61	30
S Korea	160	112,529	1.42	0
Thailand	159	25,240	6.30	0
India	152	12,026	12.64	17.5
Brazil	135	6,928	19.49	30
United Kingdom	70	2,546	27.49	30
Cambodia	60	2,000	30.00	0
Germany	49	1,360	36.03	30
Japan	19	5,099	3.73	20
Macao	1	100	10.00	30
Mauritius	0	0	n.a.	30

Source: ITC Trademaps (2017)

Table 5 Vietnam – Retail price examples of selected footwear US\$

	Economical / Discount	Medium/Fine	Luxury
Sports shoes	\$11	\$50	\$200
Men's casual shoes	\$11	\$50	\$300
Women's canvas shoes	\$6	\$20	\$90
Men's sneakers	\$10	\$60	\$250
Men's sandals	\$8	\$30	\$150
Women's doll shoes	\$7	\$25	\$160
Women's sandals	\$5	\$20	\$130
Women's heels	\$10	\$30	\$130

The Directorate for Standards, Metrology and Quality, part of the Ministry of Science & Technology is the government department responsible for footwear standards. More details can be found at their website - <http://tcvn.gov.vn> - but some of the standards include:

- **Determination of organotin compounds in footwear materials**, determination of **dimethylformamide in footwear**, also **polycyclic aromatic hydrocarbons (PAH)**
- **Various testing methods** for uppers (deformability), stiffeners, toe puffs (mechanical characteristics), outsoles (tensile strength and elongation, compression energy), insoles, uppers, linings and insoles (abrasion resistance), touch and close fasteners (peel strength before and after repeated closing), test methods for slide fasteners locking strength, temperature behaviour of uppers, insulation, water resistance of leather, washability of whole shoes
- Comply with the Vietnamese shoe sizing system
- **Standards for canvas shoes**, rubber footwear, safety, professional and occupational footwear

Product quality and safety criteria. The Vietnam Leather and Footwear Association (VLFA) plans to develop product quality and safety criteria to raise the industry's production standards, designed to offer a basis for producers to deliver better quality products and create a level playing field between domestic and foreign players.

Absence of a system to control the use of chemicals.

Despite Vietnam's leather and footwear industry still being heavily reliant on imported materials, it does not have its own set of criteria to control the use of unsafe chemicals. According to the association, the industry required 220,000 – 250,000 tons of leather each year, with domestic suppliers supplying about 100,000 tons. There is a lack of testing centres and footwear firms have to test themselves to meet importers' requirements. The absence of a system for controlling the use of chemicals in leather products means domestic producers are being held to a double standard.

Currently, leather and footwear imports to Vietnam did not face such barriers and participation in major trade pacts that imposed zero per cent tariffs on products, created even bigger challenges to domestic producers, including losing their market share at home.

Most Vietnamese leather and footwear firms, being outsourced by foreign firms, are required to meet international standards. A set of criteria imposed by Vietnam or technical barriers were needed to better control imports.

Import duty. Note that Nepal has no exports to Vietnam of 6404 footwear, but if it did, it would be liable to a 30% tariff, similar to Bangladesh, Pakistan and Sri Lanka. India and Japan have a lower tariff, but other ASEAN member states are tariff free.

Labelling

The Decree 89/2006/ND-CP, effective since 2007, and accompanying regulations provide the requirements for the labelling of goods for sale in Vietnam. According to these regulations, goods must bear a label and must be easily and clearly seen by consumers.

Labels of domestically circulated goods must be presented in Vietnamese. If necessary, foreign language text may be included provided that it is in smaller print than the Vietnamese text. In the case of imported goods, the compulsory contents in Vietnamese may be either printed on the original label or presented in a supplementary label attached to the original foreign language label prior to sale or circulation in the Vietnamese market.

6.3.2 Voluntary requirements

Voluntary requirements

The Vietnam Certification Centre - <http://quacert.gov.vn> - is responsible for overseeing the issuing of voluntary standards, whether national or international. This includes all relevant international management systems (ISOs).

Structures for environmental standards via labelling are not strong in Vietnam, nor is there a strong consumer movement for this at present, although it is expected to grow in future. The Vietnam Green Label is a certification initiative with criteria which cover 14 product groups, but does not currently include footwear.

6.4 Distribution

6.4.1 Indirect and Direct Channels

There are a number of options when looking to enter the Vietnamese market, depending on your objectives. Are you interested in supplying material for a footwear manufacturer that may be selling to the domestic market or the export market? Alternatively are you looking at how best to sell your footwear within the country?

- You may wish to make an agreement with a manufacturing company that designs the footwear. You could supply either parts or finished footwear. In either case you can find a manufacturing company and deal with them directly, or you can find an agent based in the country who will act on your behalf.
- Another option would be to base yourself in the country and organise your own manufacturing. This is an expensive option. You would have control over your operation but you would need to be extremely confident of your success.

Wholesale markets are useful places to make contacts and to see a big range of styles and designs. In Ho Chi Minh

City, Tan Binh market and An Dong Market are the two largest shoe wholesale locations.

For Hanoi, the main markets are Dong Xuan, Ninh Hiep and Lim Bac Ninh. These markets are good for both buying and selling. There are also wholesale footwear markets at some border points such as Tan Thanh and Mong Cai. Visiting wholesale markets may be a good starting point. You could do this yourself, or find an intermediary/consultant with knowledge of the country (and linguistic skills) to facilitate the process.

Retail trade

The footwear retail landscape is dominated by unbranded products and counterfeits, mainly imported from China and Thailand. As can be seen from Table 7, grocery retailers are taking a growing share of the market.

Leading supermarkets and hypermarkets include: AEON (Japanese owned) has two superstores; LOTTE Mart (Korean owned) plans 60 outlets in the country; Emart (also Korean); BigC (Thai owned); Co.opmart (Vietnam owned); Vinmart and Maximart (both part of Vingroup); Metro - also known as Mega Market; and Saigon Supermarket.

Footwear specialists. Adidas has the largest retail brand share in Vietnam, due to a strong and expanding distribution network and powerful marketing campaigns, including campaigns to specifically attract women shoppers. Other international brands include Nike, Charles & Keith and Aldo. Bata also has over 30 outlets across the country.





In terms of domestic brands, there are a lot of retailers, some of which are featured here:

- **Biti's** currently owns an impressive distribution system, stretching from the south to the north of the country with 7 branch centres, 68 marketing stores and more than 1,500 retail distribution intermediaries, giving it a strong brand recognition in the country.
- **Vina Giay** has over 32 outlets around the country, carrying the "Vietnamese High Quality Goods" title for many years. They sell evening shoes, casual shoes, sandals and slippers.
- **Biti's** was established in 1991, producing to the ISO 9001 standard. They manufacture a wide range of footwear types. Their products are available through over 1,000 intermediaries, as well as being available in big supermarket chains such as BigC, Coopmart and Vinatex
- **Juno** has 40 shops in six provinces, Vascara (Brazilian owned originally) has 80 shops, both focus on mid-end products, not luxury items, and their product ranges are youthful and diverse.
- **Vinds** is a member of Vingroup, consisting of 4 retail chains. Two of these chains sell footwear - Vinds Sport has 11 outlets, while Vinds Shoes has 14 outlets.

- **Hanh Dung, Hong Thanh and Dong Hai** are older style retailers with fewer than ten shops each.

Department stores are also increasing their share of footwear sales. Leading department stores include Takashima, SC Vivocity and Crescent Mall Trade Centre, as well as Nordstrom.

Online retailing of footwear has grown rapidly in recent years, now accounting for approximately 7% of all footwear sales. **Vatgia** is the leading e-commerce platform in Vietnam. **Lazada** is also a dominant portal. As well as operating in Vietnam, it is also present in Thailand, Singapore, Malaysia, the Philippines and Indonesia. Other popular online shopping portals also selling footwear are Sendo, Tiki, Adayroi and Zalora.

Trends in retailing

- **E-commerce through mobile devices** is poised for rapid growth. Although credit card ownership is relatively low and security is a concern in what has traditionally been a cash based society, online payment systems are being developed, including Mobivi - <http://www.mobivi.vn> - in Vietnam. Mobile payment systems in-store via mobile phones are challenging the rapid growth of internet sales.

Table 7 Retail distribution share (by value) in Vietnam in 2011 - 2016

Outlet type	2011	2014	2016
Store-Based Retailing	97.7%	94.1%	93.2%
Food Retailers	28.9%	38.1%	36.6%
Modern Food Retailers	3.7%	6.5%	6.8%
Hypermarkets	1.4%	2.6%	2.7%
Supermarkets	2.3%	3.9%	4.1%
Traditional Food Retailers	25.2%	31.6%	29.8%
Non-Food Specialists	66.4%	51.8%	52.1%
Clothing & Footwear Specialists	59.4%	46.7%	47.2%
Leisure & Personal Goods Specialists (Sports Goods Stores)	3.2%	3.6%	4.2%
Other non-Grocery Clothing & Footwear Specialists	3.8%	1.5%	0.9%
Mixed Retailers (Department Stores)	2.4%	4.2%	4.5%
Non-Store Retailing	2.3%	5.9%	6.8%
Internet Retailing	2.3%	5.9%	6.8%
Home Shopping	0.0%	0.0 %	0.0%

Source: Euromonitor (2017)

- **Consumer expectations are increasing** for online orders. 80% of customers want **same day delivery**, according to a recent survey by Temando.
- **Specialisation.** Consumers are starting to focus on smaller specialised stores, and larger retailers are splitting their space into particular types of space. This is because customers want to go to exactly where they want to shop, instead of having to search around a big store.
- Customers are increasingly seeking a **personalised shopping experience**. Nike retail is a good example of a footwear retailer providing customised models, colours and sizes. Loyalty programmes are also important, with shoppers expecting more value from these.
- **More foreign businesses** entering the trade. As it is relatively easy to enter the country, business rates are low and the economy is performing well, there is likely to be more footwear retailers from overseas entering the market here. The young growing population and popularity of shopping centres for these people also encourages this trend.

6.5 Opportunities and how to enter the Vietnamese market

OPPORTUNITIES

The Vietnamese footwear market has a number of opportunities, based on whether you wish to supply partial or completed footwear to their well-developed manufacturing

industry, or whether you wish to supply and sell finished footwear through the retail and wholesale trade. As yet, although international brands are manufacturing to global standards for sustainability, Vietnamese consumers are not yet demanding eco-friendly footwear in significant volumes. This may change in the future.

- **Supplying the manufacturing industry.** Vietnam is already a significant importer of **footwear parts**, much of it used for the assembly of footwear for international brands. Some local businesses are looking for ideas to create **niche or unusual footwear** that is as yet not available on the market (could be for export or for the local market). This is probably on the basis of a new design style or unusual material.
- The country via government policies offers a favourable and welcoming environment for businesses wishing to sell in the country, however in the footwear trade there is already much competition. The **domestic market** in Vietnam can be potential for Nepalese **leather shoes** in particular if they can compete with Chinese (and other neighbouring suppliers such as Thailand and Cambodia) in terms of quality and prices.
- **Sports footwear** leading up to the 2021 South East Asian Games, taking place in Vietnam, will be in demand. Opportunities could be found by producing interesting styles or designs for sports shoes or sneakers - for men, women or children - that is related to this event in some way.
- **Young fashionable women** are potentially the best target group for textile footwear. They are looking



Importers		
Bitis	http://www.bitis.com.vn	Company name Binh Tien
Pouyuen	http://www.pouchen.com	-
Thai Binh Shoes	http://tbsgroup.vn	-
Dong Hung Footwear	http://www.donghungfootwear.com	-
Thuong Dinh Footwear	http://www.thuongdinhfootwear.com.vn	-
Vina Giay	http://vinagiay.vn	-
Hong Thanh	http://www.giayhongthanh.com.vn	-
Bitas	http://bitas.com.vn	Company name Binh Tan
Hanh Dung	http://www.giayhanhdung.com.vn	5 outlets
Hong Thanh	http://www.giayhongthanh.com.vn	8 outlets
Dong Hai	http://shopdonghai.com	5 outlets
Wholesalers		
Evashoes	http://evashoes.com.vn	Specialise in Made in Vietnam footwear
An Thai Minh	http://xuonggiay.com	-
Suzystore	Ho Chi Minh City Tel +84 1688306003	Sports footwear
Minh Hieu	http://giaythongminh.com	-
Shoetana	http://shoetana.com	-
Lavie Shoes	Ho Chi Minh City tel +84 0938479007	Fashionable ladies shoes
Thai Long Importer	Ho Chi Minh City Tel +84 0909550651	-
Phu Yen Footwear	Hanoi Tel +84 0982889986	Manufacture and import
Dong Thinh Shoes	http://giaydongthinh.com	-
Retailers and online retailers		
Vatgia	http://www.vatgia.com	-
Juno	http://juno.vn	-
Vascara	http://www.vascara.com	-
Vinds	http://vinds.vn	-
Lazada	http://www.lazada.vn	-
Zalora	http://www.zalora.vn	-
Sendo	http://sendo.vn	-
Tiki	http://tiki.vn	For sports footwear
Adayroi	http://www.adayroi.com	Part of the Vin Group

for footwear that is stylish but also easy to wear. These women may have disposable income and may be prepared to pay higher prices.

- **Variations on popular products.** For example, slippers for indoor use are popular in Vietnam. New ideas around making slippers, such as incorporating a collapsible heel that enables the wearer to take them off in a hurry or use them as fully functional footwear, could be of interest to buyers. Another option could be to add a rubber sole to make them waterproof. Footwear that is foldable or collapsible to carry in a handbag might be another interesting option for young women.

HOW TO ENTER THE VIETNAMESE MARKET

Identifying buyers and know more about your final consumers

Identify buyers. This would depend on which market segment you wish to target. Especially for the low-mid price segment, you should approach the big wholesale markets in the country or one of the new internet retailers. **The advantage of doing this is that an importer or wholesaler is well aware of local trade structure/practices and local consumer tastes.** They often have strong relationships with local retailers.

FOCUS	FASHION FOOTWEAR	SPORTS FOOTWEAR	PARTS
Market Segment	<ul style="list-style-type: none"> • Young working women • Children • Students 	<ul style="list-style-type: none"> • Special events, such as 2021 South East Asian Games. • Football is popular, so targeting these sports clubs • Active young males and children 	<ul style="list-style-type: none"> • Local manufacturers for export • Local manufacturers for supplying the domestic market
Possible products	<ul style="list-style-type: none"> • Young women's fashionable sneakers • Comfortable strapless shoes for work • Sandals, slip-ons with heels with an original design 	<ul style="list-style-type: none"> • Footwear made of canvas, hemp or Nepalese nettle. • Sportswear with prints inspired by outdoor • Children's running shoes with special laces 	<ul style="list-style-type: none"> • Toe box (part of shoe that covers and protects the toes) • Vamps (from and centre part of upper that covers top of foot)
Competition	<ul style="list-style-type: none"> • China, Thailand, Indonesia, Cambodia, Malaysia, India, Japan, Philippines. 	<ul style="list-style-type: none"> • China, Indonesia, Korea, other South-East Asian. • Market newcomers from Africa or South America • Adidas, Nike and other international brands 	<ul style="list-style-type: none"> • China, Sri Lanka, Korea and other Asian countries. • USA (for big brands) • Domestic manufacturers
USP Positioning (why Nepal?)	<ul style="list-style-type: none"> • Nepal as a source of interesting material fibres such as a hemp, nettle • High mountains/Cool/fresh • Fashion for discerning/ individual/ self-aware consumers 	<ul style="list-style-type: none"> • Expertise in hand-made footwear • Outdoor sporting/climbing imagery • Spiritual/other sporting themes 	<ul style="list-style-type: none"> • Walking heritage and understanding of key footwear parts • Hand-made • Made by women in small communities
Price level	<ul style="list-style-type: none"> • Low-Medium price level; value for money 	<ul style="list-style-type: none"> • Medium price level; value for money 	<ul style="list-style-type: none"> • Medium price level
Distribution Channels	<ul style="list-style-type: none"> • Importer • Wholesaler (market) • Online retailer/seller • Department stores 	<ul style="list-style-type: none"> • Wholesaler (market) • Importer • Sports retail • Online retailer/seller 	<ul style="list-style-type: none"> • Manufacturer • Importer • Agent
Challenges	<ul style="list-style-type: none"> • Supply links not as quick or straightforward as other neighbouring supplying countries • Designs need to be updated frequently • Good quality control needed • High import duties 	<ul style="list-style-type: none"> • Difficult to find the best sales channel • Sports and sports event market very competitive • Ease of communication/ promotion of message • Costs involved • High import duties 	<ul style="list-style-type: none"> • Demonstrate suitable expertise • Good quality control needed • Supply chain management • High import duties

For supplying parts, you could approach Vietnamese manufacturers and importers making footwear according to design and supply those specific parts. Depending on your choice of company, there may be a requirement for small batches or much larger volumes. It is important to consider the implications of any arrangement before embarking on it.

Based on the best opportunities for Nepali footwear, here are some possible product market combinations related to particular consumer segments with some points to consider to become successful when entering this market:

When selling your own collection try to find a reason to talk about something other than the price. This is always the focus for many Vietnamese buyers. There is a low awareness of Nepal or Nepalese products within Vietnam but it is always worth trying to promote the point of difference based on this. Consumers can also be attracted to a typical Nepalese design/style or the use of (natural) material. In each of these cases, buyers selling to those consumers are more open to new suppliers.

Your final consumers. Younger people are likely to be more open to new products from Nepal. If you know about their lifestyle, buying behaviour and criteria, this can form the basis of a discussion with a suitable buyer. As an exporter, you can provide the heritage of the natural materials used or the success stories elsewhere.

Choose a target segment that is 'easy to enter' in order to get your first market entry. For example, find a popular category where the demand is always strong, or where the customers are more receptive to new ideas. It would be more difficult if you wanted to compete with a very established sector. For example, industrial footwear may not offer many opportunities to make a point of difference, or may not give you the required opportunity to demonstrate the best of your skills or advantages.

Price is very important to Vietnamese. China and Indonesia represent more than 90% of all imported footwear supplying mainly low priced medium or low quality footwear. For new supplying countries such as **Nepal**, the best way to penetrate the market is to offer products of consistently high quality, good appearance (design, colour and finish) and if possible, with properties setting them apart from competitive countries.

A marketing approach is based on a win-win situation aiming to establish a long-term relationship.

Smaller wholesalers and footwear shops now need to be more pro-active in their own marketing strategy not to further lose their clients to the big international brands and retail chains. They are also looking to find niches of their own to maintain their own competitive advantage.

6.6 Potential trade partners and useful addresses

Finding a trading partner in Vietnam

The first place to look would be to contact the main trade association(s), followed by trade fairs, which tend to feature a list of exhibitors, many of which may be potential partners. The following organisations may be worth looking at. Note some companies may be relevant to more than one category.

Trade Associations

The Vietnam Leather, Footwear and Handbag Association - <http://www.lefaso.org.vn>

The Leather & Shoe Association of Ho Chi Minh City - <http://sla.org.vn> - is a member of the Vietnamese Chamber of Commerce (see below)

Leather & Shoe Research Institute - <http://www.lsi.com.vn>

Trade Shows

Shoes & Leather Vietnam takes place in Saigon each July - <http://www.shoeleather-vietnam.com> or <http://www.ifle-vietnam.com>

Textile & Garment Industry Expo takes place each April - <http://www.vfabric.com/sgtextile/>

Trade Press

Talk Vietnam features articles including the footwear industry - <http://www.talkvietnam.com>

Vietnam Breaking News - <http://www.vietnambreakingnews.com>

Viet News - <http://viet-news.net>

Vietnamnet - <http://english.vietnamnet.vn>

Retail Magazine - <http://tapchilbanle.org>

Lefaso, the trade association publishes a magazine for the sector in Vietnamese.

Other sources

Vietnam Trade Promotion Agency - <http://www.vietrade.gov.vn>

Vietnam Chamber of Commerce and Industry - <http://vccinews.com>

Investment & Trade Promotion Centre - <http://www.itpc.gov.vn>

FOOTWEAR IN THAILAND



CHAPTER 7

Brief overview



Population

68.2 million; 0.34% growth rate (2015)

Thai 95.9%, Burmese 2%, other 1.3%

- 0-14 years: 17.2%
- 15-24 years: 14.5%
- 25-54 years: 46.5%
- 55-64 years: 11.6%
- 65 years and over: 10.2%



Economy

GDP: € 16,800 per capita (2016)

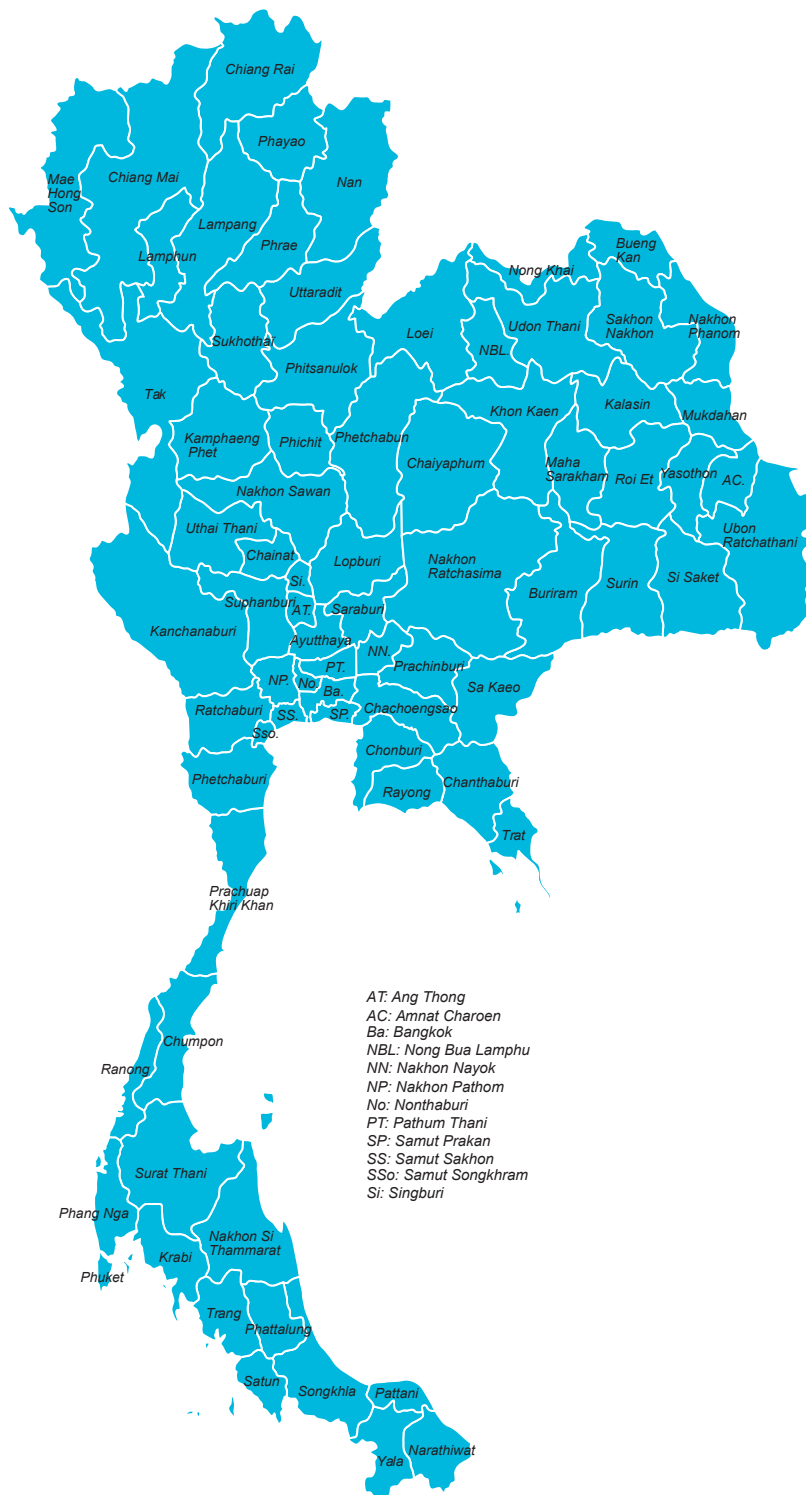
Unemployment rate: 0.9% (2016)



Social

Women in labour force: 45.5% (2014)

Marriage rate: 5.5per 1,000





7.1 Current size of the Thai market

Compared with most of the other countries in the region, Thailand's consumer market is relatively mature, but the growth potential remains high with its economy poised for sustained, productivity driven growth in the next five years among on-going urbanisation and the rise of the middle income class.

The project to develop a fast Thai-China rail link is expected to boost the economy, part of a broader goal of establishing Thailand as the key strategic and logistics gateway to the ASEAN Economic Community.

Thailand is projected to register modest economic growth in 2017 as consumer confidence returns after the period of mourning following the death of the late King Bhumibol. In addition, many households still have high levels of debt, which is limiting non-essential purchases.

7.1.1 Footwear retail sales and segments

TOTAL FOOTWEAR SALES IN THAILAND

- In 2016, the total footwear retail sales in Thailand was estimated to be worth \$2,379 million, equivalent to 105.9 million pairs, according to Euromonitor. According to the World Footwear Yearbook, Thailand is ranked 24th in the world in terms of consumption volume.
- The footwear market in Thailand is dominated by local brands. The domestic market has been the prime focus for domestic manufacturers. Imported brands have increased their market presence as local companies have diversified into exports.
- Footwear market growth stood at 6.9% in 2016. This was higher than volume growth reflecting increasing prices. This growth rate was lower than growth rates in some neighbouring countries such as Vietnam.

Table 1 Thailand – Retail sales of footwear, 2011-2016, value in US\$ million / volume in million units

	VALUE					VOLUME				
	2011	2013	2015	2016	2011/16*	2011	2013	2015	2016	2011/16*
TOTAL	1,708	1,980	2,244	2,379	+6.9%	90	97	103	106	+3.2%
Women's footwear	972	1,144	1,295	1,372	+7.2%	45	49	53	54	+3.6%
Men's footwear	613	703	803	855	+6.9%	34	36	39	40	+3.0%
Children's footwear	123	134	146	152	+4.3%	11	12	12	12	+2.3%

* Compound Annual Growth Rate

Source: Euromonitor (2017)



- **Women's footwear** and **sports footwear** were the two principle drivers of footwear sales over the period between 2011 and 2016. Growing fashion awareness among young people and the gradual development of online shopping has underpinned this growth.
- However in 2016 itself, **men's footwear** showed the strongest growth, particularly sneakers or sports footwear. With demand shifting towards sports footwear, sales of other types of footwear, such as leather shoes and boots was negatively impacted. With this trend, casual street sneakers or gym sneakers are often worn with their daily outfits, including jeans, shorts or trousers.
- **Children's footwear** remained the least dynamic category in 2016. For school, black and brown canvas shoes are purchased for boys, whilst black leather school shoes are purchased for girls. Students normally wear white canvas shoes for sports days at school. Over the review period, children's footwear saw price competition, with brands developing new product launches and attempting to expand their customer base and in-store presence.
- **Per capita consumption** of footwear in Thailand is \$35 per annum. The population is slowly increasing as are sales values. This per capita expenditure is slightly lower than in neighbouring Malaysia, but more than double that of Vietnam.
- **Textile footwear (6404) represents 30% of the market by volume**, based on imports. This large group will include many styles of sports footwear and types of everyday footwear, particularly for women and children. The biggest market segment is 6402 rubber or plastic footwear.

MAIN MARKET SEGMENTS

Segmentation by user

This is a way of segmenting according to demographics.

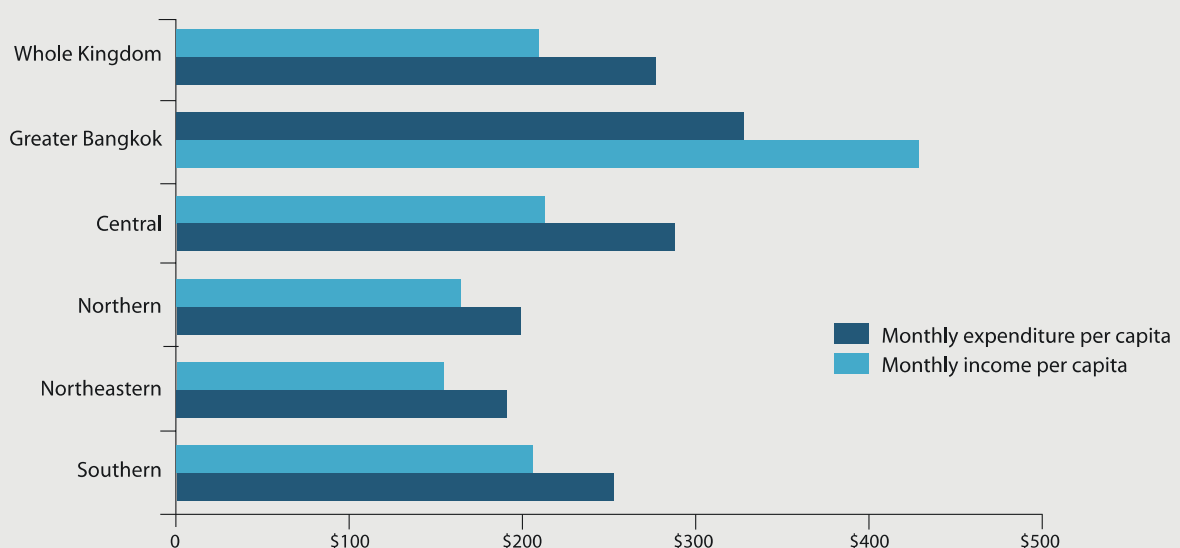
Women's footwear accounted in 2016 for 58% of the market and is the area of greatest growth opportunity. There are different footwear preferences for women of different ages and incomes. For example, many fashionable young women are following Korean and Japanese fashion trends, quite self-centred and self-aware. For this group, it is how the shoe looks that is more important than comfort. The largest group of women consumers are in the 25-54 age group. Comfort and style are important for this group.

Men's footwear accounted for 36% of the market value. Male consumers are becoming increasingly focused on their appearance and therefore spending more on personal care, clothing and footwear. Men are as label driven as women particularly with the growth in the availability of international brands. Many younger male consumers are more confident in their fashion choices. For older men, their footwear choices are primarily based on quality and comfort.

Geographic segmentation

While much of the Thai marketing focus is around the capital Bangkok and its surrounding region, the **North and Northeast regions** - home to about half the Thai population - have attracted many of the country's leading retailers in recent years. Between 2007 and 2012, the economy of the Northeast region expanded by 25%, higher than the 16% growth of Bangkok and its vicinity.

FIGURE 1: **Thailand - monthly income and expenditure per capita by region, 2015**



Source: National Statistical Office of Thailand (2017)

Eyeing the emerging consumer markets that have lower penetration of modern retail and higher growth potential than Bangkok, retailers have extended their operations to the upcountry provinces. For example, the Central Group has established its Robinson Department Stores in Chiang Mai, Udon Thani and Mukdahan. The border areas, with Laos in particular, have seen significant amounts of growth, including cross-border trade.

By looking at the relative incomes in the different regions, it can be seen that you are more likely to be able to sell mid-high end footwear in and around Bangkok. On the other hand you may decide that better growth opportunities exist in other parts of the country. Alternatively, you may wish to focus on the low-mid segment in a part of the country where this segment is best suited.

In essence, this form of geographic segmentation is similar to segmenting according to price and quality.

RELEVANT TRENDS IN THE THAI MARKET

Main market trends

The Thai climate is such that socks are not often worn, so shoes or sandals that can be worn barefoot are popular. In addition, Thai **culture** requires that you take off shoes before entering homes, temples and many shops meaning that slip-on rather than lace-up shoes are preferred.

Consequently Sanuk sandals or flip flops are popular.

Platform flip-flops are particularly fashionable at the moment. For walking, products such as Skechers Go Walk shoes or Crocs slip-on loafers are also popular.

- **Other footwear situations such as wet weather demand shoes with non-slip soles.** For **smarter occasions**, wedges for women are preferable to heels, while for men smart loafers or boat shoes are popular.
- **The athleisure trend was strong during 2016.** Some people wear sneakers to work, as many offices allow a relaxed dress code on some days. Given that consumers are also participating in more sports activities, they buy sports footwear or sneakers in response to their healthy lifestyles. When fashion style influences purchases, the decision becomes more complicated, with limited editions of footwear introduced to stimulate demand.
- **The popularity of cycling activities** in major cities also fostered the demand for performance footwear for cycling. The **expansion of gyms**, fitness centres, health clubs and sports clubs across urban areas has also facilitated the demand for fashionable sportswear and sports footwear to reflect Thai consumers' appreciable sporty looks, given the fact that indoor sporting facilities are becoming the socialising venue of urban Thais.
- **Since Thai consumers typically like casual styles of outfits and footwear**, they normally own at least sandals



or slippers at home to wear for unofficial occasions. Compared with men, women tend to have more sophisticated demands for footwear, and footwear is one of the favourite items they like to collect, apart from bags. The trend towards sneakers influenced demand for footwear amongst women. Some brands have introduced more varieties of women's sports footwear. The launch of Nanyang Sugar by Nanyang Marketing was a highlight.

- **Consequently preferences are shifting towards casual fashion** inspired by sports, as well as urban street fashion trends. Gym sneakers, running shoes, training shoes, and casual street sneakers, are becoming more popular and eroding the shares of the other types of footwear available in the marketplace, such as leather flats, high heels, boat shoes and boots. However, as mentioned above, demand for sandals and slippers remains strong, as consumers normally opt for these types of footwear for relaxing and unofficial occasions.
- **Imitations of well-known brands.** Thai manufacturers provide products which look like well known international brands, and are good quality. For locals who cannot afford the original, or tourists who visit the country to find a bargain, this is a popular option. Brands such as Converse, Camper, styles such as brogues, loafers and many more can be purchased in "replica" form.

become more complicated. Shoe lovers in particular may collect footwear in various styles and patterns in order to fulfil their functional and emotional needs. On the other hand, as men are becoming more stylish, their demand could become more varied. Some men look for high boots or leather shoes to wear in order to reflect a fashionable overall look.

- **The ageing population** is expected to contribute to the growth of the footwear market in future years, both in value and volume terms, particularly sports footwear as this population group is increasingly leading healthier lifestyles.
- **Furthermore, social media is now becoming very popular** in Thailand. 67% of the population have active social media accounts, compared to the global average of 37%.
- With aggressive competition expected to be witnessed, the overall value growth of footwear could be **restrained by promotional campaigns and price discounting**. Even though there could be strong demand for new product launches, especially for special product collaborations and limited collections of famous brands, distinctive items will normally be available only in limited numbers. As a result, the overall category could be threatened by these factors.

7.1.2 Future retail sales

EXPECTED FOOTWEAR SALES IN THAILAND

- **Steady economic growth is forecast.** The total footwear market in Thailand is expected to grow by an average rate (CAGR) of +4.7% per year, reaching a value of \$ 2,992 million in 2021 – see Table 2. Sales of sports footwear are also expected to be strong, in common with similar trends in other South East Asian markets.
- **Women's footwear** is expected to be the most dynamic. Women's demand when purchasing could

7.2 Market structure

7.2.1 The footwear value chain

Manufacturing

Thailand is an important producer of footwear. Ranked tenth in the world, it produces about 200 million pairs annually. According to Thai National Statistics, there were 2,700 enterprises involved in the manufacture of footwear in 2012 (the most recent year for which published data is available). This is lower than the figure quoted by the Thai Footwear Association (see Trend section below), but this detail provides a good indicator of the breakdown between footwear types, as shown in Table 3.

Table 2 Thailand – Retail sales forecast of footwear, 2016-2021, value in US\$ million / volume in million units

	VALUE					VOLUME				
	2016	2018	2020	2021	2016/21*	2016	2018	2020	2021	2016/21*
TOTAL	2,379	2,589	2,843	2,992	+4.7%	106	111	117	119	+2.4%
Women's footwear	1,372	1,497	1,649	1,740	+4.9%	54	57	61	62	+2.8%
Men's footwear	855	933	1,027	1,080	+4.8%	40	41	43	44	+2.0%
Children's footwear	152	159	167	172	+2.5%	12	13	13	13	+1.4%

* Compound Annual Growth Rate

Source: Euromonitor (2017)

Table 3 Thailand - Manufacturing of footwear 2012, businesses by size, % foreign investment

Footwear type	No. of businesses	1-10 employees	11-50	51-200	201-1,000	Over 1,000	% foreign
Leather footwear	1,899	1,617	208	44	25	5	9.6%
Rubber footwear	372	280	64	19	8	1	13.2%
Wooden footwear	4	4	0	0	0	0	0.0%
Sports footwear	80	30	15	16	12	7	47.5%
Other footwear	345	289	47	9	0	0	6.4%
TOTAL	2,700	2,200	334	88	45	13	10.8%

Source: National Statistical Office of Thailand (2017)

Over 80% of all businesses employed fewer than 10 employees. 70% of businesses were involved in the manufacture of leather footwear. Almost half of all manufacturers of sports footwear were foreign owned, compared to the industry average of 10%. They were also larger enterprises, with just 37% of these businesses employing fewer than 10 employees.

Over 70,000 people were employed in the manufacture of footwear in 2012. 38% of all these employees were employed in the 13 large enterprises that employed 1,000 or more people. While 80% of all businesses employed 10 or fewer people, just 12% of employment in the industry was concentrated in the smallest enterprises. 66% of all employment was in businesses employing more than 200 people.

The other point of interest from Table 4 is the very small number of companies that use the internet to sell. Although it is assumed that this will have increased since 2012, it still represents a small percentage. Unsurprisingly, it is the foreign-owned sports footwear manufacturers that sell most via the internet.

Some lower quality Thai footwear finds its way to neighbouring markets such as Malaysia, Vietnam and Laos. Its presence is felt strongly in Vietnam.

Trends in production

As part of the ASEAN Economic Community, Thailand

sees membership as an opportunity rather than a threat to the Thai footwear industry, but labour retention is a key concern. The 6,000 local small and medium-sized footwear manufacturers that comprise 90% of the local footwear market are the main industry drivers, according to the Thai Footwear Association. However, lack of skilled labour and few recognisable brand names are a limiting factor in the industry's attempts to develop. In fact many small producers do not have their own brands, just relying on orders from other companies.

The massive China City Complex being developed in the Bang Na district is designed for Chinese manufacturers of a wide range of products, including footwear, to gain easy access to the Thai market and to serve the wholesale trade. Rather than posing a threat, this should encourage Thai manufacturers to focus more on high-end, premium products and turn away from the mass market, and highlight the differences between Thai and Chinese products.

The **premium segment** is the target segment. By maintaining relationships with other ASEAN countries including through projects and fairs, Thailand wants to portray itself as a country of high-quality labour and goods, thereby building up brand awareness and loyalty. There are many mass-produced items targeted at the low-end market, where dumping is prevalent. Stricter anti-dumping measures by the EU and US (mainly against China and Vietnam) has benefited Thailand.

Table 4 Thailand - Manufacturing of footwear 2012, employment by size, % sell via Internet

Footwear type	No. of employees	1-10 employees	11-50	51-200	201-1,000	Over 1,000	% sell via Internet
Leather footwear	40,206	6,654	4,219	4,067	10,574	14,692	0.7%
Rubber footwear	10,351	1,075	1,258	1,746	3,508	2,764	1.1%
Wooden footwear	17	17	0	0	0	0	0.0%
Sports footwear	18,362	130	392	1,822	5,985	10,033	3.8%
Other footwear	3,078	753	1,267	1,058	0	0	0.9%
TOTAL	72,014	9,143	6,722	8,683	20,067	27,399	0.9%

Source: National Statistical Office of Thailand (2017)

Eco footwear is an emerging trend in Thai footwear as manufacturers attempt to add value and differentiate themselves from low value footwear. Eco rubber outsoles is just one product that has been developed.

Main players in Thailand

In 2016, Bata Shoe of Thailand continued to lead footwear in Thailand, accounting for a share of 4% in value terms. The highlight of Bata's product development was the launch of Bata Heritage in two key models, as well as new product collaborations in order to emphasise its uniqueness compared with other products in the marketplace.

As mentioned above, the Thai footwear industry is fragmented with the majority of companies being sole traders or employing just a few people. The Pan Group is one of the largest domestic producers.

7.2.2 Thai imports of footwear

Thailand was the forty ninth largest importer of footwear in value terms. In 2016, Thailand imported footwear valued at \$ 330 million (72.1 mill. pairs). This represented 0.3% of world imports by value.

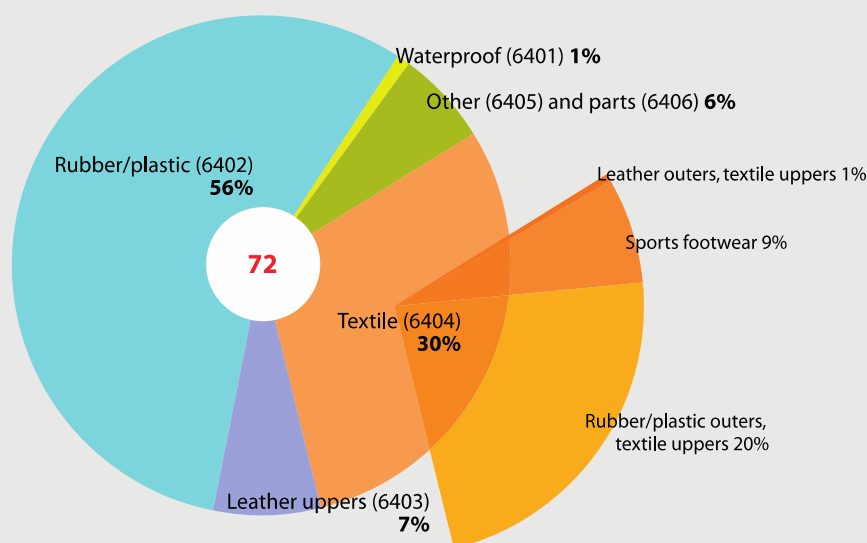
Thai footwear imports were sub-divided as follows:

- Footwear (6404) with textile uppers \$ 112 million (21.8 million pairs) of which:
 - a. Sports footwear \$ 55 million (7 million pairs)
 - b. Footwear of rubber or plastic outers and textile uppers \$ 54 million (14.8 million pairs)

c. Footwear of leather/composition leather outers and textile uppers \$ 2 million (63,000 pairs).

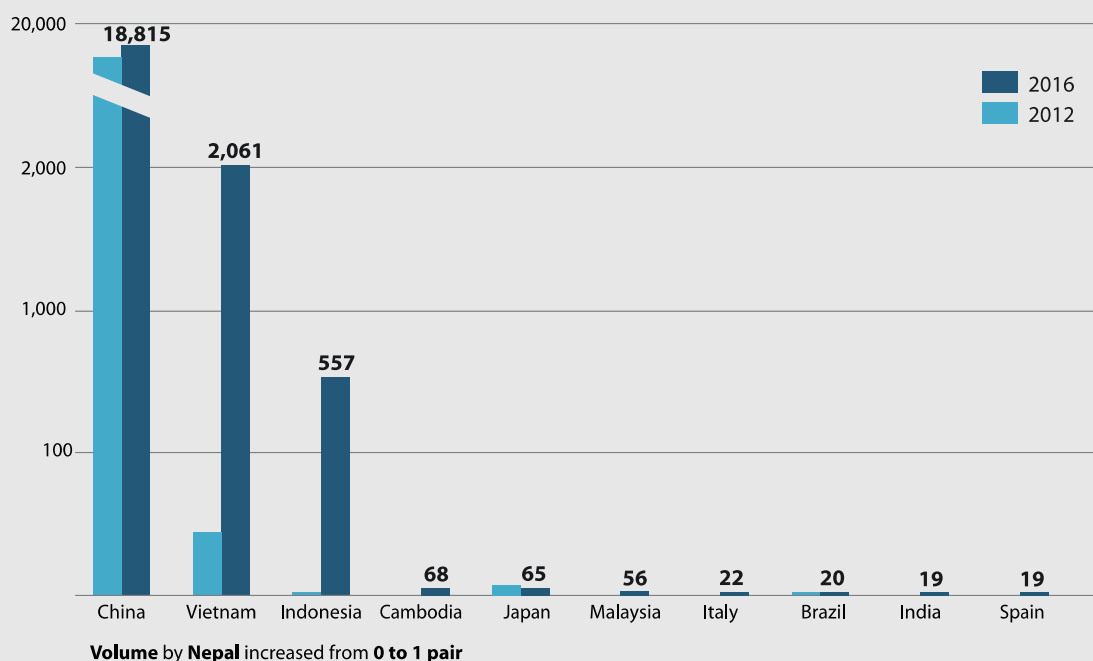
- Footwear (6402) with outer soles and uppers of rubber or plastics \$ 98 million (40.3 million pairs)
- Footwear (6403) with leather uppers \$ 95 million (5.4 million pairs)
- Waterproof (6401) footwear \$ 1.4 million (465,000 pairs)
- Other (6405) footwear (e.g. of wood, cork etc) \$ 18 million (4 million pairs)
- Footwear parts \$ 6 million (4,000 tons).
 - a. Footwear (6404) with textile uppers was the largest footwear group and represented 34% of the total value of Thai footwear imports, but just 30% of volume imports. Within this category, sports footwear was the largest group by value, but footwear of rubber or plastic soles with textile uppers accounted for over two thirds of the volume.
 - b. Imports of footwear with textile uppers increased by an average annual rate (CAGR) of 31% from \$ 38 million in 2012 to \$ 112 million in 2016.
 - c. The leading suppliers to the Thai market of footwear with textile uppers were China, Vietnam and Indonesia, representing 90% of value imports between them (\$ 100 million) and over 98% of volume imports (21.4 million pairs). Chinese imports grew by less than the average for the category as a whole over the period, but imports from Vietnam and Indonesia increased by more than average. Other fast growing Asian importing countries were Cambodia (+94%) and Taipei (+109%).

FIGURE 2: Thailand - Footwear imports by productgroup, 2016
Volume in million pairs



Source: ITC Trademaps (2017)

FIGURE 3: Thailand - Imports of footwear textile (6404), 2012-2016
Volume increased by 31% from 20,434 to 21,800 thousand pairs



Source: ITC Trademaps(2017)

- Figure 3 highlights the changing pattern of the import trade. Ten Asian countries featured in Thailand's top 15 importing countries for footwear with textile uppers.
- Supplies from other small Asian countries decreased overall from \$ 363,000 in 2012 to \$ 131,000 in 2016, the largest decreases by Hong Kong and Singapore.
- Nepal supplied just 1 pair in 2016.
- Nepal was ranked 74th in supplies of footwear with textile uppers to Thailand.

Competitors for Nepal

There is much competition for Nepal from its Asian neighbours. Every country in the region is represented on the Thai market, all of which are increasing their presence with the exception of Hong Kong and Singapore. China is the dominant competitor for 6404 footwear. Other leading competitors were Vietnam, Indonesia, Cambodia and Malaysia.

7.2.3 Thai price structure of footwear

FOOTWEAR PRICE DEVELOPMENTS and RETAIL PRICES

Import prices

These vary considerably by supplying country, as Table 4 on the next page indicates. Here the import price differences

can be seen, with prices from Italy and the United Kingdom being the highest. Prices vary between Asian countries, but prices from China are considerably lower than any other country by some distance.

Retail prices

Thai consumers are becoming more interested in higher priced footwear, as their average incomes increase. However low priced footwear continues to dominate the market in terms of a share of the volume of pairs sold. The Table 5 on the next page summarises a range of prices for selected footwear styles, based on prices found on various Thai websites for footwear and fashion:



7.3 Access requirements for the Thai market

7.3.1 Legislative requirements

Legislative requirements

Quality standards. The Thai Industrial Standards Institute

- <http://www.tisi.go.th> - is the central national standards organisation under the Ministry of Industry. It develops both mandatory and voluntary standards. Information about footwear standards can be found here, although they are only published in Thai.

For example, the product standard for safety shoes is TIS 523-2554.

Table 4 Thailand – Import price per pair US\$ for footwear 6404, 2016 of leading and selected suppliers

	\$ '000 value	Pairs	Unit value per pair \$	Ave tariff applied %
World	111,639	21,800,226	5.12	
China	54,935	18,815,161	2.92	18.7
Viet Nam	34,664	2,061,488	16.82	0
Indonesia	10,635	557,485	19.08	0
Italy	5,340	22,294	239.53	27.4
Cambodia	1,308	68,053	19.22	0
Spain	793	19,849	39.95	27.4
Malaysia	715	56,262	12.71	0
Japan	487	65,306	7.46	0
Taipei	460	8,693	52.92	27.4
Brazil	434	20,871	20.79	27.4
India	408	19,132	21.33	0.5
USA	258	11,119	23.20	27.4
S Korea	184	22,178	8.30	0
United Kingdom	162	1,283	126.27	27.4
Bangladesh	130	19,592	6.65	27.4
Hong Kong	62	2,845	21.79	27.4
Myanmar	32	7,284	4.39	0
Philippines	20	3,371	5.93	0
Singapore	15	377	39.79	0
Sri Lanka	1	171	5.85	27.4
Pakistan	1	87	11.49	27.4
N Korea	0	144	n.a.	27.4
Laos	0	12	n.a.	0
Macao	0	1	n.a.	27.4
Nepal	0	1	n.a.	27.4

Source: ITC Trademaps (2017)

Table 5 Thailand – Retail price examples of selected footwear in US\$

	Economical/ Discount	Medium/Fine	Luxury
Men's sports shoes	\$20	\$60	\$600
Men's casual shoes	\$30	\$70	\$400
Women's sneakers	\$10	\$50	\$300
Men's sneakers	\$25	\$60	\$500
Men's sandals	\$18	\$40	\$150
Women's wedges	\$20	\$50	\$300
Women's sandals	\$12	\$40	\$150
Women's flip flops	\$10	\$30	\$150

Labelling of composition, origin, size, and care is all mandatory in Thailand. Labelling must be in Thai or English (translated into Thai).

Trademarks. As counterfeiting and fake brand names are common on lower priced footwear in Thailand, an importer wishing to register a trademark should contact Thailand's Intellectual Property Centre - <http://www.ipthailand.go.th>

7.3.2W Voluntary requirements

Voluntary requirements

Environmental labelling is being used by some footwear manufacturers to gain competitive advantage. Designed to promote sustainable production and consumption, participation is voluntary. Thailand's first labelling scheme of this type is the Green Label Project, backed by the Department of Environmental Quality Promotion, the Office of Industrial Product Standards and the Thai Environmental Institute.



More details can be found at <http://www.thaiecoproduct.com>

Quality marking. The Department for Business Development - <http://www.dbd.go.th> - operates a verification scheme that companies can use to demonstrate they meet certain quality criteria.



More details can be found at <http://www.trustmarkthai.com>

Quality Management System ISO 9001 has been awarded to a number of footwear companies, including Pangolin (see details in section 6). This is awarded by Bureau Veritas - <http://www.bureauveritas.co.th>

Tariffs and duties

Tariffs of between 10-30% apply to imports of footwear from Nepal, depending on the specific type. More details can be obtained from Thai Customs - <http://en.customs.go.th>. Three indirect taxes are levied on all imports: excise tax (3%), interior tax (10% of excise tax) and VAT (7%).

7.4 Distribution

7.4.1 Indirect and Direct Channels

To enter the Thai market, most exporters find that using a **local distributor or agent** is the best first step. This would depend on your overall objective, which might range from setting up a presence in the country to supplying parts to a local manufacturer, to selling your own products inside Thailand. A local distributor would usually be responsible for dealing with the products from the port of entry, including handling customs clearance, dealing with established wholesalers/retailers, and being responsible for sales and marketing.

Visiting wholesale markets may be a good starting point. You could do this yourself, or find an intermediary with knowledge of the country (and linguistic skills) to facilitate the process.

Wholesale markets are useful places to make contacts and see a big range of styles and designs. In Bangkok, Pratunam market is a major market selling clothes, shoes and fashion accessories. Here you can make direct contact with a wide range of footwear wholesalers. It tends to focus on the lower to middle segment of the market.

A list of some footwear wholesalers can be found the number of registered wholesalers in Thailand. The majority of wholesalers have no more than 10 people employed. Your agent can advise you on how best to proceed.

Retail trade

Table 5 also gives an indication of the number of retail outlets, again indicating that most retail outlets are small. While this remains the case, there has been a trend of moving from rural to urban areas which has resulted in more sophisticated footwear retail outlets appearing in shopping malls and other large retail developments. Urban consumers want higher quality and are often prepared to pay more for imported footwear.

Local branded footwear competes on distribution coverage and price, while branding and cutting-edge technologies embedded in products are the key selling

Table 5 Thailand - Wholesale and Specialised Retail of footwear 2012, employment by size

	Total	1-10 employees	11-50	51-200	201-1,000	Over 1,000
Establishments (wholesale)	846	804	37	3	2	0
Employees (wholesale)	4,406	2,861	737	258	550	0
Establishments (specialised retail)	5,684	5,657	26	1	0	0
Employees (specialised retail)	11,778	11,203	485	90	0	0

Source: National Statistical Office of Thailand (2017)

points of international footwear. Their prices are consequently higher.

In terms of distribution, footwear specialist retailers, mainly located in department stores and shopping centres, are where consumers normally look when they want to buy shoes. Footwear sections in shopping centres provide a range of brands for both men and women, and special promotions and price discounts are usually offered from time-to-time.

Leading **specialist footwear retailers** include Bata, the leading retailer with 250 outlets, accounting for 4% market share. Apart from retailers of international brands such as Deckers, Prada, H&M, FitFlop and others, domestic manufacturers such as Nanyang and SCS have many retail outlets throughout Thailand.

For sports shoes or sneakers, consumers tend to get products at **sports goods stores** in shopping centres. Some brands provide exclusive shops with independent space (Nike and Adidas have a 5% market share between them), whilst others are offered at sports footwear distributors, namely Sports World, Super Sports, Carnival Store, SneakaVilla and Hoops Shop.

The principle **department stores** in Thailand are Central (21 outlets), Robinson (39 outlets) - both owned by the Central Group; Tokyu, Jusco (both Japanese owned) and the Mall Group which has 8 stores in the Bangkok area and 8 other shopping malls. In terms of **hypermarkets**, Big C and Tesco Lotus sell footwear.

Online shopping. Distribution is expanding, as internet retailing is being developed. Certain brands have developed their own websites for online transactions, whilst some brands rely on other retailers. For example, Bata footwear is available via online retailing – Bata products are exclusively offered at Central and Lazada. Lazada is the largest online retailer in Thailand. More recently the Korean owned 11street has entered the market, posing a challenge to the market leader.

Trends in retailing

Internet retailing of footwear is only an emerging trend, there were no strong footwear-specific internet retailers in 2016. Most of the footwear products available online can be found through the exclusive websites of brands, or from leading retailers such as Central, Robinson and Lazada.

Table 7 Retail distribution share (by value) in Thailand in 2011 - 2016

Outlet type	2011	2014	2016
Store-Based Retailing	99.2%	99.1%	99.0%
Food Retailers	9.2%	8.8%	8.5%
Hypermarkets	8.8%	8.5%	8.2%
Traditional Grocery Retailers	0.4%	0.3%	0.3%
Non-Food Specialists	68.1%	67.5%	67.4%
Clothing & Footwear Specialists	35.0%	36.0%	37.0%
Leisure & Personal Goods Retailers (Sports Goods Stores)	6.4%	7.2%	7.5%
Other Non-Grocery Clothing & Footwear Specialists	26.7%	24.3%	22.9%
Mixed Retailers (Department Stores)	22.0%	22.8%	23.2%
Non-store Retailing	0.8%	0.9%	1.0%
Home Shopping	0.4%	0.4%	0.4%
Internet Retailing	0.4%	0.5 %	0.6%

Source: Euromonitor (2017)

Social media is proving to be a strong advertising medium for some retailers. For instance, some Thai retailers such as the Central Group and The Mall Group have launched mobile apps that include their latest products and promotion activities. Apart from offering shopping services on their websites, leading Thai hypermarkets such as Big C have their own online shopping mobile app. While e-commerce is fast gaining ground along with the surge in the use of mobile internet, mobile retailing is still a very new concept in Thailand, with not much market share at present.

7.5 Opportunities and how to enter the Thai market

OPPORTUNITIES

The Thai footwear market has a number of opportunities, based on what you are able to provide to the market.

International brands, manufacturing to global standards for quality and sustainability, are well represented and will provide an interesting point of reference for other potential market entrants such as Nepal.

- **Go north?** Bangkok is the usual point of reference for entering the Thai market. It is also where competition is most fierce and where most international brands are sold. Perhaps opportunities can be found elsewhere in the country, particularly in the north and north east, where the market is less developed. Here consumers have lower disposable income and less knowledge of footwear styles from elsewhere.
- **Platform flip flops.** This particular product has great appeal for young Thai women in particular. This variant on standard flip flops offers an opportunity to create additional style or fashion in the design, with the potential to add a Nepalese twist.
- **Tourists.** Thailand is one of the gateway countries to South East Asia. As such over 32 million tourists visited the country in 2016 (up from 10 million in 2001), over a quarter of which were from China. Many of these visitors are on shopping trips, looking for something distinctive.
- **Potential interest in Nepali made products.** With the exception of India and China, more people from Thailand visit Nepal than any other neighbouring country in the region. This suggests a degree of interest in the country and hence a potential interest in Nepali made products. Around 20,000 Nepalese live and work in Thailand, so their presence is not as prevalent as in Malaysia.
- **Footwear adapted to the climate or situation.** For example, sandals and flip flops for indoor use are

popular in Thailand. Maybe there are ideas to make indoor footwear specific for different rooms - the bedroom, the kitchen. Another option could be to develop a seasonal range of sandals, for example hot weather sandals, wet weather sandals.

HOW TO ENTER THE THAI MARKET

Identifying buyers and know more about your final consumers

Identify buyers. This would depend on which market segment you wish to target. If you choose to target the low-mid price segment, you should approach one of the wholesale markets in the country, or an importer that may also be a manufacturer looking for new design ideas.

The advantage of doing this is that an importer or wholesaler is well aware of local trade structure/practices and local consumer tastes. They often have strong relationships with local retailers. It is important to consider the implications of any arrangement before embarking on it.

Based on the best opportunities for Nepali footwear, here are some possible product market combinations related to particular consumer segments with some points to consider to become successful when entering this market:

When selling your own collection try to find a reason to talk about something other than the price. This is always the focus for many Thai buyers. There is a low awareness of Nepal or Nepalese products within Thailand but it is always worth trying to promote the point of difference based on this. Consumers can also be attracted to a typical Nepalese design/style or the use of (natural) material. In each of these cases, buyers selling to those consumers are more open to new suppliers.

Your final consumers. Younger people are likely to be more open to new products from Nepal. If you know about their lifestyle, buying behaviour and criteria, this can form the basis of a discussion with a suitable buyer. As an exporter, you can provide the heritage of the natural materials used or the success stories elsewhere.

Choose a target segment that is 'easy to enter' in order to get your first market entry. For example, find a popular category where the demand is always strong, such as flip flops, or where the customers are more receptive to new ideas. More specialist sectors e.g. safety footwear may not be the best platform to demonstrate your expertise or a point of difference. Furthermore, they may not give you the required opportunity to highlight or showcase the best of your skills or advantages.



FOCUS	FASHION FOOTWEAR	FLIP FLOPS	SANDALS
Market Segment	<ul style="list-style-type: none"> • Young working women. • Students 	<ul style="list-style-type: none"> • Tourists • People in rural areas 	<ul style="list-style-type: none"> • Young people • Tourists
Possible products	<ul style="list-style-type: none"> • Fashionable sneakers • Comfortable strapless shoes for work • Wedges with a difference (slip-on) • Producing components for Manufacturers 	<ul style="list-style-type: none"> • Hand-made flip flops (variations on Sanuk sandals) • Flip flops with prints inspired by outdoor • Flip flops with prints in ethnic Nepal style 	<ul style="list-style-type: none"> • Sandals made of canvas, hemp or Nepalese nettle. • Sandals with straps and buckles • Slip-on sandals with wedges or heel.
Competition	<ul style="list-style-type: none"> • China, Vietnam, Indonesia, Cambodia, Malaysia, India, South Korea. • International brands from Europe and USA 	<ul style="list-style-type: none"> • China, Vietnam, India, Cambodia, Bangladesh • Market newcomers from elsewhere • Domestic manufacturers 	<ul style="list-style-type: none"> • China, Vietnam, Indonesia, India, Malaysia, Cambodia, Myanmar. • Domestic manufacturers
USP Positioning (why Nepal?)	<ul style="list-style-type: none"> • Unique designs and materials such as hemp, nettle • Walking heritage • Fashion for discerning/ individual/ self-aware consumers 	<ul style="list-style-type: none"> • High mountains/ Outdoor/Cool/ Fresh • Hand-made • Spiritual themes • Made by women in small communities 	<ul style="list-style-type: none"> • Unique designs and materials such as hemp, nettle • Mountain sandals (special grip for walking)
Price level	<ul style="list-style-type: none"> • Medium price level; 	<ul style="list-style-type: none"> • Low-Medium price level; value for money 	<ul style="list-style-type: none"> • Medium price level
Distribution Channels	<ul style="list-style-type: none"> • Manufacturer • Importer/Wholesaler • Online retailer/seller • Department stores 	<ul style="list-style-type: none"> • Agent • Wholesaler • Importer • Online retailer/seller 	<ul style="list-style-type: none"> • Agent • Wholesaler • Importer • Online retailer/seller
Challenges	<ul style="list-style-type: none"> • Difficult to find best sales channel • Designs need to be updated frequently - also cost implications • Good quality control needed 	<ul style="list-style-type: none"> • Difficult to promote Nepal as flip flop supplier • Flip flop market very price competitive • Key message: disposability/low price or durability/higher price 	<ul style="list-style-type: none"> • Demonstrate suitable expertise • Good quality control needed • Supply chain management

Importers		
Taywin & Podopedist	http://www.taywinsiam.com	Shoes, loafers, boots, sandals, court shoes.
Pan Group	http://www.pan-group.com	Workforce of 40,000 manufactures and markets students' shoes and sports footwear under the Pan brand for the domestic market. Also manufactures for international brands
Lyn Shoes	http://www.lynshoes.com	LYN caters to trendy women with a love for fashion and quality products. From casual flats to sophisticated party heels. Locations at many Central department stores and other shopping malls
Pangolin	http://www.pangolin.co.th	Manufacturers of safety footwear
Footwork	http://www.footworkshoe.com	Footwork sells upmarket fashionable shoes for men and women at 7 branches in Bangkok
Pramlada	http://www.susishoes.com	Pramlada is a manufacturer and wholesaler of fashionable women shoes, for both the domestic Thai and the international market. Brand names include Farfalla, Pream, Mossie and Suzi Blaze and Dudy. Retail shops in Bangkok.
Jongsatit Footwear	http://www.dortmuend.com	Jongsatit Footwear manufactures high-quality comfortable shoes under the Dortmuend brand name.
Freewood	http://www.freewoodshoes.com	Freewood manufactures, exports and also supplies the domestic market with quality leather men's shoes.
A S Maharaja	http://www.asmaharaja.com	Originally a trading house, A S Maharaja now also manufacture shoes for men and women, and birken slippers
Snow Flakes	http://www.snow-flakes.com	-
Wink Shoe	http://www.winkshoe.com	-
Wholesalers		
Smileshoe	http://www.smileshoe.com	Bangkok wholesaler of ladies shoes and other products
Nang Nong	Tel 086 5484445	-
Shoes89 retail	Tel 084 6534333	-
Bee Bee Shoes	Tel 09 88303506 or 09 88725178	Ladies fashion shoes
Summit Footwear	http://www.aerosoft.co.th	Aerosoft brand is big in Pakistan
Cool Tiro	https://cooltiro.th.aliexpress.com	
Paylentine Footwear	http://www.shoefactorythailand.com	Ladies shoes made to order or wholesale
Shoeswedo	http://shoeswedo.com	Manufacture and wholesale
Retailers and online retailers		
Bata	http://www.bata.co.th	International footwear specialist Bata has over 250 outlets throughout Thailand
Nanyang Marketing	http://www.nanyang.co.th	Their products are available in hundreds of retail outlets around the country
SCS	http://www.scs-shoes.com	Their range includes the brands Breaker (sneakers, sports), Pop Teen (school shoes for girls), Catcha (for young women) and Ace (fitness & leisure shoes)
Central	http://www.central.co.th	-
Shopee	http://www.shopee.co.th	-
Lazada	http://www.lazada.co.th	-
Looksi	http://www.looksi.com	Formerly Zalora
Robinson	http://www.robinson.co.th	-
11street	http://www.11street.co.th	-

Price is very important. China and Vietnam represent more than 95% of all imported footwear volume supplying mainly low priced medium or low quality footwear. For new supplying countries such as **Nepal**, the best way to penetrate the market is to offer products of consistently high quality, good appearance (design, colour and finish) and if possible, with properties setting them apart from competitive countries.

A marketing approach is based on a win-win situation aiming to establish a long-term relationship.

Smaller wholesalers and footwear shops now need to be more pro-active in their own marketing strategy not to further lose their clients to the big international brands and retail chains. They are also looking to find niches of their own to maintain their own competitive advantage.

7.6 Potential trade partners and useful addresses

Finding a trading partner in Thailand

The first place to look would be to contact the main trade association(s), followed by trade fairs, which tend to feature a list of exhibitors, many of which may be potential partners. The following organisations may be worth looking at:

Trade Associations

Thai Footwear Association - <http://thaitechno.net/t1/companycontact.php?uid=38660>

Trade Shows

Bangkok International Fashion and Leather Fair takes place in October in Bangkok - <http://www.biffandbil.com>

Trade Press

Some business press occasionally publish information on footwear.

Thailand Business News - <http://www.thailand-business-news.com>

Thai Business News - <http://www.thaibusinessnews.com>

Bangkok Post - <http://www.bangkokpost.com>

Other sources

Department of Industrial Promotion - <http://www.dip.go.th>

Thaitrade - <http://www.thaitrade.com>

FOOTWEAR IN INDIA



CHAPTER 8

Brief overview



Population

1,267 million, growth rate 1.58%
(July 2016 est.)

- 0-14 years: 27.7%
- 15-24 years: 18.0%
- 25-54 years: 40.9%
- 55-64 years: 7.3%
- 65 years and over: 6.1%
- Urban population 32.7% of total



Economy

GDP: US\$ 6,700 per capita
Unemployment rate: officially
estimated at 8.4% (2016)



Other

Tourists to Nepal in 2016: 118,249





8.1 Current size of the Indian market

India is the third largest footwear consuming country in the world after China and USA, but with very little separating the three, India is soon expected to be the second largest consumer. The growth in the Indian fashion and lifestyle market has given an impetus to the footwear industry. From a basic needs-based industry, it has become an evolving fashion and style category.

India is currently the second fastest growing economy in the world. More and more people are moving to urban areas and many small towns have seen a rise in urbanisation. The Indian middle class has grown to over 250 million people.

The rise in urbanisation as well as the increasing reach of the media has led to huge exposure towards the western markets and has resulted in consumers becoming brand conscious. These changes are aptly reflected in the success of brands like Nike, Reebok, etc. The latest styles and trends in the west now are replicated almost immediately in the Indian market.

8.1.1 Footwear retail sales and segments

TOTAL FOOTWEAR SALES IN INDIA

- **Footwear market growth** registered a +15.6% CAGR growth since 2012. This was higher than volume growth reflecting increasing prices. The footwear market growth exceeded that of the broader economy, partly due to the appeal of imported international brands that sell for higher than average prices.
- By products, the Indian footwear market is dominated by casual footwear that makes up nearly two-thirds of the total retail market.
- The two principle drivers of footwear sales over the period have been **women's footwear** and **sports footwear**. Women's footwear constitutes a 32% market share. But the growth rate of this segment is almost twice that of the men's segment. Whereas men's footwear has registered 10% CAGR growth rate in the last year, the women's segment has increased by 20%.

Table 1 India – Retail sales of footwear, 2011–2016, value in US\$ million / volume in million units

	VALUE					VOLUME				
	2011	2013	2015	2016	2011/16*	2011	2013	2015	2016	2011/16*
TOTAL	4,286	5,658	7,640	8,848	+15.6%	714	913	1,189	1,355	+13.7%
Women's footwear	1,109	1,621	2,395	2,886	+21.1%	192	252	336	389	+15.1%
Men's footwear	2,646	3,342	4,291	4,850	+12.9%	368	455	573	642	+11.8%
Children's footwear	531	694	954	1,112	+15.9%	155	206	280	324	+16.0%

* Compound Annual Growth Rate Based on exchange rate 1 INR/\$0.016

Source: Euromonitor (2017)

- **Changing demographics and buying behaviour** is generating additional demand. Rising disposable incomes and new entrants into the workforce, especially women are pushing domestic demand higher. More international players will enter the market and they will offer a wide variety to the consumer.
- **Per capita consumption** of footwear in India is \$7 per annum. This low per capita expenditure reflects the size of the large Indian lower market segments, particularly in rural areas, but as the trend to urbanisation continues, per capita consumption is expected to increase. Compared with much higher per capita consumption levels in other countries, this is indicative of the growth potential in this market.
- **Textile footwear (6404) represents just 9% of the market by volume (27% by value)**, based on imports. This group will include many styles of sports footwear and types of everyday footwear, particularly for women and children. The biggest market segment is 6402 rubber or plastic footwear (69% by volume).

MAIN MARKET SEGMENTS

Segmentation by user

The footwear market in India has always been broadly classified into three segments, **Men's, Women's and Children's**. The men's market is growing at a CAGR of 10%. At present, the men's market contributes around 60% of sales in the footwear segment as against women's share of 30%. The women's segment, however, is growing at a much faster CAGR of 20%. Based on usage, the market can be divided into two sub categories:

- Regular (consisting of daily and sports footwear, material can be leather/non-leather)
- Occasional (consisting of premium and luxury, material can be leather/non-leather)

The demographics and structure of the Indian population also impact significantly on footwear consumption. In

relation to this the market structure and the location of different population groups determines to a large extent who purchases what type of footwear, and where they purchase it.

Retailers have to cater for varying sizes, colours and design preferences. In terms of colours, the east and south of the country tends to be more traditional or conservative, while in the north and west more flamboyant colours are acceptable. Other examples include, women in Bangalore typically prefer 3 inch heels, while women in Kolkata prefer two inch heels. Retailers require special merchandising teams to cater for these different tastes and preferences across the country.

The footwear market consists of the **organised** (one third of the market) and **unorganised** segments (sometimes called traditional and modern).

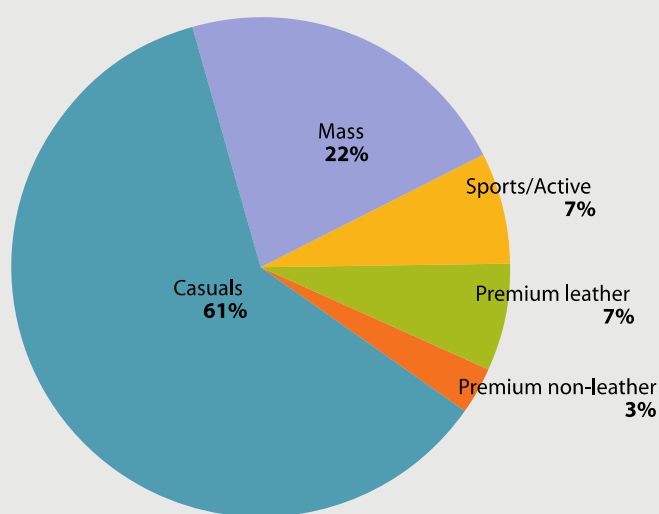
- The **unorganised** segment is significant due to its price-competitive products, which appeal to the price conscious Indian consumer, particularly in rural areas. These products tend to be rubber or plastic, simply designed unbranded products. The rural market of India is still largely untapped for footwear manufacturers. Companies are re-positioning themselves and launching specific products and price ranges to expand their presence and increase their consumer base in rural areas.
- However, as households have more disposable income, increasing brand consciousness amongst Indian consumers, the influx of a large number of global brands and penetration in tier – II and III cities by footwear companies, the **organised** retail segment in the footwear market is rapidly evolving and expected to grow at a higher rate in the future.

Segmentation by price/quality

There are five market segments from a price point of view:

- Mass (Rs 150-700 or \$2.40-\$11.20)
- Mid/Economy (Rs 700-1000 or \$11.20-\$16)

FIGURE 1: India - Volume share of segments in footwear market
Product segments



Source: Deloitte estimates (2009)

- Active Sports (Rs 1000-3000 or \$16-\$48)
- Premium (Rs 3000-5000 or \$48-\$64) non-leather and leather
- Luxury (Above Rs 10,000 or \$160)

As Figure 1 indicates, the market is dominated by casual footwear, representing 61% of market volume, followed by mass market footwear (22%), sports/active footwear (7%), premium leather footwear (7%) and premium non-leather (3%).

RELEVANT TRENDS IN THE INDIAN MARKET

New Indian consumers are **informed and impatient**. Over 60% of Indian consumers are young and living in the present. When shopping, they visit showrooms, web-rooms, comparison shop, ask friends, look up reviews, hunt down vouchers and with their phones can shop on the go.

As consumers' exposure to multi-channel TV and films has increased over years, their **expectation from footwear has evolved**. Buying shoes for special occasions has become a norm. The advent of digital technologies and greater penetration of smartphones has brought instant awareness about the latest global trends and has created aspiration. Footwear is no longer utilitarian, it has become a fashion statement. This has increased the per capita consumption from 1.6 to 2.4 pairs in last 5 years.

The market is also gaining from the proliferation of the retail culture, which is expected to grow at a CAGR of

11% up to 2023. Since the global footwear market is highly fragmented, the focus now lies in diversifying the product portfolio through research and development to meet the changing customer needs.

Casualization and the growth of sports shoes. The growing demand for designer yet comfortable shoes among women and sportswear or athletic shoes among men, has been bolstering opportunities for footwear sales. The last year saw an upsurge in the casual category for men and in menswear saw an increased acceptance of brighter colours and quirkier patterns. Sales of sneakers, such as Converse also have picked up, as these are preferred for everyday wear. Heels over three inches, most popular in the women's segment, have recorded a decline of 17% in the last year.

Growing awareness of **health and fitness** has underpinned the growth of the sports footwear category. These opportunities have not yet been fully realised, especially in the mid-priced segment where young people are looking for aspirational products at affordable prices. Known as the "Gym Generation", many young people go to the gym to show off their branded footwear. This is also driven by Bollywood, where young people are drawn to fitness by looking at the fit bodies of celebrities. Originally predominantly used by young males, 45% of gym members are now female.

Increased trust in branded footwear. Although the market share of branded and non-branded footwear in the country is almost the same, brand consciousness among Indians is increasing substantially. The Nepalese

brand Goldstar enjoys a good recognition in India. A certain segment of Indian consumers have become brand conscious, and the rest of the market has an aspiration to get there. However most consumers prefer a price point ranging between Rs 999 – 4999 (\$16-80) with regard to both national and international brands.

Footwear choice, both for men and women is dominated by the fashion of the season. However recently, **comfort** has been the determining factor for the consumers in buying footwear. Other more innovative trends include **multi-functional and transformable footwear**. For example the option now exists of purchasing multiple uppers on a single sole, or purchasing multiple straps for the same shoe. This also addresses the problem some women have of storage space for shoes.

Women's footwear witnessed a trend towards **platform shoes and espadrilles** in 2016. Other trends in terms of footwear styles, include **gladiator sandals**, either with ankle straps or strapless.

Unique heels see innovative designs such as metallic hues, geometric forms, embroideries, interstellar designs, suave shapes and unconventional structures. Slip-on **espadrilles** are popular either rubber-soled or straw, sporty style or plain.

Juttis, adorned with either pom-poms, sequins, embroidery or mirror work and sneakers. The trend boom

of sneakers, plimsolls and canvas shoes is predominantly in **white colour**. Slip-on **espadrilles** are popular either rubber-soled or straw, sporty style or plain.

Unique heels see innovative designs such as metallic hues, geometric forms, embroideries, interstellar designs, suave shapes and unconventional structures.

Emergence of an Infant High End & Luxury Footwear Market. Compared to the other footwear segments in India, the premium and luxury segment is very small and in terms of sales it amounts to approximately \$72 million, but this has not prevented many international players from entering the market. In fact their entry has helped in raising the aspiration level of consumers to a high level.

Many major international brands in the premium and luxury segments like Aldo, Charles & Keith, Hush Puppies, Clarks, Tod, Bally, Ralph Lauren, Geox, Burberry, Chanel, Gucci, Salvatore Ferragamo, Armani, Versace, Hugo Boss, Dolce and Gabbana, McQueen and YSL (available through TSG's Kitsch), Kenneth Cole all are available in India either through exclusive stores or through MBOs.

Top global luxury footwear brands, Louis Vuitton and Jimmy Choo have opened exclusive stores in India. The French luxury brand Longchamp has also opened its first store at DLF Emporio in Delhi, with plans to open 3-4 more stores in the country.



8.1.2 Future retail sales

EXPECTED FOOTWEAR SALES IN INDIA

- Strong market growth is forecast. Demand for footwear is expected to remain strong over the forecast period. The category is anticipated to register a retail value CAGR of 7% at constant 2016 prices, with sales reaching \$2,316 million in 2021. The key drivers of growth will be aspirational consumers from smaller third- and fourth-tier cities as more branded footwear becomes accessible to them thanks to store-based expansion and internet retailing.
- Women's footwear is expected to register the strongest retail value CAGR of 11% over the forecast period.

Women's footwear, however, faces stiff competition from the unorganised sector, which covers most cities and towns in India and offers affordable prices. However, with rising disposable incomes and more women entering the workforce, demand for branded women's footwear is expected to rise significantly.

- **Increasing availability of branded footwear at affordable pricing** is developing the penetration of branded footwear in the country. Consumers who previously shopped at roadside stalls for footwear have started buying affordable footwear now available by regional and national players in the *organised* market, as these products are perceived to be of better quality and durability.

Table 2 India – Retail sales forecast of footwear, 2016-2021, value in US\$ million / volume in million units

	VALUE					VOLUME				
	2016	2018	2020	2021	2016/21*	2016	2018	2020	2021	2016/21*
TOTAL	8,848	10,405	11,846	12,451	+7.1%	1,355	1,710	2,067	2,316	+10.5%
Women's footwear	2,886	2,958	4,392	4,744	+10.4%	389	501	616	672	+11.6%
Men's footwear	4,850	5,424	5,883	6,042	+4.5%	642	780	907	961	+8.4%
Children's footwear	1,112	1,341	1,571	1,666	+8.4%	324	429	544	599	+13.0%

* Compound Annual Growth Rate

Source: Euromonitor (2017)

8.2 Market structure

8.2.1 The footwear value chain

Manufacturing

India is the second largest footwear producer in the world, with footwear production accounting for 9.6% of global annual production. India produces 2.2 billion pairs annually of which 90% are consumed internally while the rest is exported primarily to Western countries which include the United Kingdom, Germany, USA, Italy and France.

Footwear exports from India have grown at a CAGR of 20% during the last five years, backed by growing demand from European nations and an increasing focus by the main importing countries to shift sourcing from China to other low cost producing countries, but recently export growth has slowed due to weaker Eurozone demand.

The major production centres are Chennai, Ranipet, Ambur in Tamil Nadu, Agra and Delhi. India benefits over other producing countries because of its low production costs and abundant raw material. Despite this, there is a lack of skilled labour and a dearth of state

of the art production facilities. To counter this, new footwear clusters are being created around the country designed to integrate the production chain, enhancing competitiveness and increasing productivity.

Broadly speaking half of the production volume is accounted for by leather footwear (90% leather uppers and soles/10% leather uppers and rubber or plastic soles), the other half is various types of non-leather footwear.

The Indian footwear industry is highly fragmented with almost 15,000 small and medium enterprises operating largely in the *unorganised* segment. It employs 1.1 million people, both directly and indirectly. 20% are in the *organised* sector, of which 40% are female workers. The remaining 80% of the workforce comprises rural artisans, cottage and household units. With improving manufacturing facilities more and more people will become part of the *organised* sector, resulting in better working conditions.

Trends in Production

Joint ventures. As a means of enhancing quality levels, there are a number of ways in which some Indian companies are choosing to develop, ranging from joint ventures with Italian companies; to setting up state of the art leather

manufacturing facilities; to big global players taking a stake in Indian manufacturers, to external entrepreneurs coming to India to set up manufacturing plants.

Global sourcing. Forming joint agreements between manufacturing associations in different countries for mutual benefit. Such an agreement has been made between the Ethiopian Leather Industry and the Confederation of Indian Industries. Another joint enterprise exists with the Vietnamese footwear trade association.

Fair labour practices. Compliance to standards like SA8000 is a growing trend to counter negative publicity about poor manufacturing standards in the industry. Most buyers now carry out their own audits so inspections of manufacturing sites are becoming increasingly done. The use of homeworkers, usually women, to hand stitch the

uppers of shoes is one of the most labour-intensive parts of the production process, and is still widely practiced.

Clustering. Historically there has been limited collaboration between companies, however the trend towards operating in a cluster-based fashion and adopting a collaborative approach for marketing has allowed companies to deliver larger volumes or increased values of footwear per order. This includes sharing elements of infrastructure to reduce overheads.

Main players in India

India is home to many large footwear manufacturers, many of whom operate entirely on the domestic market, and have forged relationships with various types of retailing formats, through which their brands are channelled. The following table summarises the leading

Table 3 Leading Indian Footwear Manufacturers and their product and retailing mix.

Brand	Year of establishment	Segment Presence	Product Portfolio	Retailing Format
Bata	1931	Mass/Economy/Active sports/Premium	Men's, Women's, Kid's footwear with international brands such as Hush Puppies, Marie Claire, Scholls	1,400 stores across 500 cities, wholesale division, dealer-distribution network, own website and other e-commerce portals
Metro	1947	Mass/Economy/Active sports/Premium	Men's, Women's, Kid's footwear with brands like Clarks, Steve Madden, Crocs etc	310+ EBOs* in 90 cities and retailing via brand website and other e-commerce portals
Liberty	1954	Mass/Economy/Active sports/Premium	Men's, Women's, Kid's footwear	400 EBOs & 6,000 multi-brand outlets
INC 5	1954	Economy/Premium	Women's Footwear	225 shop in shops and 32 stand-alone stores
Ajanta	1956	Mass/Economy	Rubber, PU, PVC, EVA, canvas, and leather footwear for family	20 showrooms in Eastern part of the country, MBOs** and distributors
Khadims	1965	Mass/Economy/Active sports	Men's, Women's, Kid's footwear	600 retail outlets in 21 states
Action	1975	Mass/Economy/Active sports	Men's, Women's, Kid's footwear	Franchised EBOs, brand website, leading e-commerce portals
Paragon	1975	Mass/Economy	Men's, Women's, Kid's footwear	Distributed through 80 depots and 450+ distributors across India
Relaxo	1976	Mass/Economy/Active sports	Men's, Women's, Kid's footwear	EBOs, franchised outlets, own website and e-commerce portals
Sreeleathers	1976	Mass/Economy/Active	Men's, Women's, Kid's footwear	6 EBOs and dealer network
Catwalk	1990	Economy/Premium	Men's & Women's footwear	150 stores in 31 cities, partnered with retail chains like Pantaloons, Reliance Footprint, Shoppers Stop etc
Mochi	2000	Economy/Premium	Men's, Women's, Kid's footwear	Footprints in more than 35 cities through 70 outlets

* Exclusive Brand Outlets ** Multi Brand Outlets

Source: Company websites

Table 4 Leading International Sports Footwear Brands and their distribution basis

Brand	Time of launch	Retailing format in India	Key retail partners
Reebok	1995	Franchise outlets/ MBOs	Basic Clothing, CS Retail, Comfy Shoemakers, Emdee, Mayur Associates Retail (Sri Devi), Uttam Trading
Nike	1995	Franchise outlets/ MBOs	Mystore, RJ, SSIPL Group, Saffron Group
Adidas	1996	Franchise outlets/ MBOs	Adi Sports, Comfy Shoemakers, Goodwill Enterprises, Mayank, Swarnabhadrha etc
Salomon	2002	MBO	A&S Creations, Hindustan Army Store, Planet Sports and Central Stores
Puma	2006	Franchise outlets/ MBOs	Bhawar, Ethix, Kapsons, Samarth, Shreyas
Lotto	2007	Standalone stores and 200+ MBOs	Sports Lifestyle Pvt Ltd
Crocs	2007	Through Metro Shoes & EBOs	Metro Shoes
Paul & Shark	2009	EBO, Palladium, Emporio, Mumbai Airport, Hyderabad Taj Krishna Hotel	50:50 Joint venture with Reliance Retail
ASICS	2010	Through MBO till 2015, opening franchised stores since then	Reliance Retail/Footprint
Sketchers	2012	Mono Brand Retail through JV	Future Retail
Airwalk	2012	Through MBOs only	Reliance Footprint

players, whose contact details, amongst others, can be found in section 6.

The international footwear giants entered the market in the 1990s to cater for the demand generated by the sports/active segment and for casualization as a whole. The technological prowess of global sportswear giants enabled them to functionally and fashionably appeal to a young India.

Today, they dominate the sports footwear category. The market is held by Adidas, Nike, Puma, Lotto, Reebok, and the newer entrants ASICS, Sketchers, Crocs, Salomon etc are expected to begin posing challenges to the Big 5 soon. A highly notable home grown success story however is Woodland, now part of Aero that is a top of mind name in the adventure and outdoor segment in India.

8.2.2 Indian imports of footwear

India was the forty first largest importer of footwear in value terms, relatively small for the size of its population and perhaps indicative of the extent to which their own manufacturing supplies the domestic market. In 2016, India imported footwear valued at \$ 530 million (229 million pairs). This represented 0.4% of world imports by value.

Indian footwear imports were sub-divided as follows:

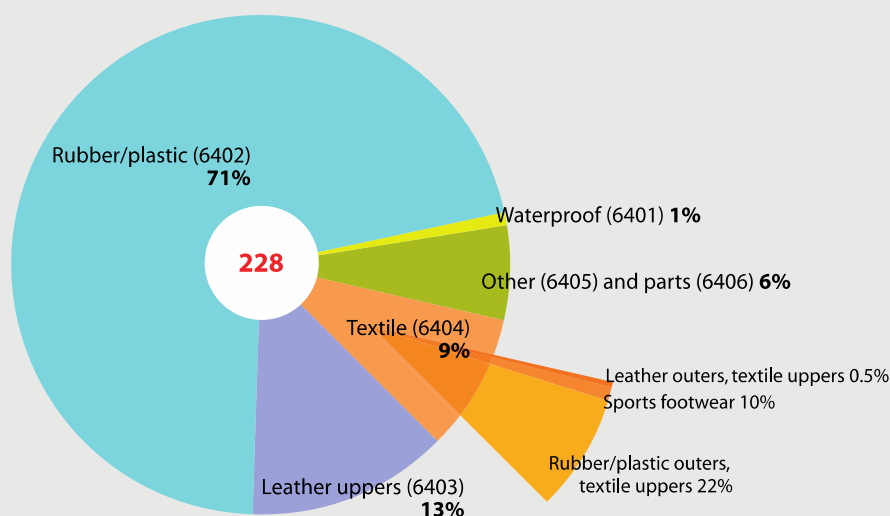
- Footwear (6404) with textile uppers \$ 142 million (20.7 million pairs) of which:
 - a. Sports footwear \$ 43 million (3.8 million pairs)

b. Footwear of rubber or plastic outers and textile uppers \$ 99 million (16.9 million pairs)

c. Footwear of leather/composition leather outers and textile uppers \$ 300,000 (32,000 pairs).

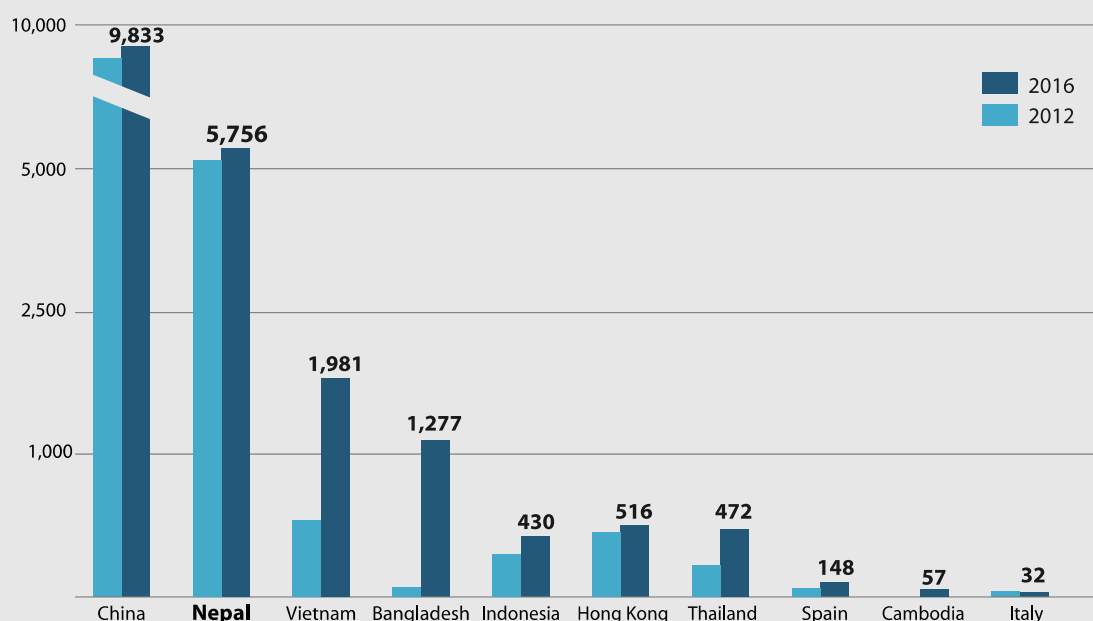
- Footwear (6402) with outer soles and uppers of rubber or plastics \$ 179 million (157.6 million pairs)
- Footwear (6403) with leather uppers \$ 82 million (27.5 million pairs)
- Waterproof (6401) footwear \$ 4 million (2.8 million pairs)
- Other (6405) footwear (e.g. of wood, cork etc) \$ 46 million (20.4 million pairs)
- Footwear parts \$ 76 million (19,000 tons)
 - a. Footwear with outer soles and uppers of rubber or plastic was the largest footwear group and represented 34% of the total value of Indian footwear imports, and almost 70% of volume imports.
 - b. Imports of footwear with textile uppers increased by an average annual rate (CAGR) of 28% from \$ 53 million in 2012 to \$ 142 million in 2016. This was reflected in the changing shares between the largest product groups. A large increase in imports of footwear with textile uppers coincided with smaller increases in value of the other groups.
 - c. The leading suppliers to the Indian market of footwear with textile uppers were China, Vietnam

FIGURE 2: India - Footwear imports by productgroup, 2016
Volume in million pairs



Source: ITC Trademaps (2017)

FIGURE 3: India - Imports of footwear textile (6404), 2012-2016
Volume increased by 28% from 14,222 to 20,669 thousand pairs



Source: ITC Trademaps(2017)

and Nepal, representing almost 80% of value imports between them (\$ 110.6 million) and over 85% of volume imports (17.6 million pairs). Vietnamese imports increased most strongly over the period, but imports from China and Nepal continued to grow. Other fast growing Asian importing countries were Bangladesh (+122%) and Hong Kong (+25%).

- d. Figure 3 highlights the changing pattern of the import trade. Ten Asian countries featured in India's top 15 importing countries for footwear with textile uppers.
- e. Supplies from other small Asian countries decreased overall from \$ 597,000 in 2012 to \$ 88,000 in 2016, the largest decreases by South Korea, Japan and Taipei.

- f. Nepal supplied 5,756,554 pairs in 2016, valued at \$ 24.7 million, a 13% average annual increase between 2012 and 2016. Thus the average price paid per pair in 2016 was \$ 4.29.
- g. Nepal was ranked 3rd in supplies of footwear with textile uppers to India.

Competitors for Nepal

There is much competition for Nepal from its Asian neighbours. For 6404 footwear, China's imports were broadly double that of Nepal in both volume and value. Vietnam and Bangladesh are also large suppliers to the Indian market. Supplies from Malaysia and Cambodia, as well as Bangladesh, are increasing at well ahead of the market average.

8.2.3 Indian price structure of footwear

FOOTWEAR PRICE DEVELOPMENTS and RETAIL PRICES

Import prices

These vary considerably by supplying country, as this summary table indicates. Here the import price differences can be seen, with prices from Italy being the highest. Prices vary between Asian countries, but prices from Nepal are lower than any other country (note that figures in the table below for Thailand and Pakistan are unreliable), including that of China.

Retail prices

Indian consumers are becoming more interested in higher priced footwear, as their average incomes increase. However there is a wide range of footwear prices available across all categories. Table 6 summarises a range of prices for selected footwear styles, based on prices found on the footwear and fashion website Jabong:

Table 5 India – Import price per pair US\$ for footwear 6404, 2016 of leading and selected suppliers

	\$ '000 value	Pairs	Unit value per pair \$	Ave tariff applied %
World	141,958	20,669,085	-	-
China	56,459	9,833,473	5.74	10
Vietnam	29,522	1,981,853	14.90	10
Nepal	24,683	5,756,554	4.29	0
Bangladesh	11,926	1,277,374	9.34	3.1
Indonesia	7,354	430,219	17.09	10
Hong Kong	4,899	516,743	9.48	10
Spain	2,089	148,591	14.06	10
Italy	1,428	32,668	43.71	10
Cambodia	856	57,463	14.90	8.1
Singapore	538	32,317	16.65	10
United Kingdom	398	25,353	15.70	10
Thailand	356	472,985	0.75	10
USA	295	16,766	17.60	10
Malaysia	233	24,670	9.44	10
Brazil	205	29,028	7.06	10
Myanmar	46	5,234	8.79	10
S Korea	13	379	34.30	10
Japan	12	749	16.02	10
Taipei	8	692	11.56	10
Pakistan	6	83	72.29	10
N Korea	3	143	20.98	10
Sri Lanka	0	3	n.a.	0

Source: ITC Trademaps (2017)

Table 6 India – Retail price examples of selected footwear in US\$

	Economical/ Discount	Medium/Fine	Luxury
Ladies' sandals	\$8	\$25	\$200
Ladies' flip flops (flats)	\$6	\$20	\$75
Ladies' heels	\$8	\$25	\$200
Ladies' sneakers	\$7	\$25	\$250
Men's formal shoes	\$8	\$30	\$275
Men's casual shoes	\$7	\$25	\$210
Men's sports shoes	\$8	\$50	\$440
Men's slippers	\$8	\$20	\$130

Margins

Specific margins for footwear products tend to be confidential, but there are some broad margin parameters in the fashion industry to which the footwear trade would broadly conform. For example, wholesale margins would be in the range of 5-7% when buying from a manufacturer. Margins would be in the range of 15% when selling to a retailer. The retail margin when selling to consumers would be much higher than that.

8.3 Access requirements for the Indian market

8.3.1 Legislative requirements

Footwear standards are developed by the national standards body, the Bureau of Indian Standards (BIS) - <http://bis.org.in>. In addition to the development and formulation of standards, BIS is involved with product certification, quality system certifications and testing, and consumer affairs. Standards developed or recognized by BIS have the Indian Standard (IS) designation.

General Purpose Footwear standards include:

- IS 3735 Canvas Shoes, Rubber Sole
- IS 3736 Canvas Boots, Rubber Sole
- IS 3976 Protective Rubber Canvas Boots for Miners
- IS 4512 Footwear Lasts, Rubber
- IS 10702 Rubber Hawai Chappal
- IS 11544 Slipper, Rubber
- IS 13995 Unlined moulded rubber boots
- IS 15298 Personal Protective Equipment
- IS 15844 Sports Footwear

There are standards for Safety footwear, PVC footwear,

tools, equipment and accessories, and standards related to sizes and fitting. There are also standards for semi-finished leather and leather for the footwear industry.

Footwear labelling must be in Hindi and English. Products must be labelled in the country of origin (before shipment) in compliance with the Indian rules. The shipment must arrive at the port of entry already adequately labelled. If the label is found not complying with the requirements, the products cannot be cleared and the importer will not be given a chance to correct the label.

The Consumer Protection Act of 1986 gives consumers the right to be protected against the marketing of goods which are hazardous to life and property (unsafe). This would include for example the use of hazardous chemicals in footwear. This act also gives consumers to be adequately informed about the products they are purchasing, essentially to protect them against unfair trade practices.

When importing footwear, entry documents along with the carrier's document (Bill of Lading /Airway bill), commercial invoice, packing list, certificate of origin and other required documents are filed and necessary import procedures are completed in order to take delivery. Imports from Least Developed Countries (LDC) need to be certified by authorized agencies before export. A certificate of origin is required to import footwear.

8.3.2 Voluntary requirements

There is a scheme in India, known as the **ECO Mark**, administered by the Bureau of Standards, for the labelling of environmentally friendly products. A number of product categories, including leather are involved. It is operated on a national basis and provides certification for products which meet certain environmental criteria, along with quality standards prescribed for the product.

While many Indian manufacturers meet production standards for issues such as sustainability and fair labour practices when they export, Indian consumers are not yet demanding in large numbers additional labelling beyond a trusted brand name. This may change in the future.

8.4 Distribution

8.4.1 Indirect and Direct Channels

There has been a **significant expansion in distribution channels** in India. Annual growth for fast moving consumer goods (FMCG) is predicted to be 10-12% during the next 10 years. The number of retail distribution outlets in the country is estimated at over 12 million, mostly family owned businesses.

The three-tier system: Most Indian manufacturers use a three-tier selling and distribution structure that has evolved over the years. This involves redistribution stockists, wholesalers, and retailers. As an example, a company operating on an all-India basis could have between 40 and 80 redistribution stockists (RS). The RS will sell the product to between 100 and 450 wholesalers. Finally, both the RS and wholesalers will service between 250,000-750,000 retailers throughout the country. The RS will sell to both large and small retailers in the cities as well as interior parts of India.

Depending on how a company chooses to manage and supervise these relations, its staff may vary from 75 to 500 employees. Wholesaling is profitable by maintaining low costs with high turnover, with typical FMCG product margins anywhere from 4-5%. Many wholesalers operate out of wholesale markets. In urban areas, some retailers provide credit and home-delivery. Now, with the advent of shopping malls, companies talk of direct delivery and discounts for large retail outlets.

Outsourcing logistics: In recent years, there has been increased interest from companies to improve their distribution logistics in an effort to address a fiercely competitive market. This in turn has led to the emergence of independent distribution and logistics agencies to handle this important function. Marketers are increasingly outsourcing some of the key functions in the distribution and logistics areas to courier and logistics companies and searching for more efficient ways to reach the consumer. The courier network in India now spreads to smaller Class IV towns (defined as a town with a population less than 50,000).

India is a very large, fragmented and complex market to enter. Some importing companies are looking for product design advice, in which case they may use an agency such as Shoetek. Others may primarily require help with distribution and marketing. The way you approach the market will depend on a number of factors, including the

Table 7 Retail distribution share (by value) in India in 2011 - 2016

Outlet type	2011	2014	2016
Store-Based Retailing	98.7%	94.2%	87.7%
Food Retailers	2.1%	2.7%	3.0%
Modern Grocery Retailers	1.7%	2.2%	2.3%
Hypermarkets	0.5%	0.6%	0.6%
Supermarkets	1.2%	1.6%	1.7%
Traditional Grocery Retailers	0.5%	0.6%	0.6%
Non-Food Specialists	95.7%	90.5%	83.6%
Clothing & Footwear Specialists	64.6%	60.5%	58.0%
Leisure & Personal Goods Specialists	6.5%	4.7%	4.7%
Sports Goods Stores	5.6%	3.6%	3.5%
Other Leisure & Personal Goods Specialists	0.9%	1.1%	1.2%
Other Non-Grocery Clothing & Footwear Specialists	24.5%	25.2%	20.9%
Mixed Retailers (Department Stores)	0.9%	1.0%	1.1%
Non-Store Retailing	1.3%	5.8%	12.3%
Home Shopping	0.1%	0.1%	0.1%
Internet Retailing	1.2%	5.7 %	12.3%

Source: Euromonitor (2017)

market segment you wish to target, the geographical scope of your ambition in the country.

For a footwear supplier from Nepal without any direct retail or wholesale contacts, it is likely that an agent or distributor should be found. The choice of who this might be is very important. He should be carefully researched and financial references sought. Agents usually work on commission, they usually work on a regional basis and they are responsible for processing customs documentation, marketing, distribution and after sales service.

Retail trade

Footwear in India is led by **Bata** India with a retail value share of 5% based on over 1,400 outlets in over 500 cities. The company plans to open 100 new stores during 2017. In 2016, Bata focused on improving the efficiency of its existing stores in order to increase profitability and better serve consumers. The company is also focusing on increasing its presence in smaller third- and fourth-tier cities as well as reaching more consumers through online retailing.

Second-ranked Relaxo Footwear recorded the strongest absolute volume growth in 2016 and has a 4% brand share. The company has performed well. Over the past three years thanks to a focus on increasing its penetration in the Indian market through store expansion as well as a strong online presence.

The Indian footwear category is characterised by the strong presence of the *unorganised* sector as well as local and regional players. As a result, it is very fragmented. The top 10 retailers account for less than 30% of the market value.

Non-specialist footwear retailers including hypermarkets, department stores and fashion chains are also important. Leading players include:

- The Future Group - <http://www.futuregroup.in> - is a large retail group, also operating lifestyle fashion brands selling footwear (Central, Brand Factory, Planet Sport).
- The Landmark Group - <http://www.landmarkgroup.com> - has 100 stores across various retail formats including Shoe Mart and Shoexpress.
- Aditya Birla - <http://www.abfrl.com> - is a large fashion and retail group, including the leading fashion chain Pantaloons.
- The Tata Group - <http://www.tata.com> - sells footwear via the retail chain Westside and the hypermarket Star Bazaar. Tata also manufactures and exports leather footwear.
- Reliance Retail - <http://relianceretail.com> - operates

Reliance Footprint, a retail chain specialising in family footwear. Their online site is <http://www.footprint360.com>

- Metro - <http://www.metro.co.in> - not to be confused with Metro Footwear, operates a number of large cash & carries around the country selling food and non-food, including footwear.

The share of **internet retailing** in footwear continued to rise over the review period, jumping significantly from 1% in 2011 to 12% in 2016. The number of internet retailers operating in footwear has increased dramatically, thus helping to boost the channel's share of sales. In addition, most internet retailers offer periodic discounts on footwear, with this also serving to support sales.

Trends in retailing

Omni-channel retailing. Retailers have started venturing into this and trying in-store marketing solutions such as beacons to enrich the shopping experience, and to find ways to bridge the gap between offline and digital channels. In addition, many retailers are using digital platforms not just to showcase products but to sell them. The same applies to mobile apps. Companies now don't just use the small screen to get in front of customers, they use it for other elements such as order fulfillments, payments and loyalty.

Franchising is expected to be one of the ways that footwear sales will further expand out of the main cities into Tier II and III towns. It is seen as a way for companies to keep pace with the rapid growth of the market.

Use of social media by retailers to stay in touch with their customers. Retailers are developing innovative ways to offer an experience of their brand, which extends beyond the product and creates a long term relationship with them.

8.5 Opportunities and how to enter the Indian market

OPPORTUNITIES

The various options for market entry have been discussed in the previous section, but there are a number of opportunities to be aware of that are specific to the Indian market:

Organised or unorganised segment? This is a fundamental division of the market. From a product point of view, the perception is that low priced footwear is uniquely found in the unorganised segment. This is not necessarily the case, but if the objective is to build a brand and create some sort of awareness and recognition for footwear from Nepal, then the focus should be on the organised segment, which is where the growth happens to be.

Nepalese living in India. Although there has been significant migration to the Gulf States in recent years, India remains the pre-eminent destination for Nepalese living outside the country. Accurate numbers are unavailable but estimates range between 1-2 million people. This group would represent a positive opportunity for footwear exporters from Nepal.

Online channel. Finding your way through the distribution system could be challenging, but the online channel is growing exponentially in India. Young Indian consumers are very familiar with using it for a variety of transactions, including buying footwear. Going direct to your target consumers is made easier because of rapid developments in this sales channel.

In terms of specific product opportunities, **flip flops** (Hawai Chappals) account for almost half the volume of footwear worn in India. This represents just over one pair per person, where total consumption is 2.4 pairs per person (the remainder being leather and non-leather footwear). This compares with the average per capita consumption of 3-4 pairs for most other Asian countries and 7-8 pairs in parts of the EU and USA. Innovations such as footwear created with a shape to perfectly conform to the contours of the feet could provide a variant to basic flip flops. In this example, unlike flip-flops, the piece that parts the toes is placed 1 cm ahead. Like a second-skin, they perfectly fit all movements and do not cause irritation.

Juttis are one of the most popular footwear styles for Indian women. Looking for a new variance on this popular shoe, which captures the imagination, either in the material used or an unusual modification such as a slightly heightened heel, could be the basis for a product opportunity.

Casual/sports footwear or sneakers is the other product segment showing strong growth that may provide opportunities, particularly if made from textile. Depending on what could be developed, such a product range may be appropriate for either the fashion or the leisure footwear segment.

HOW TO ENTER THE INDIAN MARKET

Identifying buyers and know more about your final consumers

Identify buyers. This would depend on which market segment you wish to target. If you choose to target the low-mid price segment, you should work out how the three tier distribution system would best work in

your favour. Alternatively an importer that is also be a manufacturer may looking for new design ideas. It may also be worth determining which part of the country is most appropriate (possibly based on logistical or transport issues). This is more likely to be one or more of the larger cities in the north of the country.

Based on the best opportunities for Nepalese footwear, here are some possible product market combinations related to particular consumer segments with some points to consider to become successful when entering this market:

When selling your own collection try to find a reason to talk about something other than the price. There is a reasonable awareness of Nepalese products in India, particularly in the north and border areas but it is always worth trying to promote the point of difference based on this. Nepalese design is not so unusual in India, so a more likely proposition would be based on quality or originality of material. In each of these cases, buyers selling to those consumers are more open to new suppliers.

Your final consumers. Younger people are likely to be more open to new products from Nepal. If you know about their lifestyle, buying behaviour and criteria, this can form the basis of a discussion with a suitable buyer. As an exporter, you can provide the heritage of the natural materials used, the unique manufacturing process used or the success stories elsewhere.

Choose a target segment that is 'easy to enter' in order to get your first market entry. For example, find a popular category where the demand is always strong, such as juttis, or where the customers are more receptive to new ideas. You want to be able to find the required opportunity to highlight or showcase the best of your skills or advantages.

Price is very important, but find a different point of advantage. China and Vietnam represent 60% of all imported (6404) footwear value supplying mainly low priced medium or low quality footwear, but Nepal is already well represented. The best way to penetrate the market is to offer products of consistently high quality, good appearance (design, colour and finish) and if possible, with properties setting them apart from competitive countries.

A marketing approach is based on a win-win situation aiming to establish a long-term relationship. Despite the reputation for importers preferring trusted sources they have used in the past, smaller wholesalers and footwear shops may well be quite receptive as they need to be more pro-active in their own marketing strategy. They do not want to further lose their clients to the big international

FOCUS	SNEAKERS	JUTTIS	FLIP FLOPS
Market Segment	<ul style="list-style-type: none"> Working women Modern families 	<ul style="list-style-type: none"> Women of all ages (mid-market) Wedding footwear/juttis for special occasions 	<ul style="list-style-type: none"> Most Indian people who can afford it
Possible products	<ul style="list-style-type: none"> Fashionable sneakers Sneakers for children Sneakers with unique Nepalese design/material 	<ul style="list-style-type: none"> Hand-made juttis, made from material exclusive to Nepal Juttis with prints or heels inspired by Nepal style 	<ul style="list-style-type: none"> Hand-made flip flops Flip flops with design inspired by outdoor Flip flops with prints in ethnic Nepal style
Competition	<ul style="list-style-type: none"> China, Vietnam, Indonesia, Cambodia, Thailand, Malaysia International brands from around the world 	<ul style="list-style-type: none"> China, Vietnam, Indonesia, Myanmar, Thailand, Bangladesh Domestic manufacturers 	<ul style="list-style-type: none"> China, Bangladesh, Myanmar, Thailand Domestic manufacturers
USP Positioning (why Nepal?)	<ul style="list-style-type: none"> Sporty and comfort Heritage (Goldstar) Fashion/style from the top of the world Unique designs and materials such as hemp, nettle 	<ul style="list-style-type: none"> Hand-made, personalised Made by women in small communities Unique designs and materials such as hemp, nettle 	<ul style="list-style-type: none"> Understands Indian consumer Sustainability connections Flip flops with a twist
Price level	<ul style="list-style-type: none"> Low-Medium price level; value for money 	<ul style="list-style-type: none"> Low-Medium price level; value for money 	<ul style="list-style-type: none"> Low- medium price level, possibly higher
Distribution Channels	<ul style="list-style-type: none"> Agent Wholesaler Importer Online retailer 	<ul style="list-style-type: none"> Agent Wholesaler Importer Online retailer 	<ul style="list-style-type: none"> Agent Wholesaler Importer Online retailer
Challenges	<ul style="list-style-type: none"> Designs need to be updated frequently and need to demonstrate awareness of fashion trends Good quality control needed 	<ul style="list-style-type: none"> Supply chain management Juttis market design conscious Acceptability of traditional Indian product by target audience 	<ul style="list-style-type: none"> Difficult to promote Nepal as flip flop supplier Flip flop market very price competitive

brands and retail chains, and are looking to find niches of their own to maintain their own competitive advantage.

8.6 Potential trade partners and useful addresses

The first place to look would be to contact the main trade association(s), followed by trade fairs, which tend to feature a list of exhibitors, many of which may be potential partners. Wholesale trade portals could provide some good contacts. The following companies and organisations may be worth looking at:

Trade Associations

Indian Footwear Components Manufacturers Association - <http://www.ifcoma.org>

Indian Shoe Federation - <http://www.indianshoefederation.in>

All India Footwear Manufacturers and Retailers Association - <mailto:accounts@aifmra.com>

Council for Leather Exports - <http://leatherindia.org>

South India Shoe Manufacturers Association - <http://www.sisma.org.in>

Indian Leather Products Association - <http://www.ilpindia.org>

Agra Footwear Manufacturers and Exporters Chamber - <http://www.afmec.org>

Council for Footwear & Leather Accessories - <http://cfla.co.in>

Footwear Design & Development Institute - <http://www.fddindia.com>

Trade shows

India Shoes & Accessories Forum in Mumbai each April - <http://www.isaf.in>

Importers		
Multy Leathers	New Delhi tel +91 11 2576 1719	Importer of footwear components
Trinetra Sales	New Delhi tel +91 98715 45750	Importer of shoes
Three Sixty Lifestyle	Mumbai tel +91 22 5676 4288	
24th Street	Relief Road Santacruz, Mumbai 400050	
Wholesalers		
Bata	http://bata.in	
Metro	http://www.metroshoes.net	From a single store in Mumbai to now a nationwide chain
Liberty	http://www.libertyshoes.com	Also have their own online business
INC 5	http://www.inc5shoes.co.in	
Ajanta	http://www.ajantashoes.com	5 production units in West Bengal
Khadims	http://www.khadims.com	
Action	http://www.actionshoes.com	
Paragon	http://www.paragonfootwear.com	Production capacity of 1500 pairs per day, leading rubber footwear manufacturer
Relaxo	http://www.relaxofootwear.com	Based in Delhi, with 8 manufacturing plants
Sreeleathers	http://sreeleathers.com	Based in Kolkata
Catwalk	http://catwalk.net.in	
Mochi	http://www.mochishoes.com	Involved in fashion as well as footwear
Woodland (part of Aero group)	http://www.woodlandworldwide.com	From a single store it is now a worldwide brand with 550 EBOs in India
Veekesy Rubber Industries	http://vkcgroup.com	Producer (20 units across 6 states) and a supply chain of 14 units & depots
Lancer Footwear	http://www.lancerfootwear.in	Owned by the Footwear Klick Group
Mirza International	http://www.mirza.co.in	Operates the Red Tape brand, marketed in 120 EBOs and 175 shop-in-shops
Retailers and online sellers		
Jabong	http://www.jabong.com	Online retailer of Metro shoes and other brands
Myntra	http://www.myntra.com	Online retailer of footwear and fashion
Flipkart	http://www.flipkart.com	Broad-based online retailer
Snapdeal	http://www.snapdeal.com	
Amazon	http://www.amazon.in	Operates the International Shoes Store

India International Leather Fair in Chennai each February
- <http://www.indiatradefair.com/iilf/>

India International Leather Fair in Kolkata in February -
<http://www.indiatradefair.com/iilfkolkata/>

International Footwear Fair in Delhi in August -
<http://www.indiatradefair.com/footwear-fair/>

Footwear India Expo - <http://www.footwearindiaexpo.com>

Trade press

India Retailing - <http://www.indiaretailing.com>

ET Retail - <http://retail.economics.indiatimes.com>

Delhi Footwear Market News - <http://www.dfmn.org> - also publishes Shoe Retailing India and a Directory of

Footwear Wholesalers

Shoes & Accessories - <http://shoesandaccessories.in>

Other sources/contacts

ShoeKonnnect - <http://blog.shoekonnnect.com> - is a B2B market place app for the footwear industry

Footcraft India - <http://www.footcraftindia.com> - is an online footwear b2b wholesale marketplace

India Trade Promotion Organisation - <http://www.indiatradefair.com>

Federation of Indian Chambers of Commerce & Industry - <http://ficci.in>

The Associated Chambers of Commerce & Industry of India - <http://www.assochem.org>

FOOTWEAR IN SOUTH AFRICA



CHAPTER 9

Brief overview



Population

54.3 million; 0.99% growth rate (2016)
black African 80.2%, white 8.4%,
colored 8.8%, Indian/Asian 2.5%

- 0-14 years: 28.3%
- 15-24 years: 18.1%
- 25-54 years: 41.4%
- 55-64 years: 6.6%
- 65 years and over: 5.6%



Economy

GDP: US\$ 15,095 per capita (2016)
Unemployment rate: 25.9% (2015)



Social

Women in labour force: 43.8%
Marriage rate: 3.8 per 1,000





9.1 Current size of the South African market

Over the past decade over 3.5 million South Africans have been lifted out of extreme poverty, and the consuming class, defined as households with income exceeding \$5,000, grew to 9 million. However private consumption has been fairly subdued due to higher prices and lower wage growth. Many are cutting back on spending, delaying purchases and shopping around for the best deals.

This stands in contrast to rising confidence of consumers in many other parts of the world. Persistent high unemployment has hindered economic growth. Despite this, the growth of the middle class, particularly the black middle class has meant that the fashion and footwear sector has outperformed the economy as a whole.

9.1.1 Footwear retail sales and segments

TOTAL FOOTWEAR SALES IN SOUTH AFRICA

- In 2016, the total footwear retail sales in South Africa was estimated to be worth \$3,937 million, according to Euromonitor, equivalent to 160 million

pairs. According to the World Footwear Yearbook, South Africa is ranked 19th in the world in terms of consumption volume.

- **The footwear market in South Africa no longer dominated by local brands.** The domestic market used to be dominated by products from domestic manufacturers, but imports have been taking a growing share of the market for some time now, both for branded and unbranded footwear.
- **Footwear market growth** stood at 7% in 2016, lower than the 9.9% CAGR growth since 2012. This was higher than volume growth reflecting increasing prices. The footwear market growth exceeded that of the broader economy, partly due to the appeal of imported international brands that sell for higher than average prices.
- **Local retailers are embracing fast fashion** by improving their supply chain to allow for quicker response to rapidly changing consumer preferences and in some cases working with local suppliers rather than relying on Asian imports. Progress towards fast fashion has been relatively slow for footwear (compared with clothing), with the bulk of footwear still being imported. Retailers which offer trend-driven styles at varying price levels are more likely to succeed in driving sales.

Table 1 South Africa – Retail sales of footwear, 2011-2016, value in US\$ million / volume in million units

	VALUE					VOLUME				
	2011	2013	2015	2016	2011/16*	2011	2013	2015	2016	2011/16*
TOTAL	2,461	3,046	3,667	3,937	+9.9%	119	139	154	160	+6.1%
Women's footwear	921	1,161	1,450	1,569	+11.2%	38	45	52	54	+7.1%
Men's footwear	1,277	1,548	1,802	1,916	+8.5%	60	67	72	74	+4.2%
Children's footwear	263	337	414	452	+11.5%	21	27	30	33	+9.1%

* Compound Annual Growth Rate Exchange rate 1 Rand/\$0.074

Source: Euromonitor, Trade Estimates (2017)

- **Children's footwear and sports footwear** were the **two principle drivers** of footwear sales between 2011 and 2016. Family sizes are becoming smaller and more urban households now comprise of dual earners, putting parents in a better position to provide the best for their children. International trends, such as “mini-me”, are stimulating growth for children's footwear where some parents live through their children, choosing premium brands for their children that they cannot afford for themselves, as the children's range comes at a relatively lower price than adult versions.
- **Sneakers which come in bold colours and prints** were popular styles over the review period, having a greater appeal among younger consumers. “Athleisure” styles were a favourite, appealing to those consumers looking for style and comfort. In terms of occasion footwear, caged heels and t-strap shoes were trending in women's footwear.
- **Per capita consumption** of footwear in South Africa is \$72 per annum. The population is slowly increasing as are sales volumes. The population mix is gradually ageing due to increasing life expectancy as a result in the treatment of HIV/AIDS In future purchases by this group will become more important.
- Textile footwear (6404) represents 44% of the market by volume, based on imports. This large group will include many styles of sports footwear and types of everyday footwear, particularly for women and children. The biggest market segment is 6402 rubber or plastic footwear (46% by volume).

MAIN MARKET SEGMENTS

Segmentation by user

The most simplistic way of segmenting the South African footwear market is by user. As Table 1 indicates, 49% of the market value (46% of market volume) is accounted for by men's footwear. Although this is the largest segment, it has grown most slowly in 2016. Other financial pressures on household incomes has meant that many men are spending less on footwear. This will vary between different

age groups but generally speaking it is a fair reflection of men's footwear sales.

On the other hand, **women's footwear** represents 40% of market value (34% of market volume). Women's footwear tends to be the most dynamic category with new styles and colours being introduced every season. The more frequent renewal of merchandise to allow for the introduction of new styles helps to drive growth and appeal to younger and fashion-conscious female consumers.

Accounting for just 11% of market value (20% of market volume), **children's footwear** has been the most dynamic category registering relatively higher growth both in value and volume. The category grew by 9% in value terms and 7% in volume terms over the review period. New market entrants and existing players broadening their product offering to tap into this segment are driving growth.

OTHER SEGMENTS

It is enlightening to look closely at the composition of the South African market to find other potentially more useful ways of segmenting the footwear market. There are important racial, economic and geographic differences in South Africa that are helpful to know the market dynamics.

Firstly, here is a summary of how the population is split by race and province, the key points being that blacks account for almost 80% of the total population, most Indians live in Kwa-Zulu Natal and Gauteng, over 60% of Coloureds live in the Western Cape and over 60% of whites live in Gauteng and the Western Cape.

Gauteng is the most affluent region in terms of household expenditure, accounting for 35% of total expenditure from 22% of households. In terms of population group, blacks represent 80% of the population and accounted for 46% of expenditure, while whites represent 9% of the population but took up 42% of expenditure. Language is another important form of segmentation. The most widely spoken languages are

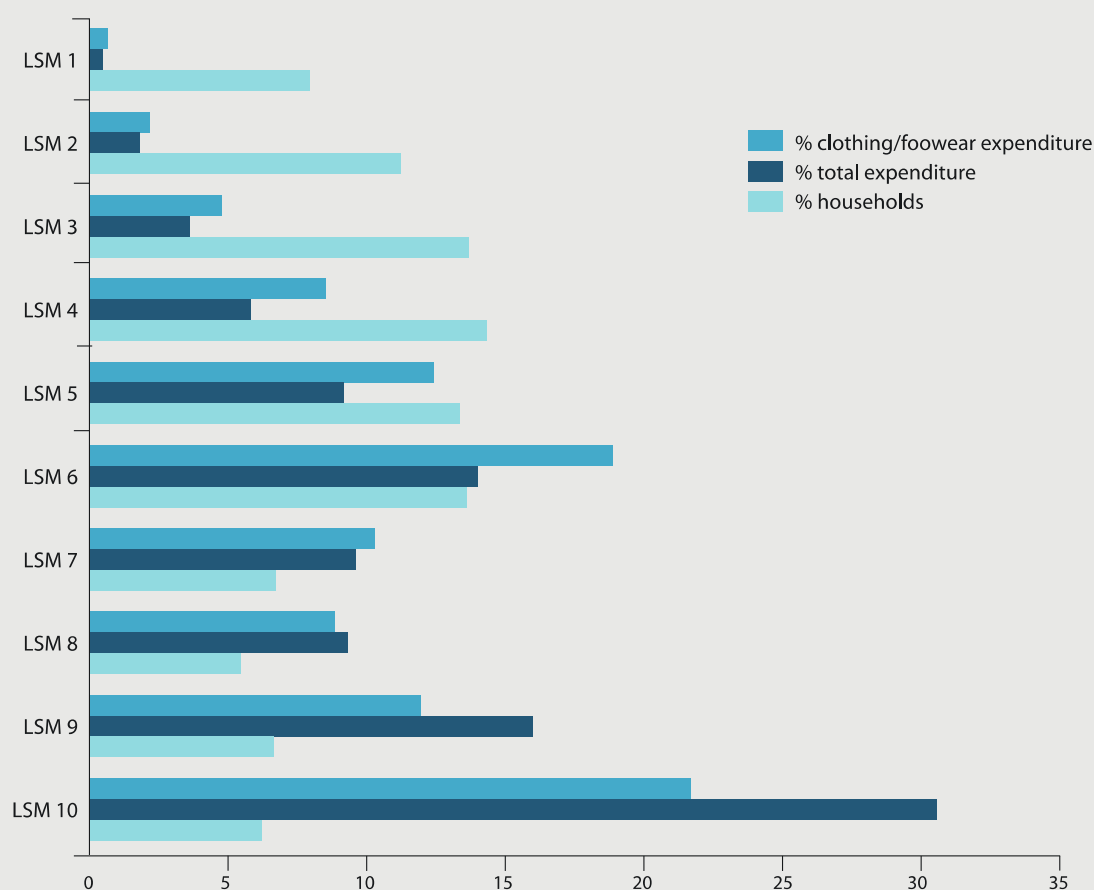


Table 2 South African Population by race and province, 2011

Province	Africans/Blacks		Asians/Indians		Coloureds		Whites		Others		Total	
	million	%	million	%	million	%	million	%	million	%	million	%
Eastern Cape	5.66	13.8	0.03	2.3	0.54	11.7	0.31	6.8	0.02	7.4	6.56	12.7
Free State	2.41	5.9	0.01	0.8	0.09	1.9	0.24	5.3	0.00	0.8	2.75	5.3
Gauteng	9.50	23.2	0.36	27.9	0.43	9.3	1.91	41.8	0.08	29.6	12.27	23.7
Kwa-Zulu Natal	8.91	21.7	0.76	58.9	0.14	3.0	0.42	9.2	0.03	11.1	10.27	19.8
Limpopo	5.22	12.7	0.01	0.8	0.01	0.2	0.14	3.1	0.01	3.7	5.40	10.4
Mpumalanga	3.66	8.9	0.03	2.3	0.04	0.9	0.30	6.6	0.01	3.7	4.04	7.8
North West	3.15	7.7	0.02	1.6	0.07	1.5	0.26	5.7	0.01	37	3.51	6.8
Northern Cape	0.58	1.4	0.01	0.8	0.46	10.0	0.08	1.7	0.02	7.4	1.15	2.2
Western Cape	1.91	4.7	0.06	4.7	2.84	61.5	0.91	19.9	0.09	33.3	5.82	11.2
South Africa	41.00	79.2	1.29	2.5	4.62	8.9	4.57	8.9	0.27	0.2	51.77	100.0

Source: South African Statistics, based on 2011 Census

FIGURE 1: South Africa - Share of LSM groups in total household and clothing/footwear expenditure



Source: LSMs developed by the South African Advertising Research Foundation (SAARF)

Zulu and Xhosa (spoken by blacks), followed by Afrikaans (spoken by Coloureds and whites) and English (spoken by whites and Indians).

Living Standards Measures (LSMs). Another unique aspect of South African segmentation is the division of the country into what are called “Living Standards

Measures”. These indicate the socio-economic status of each group - LSM 1-LSM10 where LSM1 is the lowest group and LSM10 is the highest - and are calculated on the number of variables each group possesses (such as hot running water, fridge/freezer, microwave, flush toilet, washing machine, computer, TV, vehicle owner, phone in house, urban dweller etc - there are 29 variables in total).

Looking specifically at clothing and footwear, it can be seen that compared to total expenditure, expenditure on clothing and footwear form a particularly strong category in LSM groups 4-7, as shown in Figure 1. The majority of low value footwear, especially unbranded imports and lower quality local manufactured footwear would be found in the LSM groups 1-3, while consumers that purchase higher quality or international brands of footwear are more likely to be found in LSM groups 8-10.

RELEVANT TRENDS IN THE SOUTH AFRICAN MARKET

Main market trends

Shrinking disposable income and more stringent credit are putting further strain on the performance of the footwear category. The majority of footwear present in the country is imported and the weak Rand is pushing unit prices up. Cheaper alternatives, such as unbranded footwear imported from Asian countries, are appealing to consumers at the lower-end of the income spectrum.

Consumers are increasingly **looking for ways to save money**, by comparing prices, seeking out sales and promotions, delaying purchases and shopping at several stores to find better deals. Retailers are finding it more difficult to pass on rising unit prices to already struggling and cash-strapped consumers.

Despite this most consumers are **brand loyal**. Rather than abandoning their favourite brands, they are shopping around to find their preferred brands at retailers where the price is lower, or waiting until they are available at a discount.

Perception of value for money is the biggest factor influencing what footwear is purchased and where. This is not just about low price. Consumers need to see the benefits they would receive for a price premium, but would be prepared to pay more if they felt these benefits were justified. For example, paying a premium for a pair of shoes that will last much longer than alternatives, or paying more for a particularly attractive style or design.

Social media and the presence of international brands on the local market has also played an important role in driving consumer expectation higher as they are now more aware of what quality to expect from a certain price range and what styles are trending globally.

Eco-friendly footwear is a small but growing niche. Very popular in some developed markets, this trend is catching on in South Africa. A number of local brands operate in this segment and vegan footwear in particular has strong appeal.

Celebrity endorsements. These are particularly relevant for sports footwear. Some South African sports retailers, according to the local Sports Trader magazine, believe that shoes endorsed by well-known local runners (e.g. Stephen Mokaka and Elroy Galant, both for Adidas) have more value on the local market than those endorsed by international athletes, because local runners can associate themselves more easily with them. This does not come without risks, as brands associated with Oscar Pistorius will testify. Many film celebrities wear the footwear brand Toms, as purchases are linked to donations of shoes to children in need.

9.1.2 Future retail sales

EXPECTED FOOTWEAR SALES IN SOUTH AFRICA

- **Steady market growth is forecast.** The total footwear market in South Africa is expected to grow by an average rate (CAGR) of +2.4% per year, reaching a value of \$ 4,434 million in 2021 – see Table 3. Sales of sports footwear are also expected to be strong and the dominance of international brands is expected to continue.
- **Women's footwear** is more dynamic, with styles changing often and female consumers being more fashion conscious as opposed to male consumers. Men tend not to buy shoes that often and when they do, they have a preference for sports brands, “athleisure” and versatile footwear styles, which they can dress up and down depending on the occasion.

Table 3 South Africa – Retail sales forecast of footwear, 2011-2016, value in US\$ million / volume in million units

	VALUE					VOLUME				
	2016	2018	2020	2021	2016/21*	2016	2018	2020	2021	2016/21*
TOTAL	3,937	4,113	4,331	4,434	+2.4%	160	171	181	186	+3.1%
Women's footwear	1,569	1,667	1,786	1,842	+3.3%	54	58	62	63	+3.3%
Men's footwear	1,916	1,965	2,029	2,058	+1.4%	74	77	81	83	+2.3%
Children's footwear	452	482	516	534	+3.4%	33	36	39	40	+4.4%

* Compound Annual Growth Rate

Source: Euromonitor, Trade Estimates (2017)

- **Footwear at lower price points** will continue to grow, appealing to value-driven consumers and those at the bottom end of the market. Retailers will continue using aggressive discounting to attract consumers. The frequent discounting in a bid to drive volume growth and maintain market share is likely to put pressure on retailer margins.

9.2 Market structure

9.2.1 The footwear value chain

Manufacturing

With an annual production of around 60 million pairs of footwear, up from 50 million in 2012, the footwear industry in South Africa manufactures a wide range of products including safety and protective footwear, gumboots, men and women's formal and casual footwear, school shoes, slippers, sandals, ballet shoes and children's shoes. According to the World Footwear Yearbook, South Africa ranks 23rd in terms of global production volume.

Half of South Africa's footwear production is exported, mainly to neighbouring countries such as Namibia, Botswana and Lesotho.

South Africa has a well-established footwear industry, with nearly 120 manufacturers that are members of the Southern African Footwear and Leather Industries Association (SAFLIA) and National Bargaining Council, while another 60 small, medium and microenterprises operate under less formal structures. Kwa-Zulu Natal is the predominant producing province (about 64%) followed by the Western Cape (13%), Eastern Cape (11%) and Mpumalanga.

South Africa also plays a leading role in the design of footwear for children by ensuring that the Podiatry Association of South Africa - <http://www.podiatrist.co.za> - endorses these products. This is the result of progressive research that has been conducted and applied to the design and construction of footwear, particularly for school shoes.

SAFLIA has identified skills development, technology innovation, cost competitiveness, continuous improvement programmes as the main challenges the industry will face in the next few years.

Trends in Production

Sustainable footwear. There has been a noticeable increase in the local production of this type of footwear.

One good example is Grandt Mason who produce unique, handmade designs along the lines of traditional shoe patterns that promote locally sourced and recycled materials. Each shoe is designed on-site at the Cape Town factory with leftover materials recycled from South Africa's leading upholstery distributors. These are vegan shoes that focus on quality, comfort and durability while promoting sustainability and re-establishing the role of craftsmanship.

Main players in South Africa

Bolton Footwear - <http://www.bolwear.co.za> - is one of the country's leading manufacturers, with four factories, producing between them 8,000 pairs of leather footwear per day. They have three separate divisions - *Watsons*, primarily producing hand stitched moccasins and sandals. The footwear is marketed under several locally developed brands. Some is imported for wholesale under top-end international brands; *Barker Footwear* manufactures high quality welted and stuck-on men's leather shoes under its own brands: Barker, Crockett & Jones, which are targeted at discerning men; *Jordan* has been a leading marketer and distributor of quality footwear in South Africa since 1899.

A number of other manufacturers of South African footwear are listed in section 6.

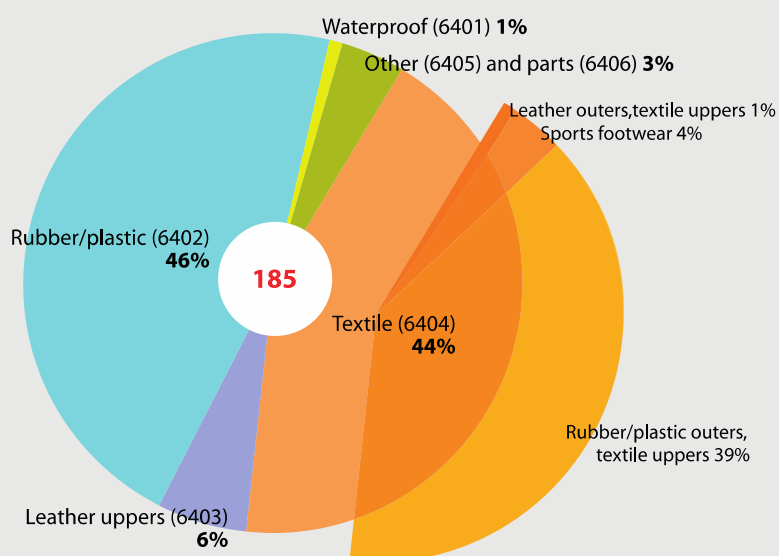
9.2.2 South African imports of footwear

South Africa was the twenty seventh largest importer of footwear in value terms. In 2016, South Africa imported footwear valued at \$ 860 million (185.6 million pairs). This represented 0.7% of world imports by value.

South African footwear imports were sub-divided as follows:

- Footwear (6404) with textile uppers \$ 347 million (81.4 million pairs) of which:
 - a. Sports footwear \$ 104 million (7.9 million pairs)
 - b. Footwear of rubber or plastic outers and textile uppers \$ 237 million (72.6 million pairs)
 - c. Footwear of leather/composition leather outers and textile uppers \$ 6 million (910,000 pairs).
- Footwear (6402) with outer soles and uppers of rubber or plastics \$ 286 million (85.4 million pairs)
- Footwear (6403) with leather uppers \$ 19 million (12.4 million pairs)
- Waterproof (6401) footwear \$ 2.4 million (817,000)

FIGURE 2: South Africa - Footwear imports by productgroup, 2016
Volume in million pairs



Source: ITC Trademaps (2017)

pairs)

- Other (6405) footwear (e.g. of wood, cork etc) \$ 10 million (5.5 million pairs)

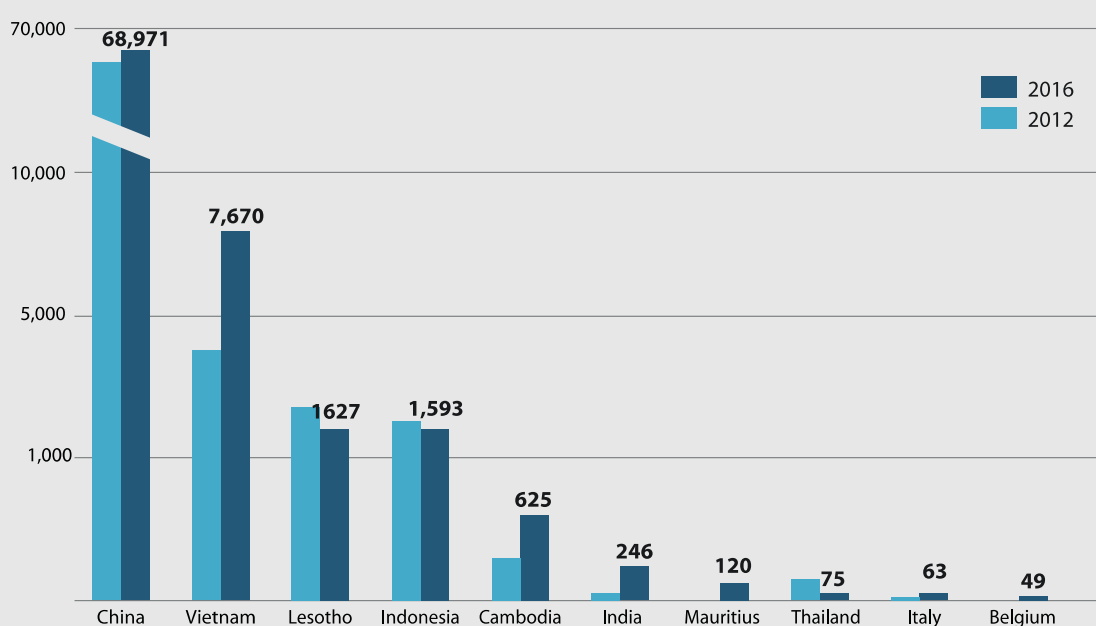
- Footwear parts \$ 15 million (4,000 tons).

- Footwear (6404) with textile uppers was the largest footwear group and represented 40% of the total value of South African footwear imports, and 44% of volume imports, a slightly lower volume figure

than footwear with outer soles and uppers of rubber or plastics (46%).

- Imports of footwear with textile uppers increased by an average annual rate (CAGR) of 3% from \$ 310 million in 2012 to \$ 347 million in 2016. Within this group, imports of leather outers with textile uppers decreased by an average of 14% per annum over the period.

FIGURE 3: South Africa - Imports of footwear textile (6404), 2012-2016
Volume increased by 3% from 76,228 to 81,444 thousand pairs



Source: ITC Trademaps(2017)

- c. The leading suppliers to the South African market of footwear with textile uppers were China, Vietnam and Indonesia, representing almost 95% of value imports between them (\$ 327 million) and 96% of volume imports (78 million pairs). Chinese imports decreased over the period, but imports from Vietnam increased significantly. Neighbouring Lesotho was an important supplier. Other fast growing Asian importing countries were Cambodia (+77%) and India (+44%).
- d. Figure 3 highlights the changing pattern of the import trade. Eight Asian countries featured in South Africa's top 15 importing countries for footwear with textile uppers.
- e. Supplies from other small Asian countries

decreased overall from \$ 450,000 in 2012 to \$ 380,000 in 2016, the largest decreases by Taipei, Singapore and Pakistan.

- f. Nepal registered no footwear exports to South Africa over the period.

Competitors for Nepal

There is much competition for Nepal from its Asian neighbours. Every country in the region is represented on the South African market, many of which are increasing their presence with the exception of Thailand, Hong Kong, Taipei, Pakistan and Singapore. China is the dominant competitor for 6404 footwear, although it decreased over the period slightly. Other leading competitors were Vietnam, Indonesia, Cambodia and India.

Table 4 South Africa – Import price per pair US\$ for footwear 6404, 2016 of leading and selected suppliers

	\$ '000 value	Pairs	Unit value per pair \$	Ave tariff applied %
World	345,211	81,165,865	4.25	-
China	185,327	68,971,672	2.69	24.2
Viet Nam	117,099	7,670,912	15.27	24.2
Indonesia	25,044	1,593,217	15.72	24.2
Cambodia	5,119	625,760	8.18	24.2
Lesotho	3,517	1,627,531	2.16	0
India	3,240	246,557	13.14	24.2
Italy	2,075	63,868	34.49	10.8
Thailand	1,084	75,164	14.42	24.2
Belgium	840	49,139	17.09	10.8
Brazil	398	22,318	17.83	24.2
Turkey	391	41,974	9.32	24.2
Mauritius	327	120,581	2.71	0
USA	295	10,436	28.27	24.2
Hong Kong	238	39,878	5.97	24.2
Spain	217	6,858	31.64	10.8
Bangladesh	208	23,296	8.93	24.2
Malaysia	63	3,902	16.15	24.2
S Korea	23	1,505	15.28	24.2
Myanmar	22	1,746	12.60	24.2
Taipei	22	2,994	7.35	24.2
Singapore	21	3,261	6.44	24.2
Sri Lanka	8	2,003	3.99	24.2
Pakistan	8	1,018	7.86	24.2
Japan	4	1,450	2.76	24.2
Laos	1	9	n.a.	24.2

Source: ITC Trademaps (2017)

9.2.3 South African price structure of footwear

FOOTWEAR PRICE DEVELOPMENTS and RETAIL PRICES

Import prices

These vary considerably by supplying country, as this summary table indicates. Here the import price differences can be seen, with prices from Italy and Spain being the highest. Prices vary between Asian countries, but prices from China are lower than any other country by some distance, with the exception of neighbouring Lesotho and Mauritius, both members of the Southern African Development Community.

Retail prices

South African consumers are becoming more interested in higher priced footwear, as their average incomes increase. However low priced footwear continues to dominate the market in terms of a share of the volume of pairs sold. The following Table 5 summarises a range of prices for selected footwear styles, based on prices found on the footwear and fashion website Zando:

Margins

The South African retail industry's average profit margin was 3.9%, but retailers in the textiles, clothing, footwear and leather goods industries had the highest profit margin at 10.8%, according to a report on the South African Retail Industry by the Provincial Treasury of Gauteng Province.

9.3 Access requirements for the South African market

9.3.1 Legislative requirements

Legislative requirements

The South African Bureau of Standards - <http://www.sabs.co.za> - is responsible for footwear quality standards. There are a number of relevant standards for rubber and plastic footwear:

- **SANS 492-1** Protective and safety gum boots Part 1: Handmade rubber gum boots
- **SANS 492-2** Protective and safety gum boots Part 2: Moulded rubber gum boots
- **SANS 492-3** Protective and safety gum boots Part 3: Handmade rubber ankle boots for men
- **SANS 492-4** Protective and safety gum boots Part 4: Moulded rubber ankle boots for men
- **SANS 5661** Determination of adhesion of upper leather to direct moulded rubber soling material
- **SANS 1437** Footwear soling material and footwear sole and heel components of rubber and plastics

Labelling

For footwear products, it is required that a label be permanently applied in a conspicuous place stating in a legible manner the country of origin. The labels must also conform to the South African national standards for fibre content and care labelling published in the Government Gazette dated June 30, 2000.

Table 5 South Africa – Retail price examples of selected footwear in US\$

	Economical/ Discount	Medium/Fine	Luxury
Men's formal shoes	\$20	\$60	\$260
Men's casual shoes	\$15	\$60	\$260
Women's sneakers canvas	\$15	\$50	\$240
Men's sneakers canvas shoes	\$13	\$60	\$155
Men's sandals	\$11	\$25	\$70
Women's wedges	\$15	\$60	\$250
Women's sandals	\$8	\$40	\$290
Women's heels	\$15	\$50	\$250

The Merchandise Marks Act provides that imported goods may not bear marks giving the misleading impression that they originate in South Africa. All products shipped to South Africa must conform to the metric international system of units.

9.3.2 Voluntary requirements

Voluntary requirements

One potential standard, particularly for children's footwear is to meet the stringent requirements of the Podiatry Association of South Africa (PASA). Shoes must be designed, manufactured and tested for optimum fit and function. The PASA tag on footwear verifies PASA approval and helps direct consumers to appropriate product information.

South African footwear brand Froggie - <https://froggie.co.za> - is a good example. Their ranges are developed with podiatrists to get the best fit and they consequently have a good reputation for comfort.

An important organisation in South Africa in relation to checking conformity to voluntary standards if they exist is the South African National Accreditation System - <http://www.sanas.co.za>.

Tariffs and duties

Tariffs of between 10-30% would apply to imports of footwear from Nepal, depending on the specific type. ITC quote an average tariff of 24.2%. More details can be obtained from South African Customs - <http://www.sars.gov.za>.

9.4 Distribution

9.4.1 Indirect and Direct Channels

The key routes to market in South Africa are:

- finding an agent or distributor for your products
- selling direct through retailers
- setting up your own subsidiary

50% of trade passes through wholesalers and retailers before reaching the final consumer. 40% of sales pass directly to retailers, then to consumers. 5% go from wholesalers directly to the public and 5% from the producer or importer to the final customer.

Approaching the South African market can sometimes be difficult. South African retailers, importers and agents tend to buy from tried and trusted sources, making entry

Table 6 Retail distribution share (by value) in South Africa in 2011 - 2016

Outlet type	2011	2014	2016
Store-Based Retailing	98.1%	98.0%	98.1%
Food Retailers	11.2%	11.2%	11.4%
Modern Grocery Retailers	9.2%	9.3%	9.7%
Hypermarkets	2.8%	3.1%	3.2%
Supermarkets	6.3%	6.3%	6.4%
Traditional Grocery Retailers	2.0%	1.9%	1.8%
Non-Food Specialists	74.1%	72.9%	71.9%
Clothing & Footwear Specialists	56.3%	56.0%	55.8%
Leisure & Personal Goods Specialists (Sports Goods Stores)	5.6%	5.4%	5.3%
Other Non-Grocery Clothing & Footwear Specialists	12.2%	11.4%	10.8%
Mixed Retailers	12.8%	13.9%	14.7%
Department Stores	9.1%	9.5%	9.9%
Variety Stores	3.1%	3.7%	4.1%
Warehouse Clubs	0.6%	0.7%	0.7%
Non-Store Retailing	1.9%	2.0%	1.9%
Direct Selling	0.7%	0.7%	0.7%
Home Shopping	1.1%	1.1 %	1.0%
Internet Retailing	0.1%	0.1%	0.1%

Source: Euromonitor (2017)

into the market a challenge for new suppliers. A direct approach to retailers is often the most effective way of capturing their attention. It would be wise for companies with strong design abilities to target retailers specifically as a way of making their companies known.

For a footwear supplier from Nepal, it is likely that an agent or distributor would be found. The choice of who this might be is very important. He should be carefully researched and financial references sought. Agents usually work on commission, they tend to operate across the whole country and they are responsible for processing customs documentation, marketing, distribution and after sales service.

Retail trade

Adidas is the market leader with a 12% market share. It appeals to consumers across different age groups, most importantly to younger people who are into sports and looking for quality and reliable shoes. The second group of consumers is comprised of brand-conscious consumers seeking heritage brands with visible logos that are considered as a fashion statement. Moreover, Adidas' wide distribution network both through mono-brand stores and leading clothing and footwear specialists, gives more visibility to the brand.

The majority of footwear brands are comprised of international brands as they are perceived to be of higher quality and more reliable. Sports brands, such as Adidas, Nike and Reebok, were among the most coveted brands locally. In fact top sports brands account for perhaps one third of the market value.

Woolworths and Mr Price are the only local players present in the top five retail brands. Both players have been introducing footwear styles which are in line with global fashion trends although the former targets consumers at the higher-end of the market and the latter appeals to a younger consumer audience, seeking affordable and trendy footwear.

Woolworths has 464 outlets in the country and a 5% share of the footwear retail market. The Mr Price Group has a 2% market share targeting primarily young and youthful consumers who love fashion, as well as value-minded sports and outdoor enthusiasts. They also own the Milady brand.

The **AVI Group** have a number of footwear retailers in their portfolio, including Carvela, Green Cross and Lacoste and a combined brand share of 9%, much of which is traded through the Spitz company, which operates over 70 outlets.

The **Foschini Group** is an important retail group, including 541 stores for women's footwear (Foschini,

DonnaClaire, Fashion Express, Luella, Charles & Keith), 282 stores for men's footwear (Markham, Fabiani, G Star Raw), as well as a couple of sports retailers (Sportscene, Total Sports, Due South).

Truworths is a fashion retailer with 728 stores in South Africa and 49 in the rest of Africa, holding a 1.7% share of the footwear market.

AMPS (All Media & Product Survey) carries out an annual survey of over 25,000 consumers in relation to their shopping habits. For footwear, the 2012 survey reported that Jet is the most popular store with 14% buying footwear there, 11% at Edgars, 9% at Mr Price, 8% other outlets (small independents), 7% at Pep and 7% at Ackermans. This points to the demographic composition of the population, as all are discount brands.

Clothing and footwear specialists were the most important route to market locally, as Table 6 indicates, with internet retailing slowly picking up. However, the strong mall culture, as well as the significant 80% of the population constituting low-income consumers with limited access to the internet mean it is highly unlikely that there will be a major shift towards widespread internet retailing in the near future. Popular brands and footwear-only brands, such as Nine West, with one shop in Cape Town and one in Pretoria, do not yet have their own e-commerce operations.

At the other end of the spectrum, the opening of Diamond Walk in 2015 saw the entrance of luxury brand Jimmy Choo in South Africa. The brand was previously available only through multi-brand stores and the monobrand store is the first of its kind on the African continent. South Africa is perceived as the shopping hub of the African continent. Luxury brands often use South Africa, Sandton City in particular, as their launch pad to test the continent's appetite for luxury goods.

Trends in retailing

There is a shift towards modern retailers and away from small independent retailers, known as the fragmented or informal trade. The modern retail trade continues to grow as big names expand into more local markets, and more consumers demand the choice these retailers provide.

Mobile payment apps are proving very popular, particularly with younger consumers. As well as being easy and efficient, it is also comparable or cheaper than using a normal credit card, and preferable for many people to carrying around cash.

Take up of online shopping is slow, partly due to poor transport logistics, lack of broadband penetration and

lack of trust in online payments. While e-commerce is still limited, South Africans lagging behind much of the rest of the world, it is increasingly being used to inform retail purchases by means of price comparison websites. Selected footwear prices can be compared at <http://www.pricecheck.co.za>.

9.5 Opportunities and how to enter the South African market

OPPORTUNITIES

The various options for market entry have been discussed in the previous section, but there are a number of opportunities to be aware of that are specific to the South African market:

Fair trade footwear is a potential opportunity in South Africa. Although the only certified fair trade footwear

is currently made by a company in Ethiopia, South Africa is one source of the natural rubber used in this footwear. The rubber-making machines and sole moulds are sourced in South Africa, so a lot of the expertise already exists to develop fair trade footwear. There is potential therefore for a suitable partnership between a local supplier and Nepalese fairly traded material that could be used in footwear, particularly those employing small scale community labour. One good example is the 'Shoe that grows' made for poor children to use for a longer time.

Environmentally friendly footwear is also a growing niche in South Africa. There is potential for Nepal to supply fully made or partially made textile footwear using nettle or hemp, or other locally grown material. The addition of an unusual source of supply could add an extra value to such a product.

FOCUS	FASHION FOOTWEAR	SANDALS	ECO FOOTWEAR
Market Segment	<ul style="list-style-type: none"> Working women Children 	<ul style="list-style-type: none"> Fashionable women Lower end of the market 	<ul style="list-style-type: none"> Young people and students Concerned consumers
Possible products	<ul style="list-style-type: none"> Fashionable sneakers Comfortable shoes for work Wedges with Nepalese design Making components for manufacturers 	<ul style="list-style-type: none"> Hand-made sandals, made from material exclusive to Nepal Sandals with prints inspired by Nepal or with T-straps/buckles in Nepal style 	<ul style="list-style-type: none"> Any footwear made of canvas, hemp, nettle or other eco-friendly material. Sustainable footwear for poor children (A 'Shoe that grows' or TOMMS canvas shoes)
Competition	<ul style="list-style-type: none"> China, Vietnam, Indonesia, Cambodia, India, Thailand, Malaysia International brands from around the world 	<ul style="list-style-type: none"> China, Vietnam, Indonesia, India, Cambodia, Thailand, Bangladesh Neighbouring African suppliers Domestic manufacturers 	<ul style="list-style-type: none"> European manufacturers Asian countries with specific expertise Domestic manufacturers
USP Positioning (why Nepal?)	<ul style="list-style-type: none"> Unique designs and materials such as hemp, nettle Walking and comfort heritage Fashion from the top of the world 	<ul style="list-style-type: none"> High mountains/ Outdoor/ Cool/Fresh imagery Hand-made, personalised Mountain sandals (special grip for walking) 	<ul style="list-style-type: none"> Unique designs and materials such as hemp, nettle Sustainability connections Made by women in small communities
Price level	<ul style="list-style-type: none"> Low-Medium price level; value for money 	<ul style="list-style-type: none"> Low-Medium price level; value for money 	<ul style="list-style-type: none"> Upper medium price level
Distribution Channels	<ul style="list-style-type: none"> Manufacturer Importer, Wholesaler Agent Independent retailer 	<ul style="list-style-type: none"> Agent Wholesaler Importer Independent retailer 	<ul style="list-style-type: none"> Agent Wholesaler Importer Online retailer/seller
Challenges	<ul style="list-style-type: none"> Supply logistics and transport costs Designs need to be updated frequently and need to demonstrate awareness of local fashion trends Good quality control needed 	<ul style="list-style-type: none"> Supply chain management Sandals market very price competitive Key message? disposability/ low price or durability/higher price 	<ul style="list-style-type: none"> Competitive segment - new products from unexpected sources Good quality control needed Challenge to demonstrate required level of expertise

Knitted footwear. This is a new innovation and of potential interest for markets with interest in natural footwear and with a suitable climate. South Africa is a market that may be receptive to this new development.

Customised footwear is being developed in many advanced markets to personalise the footwear wearing experience. In South Africa this idea could be applied on a more simplistic basis. In relation to average international footwear sizes, there is a greater need for wide sized footwear. This is a potential niche that could be exploited.

HOW TO ENTER THE SOUTH AFRICAN MARKET

Identifying buyers and know more about your final consumers

Identify buyers. This would depend on which market segment you wish to target. If you choose to target the low-mid price segment, you should approach one of the independent retailers or target a particular wholesaler in the country. Alternatively an importer that is also be a manufacturer may looking for new design ideas. It may also be worth determining which part of the country is most appropriate (possibly based on logistical or transport issues). This is more likely to be Cape Town, Durban or Johannesburg/Pretoria.

The advantage of doing this is that an importer or wholesaler is well aware of local trade structure/ practices and local consumer tastes. They often have strong relationships with local retailers. It is important to consider the implications of any arrangement before embarking on it.

Based on the best opportunities for Nepalese footwear, here are some possible product market combinations related to particular consumer segments with some points to consider to become successful when entering this market:

When selling your own collection try to find a reason to talk about something other than the price. There is a low awareness of Nepal or Nepalese products within South Africa but it is always worth trying to promote the point of difference based on this. Consumers can also be attracted to a typical Nepalese design/style or the use of (natural) material. In each of these cases, buyers selling to those consumers are more open to new suppliers.

Your final consumers. Younger people are likely to be more open to new products from Nepal. If you know about their lifestyle, buying behaviour and criteria, this can form the basis of a discussion with a suitable buyer. As an exporter, you can provide the heritage of the natural materials used, the unique manufacturing process used or the success stories elsewhere.

Importers		
Labora Shoes	http://www.laborashoes.co.za	-
Grandt Mason	https://www.facebook.com/GrandtMason/	Vegan shoes
Jordan	http://www.jordan.co.za	Part of the Bolton Group, holding a 5.6% market share
Eddels Shoes	http://www.eddels.co.za	Manufacturing since 1904 with brands John Drake and Riccardo
Palm Footwear	http://www.palm.co.za	Only South African school shoe company to achieve SABS ISO 9001 2008 certification
Hopewell Footwear	http://hopewellfootwear.com	Factory output exceeds 3,000 pairs per day
Nikkita Footwear	http://www.nikkitafootwear.co.za	Manufacturing a wide range of styles up to 7,000 pairs per day
Foot Focus	http://www.footfocus.co.za	Can source footwear from around the world
Medicus Shoes	http://www.medicus.co.za	Distributor of premium footwear brands including salvatore, caterpillar, merrell, geox
Wholesalers		
Best Shoes	http://www.bestshoes.co.za	Retail and manufacture as well as wholesale
Shado Wholesale	http://www.shado.co.za	Cape Town
MTL Trading	Tel +27 21 9303601	Parow, Western Cape
Triple M Shoe Distributors	Tel +27 21 981 6030	-



Wholesalers		
Glamour Shoes	Tel +27 34 326 3049	Newcastle, Kwazulu Natal
Deluxe Footwear	Tel +27 31 305 6576	Durban
Sefco Wholesalers	Tel +27 31 306 3503	Durban
Megashoes	Tel +27 31 579 2295	Durban
Barkus Agencies	Tel +27 31 303 2729	Durban
Pixel Shoes	http://www.pixelshoes.co.za	Julz wholesale brand
Retailers and online retailers		
Rage	http://www.ragesa.co.za	-
Zoom	http://www.zoomfootwear.co.za	-
Zando	http://www.zando.co.za	-
Shoeperama	http://www.shoeperama.co.za	As well as online, there are 16 retail outlets across KwaZulu Natal and Gauteng
Spitz	http://www.spitz.co.za	-
Edcon	http://www.edcon.co.za	The largest non-food retailer with 1,273 stores in 9 separate formats, including Jet and Edgars
Bata	http://www.bata.com	80 retail outlets, and associated company Bata Industrials manufacturing safety footwear
Woolworth	http://www.woolworths.co.za	464 outlets and online sales
Mr Price	http://www.mrp.com	-
Foschini	http://www.tfg.co.za	-
Truworths	http://www.truworths.co.za	-
Shoe City	http://www.shoecity.co.za	67 outlets in South Africa and more in Botswana and Namibia. Owned by Pepkor, as are Pep and Ackermans
Fashion World	http://www.fashionworld.co.za	180 stores around the country, online store opening soon

Choose a target segment that is 'easy to enter' in order to get your first market entry. For example, find a popular category where the demand is always strong, such as sandals, or where the customers are more receptive to new ideas. More specialist sectors e.g. safety footwear may not be the best platform to demonstrate your expertise or a point of difference. Furthermore, they may not give you the required opportunity to highlight or showcase the best of your skills or advantages.

Price is very important. China and Vietnam represent 95% of all imported (6404) footwear volume supplying mainly low priced medium or low quality footwear. For new supplying countries such as **Nepal**, the best way to penetrate the market is to offer products of consistently high quality, good appearance (design, colour and finish) and if possible, with properties setting them apart from competitive countries.

A marketing approach is based on a win-win situation aiming to establish a long-term relationship. Despite the reputation for importers preferring trusted sources they have used in the past, smaller wholesalers and footwear shops may well be quite receptive as they need to be more pro-active in their own marketing strategy. They do not want to further lose their clients to the big international brands and retail chains, and are looking to find niches of their own to maintain their own competitive advantage.

9.6 Potential trade partners and useful addresses

Finding a trading partner in South Africa

The first place to look would be to contact the main trade association(s), followed by trade fairs, which tend to feature a list of exhibitors, many of which may be potential partners. The following organisations may be worth looking at:

Trade Associations

South African Footwear & Leather Industries Association - <http://www.safliia.co.za>

Southern African Footwear and Leather Export Council - <http://www.saflec.co.za>

APECO - <http://www.apeco.co.za> - supplying leather and components to the footwear industry

Trade Shows

Source Africa - annual pan-African textile, clothing and

footwear event held in Cape Town every May
<http://www.sourceafrica.co.za>

ATF Expo - Apparel, Textile & Footwear Import Trade Show every November, also in Cape Town <http://www.atfexpo.co.za>

Trade Press

Shoe & View Magazine <http://www.svmag.co.za>

Sports Trader - <http://www.sportstrader.co.za>

Other sources

South African Chamber of Commerce & Industry - <http://www.sacci.org.za>

National Regulator for Compulsory Specifications - <http://www.nrccs.org.za>

Brand South Africa - <http://www.brandsouthafrica.com>

FOOTWEAR IN BHUTAN



Chapter 10

Brief overview



Population

750,000 (2016); 1.3% growth rate (2015)
Ngalop 50%, Ethnic Nepali 35%, other 15%

- 0-14 years: 26.3%
- 15-24 years: 19.2%
- 25-54 years: 42.4%
- 55-64 years: 5.9%
- 65 years and over: 6.2%



Economy

GDP: US\$ 9,265 per capita
Unemployment rate: 2.6% (2014)



Social

Women % of labour force: 41%
Marriage rate: 88%





10.1 Current size of the Bhutanese market

Bhutan is currently one of the fastest growing economies in South Asia and has recently made significant progress on poverty reduction. Growth has averaged an impressive 7.6% over the past three decades, according to the Asian Development Bank.

Despite a growing economy and improving income levels, a lot of the benefits of this has been lost to high inflation. There are signs that this is becoming under control and that more sustainable growth and higher disposable incomes will follow.

The other key issue for Bhutan's economic development is one of logistics. As a landlocked country with a widely dispersed population and insufficient road networks, accessibility and bottlenecks at border crossings impacts on the efficient transport of both exports and imports.

10.1.1 Footwear retail sales and segments

TOTAL FOOTWEAR SALES IN BHUTAN

- In 2016, the total footwear retail sales in Bhutan was estimated to be worth \$ 18 million, equivalent to 1.1 million pairs. Bhutan is ranked amongst the lowest in the world in terms of consumption volume.

- The footwear market in Bhutan consists almost entirely of imported products. In recent years imports have grown as consumers have sought out a wider choice, with new influences coming from international fashion magazines. At the same time there is evidence that a couple of local producers are trying to develop a limited amount of domestic sales for specific segments.
- Footwear market growth stood at 5.9% in 2016. This was higher than volume growth reflecting rising prices. This growth rate was similar to growth for broader consumer markets.
- The two principle drivers of footwear sales have been **women's footwear** and **sports footwear**. The young population is growing, and the traditional dress code is not preventing more modern footwear styles from emerging.
- Per capita consumption of footwear in Bhutan is \$24 per annum. The population is increasing and sales values will consequently increase. Upward inflationary pressure on prices has meant that some consumers are being selective about new purchases.
- Textile footwear (6404) represents over 16% of the market by value, based on imports. This group will include many styles of sports footwear and types of everyday footwear, for men, women and children.

Table 1 Bhutan – Retail sales of footwear, 2011-2016, value in US\$ million / volume in million units

	VALUE					VOLUME				
	2011	2013	2015	2016	2011/16*	2011	2013	2015	2016	2011/16*
TOTAL	15.00	16.00	17.00	18.00	+4.7%	1.00	1.04	1.08	1.10	+2.4%
Women's footwear	7.50	7.84	8.16	8.64	+3.6%	0.52	0.53	0.54	0.55	+1.4%
Men's footwear	5.85	6.24	6.80	7.20	+5.3%	0.41	0.44	0.46	0.46	+2.9%
Children's footwear	1.65	1.92	2.04	2.16	+7.0%	0.07	0.07	0.08	0.09	+6.5%

* Compound Annual Growth Rate

Source: Searce estimates (2017)

MAIN MARKET SEGMENTS

Segmentation by user

The geography and transport logistics in Bhutan mean that for practical purposes, market segmentation is limited. Sale of footwear is concentrated in the main towns, particularly in Thimphu and the key southern border town of Phuntsholing. Sale of footwear in rural areas is limited due to low incomes and poor distribution systems. However the development of the internet has facilitated deliveries (usually by the Bhutan postal system or by local bus) outside of the main urban areas.

As Table 1 indicates, **women's footwear** is the largest segment, but over the review period, sales of men's and children's footwear have increased in value by a greater amount. The segment that offers best potential are young, educated men and women with access to foreign fashion trends via their smartphones. The majority of mainstream footwear purchases are fairly straightforward low value items such as flip flops, sandals or men's basic casual shoes.

Market segmentation using the more traditional forms of demographic analysis by age, sex or income will become more justified as the market evolves through increasing disposable income and a greater choice of styles and varieties on the marketplace.

OTHER SEGMENTS / NICHES

One potentially interesting way of segmenting the market in Bhutan is by **language or ethnicity**. The three key population groups, as well as being capable of linguistic or ethnic segmentation are also able to be segmented along broad geographic lines. While use of different footwear products between these groups may be less straightforward to assess, nevertheless the targeting of messages from a linguistic point of view can benefit a marketing campaign:

The **Ngalop** is the dominant cultural and political group in modern Bhutan. Descended from people of Tibetan origin who migrated to Bhutan centuries ago, this group speak

Dzongkha a language descended from Tibetan. These people broadly account for half the population and live in the northern and western parts of the country, including Thimphu, the capital city. These people are Buddhist. The **Sharchop** are of mixed Tibetan and South Asian descent, living in the east of the country, and have their own language but have broadly been assimilated into the Tibetan-Ngalop culture.

The people living in the south of the country (Lhotshampa) are mainly of Nepalese origin, accounting for around 30% of the population. As this group sought to move elsewhere in the country to find more opportunities, the government attempted to limit their numbers and influence. 100,000 ethnic Nepalis still live in refugee camps outside the country due to large scale evictions by the military, a source of tension that still exists between the countries today.

The remaining population consists of **indigenous and tribal groups** scattered around the country. Although quite numerous, their dispersion and various other differences would make this group a difficult segment to target.

RELEVANT TRENDS IN THE BHUTANESE MARKET

Main market trends

- While outside fashion influences are slowly seeping into the country, **the majority of people still choose to wear the traditional dress code**. Men were required to wear a Gho, a knee-length robe tied at the waist, and women a Kira, an ankle-length sari-like garment accompanied by a light jacket known as a Tego. Now this code is only enforced in government offices, schools, monasteries and special occasions.
- Western fashion influences are beginning to creep into the national dress. This changing dress code, with implications for footwear is being documented by Karma Wangchuk's Bhutan Street Fashion Project. While young people enjoy the freedom of not having

to wear the same clothes as their grandparents, they also realise the significance of the national costume and a **combination style of traditional and modern is evolving**.

- Women tend to wear flip flops or modern footwear under the Kira, but occasionally the more fashion conscious wear heels. With the Gho, men tend to wear long socks and usually modern footwear. Although visitors tend to bring their own hiking footwear, it is also possible to buy this type of footwear inside the country.
- **Shoe recycling and shoe laundry** is a concept that was introduced from India, primarily to supply footwear to many, mainly rural people who cannot afford to purchase footwear. An old shoe collection campaign began in 2011 with the objective of collecting as many as possible, reviving them and then distributing them among people unable to buy them. Currently shoes have been distributed to about 1% of the population free of charge.

10.1.2 Future retail sales

EXPECTED FOOTWEAR SALES IN BHUTAN

- **Economic growth is expected to continue.** The total footwear market in Bhutan is expected to grow by an average rate (CAGR) of +8.6% per year, reaching a value of \$ 25 million in 2021 – see Table 2. It is forecast sales of men's and children's footwear that is driving the market. Sales of sports footwear are also expected to be strong as western fashion influences continue to grow.
- **The growing population** is expected to contribute to the growth of the footwear market in future years, both in value and volume terms, and consumer tastes will become more sophisticated, generating more demand for a wider range of footwear styles.
- **More competition from branded footwear.** As average incomes grow, consumers will continue to shift from the lower priced unbranded footwear primarily from India that still dominates the market towards other sources of imports, including high fashion products from Italy.

10.2 Market structure

10.2.1 The footwear value chain

Manufacturing

There are no statistics of footwear manufacturing in Bhutan. The country is almost entirely dependent on imports, but there are a couple of examples of specific initiatives in certain sectors that if successful could form the basis of limited footwear manufacturing in the future.

For a long time, only wealthy people in Bhutan wore shoes at all. Most Bhutanese walked barefoot. The traditional footwear of this country is called **tshoghlams**. These are the very comfortable knee-length woven boots with upturned toes. They are richly embellished with colourful embroidery. Tshoghlams usually consist of three parts that are made individually and then sewn together.

Such materials as leather, cotton, and brocade are used. The lower part is usually white with leather appliqué; the middle part is made from brocade and richly embroidered (images of dragons, phoenixes, flowers etc.), and the colour of this part shows the class and occupation of the owner; the upper part is long, made of silk brocade or woollen material with patterns on fabric.

The tradition had almost died out, but in 1953 it was made mandatory for members of the national assembly to wear tshoghlam. At that time there were no boot makers in the country so they had to be imported from Kalimpong in India. Though deemed sacred this traditional boot is seeing some modern design changes. They are now manufactured at the Traditional Boot House in Chubachu, Thimphu <https://www.facebook.com/Traditional-Boot-House-259325447565510/>.

Trends

The world famous shoe designer Christian Louboutin has introduced a collection of wedges inspired by Bhutan. Based on his friendship with the king and queen of Bhutan, and with their blessing, he has embarked on a three year collaboration with the country's School of

Table 2 Bhutan – Retail sales forecast of footwear, 2016-2021, value in US\$ million / volume in million units

	VALUE					VOLUME				
	2016	2018	2020	2021	2016/21*	2016	2018	2020	2021	2016/21*
TOTAL	18.00	20.00	23.00	25.00	+8.6%	1.10	1.20	1.35	1.50	+8.1%
Women's footwear	8.64	9.60	10.81	11.75	+8.0%	0.55	0.59	0.66	0.72	+7.0%
Men's footwear	7.20	8.00	9.43	10.25	+9.2%	0.46	0.47	0.53	0.61	+7.3%
Children's footwear	2.16	2.40	2.76	3.00	+8.6%	0.09	0.14	0.16	0.17	+17.2%

* Compound Annual Growth Rate Source: Searce estimates (2017)

Artisans to design a series of wooden wedges. This is an interesting example of the potential to take advantage of the country's heritage to promote highly premium footwear.

Main players

Apart from the Traditional Boot House, the two shoe manufacturing firms in the country - Dodo Shoes and Druk Shoes - have recently signed a contract with the Ministry of Education to supply leather-made school footwear. The numbers involved are relatively small. 40,000 pairs of shoes will be ordered for the 39,500 students in the 51 Central Schools around the country. With 120 schools scheduled in the coming years, the quantity will increase to 100,000. Shoes will cost between \$11 and \$13 per pair (700-850 Nu). The contract prevents each manufacturer from colluding and sets quality standards. You can see some detail on shoe manufacturing in Bhutan here <https://www.youtube.com/watch?v=69MGlbmNmr4>. Details of some of the Dodo Shoe range can be seen here <https://bhutanpost.myshopify.com/products/school-shoes-for-boys>.

10.2.2 Bhutanese imports of footwear

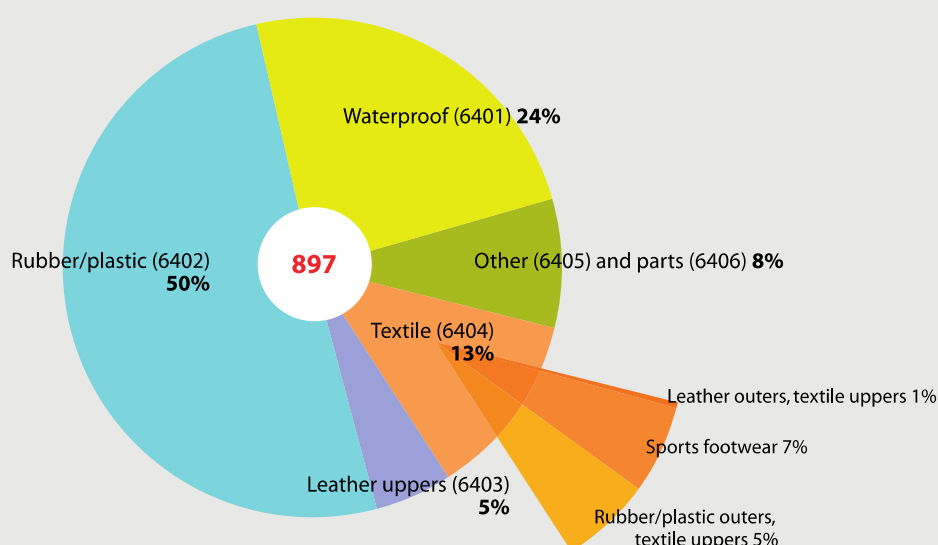
Import data for Bhutan is limited. Direct data is available up to 2012 for both value and volume. Mirror data is available up to 2016 for value but limited volume data only. The challenge of comparing the two sets of data can be seen in Annex 2 tables 20/21 and 22/23. Bhutan was ranked 188th importer of footwear in value terms, one of the smallest and perhaps indicative of the limited

volume potential of this market. In 2012, Bhutan imported footwear valued at \$ 3 million (0.9 million pairs).

Bhutanese footwear imports were sub-divided as follows:

- **Footwear (6404) with textile uppers** \$ 0.5 million (112,500 pairs) of which:
 - a. Sports footwear \$ 269,000 (58,000 pairs)
 - b. Footwear of rubber or plastic outers and textile uppers \$ 197,000 (49,000 pairs)
 - c. Footwear of leather/composition leather outers and textile uppers \$ 22,000 (5,000 pairs).
- **Footwear (6402) with outer soles and uppers of rubber or plastics** \$ 1.3 million (450,000 pairs)
- **Footwear (6403) with leather uppers** \$ 300,000 (45,000 pairs)
- **Waterproof (6401) footwear** \$ 600,000 (220,000 pairs)
- **Other (6405) footwear (e.g. of wood, cork etc)** \$ 365,000 (80,000 pairs)
- **Footwear parts** \$ 3,000 (1 tons).
 - a. Footwear with outer soles and uppers of rubber or plastic was the largest footwear group and represented 42% of the total value of Bhutanese footwear imports, and almost 50% of volume imports.
 - b. Imports of footwear with textile uppers increased by an average annual rate (CAGR) of 72% from \$ 56,000 in 2008 to \$ 488,000 in 2012. This was

FIGURE 1: **Bhutan - Footwear imports by productgroup, 2016**
Volume in thousand pairs



Source: ITC Trademaps (2017)

reflected in the changing shares between the largest product groups. A large increase in imports of footwear with textile uppers coincided with smaller increases in value of the other groups.

- c. Bhutan exported \$ 86,000 (2 tons) of 6403 footwear to the USA in 2016, otherwise none were reported.
- d. The leading suppliers to the Bhutanese market of footwear with textile uppers were India, China, and Hong Kong, representing 95% of value imports between them (\$ 465,000) and also 95% of volume imports (107,000 pairs). Indian imports increased most strongly over the period, but imports from China and Hong Kong continued to grow. Other fast growing Asian importing countries were Nepal (+41%) and Thailand (+21%).
- e. According to the more recent mirror data, Italy and Bangladesh are also supplying 6404 footwear to Bhutan.
- f. Figure 2 highlights the changing pattern of the import trade. Eight Asian countries featured in Bhutan's top 10 importing countries for footwear with textile uppers.
- g. Nepal supplied 2,020 pairs in 2012, valued at \$ 8,000, a 41% average annual increase between 2008 and 2012. Thus the average price paid per pair in 2012 was \$ 3.96.
- h. Nepal was ranked 5th in supplies of footwear with textile uppers to Bhutan.

Competitors for Nepal

There is much competition for Nepal from its Asian neighbours. More recent mirror data seen in Tables 3 and

4 are both incomplete and inconclusive as to whether the pattern of trade has changed since 2012. Apart from the competitor importers that feature in Table 2, other neighbouring countries are also supplying Bhutan with other types of footwear. Bangladesh, Cambodia and Pakistan are supplying Bhutan, as well as other larger footwear exporters such as Vietnam and Indonesia. Volumes are still currently small.

10.2.3 Bhutanese price structure of footwear

FOOTWEAR PRICE DEVELOPMENTS and RETAIL PRICES

Import prices

These vary by supplying country, as this summary table indicates. Here the import price differences can be seen, with prices from Switzerland being the highest. Prices vary between Asian countries, but prices from Nepal are lower than the average, although there is not a wide variation between most Asian countries.

Retail prices

Bhutanese consumers are becoming more interested in higher priced footwear, as their average incomes increase. However there is a limited range of footwear prices available across all categories. The following Table 4 summarises a range of prices for selected footwear styles, based on prices found on various online footwear retail sites:

Table 3 Bhutan – Import price per pair US\$ for footwear 6404, 2012 of leading and selected suppliers

	\$ '000 value	pairs	Unit value per pair \$	Ave tariff applied %
World	488	112,488	4.34	
India	331	72,979	4.54	0
China	90	22,185	4.06	30
Hong Kong	44	11,698	3.76	30
Thailand	13	3,359	3.87	30
Nepal	8	2,020	3.96	7.8
Japan	1	131	7.63	30
Switzerland	1	115	8.70	30
Germany	0	0	n.a.	30
S Korea	0	0	n.a.	30
Singapore	0	0	n.a.	30

Source: ITC Trademaps (2017)

Table 4 Bhutan – Retail price examples of selected footwear in US\$

	Low-Medium	Medium-High
Ladies sandals	\$20	\$30
Ladies' flip flops (flats)	\$9	\$20
Ladies' heels	\$20	\$50
Ladies' wedges	\$27	\$35
Men's boots	\$30	\$70
Men's casual shoes	\$15	\$25
Men's sports shoes	\$15	\$50
Men's formal shoes	\$20	\$40

10.3 Access requirements for the Bhutanese market

10.3.1 Legislative requirements

Legislative requirements

A list of rules and procedures for importing from third countries can be found at the Office of the Attorney General - <http://oag.gov.bt>. Key requirements of note include:

- Imports of goods from third countries are regulated by the Department of Trade, Ministry of Trade and Industry - <http://www.moea.gov.bt> - and all goods require import licenses issued by the Department. All imports need to be declared at the customs point of entry.
- Certain goods are restricted, including live animals and their products or by-products.
- Only registered Import Houses shall be granted import licenses to import goods from third countries. Import Houses need to be registered and can only be a Bhutanese company or national. They can only import goods for which they have been registered.
- Prior to arrival, the importer or his authorised agent needs to provide documentation including a copy of the import license, the shipping bill and invoice, a packing list, a certificate of origin and a copy of the insurance for transit.

The Bhutan Packaged Commodities Rules & Regulations regulate the sales, storage and distribution of packaged commodities. Each packaged commodity must bear a secure and affixed label indicating name and address of the manufacturer or packer, product name, net quantity and maximum retail price.

10.3.2 Voluntary requirements

Voluntary requirements

The Bhutan Standards Bureau - <http://www.bsb.gov.bt> - is set up to promote standards to benefit the health, safety and welfare of the public, as well as protecting consumers. There are currently no standards specific to footwear but it may be worth checking whether any general standards apply.

Tariffs and duties

The average tariff on footwear items imported into Bhutan from Nepal is 7.8%. This is the same rate as Bangladesh and Pakistan. Footwear from India is tariff free, while there is a 30% tariff on footwear from most other countries.

10.4 Distribution

10.4.1 Indirect and Direct Channels

Logistical and customs issues currently inhibit smooth distribution into Bhutan. There are currently 10 trading points between India and Bhutan. An agreement was reached early in 2017 to open three further points, two in Assam and one in West Bengal. It is hoped that providing more points of entry and streamlining customs procedures will encourage further trade with Bhutan.

Bhutan is a small country, hence there are relatively few channels for entering the market. It has been stated in section 3 that any imports into the country need to be done via registered **Import Houses**. For footwear manufacturers hoping to export footwear to Bhutan, the simplest way to do this would be to approach one of a number of Import Houses that deal in footwear.

There are no Import Houses dedicated specifically to footwear but footwear would be imported through specialists either in handicrafts or clothing, or perhaps general dealers. A number of

importers can be found at the website of the Indian Embassy in Thimphu <http://www.indianembassythimphu.bt/pages.php?id=46>.

The town of Phuntsholing in southern Bhutan adjoins the Indian town of Jaigaon and cross border trade has resulted in a thriving local economy. As such it has been called the Bhutan financial, industrial and trading capital. Targeting potential contacts in this town could also be a good point of entry to the country.

The Handicrafts Market in Thimphu sells footwear amongst other things, many of which are made in Nepal. There are other wholesale markets selling footwear.

Retail trade

There are few large retail outlets in Bhutan. The one exception is the **Tashi Group**, established since 1959 that has ventures in a number of diverse areas of the country's economy. This includes a shopping complex and a number of smaller retail outlets, selling a broad range of products, including footwear.

The Indian footwear giant **Bata** has a retail presence in Thimphu. Details of what they sell can be seen here <https://www.facebook.com/www.tashibatashowroom/>.

Many independent retailers can be found in either **shopping complexes or wholesale markets**. These include Druk Shopping Centre, Norling Complex, Plums Shopping Centre, Zangdopeiri Complex, Changlam Plaza, Central Mall and Yarkay Central.

There are a number of **independent retailers** that either specialise in footwear or sell both clothing and footwear. Some of these sell the traditional boots for which Bhutan is famous, others sell more fashionable imported footwear. A number of these retailers are listed in section 6. A number of retailers have an **online presence which is often hosted by Facebook**.

Trends in retailing

As the quality of internet connection continues to improve and there is a growth particularly among young people of ownership of smartphones, this is generating more demand for more fashionable footwear that people can see exists outside of the country. This will help drive the development of more sophisticated forms of footwear retailing. One such development is various types of online footwear retailing. Examples of this

include B-bay (similar to Ebay) designed to offer for sale any type of product. This works through Facebook https://www.facebook.com/groups/198899636796678/for_sale_search/?forsalesearchtype=for_sale&availability=available&query=shoes

10.5 Opportunities and how to enter the Bhutanese market

OPPORTUNITIES

As Bhutan is a small market, opportunities are relatively few. However, despite logistical issues, the proximity of the country makes it a market of interest.

The most obvious opportunity in Bhutan is to target the large number of **ethnic Nepalis** that live mainly in the south of the country. The linguistic and cultural similarities make this an obvious group to reach.

Young, educated people in Thimphu and other towns would be another group of interest, as their outlook is more likely to be outward looking and more receptive to new styles and designs of footwear.

Tourists to Bhutan represent a small but high spending group. As well as perhaps buying traditional footwear as a souvenir, they may be interested in buying hiking footwear or comfortable footwear for use when not hiking.

Casual, comfortable footwear for men. Men are looking for new styles of comfortable footwear to wear with their traditional clothing. Currently there is limited choice for this fairly standard type of shoe.

HOW TO ENTER THE BHUTANESE MARKET

Identifying buyers and know more about your final consumers

Identify buyers. This would depend on which market segment you wish to target. Alternatively one of the few manufacturers may be looking for new design ideas. It may also be worth determining which part of the country is most appropriate (possibly based on logistical or transport issues). This is more likely to be the capital city or one of the more accessible parts of the country.

Based on the best opportunities for Nepalese footwear, here are some possible product market combinations related to particular consumer segments with some points to consider to succeed when entering this market:

FOCUS	WEDGES	SANDALS	FLIP FLOPS
Market Segment	<ul style="list-style-type: none"> • Young working women • Students 	<ul style="list-style-type: none"> • Ethnic Nepali men and women • Men, women, children in rural areas 	<ul style="list-style-type: none"> • Tourists • Ethnic Nepalis • Local people in rural areas
Possible products	<ul style="list-style-type: none"> • Young people's fashionable wedges • High wedges and lower wedges • Wedges with unique Nepalese design/material 	<ul style="list-style-type: none"> • Hand-made sandals, made from material exclusive to Nepal • Sandals with prints inspired by Nepal or with straps/ buckles in Nepal style 	<ul style="list-style-type: none"> • Hand-made flip flops • Flip flops for children • Flip flops with prints in ethnic Nepal style • Disposable/portable flip flops
Competition	<ul style="list-style-type: none"> • India, China and other Asian suppliers • Suppliers from around the world 	<ul style="list-style-type: none"> • India, China, Bangladesh and other South-East Asian • Local suppliers 	<ul style="list-style-type: none"> • India, China, Bangladesh and other South-East Asian • Local suppliers
USP Positioning (why Nepal?)	<ul style="list-style-type: none"> • Unique designs and local materials such as hemp, nettle • Fashion/style from a neighbour that understands the market 	<ul style="list-style-type: none"> • Unique designs and local materials such as hemp, nettle • Hand-made, personalised • Cultural similarities and identification 	<ul style="list-style-type: none"> • Understands local consumer • Sustainability connections • Flip flops with a difference
Price level	<ul style="list-style-type: none"> • Medium-high price level; 	<ul style="list-style-type: none"> • Low-Medium price level, possibly higher 	<ul style="list-style-type: none"> • Low- medium price level
Distribution Channels	<ul style="list-style-type: none"> • Wholesaler • Importer • Online retailer 	<ul style="list-style-type: none"> • Wholesaler • Importer • Online retailer 	<ul style="list-style-type: none"> • Wholesaler • Importer • Online retailer
Challenges	<ul style="list-style-type: none"> • Designs need to be updated frequently and need to demonstrate awareness of fashion trends • Logistical issues entailed to maintain regular supply 	<ul style="list-style-type: none"> • Logistical issues entailed to maintain regular supply • Ability to be able to compete with other leading suppliers on price 	<ul style="list-style-type: none"> • Logistical issues entailed to maintain regular supply • Flip flop market very price competitive

When selling your own collection try to find a reason to talk about something other than the price. There is a reasonable awareness of Nepalese products in Bhutan, particularly in the south and in Thimphu but it is always worth trying to promote the point of difference based on this. Nepalese design is familiar in Bhutan, so a more likely proposition would be based on quality or originality of material. In each of these cases, buyers selling to those consumers are more open to new suppliers.

Your final consumers. Those of Nepali descent or younger people are likely to be more open to new products from Nepal. If you know about their lifestyle, buying behaviour and criteria, this can form the basis of a discussion with a suitable buyer. As an exporter, you can provide the heritage of the natural materials used, the unique manufacturing process used or the success stories elsewhere.

Choose a target segment that is 'easy to enter' in order to get your first market entry. For example, find a popular category where the demand is always strong, such as

sandals, or where the customers are more receptive to new ideas. You want to be able to find the required opportunity to highlight or showcase the best of your skills or advantages.

Price is very important, but try to find a different point of advantage. India, China and Hong Kong dominate imported (6404) footwear value supplying mainly low priced medium or low quality footwear, but Nepal is already represented. The best way to penetrate the market is to offer products of consistently high quality, good appearance (design, colour and finish) and if possible, with properties setting them apart from competitive countries.

A marketing approach is based on a win-win situation aiming to establish a long-term relationship. As the market is relatively undeveloped, importers and footwear shops may be receptive as they want to provide new footwear styles to the growing consumer market. They are looking to find niches of their own to maintain their own competitive advantage.

10.6 Potential trade partners and useful addresses

Finding a trading partner in Bhutan

As Bhutan is such a small country, potential exporters may find it easier to approach directly those companies known to engage in footwear importing and retailing. The following organisations may be worth looking at:

Trade Associations

Bhutan Chamber of Commerce & Industry - <http://www.bcci.org.bt>

Handicraft Association of Bhutan - <http://www.handicraftsbhutan.org>

Association of Bhutanese Industries - <http://www.abi.org.bt>

Trade Press

Kuensel - <http://www.kuenselonline.com> - is Bhutan's oldest newspaper

Bhutan Times - <http://www.bhutantimes.com>

Bhutan Observer - <http://bhutanobserver.bt>

Bhutan Broadcasting Service - <http://www.bbs.bt>

Bhutan Today - <http://www.bhutantoday.bt>

Business Bhutan - <http://businessbhutan.bt>

The Bhutanese - <http://thebhutanese.bt>

Other sources

National Statistics Bhutan - <http://www.nsb.gov.bt>

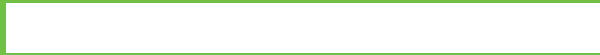
Totally Bhutan - <http://www.totallybhutan.com>

Trade Shows

There are no footwear trade shows in Bhutan. Like Nepal, Bhutan is a member of the South Asian Association for Regional Cooperation (SAARC). Bhutan hosted the 13th SAARC Trade Fair in Thimphu in 2016.

Importers		
Tashi Group	http://www.tashigroup.bt	-
Tashi Thaye Import Export House	Thimphu tel +975 17367775	-
KP Import House	Thimphu tel +975 17297070	Specialises in women's clothing but also sells footwear
Zala	http://zala.bt/u/8	Specialises in importing from China to Bhutan
Wholesalers		
PelDruk	https://peldruk.business1.com/	Distributes a range of products in Bhutan, including footwear
Retailers and online sellers		
Shop.Bhutan	http://www.shop.bt	Bhutan's online retail portal selling a wide range of goods including footwear
Bhutanindie	http://www.shop.bt/bhutanindie	Ladies footwear
Shoe Carnival	http://www.shop.bt/shoecarnival	Ladies footwear
eLez	http://www.shop.bt/elez	Ladies and men's footwear
Bhutan Shoes	https://www.facebook.com/bhutanshoes/	-
Bkart	http://www.bkart.bt	Another online portal also selling ladies and gents footwear
J'adore Fashion	Thimphu tel +975 77335943	Fashion and shoes
Bhutan Shoppers Home	Phuntsoling tel +975 77254669	Deliveries by bus and post
Dress Code	Thimphu tel +975 17500506	-
SMART Shopper	Thimphu tel +975 2324608	-
Popular	Thimphu tel +975 2337508	Women's fashion and shoes

GLOBAL ACCESS STRATEGY FOR FOOTWEAR



CHAPTER 11

11. GLOBAL ACCESS STRATEGY FOR FOOTWEAR

11.1 Current situation and SWOT analysis

11.1.1 The footwear sector in Nepal

Nepal has a total of 206 registered footwear and leather goods manufacturing companies and 850 registered footwear manufacturing enterprises. According to the Trade and Exports Promotion Centre (TECP) and the

Footwear Manufacturers Association of Nepal (FMAN) 16.6 million pairs of footwear (6404) were produced in Nepal in the fiscal 2015/16 (2072/73). Two thirds is consumed locally while the other third is exported. Exports valued US\$ 15 million of which 99% went to India and the remainder to some European markets, as is shown in the box below.

Per capita consumption was 2.66 pairs and the majority of footwear worn by Nepalese is imported. 37.9 million pairs, valued at US\$ 31.8 million were imported mainly from India, China and to some extent from Thailand, South Korea, Vietnam, Indonesia and Europe.

PRODUCTION (2015/2016)		OBJECTIVE (2020)		
- 16.6 million pairs of 6404 footwear - 27.3 million slippers		(45 million pairs of 6404 – excl. slippers)		
DOMESTIC (6404)	EXPORTS (6404)	DOMESTIC	EXPORTS	EMPLOYEES
11.1 million pairs 67%	5.5 million pairs 33%	33.0 73%	12.0 27%	120,000 (from 50,000) (32% women)
Main Footwear types and TARGET markets				
Men - Sneakers - Boots (outdoor, army, police) - Leather (formal) - Sandals Women - Sandals, Slippers (Indian style) - Sneakers - Flats - Formal, party - Boots Sports - Trainers - Running, football.. School	EXPORTS 640419 ■ 5.5 million pairs US\$ 15.0 million - India 99% - Germany 640420 ■ 0.001 million pairs US\$ 0.077 million - France 85% - UK 15% 2015/2016 Imports US\$ 31.8 mil. Exports US\$ 15.1 mil. Deficit US\$ 17.3 mil. Domestic market Per capita consumption: 2.66 pairs (population 28.7 million) Market coverage domestic production: 50.23%	Men Women Children Current + New types sold in export markets	India + USA Germany UAE Japan Malaysia Vietnam Thailand South Africa Bhutan	

Source: GIZ, FMAN, TECP, ITC Trade maps (2017)

Since the earthquake and political dispute in the border region with India in 2015, footwear exports have picked up. In the first seven months of 2016/17 exports were US\$ 10.2 million, up 9.2% compared to US\$ 9.4 million over the same period in the previous year.

Today, there are only two manufacturers exporting 6404 footwear mainly to India. According to the FMAN, total footwear production capacity is estimated at 112 million pairs.

FOOTWEAR PRODUCTION

In recent years, the footwear sector has seen increasing production as well as promising export performance. Many footwear producing companies already exist and new investment is responding to increasing demand. Some of the highly mechanized companies are targeting export markets due to decreased domestic demand after the earthquake. The footwear sector is labour intensive and provides good employment opportunities. The sector is also conducive to female workers and has minimum environmental impact that is easy to manage.

According to the Value Chain Analysis of GIZ (2017), footwear producing companies are classified as follows:

- **Large manufacturers:** There are six large manufacturers with an estimated daily production capacity of more than 10,000 pairs. For example *Kiran Shoe Manufacturers* producing its sports footwear with fully computer controlled automatic machines being well known in Nepal and India for its Gold Star brand.
- Another example of a large Nepalese manufacturer with a high reputation is *Shikhar Shoe Industries* producing sports footwear, slippers, leather footwear and a variety of specialised footwear including police and army boots.
- **Medium manufacturers:** There are 15 medium manufacturers with daily production capacity of more than 500 pairs of footwear.
- **Small manufacturers:** There are around 300 small manufacturers all over the country that have daily production capacity of approximately 100 pairs of footwear. *Comfort Felt & Craft* is a good example of a young artisanal company specialised in indoor footwear made of felt.
- **Micro-level manufacturers:** There are around 1,200 micro-level manufacturers all over the country which produce 500 to 6,000 pairs of footwear annually. This group includes manufacturers of leather footwear, slippers as well as natural fibre- and felt-based shoes.

NEPALESE FOOTWEAR INDUSTRY

According to the Department of Industry, nearly two-thirds of the 850 registered companies are small scale, followed by medium scale firms (approximately 30% of the total). Larger scale industries represent approximately 4% of registered firms.

Kathmandu is the major shoe production hub where more than 70% of producers are located. Other major hubs are Biratnagar, Bhairawa, Birjung and to some extent Baglung. Indigenous Sarkis communities of leather artisans (cobblers) have been skilled in leather and shoe making for generations. These communities are exceptionally talented in design and craftsmanship. Due to the growing number of organized shoe manufacturers they are gradually disappearing.

So far, little has been done to capitalize on the sector's potential to become a large export earner. The reasons are numerous and varied, and proposals are made in section 11.6.

CURRENT PROBLEMS

According to the TECP (Trade Export and Promotion Centre), the following problems were identified in the NTIS 2016 regarding the Nepalese footwear industry:

Production Capacity

Footwear industries, irrespective of their size, are unable to run at optimum capacity due to power shortages. Despite the use of various backups like diesel based generators and inverters, the industry's optimum capacity in general stands at 60%.

Productivity

Productivity is low compared to India. While there is an indigenous leather sector, Nepal does not produce finished leather that is suitable for the footwear sector, which lacks a supply chain concept. Machinery and maintenance costs are high. Low capacity utilization, lack of capital, lack of technical personnel, extended power shortages, and poor policy-making coordination are other factors contributing to low productivity.

Availability and Quality of Labour Force

Approximately 50,000 workers are employed in this sector, of which 30% are skilled workers from India, and over 30% are women. Large manufacturers employ about 2,500 workers. Footwear manufacturing is labour intensive and requires skill and know-how. Labour retention is a problem as skilled workers go and work abroad as soon as they are trained. The Leather and Footwear Goods

Manufacturers Association Nepal (LFGMAN), with support of HELVETAS is planning to increase the workforce to 150,000 within five years, trying to integrate the Sarkis into the mainstream industry.

Labour cost and overall production cost

Increasing overhead and labour costs, attributed to power outages, reliability of raw material, and high transportation costs due to inadequate infrastructure make Nepali footwear more expensive than footwear imported from India and China. The situation is aggravated by under-invoicing of imported shoes. Manufacturing footwear requires 36 types of raw materials. 80% of them are imported. GoN (Government of Nepal) has not yet recognized the constraints faced by an industry that requires significant imports of raw materials to grow and be sustainable. High import duties of some raw materials greatly affects costs of production and the industry's global competitiveness.

Level of processing technology

Footwear technology is traditional and originates from India. In the past, all processes were manual. The establishment of Bansbari Leather Factory in 1966 with technical assistance from China led to the replacement of many manual operations with machines. However, not all industries have been able to cope with new processing technology. Some continue to depend on manual processes. Producers have been slow to realize the importance of innovative product development and quality control. Most industries now have in-house designers and QC inspectors.

Infrastructure constraints

The sector lacks a reliable training institute for skills development, a footwear testing facility and a national standards and certification system. In addition, the country lacks a research institution to assist manufacturers in adjusting design and production to meet demand. The sector has a wide disparity in terms of investment.

Efficiency of domestic support industries

A supply chain concept is lacking. For example, in leather footwear production, domestic leather barely meets 20% of the demand. The supply of buffalo hides is limited as Nepalese are used to eating this meat with the skin. Raw materials including leather, sole, glue and other accessories are mostly imported from India, China, Taiwan, and Thailand.

Marketing related issues

- **Intensified competition.** In the international market, the Nepalese sector will find it difficult to compete with the big Asian countries (China, Vietnam, India, Thailand or Indonesia). These countries make an enormous variety of 6404 footwear, designed and manufactured with the latest technology and sold at low prices.
- **Low recognition.** Many people know Nepal as a country, but not many are aware that Nepal makes footwear, particularly 6404 footwear. They cannot imagine what difference there will be between sneakers from Nepal or sneakers from India or China.
- **Contemporary designs.** While consumers in export markets expect new and different designer footwear designs every season, designs from Nepal have not changed as frequently as is demanded. Nepalese footwear designs need a modern/contemporary twist. This will be a big challenge for Nepali manufacturers many of whom still work to customers' design.
- **Poor quality control.** The quality of Nepalese footwear is not guaranteed as some parts are purchased from India and China, and there is not the required quality assurance that most buyers are looking for.
- **Deliver shipments in time.** In addition to logistical problems that can occur during transport by sea or at the Indian border, there are risks of missing components or raw material coming from India for a variety of reasons.

DEVELOPING THE INDUSTRY

The following advantages are mentioned in the NTIS 2016 regarding the further development of the Nepalese footwear industry:

- **Employment and job creation.** At present almost 50,000 workers are employed in footwear production. In addition, the sector provides employment through the multiplier effect to those employed in importing raw materials, exporting footwear, and internal marketing.
- **Gender impact.** The handicraft based footwear sector provides employment to female artisans. In the larger organized sector, females account for up to 90% of the workforce for some manufacturers. On average, as many as 30% of the sector labour force is female. The natural fibre based footwear production has more opportunity to employ females.
- **Skills development.** The LFGMAN (Leather Footwear and Goods Manufacturers Association of Nepal) is intending to train 23,000 young people. In addition, there is some skills transfer from Indian labourers employed in the sector to Nepalese workers.

- **Environmental impact.** Cut pieces of leather are safely dumped and synthetic cut pieces are recycled. There is no noise or smoke and very little smell due to the use of glue (dendrite) inside production areas.

11.1.2 SWOT Analysis

Strengths

- There are a significant number of footwear manufacturers in the sector.
- The presence of niche manufacturers making footwear of felt, wild nettle, canvas etc.
- New manufacturers are entering the sector.
- Strong demand in the domestic market
- Labour intensive and low labour cost
- Female workers friendly
- High employment opportunity
- Low environmental impact
- Skills development opportunities for youths in short period of time (three to six months)
- Handmade footwear of leather and felt according to traditional processes.
- A long established history in traditional (Tibetan) designs. Their habits and history will be a good source for storytelling.
- Low price level, compared to Indian or Chinese 6404 footwear.

Weakness

- Difficulty/expensive to source good quality parts' suppliers (India and China).
- A decreasing number of skilled craftsmen in Nepal, who now work abroad.
- Problems in creating own designed footwear collections from Nepal that can be clearly recognised.
- Higher import tariffs on some of the raw materials compared to import taxes on finished products.
- No control over imported counterfeit brands.
- Rebates on exports from GoN (Government of Nepal) only against the payment received in terms of US\$. But competitors are supported by their governments.
- Low investment in machinery and equipment due to high costs or exporters do not want to take risks.
- Lack of common facility centre for some machines like imported leather measuring machine, logo embroidery machine, lasting machine, stitching

machine and quality test laboratories.

- No awareness of Nepalese footwear and no clear differentiation from Indian footwear.
- Struggling to start with modern technology and to combine this with traditional techniques.
- Limited production capacity, although this is also an advantage for making 'exclusive' items.
- Some large companies over-reliant on India and on a few large customers.
- Difficulty in creating a marketing strategy focussed on a selected target group.
- Expensive to change collections when following seasonal fashion trends (2-3 times/year)

Opportunities

- Growing use of diversified footwear products in the market.
- Growing domestic market with potential for expansion.
- Growing awareness of domestic consumers for cheap, durable and good quality Nepalese footwear
- Easy access to raw material (approximately 20% domestic and 80% from India and China).
- Handcrafted (felt) footwear corresponds well to the need for personalised items as well as to the growing cultural diversity in export markets.
- Potential to join forces and to sell under a common brand identity.
- Symbolism in Nepalese culture, religion and the Nepalese natural environment (mountains, trekking, red panda etc.) corresponds well to the demand for a pronounced difference in footwear.
- Untapped potential in emerging markets with a fast growing middle class.
- The growing concern about the environment can be demonstrated by use of recycled material (synthetic or cut leather pieces), no emission of noise or smoke and minimum water consumption.
- Footwear that is made by women/ people with disabilities in rural areas also corresponds to concerns about sustainability.
- Footwear made of natural tanned leather, vegan leather, leather from fruits (pineapple leaf), rubber or any other plant material.
- Link up footwear collections with fashion accessories such as shawls (Pashmina, Cashmere) or jewellery.

Threats

- Footwear is frequently offered as an accessory by the big clothing producing companies.
- Price, quality and volume by competitors like China, India, Vietnam and upcoming footwear countries
- Easy entry of low quality footwear in Nepal.
- Loss of trained labour due to migration for new jobs with higher salaries.
- High dependency on imported raw material (80% imported raw material).
- Growing availability of mass-produced footwear offered by Internet sellers.

11.2 Market forecast and future trends

GLOBAL TRENDS IN TRADE

As a result of increasing demand due to a growing world population and the rising middle class, especially in Asia, footwear imports continued to rise over the past five years, reaching US\$ 120.6 billion in 2015. 40% was Leather footwear (6403) and 27% was Footwear with textile uppers (6404). Details can be found in Table 1 in Annex 2.

Due to the continuing popularity of sneakers and sports footwear the 6404 product group has grown steadily in value and strongly in volume. Production of leather

footwear has been affected by a shortage of raw leather, caused by high volume imports in China.

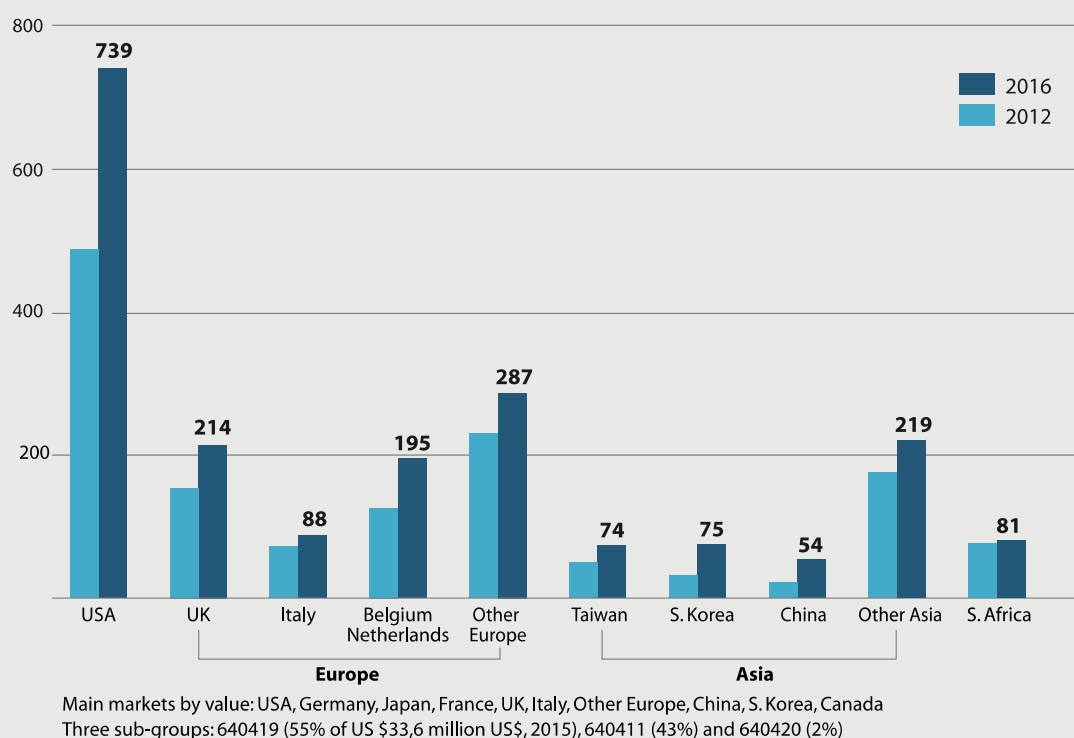
Furthermore, the tanning of lower – medium priced leather is often accompanied by poor corporate governance, especially in Bangladesh and India. Some of these issues have been picked up by pressure groups, NGOs and even by some companies (Puma, Timberland, Pentland) and communicated via (social) media and other marketing campaigns. This has negatively affected the consumption of leather footwear. On the positive side, this also has stimulated the development of alternative materials to leather (vegan, fruit, rubber) and the introduction of 'sustainable leather' that is used in Western tanneries and increasingly by tanners in Japan, China and elsewhere.

6404 – FOOTWEAR WITH TEXTILE UPPERS

The developments in 6404 footwear trade by volume between 2012 and 2016 were as follows:

- **Total world imports in 2016** were 2,468 million pairs, an increase of 5.5% from 1,991 million pairs in 2012. US imports valued at US\$ 33.7 billion in 2016 and represented one-third of world imports with sports footwear (640411) being the largest category, increasing substantially by 11% from 2012 to reach 739 million pairs in 2016 as shown in Figure 1.
- **Europe also represented around one-third (32%)** of world imports of 6404 footwear in 2016. The UK

FIGURE 1: Footwear world imports (6404), 2012-2016
Volume increased by 5.5% from 1,991 to 2,468 million pairs



Source: ITC Trademaps(2017)

was a large importer, as was the Netherlands and Belgium (both due to the location of distribution centres for Nike, Adidas, Reebok, Sketchers etc. with a large proportion re-exported). In 2016, total European imports of 6404 footwear were 784 million pairs. Increases in imports were registered in almost all European countries.

- **Asian countries** imported 422 million pairs of 6404 footwear in 2016 and represented 17% of world imports, led by Taiwan and South Korea. Chinese imports of 6404 were registered (see Figure 1) due to increased outsourcing in lower cost countries such as Vietnam and Indonesia. Imports by South Africa were 81 million pairs mainly from China, Vietnam and Indonesia.
- **Nepal supplied US\$ 6.2 million of footwear** and ranked 63rd in the world imports according to ITC Trademaps. Volume supplies by Nepal were not registered.

GLOBAL TRENDS IN PRODUCTION

According to the World Footwear Yearbook 23,000 million pairs of footwear (all product groups) were produced in 2015 of which 82% were from Asian countries, led by China (59%), India (10%) and Vietnam (5%). As shown in the box below, India produced the largest part of its footwear for their home market. Nepal production is still down on the list.

PRODUCTION 23,000 million pairs		EXPORTERS 14,300 million pairs	
• China	13,581	• China	9,878
• India	2,200	• Vietnam	1,041
• Vietnam	1,140	• Belgium	239
• Indonesia	1,000	• Germany	238
• Brazil	877	• Hong Kong	208
• Pakistan	366	• Italy	207
• Bangladesh	353	• India	206
• Turkey	350	• UK	194
• Mexico	251	• Indonesia	192
• Thailand	200	• Turkey	180
•		•	
• Nepal	16.6	• Nepal	5.5

Most Vietnamese footwear production (1,140 million pairs) was exported. Vietnam is a low cost supplier for China where labour costs rose following the introduction of healthcare measures, the appreciation of the RMB and more environmental protection regulation. Nevertheless China still represented 59% of world production, a large part of which was for the big Western brands for both domestic and export markets.

Cooperation and Joint promotion

In order to compete globally, smaller producers have been joining with colleagues, designers and trade associations. This has proved to be an effective strategy. Joint promotions organised by trade associations enables smaller producers to reach new markets. Leading European producer countries (Italy, Germany, France, Spain and Portugal) have all embarked on “origin marking” campaigns to help their sales efforts in both domestic and overseas markets. “I love Italian shoes” and “Made in France” are some examples of promotion campaigns that are communicating creativity, fashion, origin and craftsmanship in different ways, particularly at the international trade fairs. Building on the collective ‘Made in Nepal’ logo, a more intensive joint collaboration should be further developed in Nepal.

Attention to workmanship

Manufacturers are realising the point of difference that can be achieved by increasing attention to detail, particularly in the finishing of footwear. Often the choice of supplier is decided upon by small details in finishing. This might be in mixing leather with metallic materials, or in the embossing, quilting and pleating in textile materials. In synthetic materials, there has been a return of leathers processed with faded, drummed, wrinkled effects, generally creased and distressed. There are many examples and there is a trade-off to be reached between cost and quality at this level of detail.

In a globalised world digital technology enables production to take place anywhere. In this sense labour cost becomes a lower priority.

New techniques such as CAD design, 3D prototyping, digital printing, integration of productive cycles and direct interaction with consumers designing the shoe.

Major concerns of large footwear brands and global producers relate to increasing consumption in a world of limited resources (e.g. leather). Related issues include:

- How safety and intangible values such as ethics, social responsibility and respect for the environment are an increasingly important element in the perception of footwear?
- How to select the best procurement with new technologies, new materials and processes, as well as improved communication and logistics.

Reduction of shipments and re-allocation closer to markets. There is growing criticism about the environmental impact of ongoing shipping of components, semi-finished and finished footwear between continents. The demand and supply chain is expected

to change, triggering re-allocation closer to consumer markets.

There is a growing trend of relocation of Asian production inland and a growing interest in Africa for volume production. Ethiopia and Bangladesh are new low labour cost producer countries. Meanwhile higher-end footwear production is returning to traditional consumer markets. Investments are also being made in manufacturing countries that are closer to home and characterized by a disciplined and mature industry, a complete interconnected supply chain and modern infrastructures.

GLOBAL TRENDS IN FOOTWEAR CONSUMPTION

In the past 30 years, footwear consumption has more than doubled from 8.8 billion pairs in 1985 to 18.5 billion pairs 2015, while the world population has grown from 5 to 7 billion people in the same period. The main reasons are the growing middle class in China and other Asian countries, increased urbanisation, emancipation of women, globalisation (social media) and rising interest in (fast) fashion driving replacement purchases because of look rather than function.

In 2015, the top 10 largest countries in footwear consumption (all product groups) accounted for 68% of which China and India were among the largest countries as shown in Figure 2.

In 2015, USA consumers bought 7.9 pairs/year, treble the 2.6 pairs/year in China. With more children now being

born in China, continued rising incomes in densely populated India and elsewhere, footwear consumption is clearly set to grow further. With their large populations a minor increase in per capita consumption will make an enormous difference.

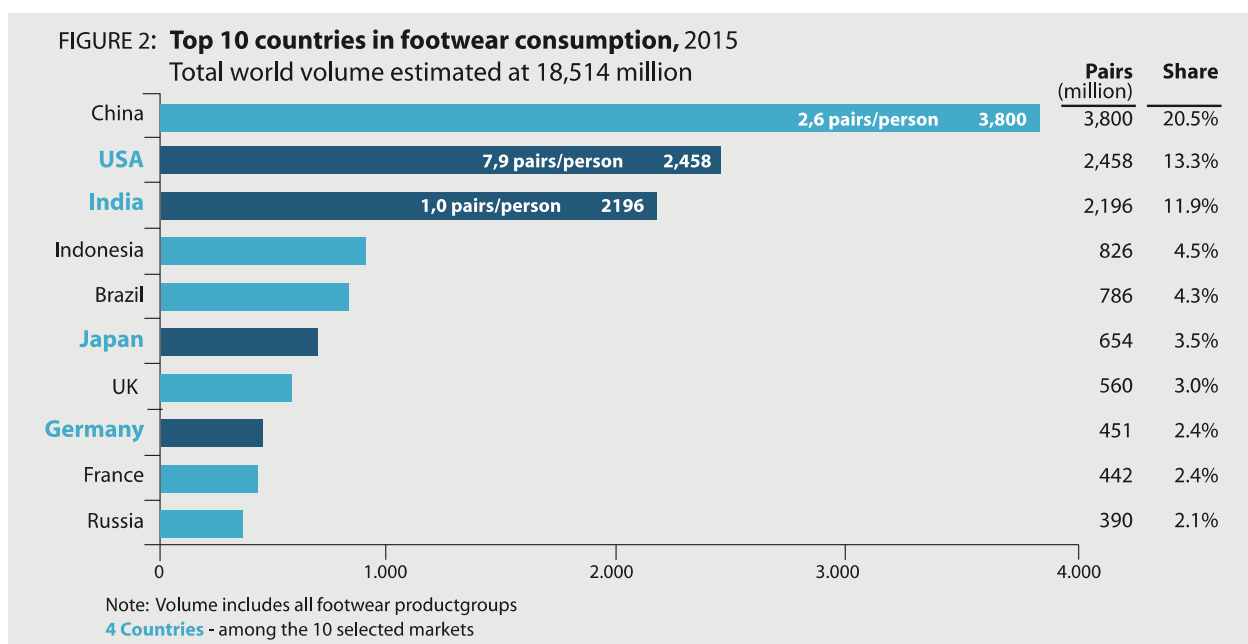
According to World Footwear, Asia accounted for 53% of world footwear consumption (by volume), followed by Europe (16%), North America (16%), South America (7%), Africa (7%) and Oceania (1%).

Europe and USA still represent the largest share by value. But with wages and cost of living increases in China, the average price per pair of US\$ 16 (compared to \$ 31 in USA) is set to rise. In addition, Italy and France continue to export the highest valued luxury footwear to China.

There will be a growing influence of emerging Asian countries in the world's economy. Today their GDP is bigger than those of Western countries. These countries together with China-India in 2015 purchased more footwear than all of the developed world! The challenge for the future will be how to capture these markets. This demand is characterized by tastes and habits that differ from traditional Western markets, with a production that is low and a high level of competition.

This demographic/economic development presents other changes and trends such as:

- **Urbanization.** In 2015 the number of people living in cities exceeded those living in rural areas on a worldwide basis. **Growing middle-class** in emerging economies.



Source: World Footwear, Seare (2016)

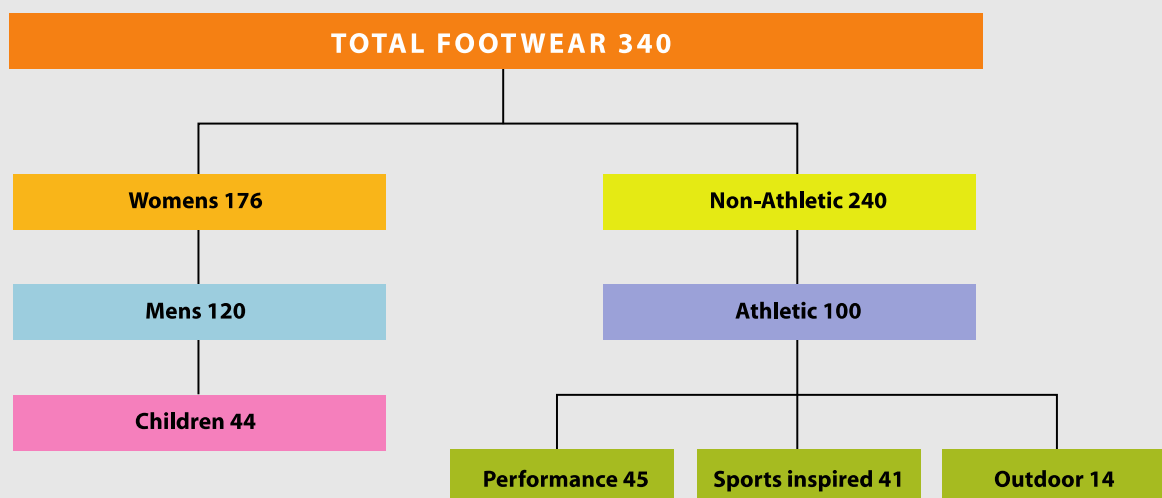
- **Feminine emancipation** in developing countries. One billion women are forecast to enter the economic mainstream as a result of increasing migration to cities, as education opportunities improve. Increasing female participation in the workforce will result in higher disposable income in their households.
- **More fashion-oriented.** These changes will generate a new consumer basis for footwear sales that will be more fashion-oriented than in the past. As more women start to work outside the home, demand for women's shoes will increase. At the same time, the importance of fashion trends, particularly amongst young professional women, will result in more demand for fashionable women's shoes and accessories.
- **People want to stay active for longer** living as healthily as possible, looking for the best comfort. This implies good opportunities for footwear that is comfortable, fits well, multi-functional and attractively designed.
- **Sport footwear/sneakers account for one third of global footwear sales** and is expected to grow further. Sports-inspired and performance products have been the main drivers of growth with "athleisure" providing a considerable boost to the category. As fitness and fashion trends merge, dress codes at work become more relaxed, sports products are now worn for everyday activities.
- **Sneakers have upgraded to luxury casual footwear** collections from designer houses with a sporty look, hand-painted leather and decorated with costume jewellery. Nike or Adidas have also launched sneakers

with leather upper in all kinds of thematic decorations e.g. the ginger sneaker launched by Michael Jordan that is sold in limited editions at prices starting at US\$ 250, being popular in the rap-and hip-hop scenes.

As is shown in Figure 3, world sales of athletic footwear was US\$ 100 billion in 2015 according to Euromonitor. The segment 'sports inspired' – referred to as 'sneakers' in this study, reached global sales of US\$ 41 billion. This segment capitalised on the active and healthy trend in the past decades at the expense of non-athletic (or casual and formal) footwear.

- **Comfort for elderly people.** In advanced economies in Europe or Japan, the ageing population will create demand for more comfortable and ergonomic footwear, which could be either outdoor or indoor footwear. People aged over 60 years currently account for 12% of the world population, but this age group will rise to 17% by 2030, and to 30% in some Western countries.
- **Immigration.** Other dynamics to consider are the immigration between continents which will lead to the development of products designed for different shaped feet.
- **More attention to recycling.** A sports shoe is one of the most environmentally-harmful products in apparel due to the plastics, leather, foam, fibres and other materials all glued together which makes recycling of such mix of materials a challenge. At the end of a sports shoe's lifespan its components are virtually impossible to separate.
- **Digital technologies** (internet, social media) will also make access to low cost products easier, and will make

FIGURE 3: **World retail sales in the total footwear market**
Sales in US\$ billion, 2015



Source: Euromonitor (2016)

price/product comparisons easier.

- **Online retail** has already created challenges for traditional sales channels, who will be forced to find new ways of retaining the customer loyalty by e.g. creating new purchasing experiences.

An overload of fashion trends on the internet.

Seasonal fashion trends for clothing, footwear and fashion accessories (bags, jewellery etc.) are finding all kinds of ways to become known.

Previously trend forecasters, media and celebrities used to dictate what the fashion trends for the next season would be. Along with growing concern about they look, many young people and fashionistas are keenly following what is new via their social networks, blogging (and vlogging) sites or from retailers and brands own websites.

- Nevertheless, Trend Books are a source of inspiration for many bloggers, brands and retailers in order to make their own trend forecasts and footwear collections for the new season, which is very often

linked with clothing. The basics for new designs, styles and colours are given in the Trend Books. The books provide an overview of the trends for footwear in autumn/winter 2017/2018 and in spring/summer 2018.

11.3 Choosing your export markets

- **In 2016, the ten selected markets** covered in this study represented 36%, or US\$ 122 billion of world footwear sales, estimated at US\$ 340 billion in 2015/2016 (see figure 3). The USA, Germany and Japan (Cluster 1) were the largest within the selected markets, while India is a large by volume.
- **The growth prospects for 2021 are very high** in India (CAGR of +10.5%), Vietnam (+6.9%), Malaysia (+5.4%), Bhutan (6.9%), UAE (+4.0%) and South Africa (+3.1%) as is shown in Table 1.
- The UAE and South Africa are categorized into a **Cluster 2** as they are on another continent for Nepal than the other Asian countries that are categorized as Cluster 3.

TREND BOOKS AND PHOTOS AVAILABLE FOR YOU

- There are two Trend books for all footwear from the designer Karin Grabner available and one Trendbook from Veronica Solivellas for men's casual shoes (including sneakers and sandals) for spring/summer 2018. These are a good reference for designers and give an idea about the new colours being very delicate and following the colours in new clothing outfits. **The books are in hard copy and can be viewed at GIZ.**
- Please do not copy these shoes but consider them as a source of inspiration to design your own footwear collection.
- Specially for Nepalese companies Karin Grabner has made more than 200 photos of footwear as a source of inspiration. The photos are sub-divided as follows:
 - a. Trainers, sports, fitness
 - b. Winter (women, men, children)
 - c. Summer (women, men, children)
 - d. Stylish (women, men)
 - e. Indoor

Some are shown in Annex 5. All 200 photos are digitally (soft copy) available from GIZ.

Based on this, your designers should think about how to give these ideas an interesting twist by adding USPs (Unique Selling Points) from Nepal. For example:

- Traditional design and use of natural authentic material (e.g. wild nettle, canvas, felt...)
- Spiritual images e.g. on sneakers in an original or modern way expressing a mood of exotic travel.
- Healthy themes on sneakers relating to the high mountains, world of trekking.
- Modern, Sporty or Flashy interpretations of traditional themes showing modern Nepal.
- The style/look of a shoe that is hand-made.
- Animal themes in Nepal e.g. Red Panda on indoor footwear (for children/teens).
- Natural images Nepali collections with an authentic twist.
- Chunky soles
- Specific elements of events in Nepal or in exports markets (UAE, Japan)

It is important to find/fine-tune the idea for footwear that is feasible to produce and with material within your reach.

- **In the largest Cluster 1, the per capita expenditures on footwear are high in the USA** (US\$ 246 with 7.9 pairs per person), UAE (US\$ 335 with 5.9 pairs per person) and Germany (US\$ 148 with 5.4 pairs per person). This can be attributed to the economic situation and high spending on fashion in these countries. In addition, the expenditure on children's footwear was high in the UAE where children are growing in number and their potential to buy expensive sneakers of (designer) brands.

Value growth in all countries is also driven by the continuing success of luxury sneakers and luxury footwear brands, especially for women (Gucci, Prada, Jimmy Choo, Louboutin and others) featuring more craftsmanship, excellent quality, unique/elegant design and innovative/refined materials.

- **By volume**, the amount of footwear sold in Malaysia was high because of a growing number of women in the workforce.
- **The Cluster 1 markets are the largest, but they are also mature markets.** However, footwear sales

are still expected to grow in the USA and Japan. There will be a growing interest in handcrafted and customized footwear in these markets where specialist retailers need to differentiate themselves from mass merchandisers and internet sellers. This also applies to the *German* market where the people aged 55 (baby boomers) – an important segment will grow.

- **The Cluster 3 markets** (India, Malaysia, Vietnam, Thailand and Bhutan) that are nearby Nepal, valued US\$ 14,019 million in 2016 and accounted for 11.5% of retail sales of the selected markets. However, by volume these countries accounted for 30.3% with 1,685 million pairs sold, mainly because of high volume sales in India. By 2021, their share will rise to 13.6% (value) and 39.1% (volume).
- **This market growth implies opportunities for Nepali exporters.** However, there is much competition from manufacturers in Asian countries, especially India, Vietnam, Thailand, Malaysia and Indonesia. Most of these countries produce footwear in all segments – from economical to luxury.

Table 1 Footwear retail sales forecast in the ten selected markets in 2016 - 2021
Value in US\$ million / volume in million units

	VALUE				VOLUME			
	2016	per capita	2021	2016/21*	2016	per capita	2021	2016/21*
Total world	340,000		450,000f		18,514		na	
Selected markets	122,197	na	142,108	+3.0%	5,553	na	6,985	+4.7%
CLUSTER 1 – Largest and Mature markets								
USA	79,698	246	92,550	+3.0%	2,553	7.9	2,853 Women 54% Men 29% Children 17%	+2.2%
Germany	12,231	148	12,785	+0.9%	445	5.4	451 Women 50% Men 25% Children 25%	+0.2%
Japan	11,524	91	12,065	+0.9%	660	5.2	700 Women 50% Men 37% Children 13%	+1.2%
CLUSTER 2 – Emerging markets - Other continents								
UAE	3,156	335	3,532	+2.3%	50	5.9	61 Women 46% Men 16% Children 38%	+4.0%
South Africa	1,569	72	1,842	+2.4%	160	3.0	186 Women 34% Men 44% Children 22%	+3.1%

	VALUE				VOLUME			
	2016	per capita	2021	2016/21*	2016	per capita	2021	2016/21*
CLUSTER 3 – Emerging markets - Nearby countries								
India	8,848	7	12,451	+7.1%	1,355	1.0	2,316 Women 34% Men 46% Children 16%	+10.5%
Malaysia	1,275	41	1,670	+5.5%	125	4.0	162 Women 55% Men 18% Children 27%	+5.4%
Vietnam	1,499	16	2,196	+7.9%	98	1.1	136 Women 56% Men 30% Children 14%	+6.9%
Thailand	2,379	35	2,992	+4.7%	106	1.6	119 Women 52% Men 37% Children 11%	+2.4%
Bhutan	18	24	25	+8.6%	1.1	1.5	1.5 Women 48% Men 41% Children 11%	+6.9%

* Compound Annual Growth Rate

Note: Per capita in US\$ and in number of pairs/person in 2016

Segmentation by gender estimated for volume sales (pairs) in 2021

Source: Euromonitor, Searce (2017)

Potential in other large markets

- **China dominates footwear volume consumption**, followed by Indonesia and Brazil because of their large populations. The UK, France and Russia also feature in the top 10 countries. In 2015, these countries together represented 6.8 billion pairs or 36.8% of world volume sales of footwear.
- **European markets** accounted for 22% of global footwear sales, led by the UK, Germany, France Italy, Spain and Scandinavia. Consumer confidence rose in the UK in 2016 and there are signs of a slight economic recovery especially in Germany, Spain, Portugal and Ireland. The success of discounters and hypermarkets in the footwear market and booming online sales has been at the expense of footwear retail chains selling footwear in the medium range segment. This has resulted in many bankruptcies of footwear shops.
- **Eastern European** performed well in the past decade and is slowly catching up with other European countries. After joining the EU, there has been a strong expansion of hypermarkets and shopping centres near the main cities. However, developments have slowed down, due to the recession in Western Europe. Russia is a leading market by volume with 390 million pairs

purchased in 2016, but due to economic constraints and political problems consumer confidence is low, which means people are cautious about how they spend.

- **Brazil and Mexico lead Latin American footwear sales** estimated at US\$ 24 billion according to Euromonitor in 2015. Brazil was an emerging market but due to political problems and the economic downturn, footwear sales almost stagnated in 2016. Mexico is still a fast growing market with similar footwear retail sales of US\$ 11.5 billion comparable to Brazil, men's and children's footwear being fast growing segments. Local brands Andea and Flexi continue to hold their strong position and at the same time foreign chains (H&M, Sketchers etc..) are expanding.

11.4 How to comply with access requirements

Access requirements are all the requirements you can expect from your buyer. They can be divided into three groups:

1. Legislative requirements
2. Quality requirements
3. Voluntary requirements

Legislative requirements are mandatory and subject to penalties if they are ignored, especially in Europe and USA. These relate to environmental protection and consumer product safety. Voluntary requirements cover similar issues as well as social issues and are meant to improve and demonstrate good practices in manufacturing and sustainability. Last but not least, quality requirements must be met during the first export trials, especially with larger importers and retail chains.

11.4.1 Legislative requirements

For all countries, all products should be marked legibly, indelibly and permanently to indicate to the ultimate purchaser the English name of the *country of origin*.

USA and EUROPE

The regulatory barriers to enter the USA market are lower than Europe. The most important legislative requirements for the USA were given in Chapter 1.3.1 where you need to take the Consumer Product Safety Act into serious consideration when selling footwear for children (0 – 12 years old). Other chemical material that is regarded as toxic or harmful to the environment is prohibited, restricted or requires a warning label.

An overview of these materials is given in the Global Product Safety Guidebook (2014) published by the FDRA (Footwear Distributors and Retailers of America) with definitions of each material and testing methods. The guidebook can be downloaded from the site

http://fdra.org/key-issues-and-advocacy/product_safety/ and select the guidebook under 'Key Product Safety Documents'

As regulations and test methods continue to impact the footwear industry, companies are facing compliance challenges throughout the global footwear supply chain. In EU countries, REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) is a legislative requirement (Regulation (EC) 1907/2006) with ongoing annual updates of maximum recommended ppm (parts per million) values. Currently 155 Substances of Very High Concern (SVHCs) are listed.

More SVHCs will certainly be added in the coming years. Moreover, the REACH Annex XVII restriction of chromium VI and polycyclic aromatic hydrocarbons (PAH) has also been published. In addition to concerns about chemical content in footwear manufacturing, the number of recall cases due to physical and mechanical hazards in shoes have increased rapidly in the US and EU markets.

HOW TO DEAL WITH THESE ISSUES?

STEP 1 – WHAT IS RELEVANT FOR YOUR FOOTWEAR

To help footwear companies ensure the physical quality and integrity of their products, the FDRA and the German TÜV SÜD, have for the first time included a comprehensive physical testing matrix to prioritise both chemical and physical tests into a systematic tier system. You can see the footwear types classified by material (leather, textile, polymer, plastic, rubber etc.) in three different so-called tier systems of chemical tests:

TIER 1: includes those chemicals that are currently covered by State and Federal laws **within the USA or Europe**, based on industry advice. These are likely to be the subject of regulation and/or legal action in the very near future.

TIER 2: substances are regulated **outside the USA, including within the European Union**, and may be present in some footwear materials. Some are also covered by California's Proposition 65, but have yet to be the subject of increased regulatory inspection. Companies can assume that future regulations may include these chemicals.



TIER 3: substances are *partially regulated outside the US, including within the EU*, and may be present in some footwear specific materials. California's Proposition 65 covers some chemicals contained within Tier 3. These chemicals could be a focus of US regulation in the medium to long term. Any changes to these regulations will be updated periodically.

In addition, large retailers and importers have developed their own restricted substances lists as a procurement requirement for manufacturers and other suppliers. In fact, they are responsible for verifying if the footwear they sell contains harmful chemicals. As a footwear manufacturer from Nepal, you can meet these challenges by seeking certification that affirms your

products are compliant through TÜV SÜD Footwear Mark, and Footwear Fit Mark for physical measurement.

A summary of the three TIER matrixes is given in Annex 3 including recommended test methods and some suggestions for alternatives.

STEP 2 – ASSESS WHAT THE BUYER WILL ASK YOU

The buyer (importer, retailer, wholesaler etc..) is responsible for verifying if your footwear contains lead, cadmium, formaldehydes, azo dyes, PCPs, flame retardants or other substances that are dangerous for the consumer's health. They definitely will come to you in case of problems.

- The best would be to ensure that your footwear does not contain these substances or is below the ppm content, especially for lead, cadmium and chromium VI – all considered dangerous to health. You could do an analysis in Nepal at the Nepal Bureau of Standards and Metrology or at an accredited laboratory. Depending on the potential order, the costs are worth the investment and you show buyers that you are taking things seriously.
- Double-check this also with your raw material suppliers, or with your suppliers who do e.g. the colouring of your (indoor) footwear – they might use chromium IV.

STEP 3 – DISCUSS WITH THE BUYER

If there are substances in your footwear, discuss it with the buyer or trade partner if he is taking a constructive attitude and you have a good relationship with him/her. Discuss the real necessity of spending time and money, especially if it concerns a small importer/retailer. They should do the registration procedure of dangerous

substances in your footwear at the European Chemicals Agency (ECHA). The buyer may require clarification from you e.g. more details about the substances in question (name, characteristics, exported quantity/year, origin and final destination).

STEP 4 – ANTICIPATE THE COSTS OF REGISTRATION

A rough cost indication for REACH registration for each dangerous substance is as follows:

Do not forget to integrate these costs into your price calculation!

Still the identification of chemical substances in your footwear and possible registration will also be asked for in the other selected markets e.g. in Japan, Malaysia or Thailand.

OTHER LEGISLATIVE REQUIREMENTS

- **European Labelling Directives.** Footwear must be labelled with information relating to the material content of the upper, the lining and insole sock, and the outer sole of the footwear article. The information must be conveyed by means of approved pictograms or text as defined by the European Labelling Directive for Footwear - 94/11/EC. At present there is no EU legislation on country of origin labelling for footwear.
- **Personal Protective Equipment.** For example, footwear providing protection against hazardous chemicals falls into the PPE Directive “complex design” category. The European standard for safety and occupational footwear covers issues such as physical performance of the upper and outsole materials, and criteria for other protective features offered by the footwear, including protection of the toes against impact. Other issues

QUANTITY	COMPANY SIZE	
	Less than 50 employees Turnover of less than US\$ 11 million	Less than 10 employees Turnover of less than US\$ 2.2 million
1 - 10 tonnes	698	174
- Individual	523	131
- Group		
10 - 100 tonnes	1,875	470
- Individual	1,406	352
- Group		

Source: Xerfi (2016)

Most common quality demands in the footwear industry are:

- The material and the stitching material must be of good quality. Consumers do not accept shoes or indoor shoes that fall apart in a few months and will ask for their money back, leading to a complaint to the importer.
- Due to better designed footwear in the market, the perfect finishing of footwear is almost taken for granted for both consumers and buyers.
- Avoid having footwear that is too tight to provide immediate comfort to the wearer.
- Try to use the direct injected soles technique – making shoes more comfortable.
- Buyers' instructions on sizes and colours (indicated in Pantone colours), should be exactly followed by you. A minor discrepancy could damage the perceived product quality.
- Stick to the quality of the first samples. Inferior items are likely to be refused. So it would be best to offer counter samples to the buyer.

include slip resistance for occupational footwear. In the USA, protective footwear is required to be tested at one of the accredited footwear testing laboratories and must comply with three standards from the ANSI (American National Standards Institute).

- **In Japan, product requirements fall into two categories:** technical regulations (or mandatory standards) and non-mandatory standards. Compliance with regulations and standards is also governed by a certification system in which inspection results determine whether or not approval (certification/quality mark) is granted. The Act on Control of Household Products Containing Harmful Substances (Act No. 112) has a requirement for textile products, which include footwear made of textile.

11.4.2 Quality requirements

No internationally recognised labels exist for the quality of footwear, except for the quality of the leather that is used. However, in the UAE, there are voluntary marks for footwear such as the EQM (Emirates Quality Mark). In fact, many tests exist to ensure that the materials (leather, textile etc.) meet the standards required by importers and consumers e.g. sturdiness. In Germany, testing methods are based on European norms (EN) or otherwise on ISO standards.

Traceability

Another factor is traceability. In order to be transparent to buyers, the entire product must be capable of being traced back through the supply chain. This entails detailed record keeping and strict control procedures for the various production processes involved.

Understand the trends

The tastes and preferences of consumers when buying footwear strongly relate to their lifestyles and trends. In the fashion industry, trends strongly influence footwear designs. So before designing and introducing your own footwear, try to be aware of the latest trends in your target market.

Exact colour

The colours of fashion items generally change twice a year and footwear of leather, textile or any other material follows the colours of clothing. If you want to make footwear in fashionable colours, place your order with your suppliers well in advance. To prevent colour discrepancies, check it well before sending a sample to the buyer. Discrepancies in colours or materials are quickly spotted. If it concerns a fashionable shoe, the PMS colour for the coming season is often desired. Where there is likely to be a problem you could ask an importer or agent for help.

In the Trend Books the PMS colours for the new season 2018 are given and are digitally (soft copy) available from GIZ.



Reliability

Western markets are characterised by high *logistical demands*. Lead times have become shorter and buyers prefer small quantities on a regular basis especially during uncertain economic times when retailers want to keep their stock to a minimum. Therefore, reliability in delivery is of paramount importance. As a supplier, your flexibility should be high and response times (time between request for quote and purchase order) must be minimal and controlled.

Here, you have an advantage over Chinese suppliers

who often want to sell big volumes to achieve economies of scale and be able to offer low prices and save on sea freight costs. If you as a Nepalese supplier are more flexible, able to supply at the agreed time and conform to the agreed quality, design, colour etc., you certainly have an advantage. Conformity to the quality standard must be continuous. In practice, this will often mean investing in new equipment and in the education and training of personnel.

Competitive prices

Competitive prices are expected from retailers or distributors when buying from a developing country. While price is very important, it is equally important that you should not be perceived purely as a source of a low cost product. Do not trade at a loss or with very low margins in order to be competitive.

Instead of looking at low labour costs, footwear buyers are thinking more strategically when having their footwear outsourced. They think more about:

- How close is the company to sourcing?
- How close is the company/country to consumer markets?
- How is the infrastructure and logistics?
- Is qualified personnel available?
- Is there a network of interconnected suppliers that will increase the product value?
- Is there an opening of markets in that area?
- Is there an absence of Customs duties or non-tariff barriers?
- What about the level of bureaucracy and corruption?
- Political and social stability of the country?

New techniques such as CAD design, 3D prototyping, digital printing, integration of productive cycles and direct interaction have been on trend for some years. Consumers can design the shoe at home with it manufactured as a tailor-made shoe fitting. This fits well into the trend for personalisation. It is important to be at least familiar with how these techniques work.

In order to make shoes more comfortable, **direct injected soles** techniques are used by well-known brands such as Ecco, Legero, Superfit and several others. The comfortable feel of one's feet improves when the shoes get 'older' i.e. worn more frequently. In Nepal the direct injected soles technique is used by Kiran shoes, which offers good opportunities.

Professional communication

EU customers expect that DC exporters possess good communication skills. Therefore, you should be open and clear in presentations, keep appointments, respond quickly to questions and deal with questions and problems adequately.

Sizes

The normal European size range for women's shoes is 36 to 41 and for men's shoes 40 to 46. Annex 4 gives the approximate comparison between the European, English and American sizes as well as sizes in Asian countries including India. Americans are taller and larger than Nepalese and most Europeans, implying larger footwear. American women on average wear a size 8 wide shoe (68% of American women wear shoes between the sizes of 6.5 and 9.5), while for men it is 10.5.

Packaging

Care must be given to the packaging of products, particularly with regards to changes in temperature, rough handling and theft, when large distances are involved. Leather shoes or medium-higher quality textile footwear (6404) are usually packed in individual boxes per pair with 12 to 18 pairs in a carton. Cheaper plastic and textile shoes are often packed in plastic bags or in bulk. Importers want to know well beforehand how you are packing your shipment. Apart from the safety aspects and protection against damage, the focus of packaging is increasingly on environmentally friendly transport.

11.4.3 Voluntary requirements

Sustainability and Transparency

The footwear market in Europe and the USA is highly transparent and buyers/consumers want to know where and how the shoes are made, by whom and with what kind of material. Accidents in the clothing industry in Bangladesh, bad labour treatment, child labour and malpractices in tanneries have served to increase pressure on Corporate Social Responsibility (CSR) and sustainable development. Manufacturers offering great prices but failing to comply with CSR requirements are likely to be avoided.

The international BSCI certification scheme (Business Social Compliance Initiative) is seen as Europe's main CSR programme. Recently, pressure on large companies has increased due to a growing consumer scepticism and continuing cases of malpractices in new developing countries by retailers/hypermarkets.

German consumers expect high standards in the production of footwear. Issues such as child labour, as

well as low wages, unsafe working environments, and highly publicised **codes of conduct** are closely scrutinised. Leading retailers e.g. H&M and manufacturers e.g. Adidas and Nike have their own codes of conduct. Other buyers in the trade are aware of these. The consequence is that standards expected of suppliers to the footwear trade are increasing all the time.

In the USA, there are no eco or Fairtrade labels that are specific to footwear, but a number of manufacturers are promoting aspects of ethical production in their packaging and marketing materials. Quality and comfort are the bedrock requirements for footwear, but adding value in other ways and reaching the increasing numbers of socially aware consumers tends to be done on a case by case basis. A couple of individual initiatives include the **Responsible Factory Programme**, and **Nike Considered Design**.

There are a number of other **voluntary labelling schemes** applicable to the footwear sector, including **JES Labelling** (Japan Eco Leather Standards Certification) organised by the Japan Leather & Leather Goods Industries Associations; and a **voluntary label on sporting goods** organised by the Association of Japanese Sporting Goods Industries.

STANDARDS

There are internationally recognised standards for example ISO (International Organisation for Standardisation) standards including guideline ISO 26000 on social responsibility; the ILO (International Labour Organisation) has set minimum standards for workers' rights, SA 8000 (Social Accountability International) encourages socially acceptable practices in the workplace and OHSAS 18000 – on occupational health and safety. See also at <http://www.iso.org>. There are a number of ISO standards that are specific to footwear <https://www.iso.org/committee/54972/x/catalogue/>.

CITES

The US is a signatory to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). The agency that enforces this international treaty is the US Fish & Wildlife Service - <http://www.fws.gov>. This relates to footwear made of leather or using leather uppers.

It is recommended that hides of common ruminant animals (sheep, cattle and horses) and pigs should be used to ensure that they are obtained from animals that may be affected by this Agreement and whether their foreign trade is covered by specific CITES certificates. Exporters can visit this website to obtain additional relevant



information on the application of this agreement - <http://www.cites.org>.

Furthermore, the other selected countries have their own legislation such as the BIS standard in India, the Thai Industrial Standards Institute with standards for footwear, quality standards from the South African Bureau of standards, while Vietnam has an automatic import licensing system.

11.5 Main competitors

MAIN COMPETITORS

The big Asian competitors are China and Vietnam which in 2016 took up 69% and 7% of all world footwear exports respectively. Both countries supply mass-produced footwear for Asian, Middle Eastern and Western importers, for fashion brands and retailers in large volumes, at low prices and delivered according to a tight planning schedule.

China and Vietnam have a very dominant position in 6404 footwear, especially sports footwear – often in combination with sports clothing. Vietnam is also strong in leather and vulcanised footwear. It can still sell footwear cheaper than China.

China is struggling with rising wages and growing domestic demand. Combined with labour shortages and high European import duties on exports, the Chinese footwear sector is trying to maintain its position. China's footwear exporters are becoming uncompetitive compared with other footwear producing countries, such as Vietnam, Bangladesh and India.

Buyers, aware of these market shifts, are increasingly open to new sourcing countries – they have little choice, if they wish to spread risk. In exploring new countries, they will seek suppliers offering the best long-term proposition in terms of costs, quality, reliability and communication. Also, of course, GSP countries (Generalised Scheme of Preferences) benefiting from favourable trade conditions with the Europe, USA, UAE or other selected markets have an added advantage.

Some important competitors for Nepal include:

SRI LANKA

The footwear industry supplies high end products to Marks & Spencer, Bata France, H.H. Browns, Clarks, Aerosoles and Nike. A diverse range including canvas and rubber boots, thongs, sports and leather shoes are produced, using a variety of raw materials.

Sri Lanka's annual production capacity is between 20-30

million pairs. This excludes the supply capacity for rubber thongs which is a further 27-30 million pairs. 20,000 people are employed directly and indirectly. This includes 10 large export companies, 30 medium scale companies and about 3,000 small scale manufacturers.

One key advantage is the local availability of high quality natural rubber including sole crepe, of which Sri Lanka is the only producer. Several manufacturers can produce moulded rubber soles and some can produce soles of rubber PVC or thermoplastic rubber (TPR). There are 11 leather tanneries. Most good quality leather is imported from India, Pakistan, Italy, Japan, Turkey or Brazil.

Sri Lanka is now a world-class player in the apparel industry, with the footwear industry set to follow. The value of Sri Lanka's footwear & leather exports was US\$ 51 million in 2013, mainly destined for Germany, Australia, Vietnam, Italy and China, facilitated by good sea connections and compliance with internationally recognised ethical and environmental production standards.

BANGLADESH

The footwear industry in Bangladesh began in the colonial era, although it only modernized in the late 1980s. The Bata Shoe Company established its first manufacturing plant at Tongi in 1962. Since independence in 1971 new footwear manufacturing units have been established. Among them are Apex Footwear, Excelsior Shoes, and Paragon Leather and Footwear Industries.

There are now 42 mechanized and over 4,500 non-mechanized small and cottage level production units in Bangladesh producing various types of footwear for both domestic and export markets, particularly Germany, Japan and increasingly USA. **Footwear types include:** Leather sandals and shoes, synthetic sandals and shoes, sports shoes, canvas & PVC shoes, slippers and chappals, army boots, ladies boots, jute sandals/chappals.

Quality. Improvements in quality are required to meet consumer expectations in the developed world. **Low wages** and poor environmental enforcement, as well as duty exemption under the **GSP** (Generalised System of Preferences) has resulted in a comparative advantage in the world market. Bangladesh also enjoys reduced Tariff and other non-Tariff barriers from the **WTO** (World Trade Organization), providing a further opportunity to boost exports.

Manufacturing Hub. Bangladesh is set to emerge as the next manufacturing hub for the global footwear industry, due to low labour rates. Recently, three Taiwanese investors have set up footwear factories in the Dhaka and

A few hints:

- Make your shoe a 'collector's item' in limited editions and register this item.
- You can also register a shoe copyright via mail, although it is generally slower and more expensive than registering online. To do so, fill out a copy of Form VA from the Copyright Office website.
- A registration will give you more rights and you can impress or frighten off the offender by saying that your collection is registered and you will contact your attorney.
- In Europe you can register also at the European Patent Office - <http://www.epo.org>
- Try to stay ahead of your imitators by innovation, unique blended designs (East meets West), story telling and mixing shoes with unique materials from Nepal.

Chittagong Exporting zones. EU buyers and other highly developed nations like Japan have also been impressed by the potential of Bangladeshi leather products.

The Export Processing Zones have 18 shoe and leather goods factories with at least a further seven under construction, mostly owned by global footwear players. Factories include Korea's Youngone's footwear complex in Chittagong, said to be the largest in Asia, with plans to manufacture 32 million pairs annually. In addition, Taiwanese shoe manufacturer Pau Chen, which employs over 500,000 footwear workers elsewhere in Asia, is also building a large manufacturing facility, as are Australian manufacturer Bonbon Shoe, and Xen Chen and Genford of Taiwan.

Growth rate. Bangladesh's footwear exports doubled between 2012 and 2015 to reach \$ 700 million. By the end of 2016, they had further increased to \$ 900 million, due in large part to new production units. Orders previously given to China or India are now being awarded to footwear manufacturers in Bangladesh due to their ability to produce low-priced but quality shoes, now widely found in key markets in the EU and Japan.

CAMBODIA

The garment and footwear sector, Cambodia's largest foreign currency earner, reported an 8.3% increase in exports in the first seven months of 2016 to \$3.88 billion, according to a report from the Ministry of Industry and Handicraft, up from \$3.58 billion during the same period in 2015.

The main markets are Europe, USA, and Canada. The garment and footwear sector accounts for some 80% of the country's total exports. The sector comprises some 1,000 factories with around 754,000 workers. The current minimum wage for workers is US\$140 per month.

INDONESIA

Since 2007, Indonesia's footwear exports have almost trebled from \$ 1.6 billion to over \$ 4.6 billion in 2016. The USA remains the largest export market by some distance, accounting for 28% of exports. China has recently become the second largest export market, overtaking Germany, Japan and other EU importers. China's imports from Indonesia have increased tenfold since 2007.

In 2015, 1 billion pairs of shoes were manufactured in Indonesia, making it the fourth largest with a 4.4% world share. Over 80% of this is used for domestic consumption but recently domestic demand has been weak, resulting in heavy discounting of footwear to move unsold stock. Exports were dominated by sports footwear, but now a wider range of styles are available.

Up to 15 new export-oriented footwear factories with a combined investment of \$ 1.5 billion and each with an average annual production of 10-15 million pairs became operational in Indonesia in 2016. The majority of these new plants involve investors from China, South Korea, and Taiwan and will provide employment opportunities to some 100,000 local workers.

Nevertheless there **remain several challenges** in Indonesia's footwear industry. Firstly, some foreign investors are discouraged by Indonesia's sharply rising minimum wages. **Another obstacle** is the delay to the Indonesia-European Union (EU) Comprehensive Economic Partnership Agreement (CEPA). This would make Indonesia's footwear exports more competitive in EU markets. Indonesia may try to pursue a bilateral trade deal with the USA after the USA withdrawal from the Trans-Pacific Partnership (TPP). Free trade deals are essential to keeping footwear exports competitive.

Another problem is that Indonesia needs to import leather and rubber. Despite being a major rubber producer, Indonesia still needs to import rubber to manufacture footwear as the country lacks domestic processing facilities.

Indonesia is ranked in the top ten of largest footwear exporters and therefore this sector is an important asset to Indonesia's manufacturing industry (generating foreign exchange earnings and providing employment to part of the population). Big global players, such as Nike Inc as well as several companies from China and South Korea, all have production facilities in Indonesia.

CUBA

Overseas investment is changing the face of the footwear industry in Cuba. Cuba's national footwear production company has concentrated in recent years on producing only safety boots for workers. Thanks to an investment of up to \$10 million by a Chinese industrial partner, the Cuban government-owned company is preparing to open a new factory in Havana that will make dress shoes and footwear shoes for men, women and children.

The new facility will have eight production lines and a production capacity of 6 million pairs per year.

In addition, the national footwear company has plans to set up a factory in a new special economic development zone in Mariel with capacity to produce 20 million pairs per year.

NEPAL – DIFFERENTIATE OR OUTSOURCE SUPPLIER

Although these countries also produce (semi) hand-made footwear for niche markets, Nepal should compete by being different, especially from India or choose to produce footwear or footwear parts at low prices as an outsourced supplier. Nepali footwear should offer more unique items that are linked to typical/original designs appealing to a selected target group (or niche market) sold through specialised retailers.

DEALING WITH UNFAIR COMPETITION

There could be threats from immediate competitors (India or China) and small Nepali exporters may have difficulties patenting their original designed footwear, the so-called 'models' that they have developed. They can benefit by making small improvements/changes in design and use better finishing technologies.

Copying and Copyright

In the USA, there is a copyright law, which does not protect concepts or ideas for footwear, but it does protect specific footwear designs as works of visual art. Registering your shoe design will help you in several ways if you ever have to take someone to court for copying it. This proves that you created the shoe and it allows you to collect attorney fees if you win. If you create a shoe that is particularly distinctive or if you are concerned about people copying it without permission, copyright registration is probably a good idea.

In Europe, you can contact any notary e.g. in Germany - or any other country - and request them to certify the pictures or photocopies of your shoe models. You also need a certification stamp from the tax authorities as well as of the office of the notary. The cost will start from US\$ 100 per year depending on the number of models. If copies of your

registered models appear in Germany, you have the means to remove these imitation products from the market. You appoint the same notary office to start a procedure and of course check the costs involved for this.

JOINING FORCES

For many exporters managing partnerships has been essential to successfully entering export markets. Individual footwear makers and exporters often lack the economies of scale to sell items directly to retailers in export markets in order to compete with well-established companies that have already large networks in these markets.

You can find colleague exporters via the FMAN, LFMAN or Felt Association (indoor footwear), other Nepali organisations, GIZ or via larger shops in e.g. Thamel. *The main advantages of joining forces are:*

- To improve your potential transaction size.
- To improve your bargaining power.
- To extend your product range.
- To minimise risk and improve service.
- To reduce costs for shipping, storage, quality control, presence in foreign markets
- via shared endeavours.
- To benefit from shared promotion, product development and other innovation.
- To share knowledge on issues such as hallmarking or on special legislation.

11.6 Recommended strategy to reinforce the footwear sector

11.6.1 Development of export capacity

The development of export capacity for the Footwear sector in Nepal is in its initial stage. To date the NTIS has developed a strategy for the sector. The export market strategy should achieve the main Nepalese footwear manufacturers' objective of reinforcing the sector, outlined in the Value Chain Analysis of GIZ (2017):

'To increase footwear production, domestic market coverage, export to diverse destinations, narrowing trade deficit and employment for Nepalese in footwear sector'

The following indicators for the coming five years are suggested to achieve the objective:

- Annual Nepalese footwear production increase from 30 to 45 million pairs.
- Number of export-oriented footwear companies to increase to 10 companies.
- Increased exports from 8.6 million to 12 million pairs, with diversification of export destination and increases in overseas export so that India's share is reduced to 70%; and
- Increased employment opportunities from 60,000 to 120,000 and dependency on Indian labour force reduced from 30% to 10%.

INTERVENTION STRATEGY FOR THE DEVELOPMENT OF ORGANISATIONS

SHORT-TERM STRATEGIES

Action strategy 1: Reduce dependency on exports to India from 99% to 70% by diversification.

Diversification does not mean reducing exports to India, but it means increasing access to other market destinations. For this strategy, the following interventions are required:

- Support participation in international trade fairs for market promotion;
- Provide international market information, including on tariff and market access strategy;
- Organise exposure or study visits for exporters/manufacturers in:
 - a. The countries where footwear imports are increasing rapidly
 - b. The top footwear importing countries; and
- Organise meetings between Nepalese manufacturers, exporters and foreign importers.

Action strategy 2: Workers provided training by CTEVT:

- Support development of skilled designers through training of the CTEVT (Centre for Technical Education and Vocational Training) and link them with technology for quality production for product development so that Nepalese footwear can compete with foreign footwear.

Action strategy 3: Develop a separate sector policy and sector strategy:

- Support the GoN for detailed study of the footwear sub-sector to find out the exact number of manufacturers, categorized according to their (potential) production volumes, and formulate separate policies and strategies for each category.

Action strategy 4: Supply chain strategy developed and implemented:

- Support the GoN in the development of a supply chain strategy.

Action strategy 5: FMAN capacity in the area of business intelligence and marketing developed:

- Provide training in marketing, market access strategy and export process
- Provide Total Quality Management (TQM) training to manufacturers.
- Support TEPC and manufacturers/exporters in identifying international markets, and support in the promotion to these markets.

MEDIUM-TERM STRATEGIES

Action strategy 1: A strong research institute established to support technological development and innovation:

- Provide high-level technology support to institutes.

Action strategy 2: Common production facilities set up with GoN support:

- Cooperate with the GoN to establish three common facility centres with high-tech machinery-one in Kathmandu and two in two regions like Biratnagar, Chitwan, Birgunj or Butwal.

INTERVENTION STRATEGY FOR GoN MINISTRIES AND AGENCIES TO INCREASE EXPORTS

- **Control pirated brands.** Conduct joint and strong monitoring by the GoN and the footwear associations to control pirated brands of footwear and promote domestic products.
- **Control high import duties.** Make a list of the type of required raw materials/footwear components and maintain import tariff rate below 5% and a minimum difference of 15% between raw materials and finished products in import tariff.

Discuss/negotiate agreements on reduction of import duties of raw materials/components with nearby countries e.g. Sri Lanka. High import duties are a barrier for more collaboration with suppliers there. In addition abolish the practice of under-valuation.

- **Support commercialisation of traditional products** (handicrafts-based, natural fibre- and felt-based) to business scale to fulfil demand.

The current domestic production capacity is still unknown. A 2014 study (Strategic Plan [FMAN 2071]) estimated annual Nepalese footwear production at over 30 million pairs. No new estimate could be made without a further survey. As per TEPC records, about 8.6 million (28.64%) pairs were exported in 2014/15. The domestic

market coverage is estimated to be 42% (as per production estimate in 2014), so that 58% of the domestic market is still available to be taken from imports.

The following actions can increase annual production and export:

- **Production of highly skilled workforce and designers:** The lack of highly skilled designers has hampered production. There are no institutions for developing designers in Nepal. Most designers come from India. Frequent turnover of designers is affecting the quality and supply of products. So, as in India and China, the GoN needs to include footwear designing in the education curriculum of the CTEVT.
- **Design of a programme:** Although a separate programme has been designed for skill development with the support of HELVETAS, segregation by skills and implementation of the programme are still needed.
- **Permanent training institute within an industrial environment for the development of skilled workforce:** The footwear sector is labour-intensive, but manufacturers, whether natural fibre-based or leather- and petrochemical-based, are suffering from a shortage of skilled labour. Basically, the upper stitching and shoes lasting skills are highly scarce.

In the coming five years, manufacturers need an additional 100,000 skilled workers (Strategic Plan, LFGMAN). So, the GoN needs to establish training centres within an industrial environment or set up such centres within existing engineering colleges to support national industries and create employment for the Nepalese youth.
- **Soft loans for small manufacturers:** As with hydropower projects, a provision of soft loans to small manufacturers through the Nepal Rastra Bank is recommended to motivate them to increase production and supply.
- **Development of footwear zones:** Manufacturers are scattered over a large area, which has made it difficult, if not impossible, to provide them with security and other facilities. Frequent power cuts cause price increases and constraints on production. Therefore, the GoN needs to provide manufacturers with land on an instalment basis to develop footwear zones, as well as industrial security and relief from power cuts.
- **Establishment of well-equipped CFCs (Common Facility Centres):** There are some machines and other facilities needed by all levels of manufacturers, such as leather measuring machines, logo embroidery machines,

lasting machines, stitching machines, size measuring equipment for felt-based footwear using European sizes, and a quality test laboratory. Not all manufacturers have the capital to invest in such machinery. So, CFCs should be built to improve production and supply.

- **Enforce stricter labour laws:** Because of a lack of strict labour laws like those in the garment industries in Bangladesh, Nepalese footwear manufacturers are not ready to risk contract manufacturing and are thus losing opportunities. So, the GoN should enforce strict labour laws to encourage the sub-sector.
- **The current provision of 1% import tariff on machinery** should be continued.
- **Provide rebate on exports** similar to those provided to competitors in neighbouring countries and also provide for IC (Indian Currency) export.
- **Reduced import tariff for raw materials** imported for further trading and those imported by footwear industries to enable manufacturers get cheaper raw materials.
- The under-used leather goods production centre under DoCSI should be linked with footwear associations for skill training.

INTERVENTION STRATEGY FOR INDUSTRIES/ASSOCIATIONS AND PRIVATE SECTOR

- Accept only quality raw materials by not depending solely on agents.
- Concentrate on quality and international demand-based designs.
- Develop industrial infrastructures such as management of quality machines for international standard industries.
- Develop a more export-oriented entrepreneurial attitude where companies are willing to innovate, take risks, be flexible and communicative to customers.
- Acquire land (either lease or buy) on instalment basis for the development of footwear zones.
- Cooperate and collaborate with small manufacturers in export.
- Establish a system for collective purchase of raw materials so that quality is ensured and price is relatively cheap.
- Establish cordial working relationships among manufacturers so that collective production can be done if there is a bulk order from the international market.
- Support internalisation of collective trademarks.

Case: Creating a bright future for Footwear exports in Ethiopia

The Ethiopian footwear sector has come a long way since the arrival of cheap Chinese footwear in 2000. The influx of footwear manufacturers looking to offset rising labour costs in China is providing a great opportunity for the sector. This led local producers to modernise their production systems in order to stay competitive. An ambitious GTP (Growth and Transformation Plan) aimed to capitalise on the availability of leather in the country. An influx of FDI (Foreign Direct Investments) will also contribute to the development of the sector.

The challenges come from importing components. The leather upper and rubber (synthetic, PVC or PU) sole already exist. However smaller components to finish the shoe, which might be numerous, are not always available. Other challenges include a cumbersome bureaucracy, slow import-export procedures, and poor logistics in terms of faster access to and from port.

Strong indicators to create a bright future are:

- The railway and the highway links to the ports of Djibouti
- Establishment of multiple industry zones with a dedicated power supply
- Increase of power generation capacity
- Attractive investment incentives.
- Political stability and the Government's success to draw global key players to the footwear sector.
- Ethiopian companies decided to produce for themselves to increase the rate of locally sourced components. For most this is still 40% compared to 60% imported from China, Thailand or Vietnam.

Ethiopian footwear sector profile 200 Factories

- 171 Small & Medium (up to 700 pairs/day)
- 19 Large (700 – 4,500 pairs/day)
- At least 1,000 small and micro enterprises producing footwear and footwear components for the local markets.
- Total sector output per year: US\$ 160 million (2013)

Produced footwear: Men's (68%), Women's (28%) and Children's (4%)

Materials used: Leather shoes & boots (8.8%), Canvas and rubber (4.7%) and Plastic (86.5%)

Export rate in total production (source: frc-insights)

- 2010 – 2011: 2.95%
- 2011 – 2012: 3.25%
- 2012 – 2013: 5.69%

Lessons learned by the industry in 2000 are apparent in the products they manufacture today, where there is an emphasis on durability and use of local quality leather. There is a distinction between local and foreign exporters. Local manufacturers specialise in men's shoes for the local or neighbouring export markets. Chinese and other foreign footwear manufacturers in Ethiopia produce ladies' footwear. Gucci and Tommy Hilfiger are among the foreign customers. The majority of exports from Ethiopia are still leather footwear.

Production by export-oriented foreign owned firms tend to focus on products made from PU and other synthetic materials. With the increased trend of FDI from established Chinese manufacturers, production of athletic and fully synthetic footwear is likely to be the dominant exported product in the coming few years. Low labour costs, a motivated workforce, proximity to raw material and a duty-free trade regime were the main reasons mentioned by foreign investors for being based in Ethiopia. On the other hand it was a challenge 'to get Ethiopia accepted by customers' and bureaucracy and weak infrastructure hampered larger volume supplies on a regular basis.

CONCLUSION AND RECOMMENDATIONS

To sum up, the situation of the footwear sector in Nepal is encouraging and a number of manufacturers are entering this business. Based on this, recommendations can be made:

- **Joint Action Plan.** All stakeholders, enablers and service providers should prepare a joint action plan as per the above intervention strategies for successful implementation of the NTIS 2016.
- **Detailed national-level survey and a database.** Nepal lacks a database of footwear manufacturers and volume of production by type. So, a detailed national-level survey is required to find out the exact number of manufacturers, volume/type of production, employment potential, per capita consumption and issues within the sector. The stakeholders or service providers need to decide who should be given this responsibility.
- **Establishment of footwear zones,** support for international marketing, skill development, involvement of the Nepalese youth in the footwear sector and implementation of a collective trademark and NS trademark can make this sector sustainable.

More information can be found in the Value Chain Analysis of GIZ (2017)

11.6.2 Development of the marketing

Strategy

The export market strategy aims to increased exports of Nepalese footwear from 8.6 million to 12 million pairs over the next five years, with diversification to some of the ten selected export markets and a reduction of India's share to 70%.

This marketing objective can be achieved by:

CHOOSING THE RIGHT EXPORT MARKETS

- **Choosing the right export markets** where the USA, Japan and Germany (Cluster 1) are large but mature markets and the other 7 selected countries are growing markets.
- **Cluster 2** (UAE and South Africa) and Cluster 3 (Malaysia, Vietnam, Thailand, India and Bhutan) offer the best opportunities with fast growing populations and more women in the workforce etc. Besides, importers may be less demanding in terms of punctual delivery, compliance with market access requirements, fashion-ability or originality. However, competition will be mainly on price as there is already much footwear from other Asian countries.

As an exporter from a low cost country such as Myanmar or Bangladesh, your first advantage in competing with China is price competitiveness.

FIGURE 4: **Segmentation of EU footwear market by price and quality, 2015**
% value and positioning by major brands

	MARKET SHARE	PRICE RANGE	CHARACTERISTICS
LUXURY	US \$ 29 billion 9%	\$ > 300	<ul style="list-style-type: none"> • Excellent quality, perfect finish and fit • Trendsetting • Exclusive collections (handmade) • Designer brands: Louis Vuitton, Gucci, Jimmy Choo, Dolce & Gabanna, Prada
FINE	US \$ 68 billion 20%	\$ 100 - 300	<ul style="list-style-type: none"> • Very good quality and fit • Trend following and attention to styling • Variety in collections, but limited production • Brands: Bally, Burberry, Adidas, Boss, Nike • Local brands, clothing brands, non branded
MEDIUM	US \$ 149 billion 44%	\$ 25 - 100	<ul style="list-style-type: none"> • Good quality and fit, and part of outfit • Trend following, stylish, comfortable and functional • Large variety and high volume production • Brands: Sketchers, Kickers, Clarks, Converse, New Balance, Asics, Nike, Adidas • Clothing brands, private brands, non branded
ECONOMICAL	US \$ 92 billion 27%	\$ < 25	<ul style="list-style-type: none"> • Low to medium quality • Popular models and variations for a wide audience • High volume production at lowest price • Imitations of successful brands, private brands, non branded

Source: Bain & Company, Trade estimates (2017)

Once you have entered the country, you can add new distinctive qualities from Nepal, target niche markets (e.g. Nepalese residents) and try to engage with importers there in order to develop your competitive position in this new market.

- **The Cluster 1 markets** (USA, Germany, Japan), the economy is slowly recovering after a long period of recession. Buyers increasingly look for alternative sources beyond China.

Buyers are increasingly aware of the shift from China to other footwear producing countries and want to spread their risk by selecting back-up suppliers in new developing countries. On the other hand, more forward looking buyers are willing to invest in the sustainable development of a new sourcing country like Nepal which improves their social credentials.

Mature markets want fast deliveries. Conversely, these buyers - who are used to the efficient Chinese value chain - expect punctuality in delivery, consistency in quality and certification, particularly if it concerns high volume supplies of footwear.

Due to fast fashion cycles, conditions are uncertain and consumers are fickle, deciding on their purchase at the last minute. On the other hand, decision making by buyers for higher volume orders may take a long time. But once the decision is made, they want regular and timely deliveries – especially retailers or internet sellers who keep minimum stock levels. Despite the challenges, it will be worth trying to find buyers in one of these mature markets. Success here will improve your credibility among buyers in Asian, UEA or South African markets.

For Nepal, supplying large volumes over a longer distance will be challenging at this moment, especially since a strong value chain is not yet in place. However, collaboration with importers can be sought if they are willing to invest in creating a better manufacturing and logistical infrastructure in Nepal – similar to that shown in the Ethiopian case study (see box).

DECIDING YOUR FUNCTION IN THE VALUE CHAIN AND WHICH TECHNIQUES TO ADOPT

DESIGN

Here are some important key questions to think about:

- **Are you part of the value chain** and work according to customers' design?
- **Can you afford to invest in new technologies** and spend time on getting familiar with them?
- **Do you prefer to design your own collection?** This is more interesting and challenging.

MANUFACTURING AND ASSEMBLY

- **Sourcing of footwear components.** Problems with raw material quality and supply could be overcome by jointly purchasing and storing it in a central and safe place at a footwear zone.
- **The importance of skilled craftsmen.** With the growing demand of skilled personnel, technical support trainings and skill-trainings are becoming popular all over the world.

New or traditional techniques?

Apart from the few large firms, many companies in Nepal still work with basic techniques like e.g. producing felt footwear with each shoe very slightly different from another.

- The right balance. Depending on the size of the order and your company goals, you need to find the right balance between using new techniques and traditional handicraft. Consumers want authentic footwear with a difference. Some can recognise whether an item is genuinely authentic or if it is made by machines. You could combine both new and traditional methods.
- Stay with your traditional techniques. On the other hand, if you prefer to stay with your usual techniques, you could add some Nepal-specific details such as the colour of the laces, decorated uppers with cut patterns or printed images.

Encouraging and Exchanging

- **Improvements in sustainability** among (women) entrepreneurs can be achieved by the introduction of specific measures for entrepreneurs (training, access to finance etc.). This will encourage them to contribute to the success of the company.

For example, the average salary for women and men is US\$ 100 per month. Sometimes support is given to women of 500 NRS/child for max. 2 children/women. In addition, accident insurance and lunch can be provided. Such good working conditions creates sympathy among buyers who in some cases are willing to contribute 1-2% per pair of shoes to provide help to the families (social fund for schools and medical care). Overtime work can be paid 50% extra and women can get a bonus if they can make more shoes than usual.

- **An exchange platform to entrepreneurs** in Nepal can be developed with more linkages to international markets, establishing partnerships with other value chain operators and networking with personnel in related industries.



11.6.3 Segmentation and positioning

SEGMENTS ACCORDING TO QUALITY/ PRICE/DESIGNS

Four key segments encompass footwear quality, comfort, fashion, designs and brands: Luxury, Fine, Medium and Economical with their main characteristics shown in Figure 4.

Luxury segment

This refers to high quality designer footwear made by the luxury fashion houses. Designs are refined, the shoes are often hand-made in e.g. Italy, France or other European countries. They are made of leather and the style is formal and elegant. Luxury footwear is mainly worn on special occasions. According to Euromonitor, the global luxury footwear segment was estimated at US\$ 29.000 million, or 9% of total footwear sales in 2015.

It is sold in exclusive footwear specialists, fashion house outlets, boutiques or high-end department stores. Within the 6404 group, it includes luxury sneakers from the premium brands, often combined with leather uppers. Luxury fashion houses have continued to invest heavily in the footwear category e.g. Louis Vuitton and Gucci introducing new sports-inspired designs, creating the luxury sports sub-segment. Net-A-Porter's 'sport section' has new niche labels and this type of collaborations.

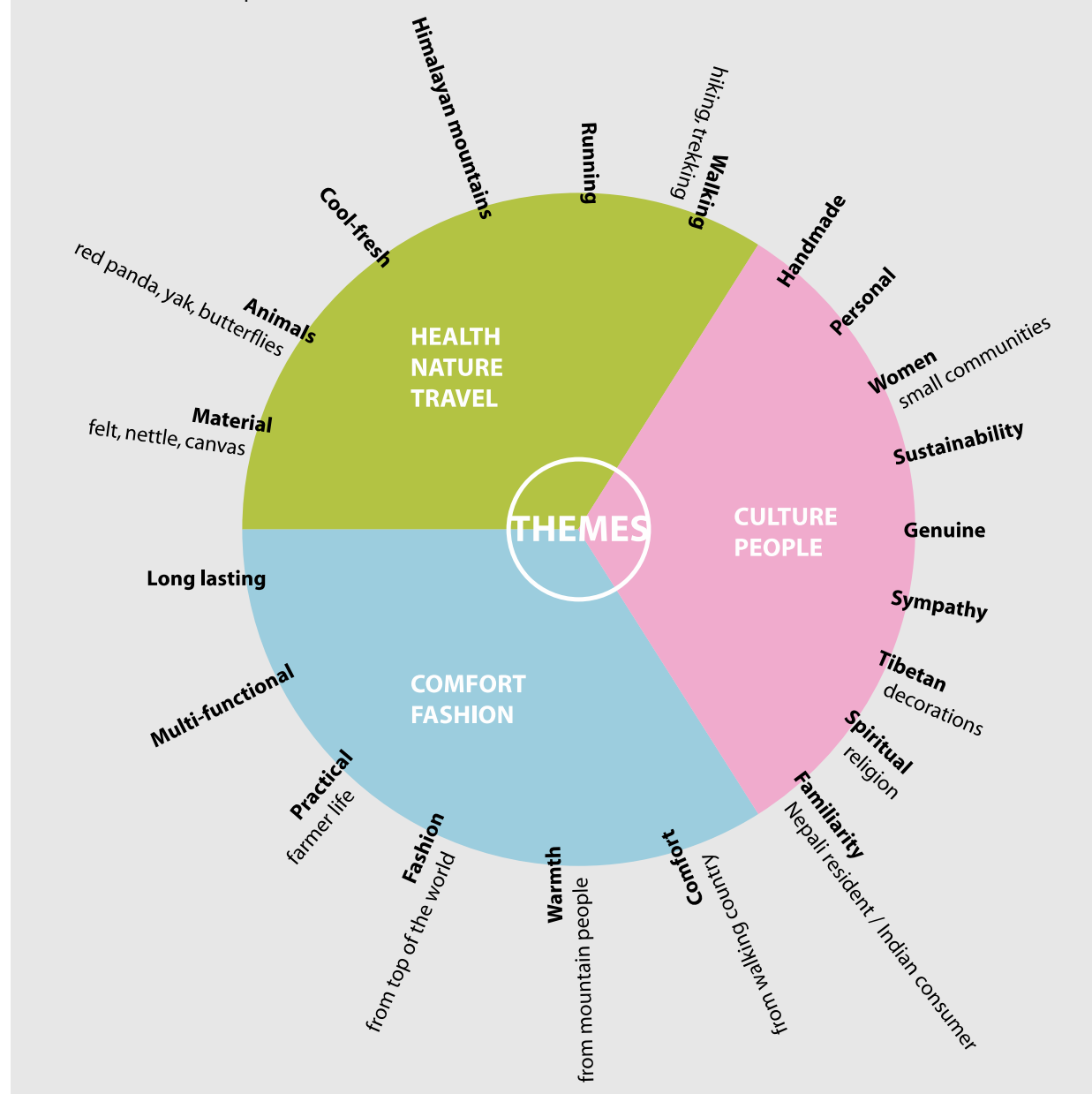
Luxury footwear for women, especially in emerging Asian markets, grew rapidly by US\$ 5,500 million between 2010 and 2015 according to Euromonitor. High-end department stores (Harrods, Selfridges, Saks, Galeries Lafayette etc.) continue to invest in their shop-in-shop sections. Recently, there has been more focus on luxury men's footwear, as men now give more attention to their looks. Among these consumers, there is a growing interest in quality (material, comfort, durability) and craftsmanship. They have also become more conscious about social and environmental issues, moving away from conspicuous consumption in more constrained economic times.

Due to the recession in Western countries, many luxury brands have started to trade down by introducing fine footwear that is more accessible to mainstream markets. This has intensified competition in the medium segment.

Fine segment

Few people can afford luxury footwear but many people aspire to buy well designed, top quality, good fitting footwear. As affluent consumers become more careful in their spending, fashion houses and luxury footwear retailers increasingly depend on the 'near-to-luxury' market, referred to here as the *fine segment*. It comprises well-designed branded footwear – including sneakers, sports and outdoor footwear that is accessible to a wider (affluent) consumer group at more affordable prices

FIGURE 5: **Positioning ideas for Nepalese footwear**
Themes for promotion



Source: Searc (2017)

(between US\$ 150 and 400), usually imported from Asia, Africa (Ethiopia) or locally-made.

Consumers in this segment are willing to pay for quality footwear, but buy less frequently than consumers in other segments. They also tend to buy shoes as part of an outfit.

Footwear remains exclusive but is made in larger quantities and varieties than in the luxury segment. Brands are important, and this footwear is sold by independent footwear specialists, single brand stores, fashion boutiques, exclusive clothing stores, department stores and via online retailers. Some consumers wait for

the end of season sale period, or move to the medium segment where prices are lower. Another problem is growing sales of cheap imitations (counterfeit shoes), especially in Asian countries. The share in global footwear sales is estimated at 20% in 2015.

Medium segment

This is the largest segment within the global market, representing 40% of total sales in 2015. It includes trendy and comfortable footwear such as slippers, sandals, ballerinas, sneakers, sports shoes of medium to good quality. Brands are important but not crucial, as the best

price/quality ratio and design are equally important. Footwear is sold via footwear specialists, non-specialists and online retailers. It is mainly imported from China, Vietnam and other Asian countries. In Western countries, some consumers are trading down further due to the recession and online price comparison searches.

This segment is shrinking due to the growing number of footwear chain stores and boutiques going bankrupt. The market is polarizing with the luxury and fine segments trading down to reach more consumers and the economical segment trading up.

Economical segment

This segment is characterised by lower quality footwear. It is strongly represented in Asian countries and South Africa and is of growing importance in Western countries. It includes a wide range of footwear from locally produced footwear of a reasonable quality to cheap imported footwear, usually from Asia. Designs are influenced by popular (branded) footwear in the medium and fine segments, and are often copied. Footwear here is often bought on impulse. It is sold by footwear specialists, internet, clothing specialists, discounters, hypermarkets, department stores, variety stores, street markets, factory outlets and online retailers.

POSITIONING NEPALESE FOOTWEAR

Most buyers and consumers in the selected countries are unaware that Nepal produces footwear, except for the Indian market where Goldstar and Shikahar have a good reputation. To avoid confusion with Indian, Pakistani or other Asian-produced footwear, it will be important to find a point of difference to be competitive. To create an image of Nepalese footwear you could think of:

- **Making Nepali footwear more visible.** A clear positioning showing the 'faces of Nepali footwear' to the medium market segment can be recommended. Even if this segment shrinks, it still represents many consumers within the ten selected countries. Buyers are looking for footwear with an interesting twist. If you target the Luxury or Fine segments, you will have to offer sophisticated or chic footwear and need a strong brand image which requires much promotion.
- **Good quality, comfort and typical skills from the old and new Nepal.** To differentiate from competitors, a clear image of Nepalese footwear expressing its improved quality by: demonstrating techniques such as direct injected soles as well as traditional hand-made techniques (contemporary, natural designs, outdoor). Offer a Unique Selling Proposition (USP) so that competitors cannot imitate, not being familiar with details of Nepali culture.

POSITIONING BY FINDING YOUR BEST POINT OF DIFFERENCE

If you develop your own footwear for exports, try to find a USP that complements your companies' philosophy and that corresponds with the major themes in consumer markets. Retailers and importers specialise in footwear of a particular price/quality level, but they also target their consumers according to the most common themes that are likely to appeal to them.

Among the themes used by Trend Books and designers, three major thematic areas can be linked with positioning ideas for Nepal:

1. Health, Nature and Travel
2. Culture and People
3. Comfort and Fashion

Table 3 Example product requirements for export

Product	Type	Brand	Basic product requirements	Organisational requirements
Sandals	Off the shelf	<ul style="list-style-type: none"> • Standard product • Own brand or • Under licence 	<ul style="list-style-type: none"> • Comfort and fit • Styling • Environmental factors • Price and material 	<ul style="list-style-type: none"> • Sales and marketing staff • Customer-friendly response • Speed and reliability
Pumps	Tailor made	<ul style="list-style-type: none"> • Unique product • Own brand or • Under licence 	<ul style="list-style-type: none"> • Casual use • Slip on • Correct fitting • Environmental factors • Price and material 	<ul style="list-style-type: none"> • Sales and marketing staff • Close market contact • New product development dept.

- Figure 5 below will help you to make a unique positioning to consumers and stay connected to your skills in craftsmanship, or even find a new connection. These ideas can serve as a source of inspiration for your designers for developing the shape, style, function, and colour for your new footwear and for creating promotional themes.
- One example is 'Material' - by using natural material like felt, nettle or canvas, you can position your footwear to appeal to consumers attracted to nature in Nepal. Designers can develop a women's shoe with uppers made of nettle or with small pieces of nettle in a more refined way. The beautiful and pure nature of Nepal can be used in promotion.
- Another example is to appeal to consumers who like to travel and are attracted to the Himalayas. Designers could develop a shoe with printed shapes of lesser known mountain ranges (Anapurna, Humla, Daulagiri) – since Mount Everest is already used. Interesting facts about these ranges can be explained in promotional literature. This could also positively impact on tourism by generating interest among wearers to see these mountains in reality. Special promotions e.g. free travel for consumers or buyers could be included.

11.7 Developing a Marketing Strategy

The next sections will give suggestions on using the key elements of marketing in order to export footwear successfully to the USA, Germany, UAE, Japan, Malaysia, Vietnam, Thailand, India, South Africa and Bhutan.

1. Product strategy
2. Price strategy
3. Distribution strategy
4. Promotion strategy

11.7.1 PRODUCT STRATEGY

Firstly, design your product to suit the requirements of the buyer. Quality standards play an important role as you need to build up trust. As a new exporter, try to focus on just one or two products in order to supply your customer with a top class product. Once the customer trusts your capabilities, you can expand your product range. For example, Table 3 could help exporters in specifying their supply. It outlines the basic prerequisites per product type for dealing with the EU.

The next question is whether **existing footwear** should be introduced in new markets, or **new footwear** to be developed for new markets.

EXISTING FOOTWEAR IN NEW MARKETS

Footwear from Nepal is still unknown in almost all selected markets. Most Nepalese manufacturers offer no clear distinction in footwear designs compared with India and elsewhere. Nepalese regard the quality and design of domestically-produced footwear inferior to imported footwear from neighbouring countries. In this respect, existing footwear needs improving. An exception is footwear for niche markets e.g. police boots, army boots or men's formal footwear for expatriate Nepalis.

Nevertheless, since footwear from Nepal is new, one safe starting point could be to work as an **outsourcing supplier** or as a **back-up supplier** to foreign shoe manufacturers or retailers. Such opportunities exist as China has become an expensive sourcing country due to high import duties as anti-dumping measures. This also applies for Vietnam. Nevertheless, there will still be challenges for Nepalese manufacturers.

Here, you can work in the following ways:

- **Work to customers' design.** The buyer or his creative department provide the idea by sketch. After the designs are validated, samples are made and re-validated. After the design is finalised, the shoe will be produced using the customer's brand name. A similar approach is adopted when producing parts. Often a shoe spec sheet is used with a detailed description of the shoe, components, materials, sizes etc. A sample of a spec sheet can be found in Annex 6.
- **Invest in new technologies** such as Computer Aided Designing (CAD), virtual modelling, 3D prototyping, digital printing and direct injected soles, thereby saving time if you aim to produce high volumes.
- **Design your own collection.** This is more interesting. If the outsourcing customer is flexible, propose a collaboration between a Nepalese artist and an artist from the outsourcing customer. The designed shoe will express the identity of Nepal that is infused with whatever influence, be it Western, Asian, Arab or African e.g. via the style, pattern, colour and so on.

MATERIAL AND COMPONENT SOURCING

The major component in the production of footwear is the material that makes up the upper part of the shoe, usually textile or synthetic material – sometimes combined with pieces of leather.

The outer sole, made up of rubber, synthetic materials such as PU or PVC, is the other most significant component. These two components account for the largest share of the shoe's value.

CLUSTER 1	NEPAL FOOTWEAR PRODUCT/MARKET COMBINATIONS AND POSITIONING IDEAS									
	SNEAKERS SPORTS	CASUAL COMFORTABLE MAINSTREAM	SANDALS	FLIPFLOPS	FASHION	ETHICAL ECO	INDOOR	OTHER SPECIAL FOOTWEAR	PARTS	
Karin Grabbner categories →	Trainers Sports Fitness etc...	Winter (women, men, children)	Summer (women, men, children)	Stylish (women, men)		Indoor				
Trendbook S/S 2018 (casual - men) →	Tech Raw	Mix up	Travel Twist Tech Raw Acid Tropic		Travel Twist Tech Raw					
USA										
Segment →	Teenagers Young people Students	Millennial men Non-sporty stylish men interested in fashion				Young people/ Millennials Concerned consumers Health conscious consumers				
Positioning Nepal in the USA →	1. Unique Design 2. Unique Material 3. Comfort heritage 4. Top of the world	1. Unique Design 2. Hand-made 3. Made by women in small communities				1. Himalayan heritage 2. Sustainability 3. Made by women in small communities				
GERMANY										
Segment →	Students Children	Working women Students / Young people Immigrants				Young people Concerned consumers Health conscious consumers				
Positioning Nepal in Germany →	1. Nepali fitness 2. Mountains - cool / fresh 3. Outdoor healthy	1. Distinctive culture 2. Comfort from trekkers' world 3. Ethnicity and Hand-made 4. Multi-functional / Practical				1. Himalayan heritage 2. Sustainability 3. Made by women in small communities				

JAPAN										
Segment	→	Office women and men (relaxed dress codes) Events - Olympic 2020 Elderly people						Families (conscious) Children Elderly people	Conscious consumers Working women Nepali residents	
Positioning Nepal in Japan	→	1. Comfort from a walking country 2. High Mountains - cool / fresh 3. Spiritual themes 4. Animals (Red Panda) 5. Other themes (running,special relation)						1. Comfort/ Warmth (from Himalyan/ Tibetan people) 2. Hand-made 3. Thematic images 4. Made by women in small communities	1. Nature country 2. Nettle used since a long time 3. Ethnicity / Hand- made 4. Multi-functional / Practical (rainy season)	
CLUSTER 2										
NEPAL FOOTWEAR PRODUCT/MARKET COMBINATIONS AND POSTIONING IDEAS										
		SNEAKERS SPORTS	CASUAL COMFORTABLE MAINSTREAM	SANDALS	FLIPFLOPS	FASHION	ETHICAL ECO	INDOOR	OTHER SPECIAL FOOTWEAR	PARTS
UAE										
Segment	→	Events - Dubai Expo Children's fashion	Working women Nepali residents Health conscious consumers				Emiratis Nepali residents Tourists looking for something unique			
Positioning Nepal in the UAE	→	1. Comfort from a walking country 2. High Mountains - cool / fresh 3. Spiritual themes	1. Himalaya heritage 2. Hand-made 3. Thematic images 4. Made by women in small communities				1. Nature country 2. Nettle used since a long time 3. Ethnicity / Hand- made 4. Multi-functional / Practical			

SOUTH AFRICA									
Segment →			Fashionable women Consumers at lower end of market		Working women Children	Young people Students Concerned consumers			
Positioning → Nepal in South Africa			1. High Mountains - cool / fresh 2. Hand-made 3. Mountain sandals with grip		1. Unique Designs/ Material (nettle) 2. Walking heritage 3. Fashion from top of the world	1. Unique Designs/ Material (nettle) 2. Sustainability (e.g. 'Shoe that grows') 3. Made by women in small communities			
CLUSTER 3	NEPAL FOOTWEAR PRODUCT/MARKET COMBINATIONS AND POSITIONING IDEAS								
	SNEAKERS SPORTS	CASUAL COMFORTABLE MAINSTREAM	SANDALS	FLIPFLOPS	FASHION	ETHICAL ECO	INDOOR	OTHER SPECIAL FOOTWEAR	PARTS
INDIA									
Segment →	Working women Modern families Young people			Most Indian people who can afford it				Women - all ages (juttis) Special occasions (e.g. weddings)	
Positioning → Nepal in India	1. Unique Designs ad Material (hemp, nettle) 2. Sporty ad comfort heritage (e.g. Goldstar) 3. Fashion from top of the world			1. Know Indian consumers 2. Sustainability connections 3. Different FlipFlops				1. Unique Designs/Material (nettle...) 2. Hand-made, personalised 3. Made by women in small communities	

MALAYSIA									
Segment	→	Working women Students Special events	Muslimah fashion Nepali residents Indian residents						Footwear tourists (looking for something unique) Police & military
Positioning Nepal in Malaysia	→	1. Uniqueness 2. Outdoor sports / Climbing image 3. Spiritual themes	1. Nature country 2. Nettle, hemp used since a long time 3. Ethnicity / Hand-made 4. Multi-functional / Practical						1. Himalayan heritage 2. Hand-made 3. Spirituality
VIETNAM									
Segment	→	Events - SE-Asian Games 2012 Football fans Active young men Children					Working women Children Students		Local manufacturers (domestic, exports)
Positioning Nepal in Vietnam	→	1. Uniqueness 2. Outdoor sports / Climbing image 3. Spiritual themes	1. Himalaya heritage 2. Hand-made 3. Thematic images 4. Made by women in small communities				1. Material (hemp, nettle) 2. High Mountains - cool / fresh 3. Fashion for discerning people		1. Walking heritage know footwear parts 2. Hand-made 3. Made by women in small communities
THAILAND									
Segment	→			Young people Tourists Elderly people	Tourists Rural population	Working women Students			

Positioning Nepal in Thailand						1. Material (canvas, hemp, nettle) 2. Mountain sandals with special grip	1. High Mountains - cool / fresh 2. Hand-made 3. Spiritual themes	1. Unique Designs/ Material (hemp, nettle) 2. Walking heritage 3. Fashion for discerning people for the self-aware				
BHUTAN												
Segment						Ethnic Nepali Rural population	Tourists Ethnic Nepali Rural population	Working women/ Middle income Students				
Positioning Nepal in Bhutan						1. Unique Designs/ Material (hemp.) 2. Hand- made 3. Similarities	1. Know Bhutan consumers 2. Sustainability connections 3. Different FlipFlops	1. Unique Designs/ Material (hemp, nettle) 2. Fashion from Neighbouring country				

Large number of components. Generally, in a leather shoe there are over 50 other components that are used, including material to shape, reinforce, attach, sew, and glue the different constituents that make up the shoe itself. Reinforcing components located in various parts of the shoe such as the sole, the heel, the back and front are used, while components that give the shoe the required aesthetic look and feel are used at different stages of production. Sports footwear (trainers) uses dual density mid-soles and air cushions. *The anatomy and exploded views can be found in Annex 7.*

The ratio of imported components. Most footwear manufacturers import up to 65% of the components required for production, while the remainder are sourced locally. A Chinese footwear manufacturer, for example, imports 8 containers worth of components in order to export 12 containers of footwear. One container averages 10,000 pairs of footwear, depending on type.

Diversification in sourcing. As export trade volume increases and new key players from East Asia enter the sector, manufacturers are increasingly diversifying the sources of components they use. The change in the sourcing components is likely to become more pronounced as more established East Asian manufacturers move into components production.

Opportunity to produce components. This diversification in components offers opportunities for Nepalese companies, for example, producing components for footwear manufacturers in the selected markets, or making components for Nepalese manufacturers to reduce dependency on imports, which are often unreliable. Components can be also made of recycled material.

NEW FOOTWEAR FOR NEW MARKETS

To strengthen your position in a competitive footwear market - especially for 6404 footwear - importers and retailers continue to look for innovative footwear collections irrespective of the production technique. Footwear from China and Vietnam is quite standardised, and sold through mainstream retail chains offering very similar footwear.

Consumers now want something more distinctive. Continuous innovation in different styles is a major reason why Italian, French, Spanish, Portuguese footwear remain successful all over the world. *Innovation and added value* are the core reasons for ongoing success.

Choosing your target segment

With regard to product development try to create your own footwear range, instead of working to designs from

customers. Try to combine your own companies' identity with demand for specific footwear in your chosen target segment in the country you want to enter.

Target segments could be: Young people; Teenagers; Students; Leisure market (people wearing sports footwear/sneakers for leisure); Working women; Health conscious consumers; Socially concerned consumers; Tourists; Muslimah fashion; Nepali residents; the Elderly etc.

In the boxes, some examples are given for product/market combinations and positioning ideas that are based on the 'Opportunities and how to enter' sections in the country chapters in this study.

Develop new footwear types

New footwear types can be developed for your target segment corresponding with the major themes that can be linked with positioning ideas. There are a great variety of footwear types, which is useful to know. *Footwear types and glossary* are given in Annex 6. More details are available in the 'Handbook for Footwear Designers (Fashionary)' at GIZ.

Work with western designers/design companies. The footwear is likely to be well-designed, attractive and sustainable. Especially in large mature markets, design developments incorporate less environmental impact, e.g. made of recycled raw material. These companies have more experience in multi-purpose or recycled footwear.

Designer sports footwear

This is the trend for sports footwear and apparel to overlap with and compete with designer labels. For example, K-Swiss shoes have a sports heritage but are marketed as designer fashion brands. This move into mainstream fashion by sports brands makes them vulnerable to general trends in the clothing and footwear market, including downward pressure on prices. The Luxury Sports Boot by Hummel is a recent example of designer and celebrity style in a football boot, while an example of the hybrid designer/sports footwear trend is a collaboration between Puma and the late Alexander McQueen involving a sports shoe with high heels.

Work with design schools. In this development process, rely on your own designer (Nepali or Indian) for inspiration or co-create with designers or trainees from design schools in your target markets. Try to work with students who already have some experience or

who have to make a thesis in their final year. The advantage here is that they are more aware of the local fashion trends. When designing your own footwear range, you could think about the following:

- **Finishing.** Think about finishing techniques (coatings for protection, mat, distressed or shiny effects) and the type of cutting on materials to achieve certain designs or visual effects. If stitching is used, it must be strong and well done.
- **Footwear range.** Will it be a standalone shoe, or will they be part of a range that includes similar designs for children? You also can think of adding fashion accessories (belts, handbags, hats, shawls etc.) or jewellery. Retailers prefer ranges or collections rather than individual products.
- **Mood boards.** Based on your target segment and positioning, allocate 'themes' to your collection and make 'mood boards' that give a total picture/mood to each theme. Present your footwear range / collection according to these themes at a trade fair, to a buyer or on your website.
- **Ongoing process.** In the creative process, your work should be ongoing. Buyers become curious to know what is coming next. This keeps the working relationship alive.

You can obtain inspiration from the seasonal trends for 2017/2018.

FOOTWEAR FOR NICHE MARKETS

Opportunities can be found as well in developing specific footwear in smaller quantities for niche markets. Some examples are:

- **Ethnic style footwear** for summer – attractively designed.
- **Indoor footwear or Slip-ons** made of felt – plain, in fashion colours or with (animal) prints.
- **Footwear made of sustainable leather** (naturally tanned), natural green shoes of vegan leather, textiles or of strong fibres from pineapple leaves that have the strength and look of leather.

See <http://www.ananas-anam.com/about/> or <http://positivr.fr/pinatex-cuir-ananas/>

Other vegan material includes bamboo fibres (Gootex, Spain) and rotten fruits.

- Biodegradable footwear
- Special footwear for hospitals
- **Strong footwear for the construction industry** (Personal Protective footwear) or use in factories (PU

Soles) using buffalo leather that can be sourced in Nepal (Biratnagar).

- **Special style dancing shoes.**
- **Comfortable footwear to work in the garden**
- **Footwear in very large sizes** (USA, Germany, South Africa).
- **Orthopaedic footwear**
- **Flexible sized shoes** for children in developing countries or in refugee camps.

Case: The shoe that grows (for you)

In developing countries children have no shoes, going barefoot or have no money to change shoes regularly, usually meaning they wear shoes that are too small for their feet. Credit for the concept goes to Anam Zaidi, a psychologist, who started a fundraising campaign to buy growing shoes for slum kids. This, she believed, would keep them safe from infections from cuts and scrapes on their feet from going barefoot, and from contracting diseases that cause them to miss school. A sandal that can be extended in size is developed which allows children to wear these shoes for a longer time. This concept exists in many African countries and in India (Lucknow) and for children in refugee camps. Detailed information can be found at <https://theshoethatgrows.org/> <https://vimeo.com/209762106?from=outro-embed> <https://vimeo.com/191664891>

11.7.2 PRICE STRATEGY

PRICE DEVELOPMENTS

An idea of average import prices of 6404 footwear appears in the 'Price structure' sections for each country and detailed cost calculations are in Chapter 5 of the Value Chain Analysis of GIZ (2017).

Footwear prices increased. After years of declining prices due to oversupply of cheap footwear from China, average prices have increased in the past few years. Anti-dumping duties imposed on imports from China and Vietnam have been felt in most Western countries. In addition, prices rose further because of rising wages in China, despite the falling exchange rate of the RMB against the US\$ during 2016. Another reason has been the rise in luxury footwear sales. Nevertheless, average export prices of footwear in Asian countries were still just one third of those in Europe in 2015:

- Average Export price/pair Europe US\$ 22.72
- Average Export price/pair Asia US\$ 6.70

Reduction of buyers' power. Due to their powerful position, some buyers have even arrogantly calculated

what your exact cost price as a supplier should be. Such attitudes make it almost impossible to negotiate better margins. However, Chinese companies are now more experienced in producing, exporting and delivering footwear than Western manufacturers, enabling them to adopt a stronger position in price negotiations. Consequently, buyers are now open to suppliers from other countries, as long as they have an interesting offer. Low prices coupled with consistent quality and service levels – even if they are not as high as they are used to – can strengthen your position.

The price level in Nepal is very low. The average value in 2016 per exported pair of 6404 footwear from Nepal was one third of Indian footwear and nearly half of Chinese footwear:

Nepal	- US\$ 2.75/pair
India	- US\$ 9.08/pair
China	- US\$ 4.83/pair

Labour cost in Nepal ranges between US\$ 0.51 – 0.55 (assuming US\$ 100 per month and 190 - 200 hours) that is among the lowest compared with other countries as shown below:

Table 4 Comparison labour costs in different footwear manufacturing countries, 2014

	Labour cost per hour in US\$
Ethiopia	0.36
Nepal	0.53
Bangladesh	0.71
India	0.81
Cambodia	0.81
Vietnam	1.14
Nicaragua	1.27
Thailand	1.34
Indonesia	1.60
Dominican Republic	1.88
China	2.09
El Salvador	3.09
Italy	18.68
Japan	25.66

Source: Peter Mangione (2015)

According to a report from a footwear expert, Ethiopia had the lowest cost in 2014 and was six times less than the Chinese labour cost. This is one reason why Chinese companies are relocating to Ethiopia. Another reason is the widespread availability of cattle in Ethiopia for leather

production. In Italy and Japan, wages are well above the levels found elsewhere.

MARGINS AND PRICE SETTING

Prices and margins are influenced by a number of factors, depending on the type of footwear – off the shelf or tailor-made and at what level you sell in the distribution chain. Importers and wholesalers base their costing on a CIF basis and apply their margins. The landed cost for them is the FOB (free on board) cost plus the cost of delivery, insurance and duty, if applicable.

Margins

Margins vary greatly, depending on type of footwear and retail channel where it is sold. Typically, footwear retailers mark up prices between 75-100% if they buy from an importer or wholesaler. If they buy direct from manufacturers their margins are lower. These margins include Value Added Tax (VAT) in Germany of 19%, sales tax in the USA, Japan of max. 10%, sales tax in the UAE (5% from 2018), or taxes on consumer goods in the other selected countries.

Actual margins can vary around these averages depending on:

- **The exclusivity of the product and the level of demand.** There are different margins between different types of footwear, with higher retail margins for (branded) formal or evening footwear, and lower margins for more casual or sports footwear.
- **The type of store selling footwear.** High street chain stores have higher mark-ups as they are often in expensive locations, carry a wide range and employ many sales staff. On the other hand, large retailers such as Deichmann are usually at out-of-town locations, have fewer sales staff, buy direct from manufacturers and have lower mark-ups. Retailers also need to allow for heavy discounting during sales periods, where a high proportion of sales takes place.

Most prices you find on the Internet are retail prices. In order to have an idea of the FOB price, divide the retail price by 3 or by 3.5, depending on the exclusivity of the retail outlet. For discounters or hypermarkets, this factor is lower than 3 as they sell large quantities.

Traditional retailers are under great pressure

due to growing online retailers buying direct from manufacturers. Retailers have been absorbing costs and reducing their margins in order to keep prices low for consumers, but they are unable to cut costs further.

Continuous price promotions have become the norm, rather than just the traditional sale periods. This consumer expectation of permanently reduced prices has also made it difficult for retailers to increase prices.

High retail mark-ups. Suppliers can be shocked by the mark ups charged by retailers in Western countries compared to their own country. Even if production costs have come down, other costs in the chain (e.g. handling, overhead, transport, stock keeping, sales and promotion costs, sales taxes etc.) have gone up. These costs account for a larger part of the selling price than the bought-in production cost. From the perspective of footwear companies, the cost breakdown for e.g. leather shoes has been calculated at 60-70% for materials, 12-16% for labour costs and 14-20% for overheads and profit. For Nepalese manufacturers the breakdown is similar depending on the type of footwear – *see details at Chapter 5 of the Value Chain Analysis of GIZ (2017).*

Price setting

Think twice about the price level. If the buyer is not able to pay an acceptable price, examine closely your own margins. If you are unable to safely reduce your costs further, maybe you should look for another buyer in another market.

An idea of average footwear retail prices was already given in the 'Price structure' sections for each country. An example of common margins in the USA was given in Chapter 1.2.3 of this study.

If you offer your own designs, try to concentrate on the exclusiveness of your footwear, for example, by introducing original footwear that meets the style, design, size and comfort needs of the target segment you have in mind. In this case, price is often less important. Try to avoid being regarded as another cheap supplier from a developing country by demonstrating something original.

RECOMMENDATIONS FOR PRICE NEGOTIATIONS

Do's

- Aim to charge the price the market will bear. Do not go above 'price points, the price set by the market for similar products. It should be in line with competitor prices, which you can find at online retail websites and do a back-calculation.
- The price should reflect your company's quality levels, delivery and promotion.
- Bear in mind that your negotiating position will be stronger if there are material shortages.

- Be ready to re-calculate prices during meetings according to changes they require (in e.g. raw materials, quantities). If it is too complicated don't promise anything, but tell them you will look into it and inform them afterwards. Here, you can clearly explain how your price is calculated.
- Justify higher prices with higher product performances and benefits. It is logical that higher customer service or special care in processing should be compensated with higher prices.
- Keep in mind that it is not easy to increase prices once you have agreed to deliver at a certain price.
- Pricing is a mix of knowing your domestic costs and calculating costs you will incur in delivering and supporting your activities in the market.
- Exchange rates fluctuate. Most buyers cover themselves in advance.
- Try to negotiate a price for a fixed period, such as a year. Most buyers will try to bargain. You could offer quantity discounts as larger volumes reduce the cost price; this is more difficult for limited editions. When negotiating you could consider a discount on the value of the order e.g. 5% on € 5,000 or 10% on € 10,000. Be sure here to add this amount first to your prices!

Don'ts

- Do not use discounts too quickly
It does not mean you automatically sell more, or more profitably and it may reduce your credibility with buyers. Remember that price is also an indicator of quality.
- Do not sell at any cost
This may affect your profitably negatively in the short, medium and long-run.
Buyers never pay more for a product after they have paid a low price in the beginning.

TERMS OF PAYMENT

Contracts are negotiated on the basis of samples supplied. Most trade partners prefer to receive prices on FOB (Free on Board), CIF (Cost, Insurance and Freight) or Cost and Freight (C&F) destination basis in US\$ or ¥ (Japanese Yen). More information on the Incoterms can be found at <http://www.iccwbo.org/incoterms/>.

Usual payment term

The usual Commercial Code specifies that the customer settlement period is fixed at the 30th day following the date of receipt of the product. If the parties agree, it may be less than or greater than 30 days but may never exceed forty-five days at the end of the month or sixty days from the date of issue of the invoice. By being as specific as possible, you leave nothing to chance!

Define your invoice with your general conditions of sale such as the date of payment, which may differ from the date of delivery of your product. This is mandatory information to appear on your invoice and in your general conditions of sale.

New exporter. Buyers may try to negotiate a payment after the receipt of the goods because you are a new exporter. But be very careful here and check the credibility and creditworthiness of the buyer and his company e.g. by a small internet search.

Telegraphic Transfer (TT)

This is a common method of transferring money, used primarily for overseas wire transactions. Banks normally charge a transfer fee of \$30 to \$50 depending on your bank. To reduce risk paying new suppliers, buyers try to negotiate terms so that they pay a proportion upfront as a deposit and pay the balance upon inspection or delivery. For example 30% in advance and 70% balance paid upon inspection and approval. This forces you as a new supplier to fix problems as they arise.

Letter of Credit

Established suppliers are usually paid by Letter of Credit (L/C) which is a safe but expensive option, involving much paperwork. Do not start production until you receive the L/C. Check the conditions stated in the L/C against what is on the order sheet (for instance the requested delivery time), and only after this proceed with the order.

Contracts

Contracts are usually based on samples supplied and negotiated on the basis of quantity delivered, agreed price, mode of delivery and payment. Usually a MoU (Memorandum of Understanding) is made up to be signed by all parties involved (NGO, exporter, importer and consultant).

IMPORT DUTIES

Nepal's footwear exports to India enjoy a 0% preferential tariff as a SAFTA member. It also enjoys a 0% preferential tariff (GSP) as a Least Developed Country on its exports to USA, Europe and Japan. This means your prices can be up to 12% lower than exporters that do not benefit from these terms. This is one reason why China, which does not have a Free Trade Agreement with Europe, is struggling with its price position. Bangladesh, Myanmar and Cambodia also enjoy free trade with Europe.

Under-valuation is illegal. If duties are high e.g. for importing parts from Asian countries, customers can ask for an undervalued invoice from the supplier. Undervalued

invoices could also be made by exporters of goods (e.g. footwear) sent from countries without GSP tariff. Where this illegal practice has been discovered, European authorities have added a surcharge to compensate. If this occurs regularly, the exporter blacklisted and banned. Therefore, be advised not to engage in this.

11.7.3 DISTRIBUTION STRATEGY

DISTRIBUTION OVERVIEW

Nepal's footwear value chain involves *major actors* from raw material manufacturers, domestic and international importers, clearing agents, transporters, ending in the footwear manufacturers. The *basic inputs* in the chain are production, import or local collection and utilisation in manufacturing.

The current value chain needs more transparency and efficiency to enable Nepal to comply with the demands of international markets where fast delivery of smaller volumes on a regular basis are most important. *A detailed overview can be found in Chapter 4 of the Value Chain Analysis of GIZ (2017).*

In export markets, footwear distribution involves many different actors, depending on your chosen route to market as is shown in Figure 6. In large mature markets, retailers increasingly buy direct from manufacturers or have joint ventures with factories in developing countries. This has made the market more fragmented and competitive. In the past few years, this has been exacerbated by the rapid growth of Internet retailing.

Footwear retailers are combining with clothing retailers and are categorised as 'non-food specialists' as can be seen in the country sections. In 2016, this group represent between 50 and 60% in most selected markets according to Euromonitor. The share was lower in Japan, Thailand and Vietnam but higher in the UAE.

Shares of mixed retailers varied significantly between the selected markets – from 1% in India up to 23% in Thailand. Similar contrasts in shares of non-store retailing were observed, varying from 2% in South Africa up to 23% in Germany.

When exporting footwear for the first time, importers or wholesalers are the best channels. They buy your footwear, take care of import procedures and hold stock to minimize delivery problems. They have a good knowledge of the market and provide the safest and most effective channel of distribution for you as a new exporter.

Importers are responsible for onward sale and distribution. They convert trends into collections, and control the process of production, import and delivery. Some large importers are

exclusively tied to brand manufacturers such as Adidas, Nike, etc.. Others sell different brands direct to sports and other retailers. Their margin is high ranging from 20 – 30%. On the other hand, they can help in marketing your footwear as they have contacts in the market, know the trends, are marketing oriented and can supply you with considerable advice. The development of a successful working relationship with the right importer can lead to a high level of co-operation.

Wholesalers are less brand oriented, carry a wide range and often supply a particular type/style of footwear to smaller retailers. They work either on state level (USA) or on national/international level. Wholesale margins were 10-25%, but are under pressure due to the rising dominance of large retailers and online sellers. Therefore, they look for new products to offer a point of difference. Wholesalers usually buy footwear in larger quantities in order to benefit from volume discounts. They are more 'traders' and sell to retailers. Wholesalers also compete by acting as a manufacturer.

Agents act on the instructions of their principals (manufacturers) and function as intermediaries between buyer and seller. They do not buy or sell on their own account and work on a commission of 6-12% of the order value. Some agents keep a small stock in order to meet their clients' short-term demand. Agents arrange logistics, invoicing, payment, selling and promotion.

- A big advantage is that they know the market well and can provide information on competitors and

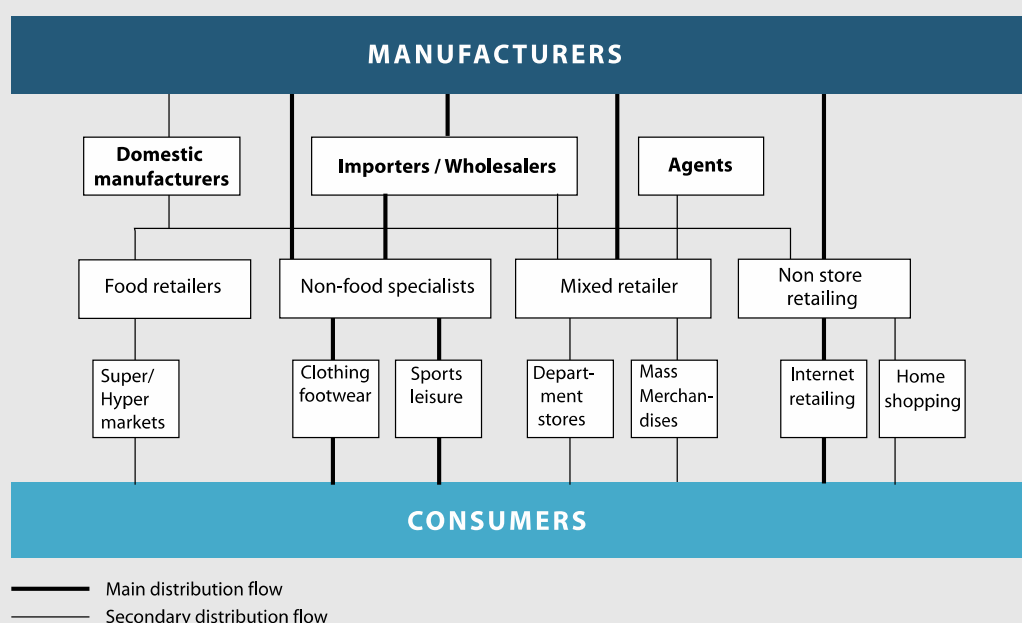
trends. They are small and flexible, can communicate with retailers in their own language and identify new niches in your target market. You could visit new clients and trade shows with them.

- Please note that after the first order when you send and invoice subsequent footwear deliveries direct to retailers, you still need to pay the agreed commission to your agent for each delivery.
- Always consider carefully the advantages and disadvantages of working with agents. Agents (as opposed to importers) are very well protected by law. Once you are engaged with them, it would be very hard to bypass them and to deal directly with their clients.

You can find agents, wholesalers or importers by advertising in local trade magazines or at trade shows, or if you exhibit yourself – you can put up an announcement that you are looking for an agent etc.. It also happens that agents may come to you when you are exhibiting. If you make contact, check their background, their footwear knowledge and what they know about Nepal. Request references/testimonials. If they perform well and communication is good, they will be a great asset.

Traders are responsible for selecting manufacturers and supervising the production process. Usually, you offer a trader a fixed fee for his involvement; you might also agree to pay him for orders he acquires. This is an indirect channel, as there are no intermediaries between you and the European buyer. The leading Asian traders are from countries like China, Hong Kong, Taiwan, Korea and Japan.

FIGURE 6: **Footwear distribution channels**



Source: Euromonitor, Seacore (2017)



Domestic manufacturers. Faced with rapidly rising production costs, manufacturers are assuming the additional role of importers. Like importers, they look for low-cost sources that produce on a made-to-order basis. They sometimes buy in some components. The main advantage is that this footwear can be made according to their own design, quality, private label and colour specification. Some manufacturers operate retail outlets in their home or in foreign markets. Examples are Sketchers (USA), Salamander (Germany), CJ Clarks, Eram (France) or Ecco (Denmark) and many more.

Points to consider when dealing with domestic manufacturers

It is important to optimise the efficiency in your manufacturing process or integrate new technologies. Also, make improvements by simple measures, such as regulating staff use of mobile phones and maintaining higher levels of hygiene and order in the workplace. New technologies need investment from your side but can save time on e.g. using laser pattern cutting machines, operated either manually or fully automatically. More efficiency makes you more attractive to (direct) buyers.

You could increase efficiency and improve relationships

with customers' as follows:

- Improve your inventory control systems by forecasting order demand more accurately
- Improve communication with your buyers by implementing electronic data interchange
- Implement web-based product order facilities, so buyers can check the status of their orders. Implement Radio frequency identification (RFID) together with Electronic Product Codes (EPCs) to optimise the logistic processes in your supply chain.
- If you are working on your processes, let your buyers know about it. It may well bring in more orders.

Clothing and footwear specialists accounted for 49% of global footwear sales and represented an estimated sales of US\$ 167 billion in 2015. This diverse group can be subdivided into:

1. Footwear chain stores
2. Buying groups
3. International fashion houses
4. Independent footwear shops
5. Boutiques

6. Sports and leisure retailers
7. Clothing specialists

1. Footwear chain stores are part of a national/international chain store operation under the same name with a central management. Large chains operating in the footwear market include Deichmann (Germany), Foot Locker (USA), Coach (USA) or Vivarte (France) which also have stores in Asian and increasingly in African countries.

Most chain stores have standardised product ranges and are located on the high street or at out-of-town shopping centres. Because of volume discounts from suppliers, they offer footwear at low to medium prices. These stores were doing well in the period until 2006. However, footwear chains have suffered from competition from (footwear) discounters, sports retailers, clothing retailers and hypermarkets. Some chain store retailers have reached saturation point in their own country due to the recession or planning restrictions on new shopping centres, so look abroad for expansion.

In many instances, purchasing decisions are taken in the country of the retailer's parent company. However, you should approach the local office of the affiliate in the first instance.

2. Buying Groups that act as purchasing agents and buy direct from manufacturers for their individual members (retail shops). Before each season, ranges are selected by committees of the buying group. In Germany, the largest footwear buying groups are Ariston Nord West Ring, Garant Schuh and Euro shoe. Medium sized stores often become members of a buying group in order to join forces to compete with large chain stores, promoting themselves under a common brand.

3. International fashion houses and big brands are usually headquartered in the USA or Europe acting as multinational organisations. They have their own design, product development, marketing and purchasing departments. Their buyers operate all over the world and a large part of their range is outsourced. National sales and marketing in each of their markets, as well as order control, logistics and service are carried out by their exclusive importers. There are two kinds of fashion houses:

- *Luxury fashion houses* design and develop their own exclusive footwear ranges, sometimes along with clothing and fashion accessory collections.
- *Mainstream fashion houses* develop a wider range of items in the medium – fine segments at an affordable price for a broad consumer group.

Their distribution centre controls the actual logistics, for example Nike has a distribution centre in Belgium and

The Netherlands. Most have advanced order control systems and can supply items anywhere within 48 hours.

4. Independent Footwear shops are well-represented in India, other Asian countries and in South Africa. In the USA, Japan and Europe, the involvement of small shops in the sale of footwear is confined to specialist niche products and high quality footwear. Some smaller shops that know the latest trends in fashion, sell designer footwear including (designer) sneakers in order to attract younger people to their stores. These are similar in many ways to boutiques.

5. Boutiques sell special footwear collections and associated fashion accessories (bags, belts, leather goods, shawls etc..). In recent years, the consolidation of large luxury goods groups has led to new brands being launched. Luxury fashion houses sell through *exclusive boutiques*, selling their entire portfolio and control them strictly under a central management system. On the other hand, mainstream fashion houses often sell to *general boutiques* that carry some brands aimed at their target group. They sell a limited range of footwear, usually sourced from third parties, and act more independently. Importers and agents are their main source of supply.

6. Sports and leisure retailers have grown along with the growth of out-of-town shopping centres. They carry the major sports footwear brands and their main target groups are recreational sportsmen or women looking for footwear for practicing sports or for leisure. Sports chain stores are usually very large, sized between 2,000 up to 10,000 m² – sometimes with sports facilities. Smaller sports shops are often linked to buying groups of which Intersport (offering 'expert advice' on sports) and Sport 2000 (more fashion focussed, selling more footwear for leisure) are well-known in Europe.

7. Clothing specialists are a very diverse group ranging from luxury boutiques to hard discounters or second-hand stores. International clothing chains, which dominate this category, also sell footwear. Clothing specialists have their own branded collections based on their seasonal fashion collections.

A large part of their products are sold via their interactive internet sites where consumers can create their own look and have the products delivered fast via distribution centres.

Consumers often buy footwear along with new clothes as part of a total outfit. Well-known clothing chains include H&M, Zara, Next, Caroll, Kookai, Didi, Guess, Cacharel, Cortefiel and Mango in Europe.

Marmaxx, Nordstrom, Ross, GAP are the largest clothing chains in the US. See other clothing chains at https://www.chainstoreguide.com/static_content/pdf/Apparel_Top_100.pdf

Discount clothing retailers have been successful due to the recession, particularly retailers such as New Look, Primark and Matalan in Europe.

The mixed retailers group includes other retailers where – similar to sports and clothing retailers – footwear is just one of many products categories they handle. This group includes department stores, mass-merchandisers, super/hypermarkets, discounters, factory outlets and market stalls. They buy from specialised importers/wholesalers or direct from foreign manufacturers.

Department stores are important in this market and accounted for 13% of the global footwear market, valued at US\$ 44 million in 2015. They often buy fashion driven footwear directly from importers or manufacturers. The supplier takes the risk if they do not sell. At the start of a business relationship, department stores place small orders, then if the item starts selling, large orders follow. They usually have footwear departments and concessions (shop-in-shop) in their stores.

Mass merchandisers are very large stores offering a range of product categories such as footwear, clothing, fashion accessories, furniture, home appliances, stationery and food. They are common in the USA where Wal-Mart operating 2,500 stores, K-Mart (1,290 stores) and Target (1,242 stores) dominate. Most of them also operate discount stores and super centres (more than 50,000m²).

Hypermarkets, supermarkets and discounters have become more important since the recession. By importing medium-low quality footwear from China or Vietnam, they contributed to increased price competition in the whole market. They offer very low prices by spreading their risks, as they also sell other products. Like most department stores, discounters concentrate on low-priced fast-moving footwear for the whole family. Hypermarkets such as Metro and Aldi (Germany), Tesco (UK) or Carrefour (France), have footwear manufactured in low cost countries under their own brand.

The growth of textile discounters selling footwear has been considerable with some trading up to 'convenience discounters'. They target consumers doing their weekly shopping in their stores.

Street markets are important in the economical segment and are well represented in Asian and African countries. They sell stocks of outdated footwear from manufacturers, importers, wholesalers or other retailers. They do not

import. Cheap Chinese imports and counterfeit footwear are mostly sold here.

Internet sales have grown enormously from a 4% share in retail sales in 2010 to 11% in 2015. The websites of Pure Play internet retailers as well as omni-channel retailers have been greatly improved by interactive software offering great choice and convenience. Footwear can be 'designed' with easy-to-use software, shoes can be digitally printed and delivered in a short time. In addition, multinational e-tailers such as www.amazon.com have capitalized on consumers' shortage of time for shopping. You can now purchase multiple sizes of the same product and simply return the unwanted stock.

The Internet is also a significant resource for price comparisons. Internet retailing will continue to evolve at the expense of traditional shopping options, forcing them to change their role e.g. by more specialisation or more client service. In order to be sure about fit, comfort and quality, consumers still like to try on shoes before buying, suggesting a potential limit on the growth of online footwear sales.

SELECTING YOUR BEST CHANNEL INDIRECT OR DIRECT?

The first decision you have to make is whether to approach your new market directly or indirectly.

- **INDIRECT.** This means all export activities are taken care of by a dedicated importer, wholesaler or agent – see earlier in this section. For luxury footwear, distribution is still via agents, importers on to specialised retailers or to department stores. However for the medium and economical segments, the distribution channels are quite diverse.
- **DIRECT.** Buyers from department and chain stores are constantly looking for new products either through their own purchasing staff travelling around or via consultants or agents in developing countries. As margins are under pressure, they look for ways to cut out importers/wholesalers. Dealing direct enables greater transparency and facilitates sustainable sourcing projects. You can approach retailers direct, but keep in mind that they have many legislative and other requirements, as well as strict delivery schedules that may be challenging from Nepal.

When dealing direct with retailers, ask yourself:

- Which channel corresponds best to your footwear and your target group?
- What is their buying policy, sales philosophy and where do they operate?

- Do you have the required sales staff (relationship management), logistical systems (stock keeping, fast delivery) and human resources (order control, customer service) to deal directly?
- What are the respective costs (margins involved, listing fees) involved with each channel?
- What are your risks (e.g. losing control) when dealing with your selected channel?
- Dealing direct with retailers is usually more time consuming.

Large retailers like to control the supply chain

Large retailers like to have control over the supply chain. They try to avoid middlemen and cut costs. They often want to be heavily involved in your production. Because of their large order volumes, they largely determine your margins. The advantage for you is that they are well equipped to effectively manage your margins, quality and profits. Also, they can more or less guarantee business. The big disadvantage is that your profits are minimal and you are vulnerable if they change supplier.

Medium-sized retailers offer bigger margins and want more involvement. They usually do not commit themselves to volume levels that will bind suppliers or facilitate supply chain control. Their main focus is on the link in the supply chain nearest to themselves: the producer of the finished product. Here, suppliers are less loyal and the potential for profits is greater. These buyers rely more on input in terms of design, development and material sourcing. Brands and wholesalers operating in this segment will usually require sample support. This means that as a supplier you must have the facilities to do this.

Table 5 Order and delivery models in the Footwear retail supply chain

FOOTWEAR RETAILER	TYPE OF FOOTWEAR	ORDERING AND DELIVERY
Medium to large retailers Footwear brands	Basic product (with little or no variation on price, look or quality)	<ul style="list-style-type: none"> • Continuous production & Supply • Low production cost, high volumes, • maximum margins
	Fashion shoes	<ul style="list-style-type: none"> • Lower volumes • More frequent buying moments per year (often 4 moments, with 2 main collections and 2 interim collections) • Rapid trend response is often based on short delivery times

Small retailers Multi-brand retailers	Basic branded product	<ul style="list-style-type: none"> • Product range based on a brand whose popularity generates high volumes
	Fashion shoes	<ul style="list-style-type: none"> • Pre-orders consisting of existing collections are placed twice a year • Seasonal items can be added throughout the year

Small retailers offer you the highest profit potential

Small, independent footwear retailers in Europe usually lack the volume needed for placing direct orders in Asian or other developing countries. Service levels are also different in this segment. The right of return, consignment agreements and extended payment terms are fairly common. The upside is that the profit potential is greater here than in any other segment. Suppliers here are often importers who stock these smaller buyers under an independent brand.

Footwear brands like to buy several collections every year

Footwear brands (Nike, Adidas etc.) mainly focus on the fast fashion market. This means they will often buy multiple collections every year. Brands can operate in different segments, from high- to low-end. Doing business with brands means you must have short production and delivery times and offer a lot of flexibility to adapt to every new collection.

Typically, footwear brands will want you to produce a salesman's sample (SMS). These are samples you have to make (often for a fee of FOB x 1.5 or 2) before the brand places an order. The brand's salesmen use them to collect orders that will finally be placed with you as a supplier.

Always consider carefully the advantages and disadvantages of working with each channel. For example, a department store which sells to all consumer segments might demand large volumes that exceeds your capacity. On the other hand, work together with your partner companies in order to meet their request. Buyers from department stores usually look for a longer term business relationship. You also may have a chance to get exposure in a special 'Nepalese handmade footwear corner – made of felt' during special seasons.

A small footwear shop selling to e.g. socially conscious consumers, seems a much more interesting channel. They might ask you to supply them direct from Nepal. Even if they operate in a niche market, competition from online retailers continues, so you are vulnerable if their business does not survive.

Dealing direct with consumers

As a footwear manufacturer, you could also sell direct to consumers who are now very familiar with online shopping. An example is China's Neo-Concept that has made the transition from production to direct factory-to-consumer sales. This small manufacturer has grown into an international corporation with production, design and sales in China, Cambodia and Europe.

Note that direct selling to consumers needs investment in sales and promotion. Dealing with many small customers involves much correspondence, handling, invoicing and after-sales service.

Online sales

The online sales channel continues to grow in importance. The following options exist:

- *Create your own web site with a possibility to sell online.* Buyers increasingly look first at the website of a new supplier before talking to a new supplier.
- If you do not have time, you could sell your collection to an online retailer who is looking for new products – some interesting online retailers are given at the end of the country sections.

IDENTIFYING POSSIBLE TRADE PARTNERS

Finding trade partners. You can find them **via trade fairs** (catalogues), local trade organisations, *Chambers of Commerce*, *Trade directories* (internet or in business libraries) or *online telephone directories* (yellow pages).

Checking on interesting trade partners by checking their company's website (organisation, type of footwear, target groups, regions, to whom they sell) and financial stability via www.dnb.com.

Create interest and build the relationship. Tell the interested trade partners that you are studying their market and currently are working on a specific collection for your target group.

- **Contact them** and say that you will visit his/her market shortly and would like to show your new collection that is focussed on his/her market.
- **Try to get an appointment for a visit.** Often you need to contact them several times.
- **Communicate with them.** It is important that you communicate well with the buyer. Are you both speaking a mutual language? English is often spoken in the selected market, although Japanese is preferred in Japan.
- **Follow up with them after the first contact** (personal or written) and keep the relationship active by keeping

them informed regularly about your business and new product development.

A few hints:

- Visit a retailer on spec. Just tell them the period you are visiting his/her country and hope they are free when you visit. However, if you are doing business with them a fixed appointment will be better.
- Minimize the risk of theft or robbery by carrying your samples not too obviously.
- Be careful not to disclose too much to partners – especially fashion boutiques/fashion houses, who are not seriously interested. They may copy your ideas!
- Make notes about your visit and send a confirmation of the agreed issues to your trade partner.
- When receiving orders try to be as clear as possible about delivery dates, methods, payment, returns and all other related details. Mention this on the order form.
- Large retailers have complex procurement procedures which outline the quantities, pricing, discounts, delivery timing throughout the year, agree specifications, code of conduct etc etc. Their procedures are very demanding and time consuming, especially for the first order.

Samples

- Some buyers want you to send samples before giving the order. Sample shipments are very expensive. Try to judge from the buyers' explanation why he needs them and if it is really worth your investment.
- If you promise to send a sample, do it quickly. This creates trust with your buyer. Internet retailers will always ask you to send samples long before the delivery of the order, as they have to put clear and appealing photos made by a professional photographer on their site before the actual sales starts. In this case, make sure you have already received their order.

11.7.4 PROMOTION STRATEGY

As a newcomer, make sure potential buyers know who you are and what you can offer so that they can call on you as soon as one of their existing suppliers falls short. Relentless promotion pays off.

Almost no promotion was done by Nepali companies in export markets, with the exception of India. Consumers in the other selected markets are not familiar with footwear from Nepal. If they see some promotion or photos, they cannot distinguish between footwear from Nepal and other Asian countries. Hence, increasing the awareness of 6404 footwear and footwear of leather, felt

or other natural material made in Nepal, will be a crucial step to creating awareness and a positive image. This is greatly helped by a recognisable collective brand, clearly communicated to buyers and consumer groups in export markets as well as in the domestic market. There is already a 'Made in Nepal' logo developed by LGFMAN which is a step in the right direction.

There are the following cost-effective promotional tools:

Trade shows

This is one of the most important tools if you start exporting. In this sector, trade fairs are often the place where new fashion trends are introduced. Here fashion shows often take place and while not every key buyer will attend a trade show, there are many who still go there as not all business can be done digitally. Important benefits of trade fairs include:

- *Personal relationships and face-to-face communication*, very important in this sector, particularly due to the tactile and visual nature of the products.
- Concentration of buyers and sellers in one location. Most sellers are receptive to speak with you and provide information. Although buyers are often visiting a pre-selected number of stands, you have an opportunity to make an appointment with them beforehand.
- Direct feedback and ability to gain a rapid insight into the market. Current issues in the industry are discussed at e.g. seminars.
- Ability to test your own performance against competitors and learn at first-hand how to improve your chances for success by e.g. looking at large companies or companies similar to yourself (what is their marketing mix).

You will have to consider the attractiveness of a trade fair in reaching potential new customers against the relative *expense of participation*. However, with proper *planning*, or perhaps working in conjunction with partner companies, you can share the costs.

When participating, think about:

- *The design of your stand*, ensuring that it is visitor friendly and presents your footwear collection in the best possible light.
- *The communication, advertising and invitations* at least one month before the show starts in order to ensure that your key target customers will visit your stand.
- *Having the proper materials in English or in the appropriate language* to hand out and enough information at the stand to answer all potential questions.

- *Whether you are organised to follow-up all questions and possible interest* by collecting the business cards of all people who visited your stand.

If you cannot afford a stand at a trade fair, you may find it valuable just to *attend a trade fair as a visitor*. Although you will not be able to sell anything, you will meet other footwear personnel. You will often find that the leading footwear and clothing trade press exhibit at trade fairs, and they can be a very useful source of information. An overview of the main footwear trade shows can be found at <http://www.biztradeshows.com> search for "footwear" or 'Leather and leather goods'.

Study visits and buyer-seller meetings

Nepalese exporters have limited access to most of the selected countries (except India or Bhutan), so visits will be useful to get a better idea of how to export. A study trip to Vietnam has already taken place, which provided many ideas for improving the Nepalese industry. Exporters can become more familiar with buyers' requirements, trends and new production techniques. Government representatives should also be involved and create ways to improve trading relations, simplifying procedures and reducing import duties. The LGFMAN or FMAN could initiate such visits. New contacts can be made and participants can see how footwear is made, how components are sourced and how footwear is exported. Additional facilitation can be provided for meetings with the Chamber of Commerce in these countries and for buyer-seller meetings to establish business relations and building trust. These visits can be combined with trade fairs and/ or conferences.

Website

Going online is fundamental. Taking into account that trust and credibility are major challenges for Nepalese exporters, your website could help address this. A website showing a well-presented range, unique selling propositions, contribution to sustainable development in Nepal, a newsletter and a list of other customers, helps to create a trust. You have the following options here:

- *Create your own web site with possibility to sell online*. Buyers look at websites of a new supplier.
- *Create a simple 'shop window' to present your company online*. There are several special sites with tutorials to create your own site free or at very low costs. For example, www.joomla.org have 'templates' with a structure of a standardised website. Making it more professional and user friendly takes time, especially if you want to sell online.
- You probably could ask a free-lance web developer in Nepal or in your export market.

- *The use of pictures.* In both cases, it is very important to use good pictures, ideally in a consistent format. With an online photo editing programme e.g. <https://pixlr.com/editor/> you can reduce the file size to enable fast viewing and smooth page changing.

Catalogue or brochure

It is essential that you are able to show good clear photographs of your footwear range/collection and close-ups of each shoe, together with their key descriptions. You will use this to send to customers (perhaps in a mailing campaign) or to show them in a presentation. You can include a case study of e.g. women employees—each having their own story. Find out how your competitors have produced their brochure. You will see many different types of brochures at trade fairs.

Role of online blogs and social networks

Fashion trends, including footwear, are finding new ways to become known through online blogs. This is a form of online word of mouth. New trends are also spread on fashion blogs such as

<https://www.kicksonfire.com/> <http://www.notey.com/blogs/fashion-stories?page=2>

<https://www.trendhunter.com/trends/nike-free-orbit-ii-sp>

Trends can be also spotted by online video such as www.Youtube.com or by www.pinterest.com which is a free tool to look for similar shoes as your own, or for inspiration for new shoes.

Other blogs, footwear bloggers or footwear groups can be found via social networks such as Facebook, LinkedIn, Google+ and many others. Advertising is used in these networks. It certainly can create a rumour or buzz about your company or footwear, which can be positive, or negative!

The celebrity influence

Marketing in the footwear sector is moving from pure product promotion towards more lifestyle promotion. Celebrities continue to set trends in fashion. Music styles such as Latin, Punk, Hip Hop, club and RAP have their specific dress codes with shoes being an important accessory e.g. chunky soles, vintage footwear, luxury/shiny, golden, coloured sneakers (Rap, Hip Hop), brogues with sturdy leather uppers, rocker shoes, punk/gothic footwear, retro footwear etc.... Young people in particular want to dress like their favourite celebrity—see also at <http://www.instyle.com/fashion>



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Footwear for charity

Other celebrities or big footwear brands draw attention to donate footwear for charity purposes for example via the NGO Soles4Souls (<https://soles4souls.org/>) which is a Nashville-based charity, founded in 2006, that collects new and used shoes and redistributes them through direct donations to people in need and through micro-enterprise partners or in cooperation with large footwear companies such as Sketchers. Collaboration could be sought with Sketchers as they donated footwear to people in Nepal after the earthquake.

62,000 pairs of shoes for Nepal by Sketcher's BOBS Charity

Through the company's charitable footwear donation programme, BOBS from Skechers, thousands of pairs of new shoes will be donated to support affected children. Working with donation partners K.I.D.S./Fashion Delivers and Soles4Souls, more than 62 000 pairs of BOBS from Skechers donation shoes will be transported to Nepal to aid victims of the earthquake. The first delivery of more than 36,000 pairs is scheduled to arrive in the country in the current month. Another container of 26,000 pairs will arrive in Nepal for distribution in August.

"BOBS was created as an ongoing programme to help children in need around the world, but when a natural disaster strikes we need to step up even more to help families affected by these tragedies", stated Skechers President Michael Greenberg, adding: "With reports of more than 300,000 homes destroyed, 16,000 people injured and thousands of lives lost, we need to do our part to help the people of Nepal rebuild. The need for food, water and shelter is critical, but shoes to protect a child's feet can offer a feeling of comfort and safety in the midst of a chaotic disaster zone. We are happy to work with our charitable partners K.I.D.S./Fashion Delivers and Soles4Souls to transport BOBS shoes into Nepal, and we hope this donation will help thousands of children in need."

Advertising

While the Internet is now used extensively, and cross-media advertising is increasingly common, many buyers continue to read the trade press, or the online equivalent, in order to keep informed of industry news, trends and developments. With advertisements, you are in control of the content, although they can be expensive to produce and require repetition to be effective.

- There are less expensive ways to feature in the trade press, such as press releases or advertorials, but you have less control over the final content in these cases.
- You can also place cheap advertisement in trade magazines in order to find trade partners.

In store promotion. Consumers are increasingly looking for more in their shopping experience. In order to compete with the online retailers, retail chains do all they can to capture the attention of consumers with store and shopping mall refurbishments, new store openings such as pop-up stores, and in-store entertainment, for example by special launches of new collections with models, or by parties with DJs, or by VIP nights.

Promotion by Newsletter to stakeholders

Promotion to all organisations and Ministries and all stakeholders involved in the development of the footwear industry via newsletter, sent out regularly showing what has been achieved so far, news about developments in the trade and stories of (women) employees. Transparency in efforts by Ministries, NGOs and INGOs creates awareness of each-others' efforts resulting in more cooperation and prevention of duplication or wastage.

Joint promotion in Nepal. More exposure can be given via a one stop showroom for exportable items from Nepal. This could be in e.g. Kathmandu or at permanent exhibitions in the export market to be controlled by a trusted trade partner.

Collective Brand and Brand identity

The collective 'Made in Nepal' brand will certainly contribute to a recognition of Nepal as a genuine footwear maker with a long tradition and expertise in 6404 footwear, leather footwear and footwear of natural materials.

For finding a good brand name for individual companies try to clarify what your identity is in the eyes of your target segment. Your brand name and logo should for example clearly reflect:

- the culture of Nepal or the nature of Nepal
- the long tradition in handicraft (if relevant)
- the uniqueness of the materials you use in your footwear (if any).
- the personality or character of your consumers combined with those of your company.
- the vision for sustainability of your footwear.

The trick here is to be distinctive from other Asian countries and to identify yourself or your company by a clearly recognisable brand that consumers can remember easily.

Communication and Openness to buyers

If you are already exporting, do everything you can to avoid mistakes and to keep in step with your buyers' demands. If you anticipate problems, communicate clearly

and openly with your buyer, inviting him to help you find a solution. Finally, buyers do not like switching to new suppliers because of the cost and risk involved.

Factory tours

When buyers are visiting your factory they expect a tidy and organised workplace. Try to clean up untidy corners of piled up components or shoe boxes. Don't let them see large drums of glue or jerry cans with chemicals. Bad health protection for women workers will give buyers a bad impression. Make sure employees use masks (e.g. for women working with glue) and thin gloves even if women are reluctant to do this.

Showing your system for recycling parts of footwear, purification of waste water (filtering system) and showing a high working spirit all improves your credentials in the eyes of buyers.

PRODUCT COVERAGE AND STATISTICAL CODES



ANNEX 1

ANNEX 1 PRODUCT COVERAGE AND STATISTICAL CODES

Footwear is defined as “all articles designed to protect or cover the foot, with a fixed outer sole which comes into contact with the ground”. Footwear is sub-divided in this survey as follows:

By material	By user	By type
<ul style="list-style-type: none"> • 6401 – Footwear; waterproof, with outer soles and uppers of rubber or plastics, (uppers not fixed to the sole nor assembled by stitch, rivet, nail, screw, plug or similar) • 6402 – Footwear; with outer soles and uppers of rubber or plastics (excluding waterproof footwear) • 6403 – Footwear; with outer soles of rubber, plastics, leather or composition leather and uppers of leather • 6404 – Footwear; with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials • 6405 – Footwear; other footwear nes in chapter 64 • 6406 – Footwear; parts of footwear; removable in-soles, heel cushions and similar articles; gaiters, leggings and similar articles, and parts thereof. 	<ul style="list-style-type: none"> • Women’s footwear • Men’s footwear • Children’s footwear 	<ul style="list-style-type: none"> • Sneakers (trainers) • Sports footwear (fitness, Tennis, other sports) • Fashion/Stylish • Summer (sandals, flipflops) • Winter (casual) • Ethical / ECO • Indoor • Other special footwear (Army, Police boots, Outdoor boots, jutti’s etc..) • Footwear parts

It was agreed to focus on the product group 6404 that currently (2017) takes up the largest part of Nepal footwear exports. However, footwear made of leather is produced by a number of small companies whose exports is still insignificant. Therefore, footwear made of leather will be covered to some extent. The same applies for (indoor) footwear made of felt with fast rising exports.

STATISTICAL CODES

Footwear (HS code 6404) includes the following three main product groups:

	HS codes	Description
FOOTWEAR WITH OUTER SOLES OF RUBBER OR PLASTICS	640419	Footwear with outer soles of rubber or plastics and uppers of textile materials (excl. sports footwear, incl. tennis shoes, basketball shoes, gym shoes, training shoes etc., and toy footwear).
	64041990	Footwear (): Of rubber/plastic sole and uppers of textile: Other (Most exports by Nepal)
	64041920	Footwear (): Of rubber sole with leather cloth uppers
	64041910	Footwear (): Of rubber sole with canvas upper (India) (some exports by Nepal)
	64041910	Slippers – outer soles rubber/plastic and uppers of textile (only for the European market)
SPORTS FOOTWEAR	640411	Sports footwear, incl. tennis shoes, basketball shoes, gym shoes, training shoes etc., with outer soles of rubber or plastics and uppers of textile materials.
	64041190	Sports footwear, incl. (): Having the upper parts of other fabrics (Exports by Nepal)
	64041120	Sports footwear, incl. (): Of rubber sole with leather cloth uppers
	64041110	Sports footwear, incl. (): Canvas shoes having the upper parts of cotton (Exports by Nepal)

FOOTWEAR WITH OUTER SOLES OF LEATHER OR COMPOSITION LEATHER AND UPPERS OF TEXTILE	640420	Footwear with outer soles of leather or composition leather and uppers of textile materials (excl. toy footwear).
	64042010	Slippers outer sole of leather and uppers of textile (Europe)
	64042090	Footwear outer sole of leather and uppers of textile (Europe)
Different HS codes FOR 6404 and detailed sub-groups		
USA	100, 50 and 12 sub-groups for the three HS codes	
Taiwan	10 subgroups for each HS code	
Japan	3 subgroups for 2 HS codes	

Interpretation of trade statistics

Please note that there are several unregistered trade flows - especially of footwear - from Nepal to India and from Nepal to China. Therefore, the trade statistics given in this report are useful to compare developments in these countries for the different types of products. However, they must be interpreted and used with extreme caution.

On the other hand, the registration of trade is compulsory and more strictly controlled between between Nepal and USA, Germany, Japan, Malaysia or the rest of the world. Even if trade statistics are more accurately represented, imports do not reflect domestic demand due to the presence of international trading companies who re-export to other countries. The USA is a large re-exporter to sneakers and sports footwear to Canada, Mexico and Europe, while Germany (adidas) re-exports sports footwear to Austria, Switzerland and other countries.

DETAILED IMPORT STATISTICS



ANNEX 2

ANNEX 2 DETAILED IMPORT STATISTICS

Table 1 Ten largest world importing countries in US\$ 1,000 in 2015 and tendencies 2011 - 2015

6401 - WATERPROOF	6402 - RUBBER/ PLASTIC	6403 - LEATHER	6404 - TEXTILE	6405 - OTHER UPPERS
USA (13%) ↗↗	USA (23%) ↗	USA (25%) ↗	USA (23%) ↗↗	Germany (17%) ↗↗
Japan (12%) ↘	Germany (7%) ↗↗	Germany (8%) ↘	Germany (8%) ↗↗	USA (16%) ↘↘
Saudi Arabia (8%) ↗↗	Japan (6%) ↘↘	UK (7%) ↗	Japan (6%) ↗↗	UK (6%) →
UK (6%) ↘	France (5%) →	France (6%) →	France (6%) ↗↗	France (5%) ↗↗
Germany (5%) ↘	UK (5%) ↗↗	Italy (5%) ↘↘	UK (6%) ↗↗	Singapore (3%) ↘
France (5%) ↘	UAE (3%) ↗↗	Hong Kong (5%) ↘	Italy (4%) ↗	Japan (3%) ↗
Hong Kong (4%) ↗↗	Italy (3%) ↗	Netherlands (4%) ↗	Spain (3%) ↗↗	Italy (2%) ↘
Italy (4%) ↗	Spain (3%) →	China (3%) ↗↗	China (3%) ↗↗	Canada (2%) ↗
Canada (3%) ↗↗	Netherlands (2%) ↗	China (3%) ↗↗	S. Korea (2%) ↗↗	Slovakia (2%) ↗
Netherlands (2%) ↘	Russia (2%) ↘↘	Japan (2%) →	Canada (2%) ↗↗	Spain (2%) ↗↗
.....	Canada (2%) ↘
India (0.6%) ↗↗	India (0.5%) ↗↗	India (0.4%) ↗↗	India (1.3%) ↗
		India (0.1%) ↘↘		
1,605,168	30,763,595	54,248,208	29,545,988	4,448,971
No exports by Nepal	Nepal exported 228 to India (2015)	Nepal exported US\$ 6 to Malaysia and Thailand (2015)	Nepal exported \$ 17,050 mostly to India (2015)	Nepal exported \$ 24 to Japan, India, Germany and some to Latvia, Bhutan and Belarus

↗↗ = CAGR more than 5% between 2011 and 2015

Selected countries

Source: ITC Trademaps (2017)

Table 2 USA - Footwear imports by product groups, 2012-2016,

Value in \$ 000 / volume in pairs (note USA volume figures not available for 2014)

	2012		2015		2016		value share (2016)	CAGR*	volume share (2016)
	value	volume	value	volume	value	volume			
Total Footwear 6400	24,863,320	2,290,827,063	28,735,661	2,496,315,283	26,552,471	2,341,719,830	100%	+2%	100%
6401 Footwear waterproof	161,706	15,132,391	211,821	20,288,473	164,716	16,476,365	0.6%	+0.5%	0.7%
6402 Footwear / rubber/ plastic	7,136,804	967,335,779	7,341,257	981,948,270	6,268,395	859,796,184	23.6%	-3%	36.7%
6403 Footwear rub/plas outers/ leather uppers	12,221,038	585,627,707	13,368,799	586,399,093	11,629,605	515,312,820	43.8%	-1%	22.0%
6404 Footwear / textile uppers	4,000,009	487,321,491	6,688,927	714,394,112	7,388,797	738,892,687	27.8%	+17%	31.6%
640411 Sports footwear	1,194,389	95,173,723	2,961,224	207,289,017	3,603,747	245,640,442	-	+32%	-
640419 Rub/plas outers, text uppers	2,599,981	382,253,666	3,552,850	500,278,442	3,610,903	487,398,125	-	+9%	-
640420 leather outers text uppers	205,639	9,894,102	174,854	6,826,653	174,147	5,854,120	-	-4%	-
6405 Footwear other (woodetc)	874,212	235,409,695	697,493	193,285,335	701,312	211,241,774	2.6%	-5%	9.0%
6406 Footwear parts	469,551	24,902**	427,364	23,397**	399,646	22,500**	1.5%	-4%	

**tons (not pairs)

Table 3 USA - Imports of footwear with textile uppers and main supplying countries, 2012-2016,
Value in \$ 000 / volume in pairs

	2012		2015		2016		value share (2016)	CAGR*	volume share (2016)
	value	volume	value	volume	value	volume			
6404 Footwear / textile uppers	4,000,009	487,321,491	6,688,927	714,394,112	7,388,797	738,892,687	100%	+17%	100%
Top 15 suppliers	3,972,182	485,964,025	6,649,935	712,280,882	7,339,001	736,313,199	99.3%	+17%	99.7%
China	3,172,960	418,606,796	4,410,037	546,799,906	4,341,978	527,180,344	58.8%	+8%	71.3%
Vietnam	482,484	46,904,201	1,478,356	116,187,631	2,031,504	144,845,081	27.5%	+43%	19.6%
Indonesia	124,112	10,788,456	414,039	29,056,889	538,613	37,427,232	7.3%	+44%	5.1%
Italy	93,341	1,404,812	128,091	2,167,958	143,438	2,331,265	1.9%	+11%	0.3%
India	8,693	2,291,773	36,147	4,529,981	75,988	7,574,768	1.0%	+72%	1.0%
Cambodia	3,003	257,435	32,668	3,487,144	54,160	6,454,146	0.7%	+106%	0.9%
Mexico	17,370	1,673,842	25,911	2,497,235	30,286	2,091,469	0.4%	+15%	0.3%
Thailand	19,714	1,682,021	29,130	2,290,958	25,227	1,943,225	0.3%	+6%	0.3%
DominicanRep	10,863	382,760	20,237	1,796,162	24,159	2,452,167	0.3%	+23%	0.3%
Spain	20,581	502,817	28,059	583,291	21,666	481,212	0.3%	+1%	0.05%
Taiwan	7,841	403,651	21,813	808,202	21,413	1,082,822	0.3%	+29%	0.1%
Hong Kong	6,820	536,517	8,968	841,193	8,476	1,421,351	0.1%	+6%	0.2%
S Korea	1,697	112,876	1,405	100,429	7,887	299,008	0.1%	+47%	0.04%
Israel	55	4,353	4,770	81,915	7,296	138,490	0.1%	+239%	0.02%
El Salvador	2,648	411,715	10,304	1,051,988	6,910	590,619	0.1%	+27%	0.08%
Other Asian suppliers of which:	1,320	126,883	7,140	673,702	8,917	714,886	0.1%	+61%	0.1%
Bangladesh	344	43,105	4,291	428,711	3,957	403,048	0.05%	+84%	0.05%
Myanmar	0	0	413	27,429	1,473	141,867	0.02%	+++%	0.02%
Singapore	196	6,670	11	149	1,364	73,149	0.02%	+62%	0.01%
Japan	623	56,723	848	73,346	681	28,040	0.01%	+2%	0.0%
Pakistan	85	11,268	286	35,078	536	26,738	0.01%	+58%	0.0%
Philippines	27	7,300	403	65,306	467	24,655	0.01%	+104%	0.0%
Macao	36	1,013	719	30,325	350	12,472	0.01%	+77%	0.0%
Laos	0	0	0	0	72	3,059	0.0%	+++%	0.0%
Nepal	4	506	62	5,758	9	1,464	0.0%	+22%	0.0%
Mongolia	0	0	0	0	7	101	0.0%	++%	0.0%
Sri Lanka	0	0	93	5,070	1	292	0.0%	++%	0.0%
Malaysia	5	298	14	2,530	0	1	0.0%	--%	0.0%

*Compound Annual Growth Rate 2012 – 2016
Germany 2012/14 volume. 2016 pairs

Source: ITC Trademaps (2017)

Table 4 Germany - Footwear imports by product groups, 2012-2016,
Value in \$ 000 / volume in tons (2012, 2014) and pairs (2016)

	2012		2014		2016		value share (2016)	CAGR*	volume share (2016)
	value	volume	value	volume	value	volume			
Total Footwear 6400	8,782,293	350,008	10,864,242	409,143	10,519,784	653,608,873	100%	+5%	100%
6401 Footwear waterproof	75,832	8,969	94,300	10,890	80,196	10,258,588	0.8%	+1%	1.6%
6402 Footwear / rubber/ plastic	1,845,693	107,393	2,370,312	124,380	2,289,751	210,726,541	21.8%	+6%	32.2%
6403 Footwear rub/plas outers/ leather uppers	4,465,113	124,253	5,090,639	134,314	4,252,417	161,293,033	40.4%	-1%	24.7%
6404 Footwear / textile uppers	1,446,624	77,580	2,144,000	103,656	2,701,136	220,107,679	25.7%	+17%	33.8%
640411 Sports footwear	524,175	20,703	1,068,558	37,783	1,491,337	71,832,720	-	+30%	-
640419 Rub/plas outers, text uppers	902,394	56,459	1,049,415	65,482	1,188,393	147,613,304	-	+7%	-
640420 leather outers text uppers	20,055	418	26,027	391	21,406	661,655	-	+2%	-
6405 Footwear other (woodetc)	430,441	11,696	645,920	14,641	761,239	51,223,032	7.2%	+15%	7.8%
6406 Footwear parts	518,590	20,117	519,071	21,262	435,045	19,283**	4.1%	-4%	-

**tons (not pairs)

Table 5 Germany - Imports of footwear with textile uppers and main supplying countries, 2012-2016,
Value in \$ 000 / volume in tons (2012, 2014) and pairs (2016)

	2012		2014		2016		value share (2016)	CAGR**	volume share (2016)
	value	volume	value	volume	value	volume			
6404 Footwear with textile uppers	1,446,624	77,580	2,144,000	103,656	2,701,136	220,107,679	100%	+17%	100%
Top 15 suppliers	1,362,118	73,076	2,053,415	100,072	2,603,845	202,911,581	96.4%	+18%	92.2%
China	780,323	49,713	969,599	58,363	824,823	117,242,884	30.5%	+1%	53.2%
Vietnam	217,077	10,070	455,461	6,079	441,338	29,282,039	16.3%	+19%	13.3%
Belgium	9,467	299	23,756	499	309,672	10,026,387	11.5%	+139%	4.5%
Netherlands	42,609	2,091	123,389	8,003	224,969	7,030,949	8.3%	+51%	3.2%
Indonesia	84,782	3,510	156,704	5,912	144,697	8,361,964	5.4%	+71%	3.8%
Italy	62,340	2,000	77,074	1,976	133,417	5,352,742	4.9%	+14%	2.4%
Czech Republic	31,499	870	61,295	1,652	116,938	6,128,105	4.3%	+39%	2.8%
France	28,861	846	47,280	1,287	104,362	3,613,661	3.9%	+38%	1.6%
Poland	11,388	620	16,307	749	84,834	5,138,087	3.1%	+65%	2.3%
United Kingdom	18,978	423	26,198	468	71,800	2,293,785	2.7%	+39%	1.0%
Cambodia	25,327	1,261	43,750	1,993	42,330	3,263,514	1.6%	+14%	1.5%
Denmark	3,559	84	7,139	129	28,523	1,286,453	1.1%	+68%	0.6%
Slovakia	24,984	632	18,965	448	28,371	1,003,966	1.0%	+3%	0.5%
Spain	9,735	404	13,415	497	26,372	1,933,397	1.0%	+28%	0.9%
Austria	11,189	253	13,083	276	21,399	953,648	0.8%	+18%	0.4%
Other Asian suppliers of which:	29,520	1,171	36,252	1,595	41,164	3,760,919	1.5%	+9%	1.7%
India	7,849	310	13,360	452	15,056	883,140	0.6%	+18%	0.4%
Bangladesh	2,992	249	4,468	398	8,074	1,065,599	0.3%	+28%	0.5%
Thailand	8,770	290	10,417	367	6,835	639,614	0.2%	-6%	0.3%
Philippines	1	0	551	41	3,729	370,510	0.1%	++++%	0.2%
Myanmar	0	0	182	9	3,329	305,997	0.1%	++++%	0.1%
Hong Kong	1,221	48	2,235	134	1,376	55,111	0.05%	+3%	-
Pakistan	5,010	153	977	90	1,041	271,992	0.03%	-32%	0.1%
Taiwan	2,409	82	1,152	53	584	53,307	0.02%	-30%	-
S Korea	1,125	32	2,769	47	346	31,420	0.01%	-26%	-
Sri Lanka	19	2	36	1	277	57,718	0.01%	+95%	-
Laos	0	0	0	0	196	7,795	0.007%	++++%	-
Japan	91	2	47	1	178	4,870	0.007%	+18%	-
Nepal	17	1	46	2	105	12,347	0.004%	+58%	-
Malaysia	16	2	10	0	38	1,499	0.001%	+24%	-

**Compound Annual Growth Rate 2012 – 2016

Source: ITC Trademaps (2017)

Table 6 United Arab Emirates - Footwear imports by product groups, 2012-2016,
Value in \$ 000 / volume in pairs MIRROR DATA!

	2012		2014		2016		value share (2016)	CAGR*	volume share (2016)
	value	volume	value	volume	value	volume			
Total Footwear 6400	1,441,962	299,902,225	2,750,847	230,107,846	1,725,084	318,192,580	100%	+5%	100%
6401 Footwear waterproof	8,375	2,595,048	16,712	4,043,588	6,385	2,647,372	0.6%	-7%	0.8%
6402 Footwear / rubber/ plastic	612,512	217,668,431	1,022,600	119,622,575	768,199	210,953,819	44.5%	+6%	66.0%
6403 Footwear rub/plas outers/ leather uppers	488,107	24,876,318	647,252	26,481,397	499,081	23,440,814	28.9%	+1%	7.4%
6404 Footwear / textile uppers	150,506	33,803,324	326,022	54,470,917	387,775	66,551,288	22.5%	+27%	20.9%
640411 Sports footwear	25,060	2,500,000	57,691	7,500,000	44,847	4,500,000	-	+16%	-
640419 Rub/ plas outers, text uppers	116,856	30,500,000	254,704	46,000,000	325,673	61,500,000	-	+29%	-
640420 leather outers text uppers	8,592	603,631	13,626	821,110	17,255	551,288	-	+19%	-
6405 Footwear other (woodetc)	162,971	20,959,104	710,690	25,489,369	48,037	14,599,287	2.8%	-26%	4.6%
6406 Footwear parts	19,491	2,143**	27,571	2,638**	15,607	1,700**	0.9%	-5%	-

**tons (not pairs)

Table 7 United Arab Emirates - Imports of footwear with textile uppers and main supplying countries, 2012-2016, Value in \$ 000 / volume in pairs

	2012		2014		2016		value share (2016)	CAGR*	volume share (2016)
	value	volume	value	volume	value	volume			
6404 Footwear / textile uppers	150,506	33,803,324	326,022	54,470,917	387,775	66,551,288	100%	+27%	100%
Top 15 suppliers	142,399	32,963,468	317,186	53,573,266	377,229	65,696,310	97.3%	+28%	98.7%
China	86,560	27,179,407	204,674	45,000,000	243,383	56,662,536	64.5%	+29%	85.1%
Vietnam	14,226	2,500,000	34,026	3,000,000	45,000	2,800,000	11.9%	+33%	4.2%
Indonesia	6,280	600,000	15,680	1,200,000	15,000	1,100,000	4.0%	+24%	1.7%
Hong Kong	9,621	751,560	9,823	834,110	14,396	807,098	3.7%	+11%	1.2%
Italy	4,763	124,506	9,744	97,073	13,202	99,415	3.4%	+29%	0.1%
India	1,788	254,038	14,124	1,162,359	7,810	1,026,581	2.0%	+45%	1.6%
France	3,325	30,633	4,383	64,263	6,979	90,728	1.8%	+20%	0.1%
USA	3,589	258,812	7,057	300,000	5,795	326,711	1.5%	+13%	0.5%
Netherlands	2,227	69,230	2,069	59,891	4,638	135,396	1.2%	+20%	0.2%
Belgium	149	5,384	69	1,646	4,635	151,629	1.2%	+136%	0.2%
Thailand	3,020	701,748	4,337	779,093	4,352	777,427	1.1%	+10%	1.2%
Cambodia	1,227	100,000	2,847	150,000	4,250	200,000	1.1%	+36%	0.3%
United Kingdom	3,484	234,150	4,015	321,302	3,048	183,116	0.8%	-3%	0.3%
Turkey	370	54,000	1,331	366,844	2,401	1,229,112	0.6%	+60%	1.8%
Spain	1,770	100,000	3,007	236,685	2,340	106,561	0.6%	+7%	0.1%
Other Asian suppliers of which:	3,560	531,424	2,215	401,408	3,258	386,899	0.8%	-2%	0.6%
Pakistan	1,049	100,000	223	55,963	1,200	120,000	0.3%	+3%	0.2%
Singapore	1,105	134,722	539	54,958	1,000	120,000	0.3%	-2%	0.2%
Taiwan	1,032	261,736	952	222,540	466	83,319	0.1%	-18%	0.1%
Malaysia	311	27,046	272	29,024	326	26,976	0.1%	+1%	0.04%
Sri Lanka	0	40	0	57	200	30,000	0.05%	+++%	0.05%
S Korea	39	1,050	223	37,735	49	5,830	0.01%	+6%	0.0%
Philippines	24	6,820	4	1,031	14	584	0.0%	-13%	0.0%
Japan	0	50	2	100	3	190	0.0%	++%	0.0%

*Compound Annual Growth Rate 2012 – 2016

Source: ITC Trademaps (2017)

Table 8 Japan - Footwear imports by product groups, 2012-2016,
Value in \$ 000 / volume in tons (2012, 2014) and pairs (2016)

	2012		2014		2016		value share (2016)	CAGR*	volume share (2016)
	value	volume	value	volume	value	volume			
Total Footwear 6400	5,904,298	320,148	5,763,088	318,432	5,405,205	637,546,246	100%	-2%	100%
6401 Footwear waterproof	217,142	31,841	208,543	33,049	153,045	23,510,699	2.8%	-8%	3.7%
6402 Footwear / rubber/ plastic	2,344,043	144,136	1,954,307	122,916	1,722,141	210,596,810	31.9%	-7%	33.0%
6403 Footwear rub/ plas outers/ leather uppers	1,468,751	34,146	1,420,976	33,678	1,269,909	36,434,191	23.5%	-4%	5.7%
6404 Footwear / textile uppers	1,369,845	89,425	1,726,614	109,071	1,899,831	328,616,926	35.0%	+9%	51.5%
640411 Sports footwear	269,009	11,491	362,920	15,990	559,918	32,898,454	-	+20%	-
640419 Rub/plas outers, text uppers	1,086,989	77.850	1,349,455	93,010	1,323,519	295,620,501	-	+5%	-
640420 leather outers text uppers	13,847	84	14,239	72	16,394	97,971	-	+4%	-
6405 Footwear other (woodetc)	113,040	5,825	142,832	6,857	107,808	38,387,620	2.0%	-1%	6.0%
6406 Footwear parts	391,477	14,775	309,816	12,861	252,471	11,075**	4.7%	-10%	-

** tons (not pairs)

Table 9 Japan - Imports of footwear with textile uppers and main supplying countries, 2012-2016,
Value in \$ 000 / volume in tons (2012, 2014) and pairs (2016)

	2012		2014		2016		value share (2016)	CAGR*	volume share (2016)
	value	volume	value	volume	value	volume			
6404 Footwear with textile uppers	1,369,845	89,425	1,726,614	109,071	1,899,831	328,616,926	100%	9%	100%
Top 15 suppliers	1,354,951	89,127	1,713,309	108,779	1,891,345	328,311,908	99.6%	+9%	99.9%
China	1,084,648	77,601	1,269,471	89,777	1,162,015	279,351,672	61.4%	+2%	85.0%
Vietnam	104,061	4,040	200,132	7,973	377,497	24,798,993	19.9%	+38%	7.5%
Indonesia	84,854	4,943	107,817	6,314	194,778	13,574,980	10.3%	+23%	4.1%
Cambodia	8,848	407	26,741	1,248	43,595	4,464,130	2.3%	+49%	1.4%
Italy	22,910	180	29,356	213	37,365	275,691	2.0%	+13%	0.1%
Myanmar	2,953	206	10,465	817	21,740	2,069,945	1.1%	+65%	0.7%
Spain	14,396	294	25,026	605	12,587	631,791	0.7%	-3%	0.2%
Bangladesh	5,756	299	10,843	546	10,545	636,217	0.6%	+16%	0.2%
Thailand	4,857	140	6,484	252	7,391	542,870	0.4%	+11%	0.2%
Philippines	7,162	564	7,490	501	6,878	1,051,957	0.4%	-1%	0.3%
S Korea	4,686	144	5,690	153	3,715	255,442	0.2%	-6%	0.1%
Portugal	3,006	72	4,416	83	3,614	147,043	0.2%	+5%	0.05%
Taiwan	3,962	141	4,520	197	3,439	276,822	0.2%	-3%	0.1%
India	1,568	72	1,325	46	3,388	181,790	0.2%	+21%	0.05%
Romania	1,284	24	3,533	54	2,798	52,565	0.1%	+21%	0.02%
Other Asian suppliers of which:	370	9	547	16	134	9,686	0.005%	-22%	0.004%
Hong Kong	83	2	156	3	45	1,725	0.0%	-14%	0.0%
Malaysia	57	2	210	6	44	2,553	0.0%	-6%	0.0%
Pakistan	4	0	2	0	17	720	0.0%	+44%	0.0%
Nepal	12	0	179	7	15	1,821	0.0%	+6%	0.0%
Sri Lanka	0	0	0	0	10	2,507	0.0%	+++%	0.0%
Mongolia	0	0	0	0	3	360	0.0%	++%	0.0%
Laos	3	0	0	0	0	0	0.0%	---%	0.0%
Singapore	211	5	0	0	0	0	0.0%	---%	0.0%

*Compound Annual Growth Rate 2012 – 2016

Source: ITC Trademaps (2017)

Table 10 Malaysia - Footwear imports by product groups, 2012-2016,
Value in \$ 000 / volume in pairs

	2012		2014		2016		value share (2016)	CAGR*	volume share (2016)
	value	volume	value	volume	value	volume			
Total Footwear 6400	269,100	49,400,562	312,788	56,193,507	640,372	110,611,462	100%	+24%	100%
6401 Footwear waterproof	10,398	1,973,167	5,166	1,573,570	8,379	1,148,218	1.3%	-5%	1.0%
6402 Footwear / rubber/ plastic	74,451	17,584,073	93,852	25,910,902	206,029	56,956,908	32.2%	+29%	51.5%
6403 Footwear rub/ plas outers/ leather uppers	91,812	5,542,051	105,089	6,523,756	169,834	11,405,326	26.5%	+17%	10.3%
6404 Footwear / textile uppers	52,871	18,968,411	75,617	19,189,965	223,418	37,743,313	34.9%	+43%	34.1%
640411 Sports footwear	14,278	2,249,071	27,122	2,656,010	70,692	5,508,513	-	+49%	-
640419 Rub/plas outers, text uppers	37,613	16,616,996	46,916	16,240,706	145,697	31,291,116	-	+40%	-
640420 leather outers text uppers	979	102,344	1,579	293,249	7,028	943,684	-	+64%	-
6405 Footwear other (woodetc)	24,509	5,332,860	17,854	2,995,314	21,823	3,357,697	3.4%	-3%	3.0%
6406 Footwear parts	15,059	1,435**	15,210	1,590**	10,890	467**	1.7%	-8%	-

Table 11 Malaysia - Imports of footwear with textile uppers and main supplying countries, 2012-2016,
Value in \$ 000 / volume in pairs

	2012		2014		2016		value share (2016)	CAGR*	volume share (2016)
	value	volume	value	volume	value	volume			
6404 Footwear / textile uppers	52,871	18,968,411	75,617	19,189,965	223,418	37,743,313	100%	+43%	100%
Top 15 suppliers	51,893	18,945,397	73,978	19,109,591	220,438	37,570,435	98.7%	+44%	99.5%
China	35,114	17,043,720	37,281	15,359,553	113,525	31,579,479	50.8%	+34%	83.7%
Vietnam	6,785	954,329	18,234	1,655,887	58,654	2,725,430	26.3%	+71%	7.2%
Indonesia	4,857	442,410	11,262	794,742	21,317	1,062,921	9.5%	+45%	2.8%
Singapore	138	17,228	1,647	61,557	8,275	352,924	3.7%	+178%	0.9%
Hong Kong	872	93,855	1,647	596,504	5,677	772,786	2.5%	+60%	2.0%
India	466	18,926	197	32,826	2,545	188,967	1.1%	+53%	0.5%
United Kingdom	169	2,984	135	9,439	1,875	36,702	0.8%	+83%	0.1%
Italy	1,501	11,293	918	8,487	1,797	10,290	0.8%	+5%	0.03%
Cambodia	559	47,083	1,187	98,375	1,431	118,289	0.6%	+26%	0.3%
Taiwan	129	38,549	270	104,746	1,007	258,631	0.5%	+67%	0.7%
USA	398	11,875	65	3,985	982	29,702	0.4%	+25%	0.08%
Thailand	790	217,627	1,043	327,615	956	216,163	0.4%	+5%	0.6%
Philippines	41	14,664	23	3,535	890	37,272	0.4%	+116%	0.1%
Myanmar	60	27,984	69	52,340	826	153,674	0.4%	+93%	0.4%
Netherlands	14	2,870	0	0	681	27,205	0.3%	+164%	0.08%
Other Asian suppliers of which:	446	12,309	562	41,195	934	68,732	0.3%	+20%	0.2%
Japan	252	7,925	163	9,113	402	9,674	0.2%	+12%	0.03%
S Korea	155	1,485	88	13,100	223	26,680	0.1%	+10%	0.08%
Bangladesh	8	815	120	13,346	191	21,052	0.1%	+121%	0.06%
Pakistan	17	1,652	2	780	89	4,300	0.05%	+51%	0.01%
Sri Lanka	0	0	20	200	13	2,563	0.0%	++%	0.0%
BruneiDarussalam	0	0	5	800	7	3,570	0.0%	++%	0.01%
Macao	14	432	164	3,856	7	144	0.0%	-16%	0.0%
Nepal	0	0	0	0	2	749	0.0%	++%	0.0%

*Compound Annual Growth Rate 2012 – 2016

Source: ITC Trademaps (2017)

Table 12 Vietnam - Footwear imports by product groups, 2012-2016,
Value in \$ 000 / volume in pairs **MIRROR DATA!**

	2012		2014		2016		value share (2016)	CAGR*	volume share (2016)
	value	volume	value	volume	value	volume			
Total Footwear 6400	623,288	33,537,745	1,069,518	54,681,174	1,263,548	75,686,281	100%	+19%	100%
6401 Footwear waterproof	611	173,033	1,587	314,395	4,000	997,337	0.3%	+60%	1.3%
6402 Footwear / rubber/ plastic	30,408	11,903,509	87,451	28,403,705	235,000	55,154,754	18.6%	+67%	72.9%
6403 Footwear rub/ plas outers/ leather uppers	30,883	1,044,991	33,667	1,311,713	55,000	3,982,462	4.4%	+15%	5.3%
6404 Footwear / textile uppers	142,541	12,211,868	254,479	20,909,533	111,323	13,648,727	8.8%	-6%	18.0%
640411 Sports footwear	5,811	255,584	8,587	410,000	3,517	280,000	-	-12%	-
640419 Rub/plas outers, text uppers	128,566	12,114,184	245,516	20,673,533	107,575	13,348,627	-	-4%	-
640420 leather outers text uppers	8,164	42,000	376	27,000	231	20,000	-	-59%	-
6405 Footwear other (woodetc)	30,959	8,204,344	19,715	3,741,828	7,304	1,903,001	0.6%	-30%	2.5%
6406 Footwear parts	387,886	43,430**	672,619	61,344**	850,921	71,967**	67.4%	+22%	-

**tons (not pairs)

Table 13 Vietnam - Imports of footwear with textile uppers and main supplying countries, 2012-2016,
Value in \$ 000 / volume in pairs

	2012		2014		2016		value share (2016)	CAGR*	volume share (2016)
	value	volume	value	volume	value	volume			
6404 Footwear / textile uppers	142,541	12,211,868	254,479	20,909,533	111,323	13,648,727	100%	-6%	100%
Top 15 suppliers	141,052	12,206,471	254,435	20,904,190	111,193	13,635,915	99.9%	-6%	99.9%
China	135,638	11,404,783	247,264	20,000,000	102,679	12,555,461	92.2%	-7%	92.0%
Singapore	2,470	137,761	2,660	114,730	3,000	200,000	2.7%	+5%	1.5%
Malaysia	566	2,308	2,137	119,679	2,498	130,172	2.2%	+45%	1.0%
Indonesia	551	550,000	758	550,000	1,000	500,000	0.9%	+16%	3.7%
Hong Kong	464	37,678	650	36,466	498	38,946	0.5%	+2%	0.3%
Spain	1	100	12	978	279	24,199	0.3%	+309%	0.2%
Italy	72	485	77	476	236	1,829	0.2%	+35%	0.01%
Taiwan	1,019	46,474	171	18,629	218	22,679	0.2%	-32%	0.2%
S Korea	115	16,185	168	29,259	160	112,529	0.1%	+9%	0.9%
Thailand	43	3,507	296	24,793	159	25,240	0.1%	+39%	0.2%
India	81	5,415	43	3,169	152	12,026	0.1%	+17%	0.1%
Brazil	4	308	0	0	135	6,928	0.1%	+141%	0.05%
United Kingdom	18	1,352	14	1,011	70	2,546	0.06%	+40%	0.02%
Cambodia	5	100	66	2,000	60	2,000	0.05%	+86%	0.01%
Germany	5	15	119	3,000	49	1,360	0.04%	+77%	0.01%
Other Asian suppliers of which:	17	4,012	14	3,000	20	5,199	0.02%	+4%	0.04%
Japan	17	4,000	14	3,000	19	5,099	0.02%	+3%	0.04%
Macao	0	0	0	0	1	100	0.0%	+	0.0%
Mauritius	0	12	0	0	0	0	0.0%	0%	0.0%

*Compound Annual Growth Rate 2012 – 2016

Source: ITC Trademaps (2017)

Table 14 Thailand - Footwear imports by product groups, 2012-2016,
Value in \$ 000 / volume in pairs

	2012		2014		2016		value share (2016)	CAGR*	volume share (2016)
	value	volume	value	volume	value	volume			
Total Footwear 6400	217,169	62,397,399	316,111	73,205,167	329,763	72,081,111	100%	+11%	100%
6401 Footwear waterproof	1,639	554,644	1,607	423,534	1,361	464,793	0.4%	-5%	0.6%
6402 Footwear / rubber/ plastic	56,392	30,835,820	75,939	36,982,308	97,886	40,345,494	29.7%	+15%	56.0%
6403 Footwear rub/plas outers/ leather uppers	80,585	5,548,686	95,930	10,210,611	95,202	5,422,126	28.9%	+4%	7.5%
6404 Footwear / textile uppers	38,072	20,434,808	60,773	20,682,887	111,639	21,800,226	33.9%	+31%	30.2%
640411 Sports footwear	8,696	923,019	20,258	1,858,623	55,483	6,956,494	-	+59%	-
640419 Rub/plas outers, text uppers	28,855	19,445,074	38,538	18,423,791	53,873	14,781,158	-	+17%	-
640420 leather outers text uppers	521	66,715	1,977	401,354	2,283	62,574	-	+45%	-
6405 Footwear other (woodetc)	16,316	5,023,441	19,792	4,905,827	17,562	4,048,472	5.3%	+2%	5.6%
6406 Footwear parts	24,165	3,291**	62,070	3,920**	6,113	3,679**	1.8%	-29%	-

**tons (not pairs)

Table 15 Thailand - Imports of footwear with textile uppers and main supplying countries, 2012-2016,
Value in \$ 000 / volume in pairs

	2012		2014		2016		value share (2016)	CAGR*	volume share (2016)
	value	volume	value	volume	value	volume			
6404 Footwear / textile uppers	38,072	20,434,808	60,773	20,682,887	111,639	21,800,226	100%	+31%	100%
Top 15 suppliers	37,304	20,227,291	60,123	20,657,402	110,913	21,768,766	99.3%	+31%	99.8%
China	24,457	19,282,102	35,084	19,209,389	54,935	18,815,161	49.2%	+22%	86.3%
Vietnam	6,600	462,225	13,927	812,935	34,664	2,061,488	31.1%	+51%	9.5%
Indonesia	2,781	211,333	5,786	338,021	10,635	557,485	9.5%	+39%	2.5%
Italy	1,107	7,408	2,867	22,844	5,340	22,294	4.8%	+48%	0.1%
Cambodia	93	8,381	158	9,134	1,308	68,053	1.2%	+94%	0.3%
Spain	242	6,676	413	11,570	793	19,849	0.7%	+35%	0.1%
Malaysia	1,158	82,145	725	40,670	715	56,262	0.6%	-11%	0.3%
Japan	305	113,236	226	127,281	487	65,306	0.4%	+12%	0.3%
Taiwan	24	2,039	215	12,444	460	8,693	0.4%	+109%	0.04%
Brazil	315	15,365	234	12,226	434	20,871	0.4%	+8%	0.1%
India	72	3,092	261	12,773	408	19,132	0.4%	+54%	0.1%
USA	42	21,795	51	28,676	258	11,119	0.3%	+57%	0.05%
S Korea	76	10,177	82	6,234	184	22,178	0.2%	+25%	0.1%
United Kingdom	17	351	34	663	162	1,283	0.1%	+76%	0.005%
Bangladesh	15	966	60	12,542	130	19,592	0.1%	+72%	0.1%
Other Asian suppliers of which:	363	190,606	128	19,206	131	14,293	0.1%	-22%	0.07%
Hong Kong	329	185,683	25	6,879	62	2,845	0.05%	-34%	0.01%
Myanmar	0	0	1	465	32	7,284	0.03%	+++%	0.03%
Philippines	0	11	0	17	20	3,371	0.02%	+++%	0.01%
Singapore	34	4,478	99	7,384	15	377	0.01%	-19%	0.0%
Sri Lanka	0	1	2	522	1	171	0.0%	++%	0.0%
Pakistan	0	1	1	63	1	87	0.0%	++%	0.0%
N Korea	0	432	0	3,856	0	144	0.0%	0%	0.0%
Laos	0	0	0	0	0	12	0.0%	0%	0.0%
Macao	0	0	0	20	0	1	0.0%	0%	0.0%
Nepal	0	0	0	0	0	1	0.0%	0%	0.0%

*Compound Annual Growth Rate 2012 – 2016

Source: ITC Trademaps (2017)

Table 16 India - Footwear imports by product groups, 2012-2016,
Value in \$ 000 / volume in pairs

	2012		2014		2016		value share (2016)	CAGR*	volume share (2016)
	value	volume	value	volume	value	volume			
Total Footwear 6400	358,840	187,400,031	432,049	182,989,191	530,000	228,975,685	100%	+10%	100%
6401 Footwear waterproof	10,083	8,907,418	22,438	19,518,418	4,330	2,810,120	0.8%	-19%	1.2%
6402 Footwear / rubber/ plastic	68,695	102,995,256	110,459	101,187,140	178,852	157,601,465	33.7%	+27%	68.9%
6403 Footwear rub/plas outers/ leather uppers	79,440	33,625,260	82,844	25,651,706	82,405	27,465,391	15.5%	+1%	12.0%
6404 Footwear / textile uppers	53,397	14,222,958	87,338	15,483,023	141,958	20,669,085	26.8%	+28%	9.0%
640411 Sports footwear	21,307	2,596,920	27,894	2,479,201	42,720	3,770,253	-	+19%	-
640419 Rub/ plas outers, text uppers	31,858	11,581,051	59,328	12,999,626	98,891	16,866,390	-	+33%	-
640420 leather outers text uppers	233	44,987	116	4,196	347	32,442	-	+10%	-
6405 Footwear other (woodetc)	67,054	27,649,139	53,624	21,148,904	46,302	20,429,624	8.7%	-9%	8.9%
6406 Footwear parts	80,171	20,117**	75,346	21,262**	76,153	19,283**	14.4%	-1%	-

**tons (not pairs)

Table 17 India - Imports of footwear with textile uppers and main supplying countries, 2012-2016,
Value in \$ 000 / volume in pairs

	2012		2014		2016		value share (2016)	CAGR*	volume share (2016)
	value	volume	value	volume	value	volume			
6404 Footwear / textile uppers	53,397	14,222,958	87,338	15,483,023	141,958	20,669,085	100%	+28%	100%
Top 15 suppliers	51,745	13,701,019	85,541	15,249,891	141,241	20,636,057	99.5%	+29%	99.8%
China	21,188	6,429,189	28,747	5,947,289	56,459	9,833,473	39.8%	28%	47.6%
Vietnam	6,894	507,949	14,026	861,187	29,522	1,981,853	20.8%	+44%	9.6%
Nepal	15,258	5,282,968	28,288	7,074,641	24,683	5,756,554	17.4%	+13%	27.8%
Bangladesh	487	65,575	6,426	658,847	11,926	1,277,374	8.4%	+122%	6.2%
Indonesia	3,040	282,836	2,947	184,984	7,354	430,219	5.2%	+25%	2.1%
Hong Kong	2,036	477,653	1,679	168,952	4,899	516,743	3.5%	+25%	2.5%
Spain	485	60,673	1,338	90,741	2,089	148,591	1.5%	+44%	0.7%
Italy	539	38,416	500	11,832	1,428	32,668	1.0%	+28%	0.2%
Cambodia	93	4,454	143	7,028	856	57,463	0.6%	+74%	0.3%
Singapore	596	172,191	481	33,089	538	32,317	0.3%	-3%	0.2%
United Kingdom	259	28,626	145	8,359	398	25,353	0.3%	+11%	0.1%
Thailand	473	229,156	182	158,060	356	472,985	0.3%	-7%	2.2%
USA	337	102,944	563	37,345	295	16,766	0.2%	-3%	0.1%
Malaysia	14	5,644	1	204	233	24,670	0.2%	+102%	0.1%
Brazil	46	12,745	75	7,333	205	29,028	0.2%	+45%	0.1%
Other Asian suppliers of which:	597	262,460	910	181,184	88	7,283	0.1%	-38%	0.03%
Myanmar	0	0	0	0	46	5,234	0.03%	+++%	0.02%
S Korea	199	218,684	3	370	13	379	0.01%	-49%	0.0%
Japan	185	13,855	15	287	12	749	0.01%	-50%	0.0%
Taiwan	167	19,826	23	745	8	692	0.01%	-53%	0.0%
Pakistan	0	4	4	1,785	6	83	0.005%	+++%	0.0%
N Korea	0	0	0	0	3	143	0.003%	+++%	0.0%
Sri Lanka	46	10,091	864	177,953	0	3	0.0%	---	0.0%
Philippines	0	0	1	35	0	0	0.0%	0%	0.0%

*Compound Annual Growth Rate 2012 – 2016

Source: ITC Trademaps (2017)

Table 18 South Africa - Footwear imports by product groups, 2012-2016,
Value in \$ 000 / volume in pairs

	2012		2014		2016		value share (2016)	CAGR*	volume share (2016)
	value	volume	value	volume	value	volume			
Total Footwear 6400	986,736	209,003,357	938,254	201,489,705	859,573	185,561,997	100%	-3%	100%
6401 Footwear waterproof	8,994	1,142,843	9,502	1,706,871	2,453	817,119	0.3%	-28%	0.4%
6402 Footwear / rubber/ plastic	399,999	107,427,317	328,267	92,173,285	285,841	85,435,139	33.3%	-8%	46.0%
6403 Footwear rub/ plas outers/ leather uppers	231,734	17,739,334	228,592	15,442,771	199,472	12,403,117	23.2%	+4%	6.7%
6404 Footwear / textile uppers	309,987	76,228,012	340,597	86,215,287	346,749	81,444,946	40.3%	+3%	43.9%
640411 Sports footwear	88,888	8,622,410	57,695	6,462,280	103,710	7,921,286	-	+4%	-
640419 Rub/plas outers, text uppers	210,673	65,875,534	273,074	78,121,223	237,319	72,613,049	-	+3%	-
640420 leather outers text uppers	10,427	1,730,068	9,828	1,582,191	5,720	910,611	-	-14%	-
6405 Footwear other (woodetc)	18,919	6,465,851	13,402	5,951,491	9,816	5,461,676	1.1%	-15%	2.9%
6406 Footwear parts	17,103	3,461**	17,894	4,481**	15,242	3,962**	1.8%	-3%	-

**tons (not pairs)

Table 19 South Africa - Imports of footwear with textile uppers and main supplying countries, 2012-2016,
Value in \$ 000 / volume in pairs

	2012		2014		2016		value share (2016)	CAGR*	volume share (2016)
	value	volume	value	volume	value	volume			
6404 Footwear / textile uppers	309,987	76,228,012	340,597	86,215,287	346,749	81,444,946	100%	+3%	100%
Top 15 suppliers	307,991	75,692,564	337,195	85,716,147	345,211	81,165,865	99.6%	+3%	99.7%
China	210,367	66,925,750	219,475	75,601,216	185,327	68,971,672	53.4%	-3%	84.7%
Vietnam	50,475	3,977,550	85,953	6,211,358	117,099	7,670,912	33.8%	+23%	9.4%
Indonesia	21,378	1,614,185	13,063	950,523	25,044	1,593,217	7.2%	+4%	2.0%
Cambodia	519	32,483	1,141	81,473	5,119	625,760	1.5%	+77%	0.8%
Lesotho	19,012	2,621,308	11,217	2,370,946	3,517	1,627,531	1.0%	-34%	2.0%
India	758	71,675	761	60,877	3,240	246,557	0.9%	+44%	0.3%
Italy	800	11,722	1,187	19,584	2,075	63,868	0.5%	+27%	0.1%
Thailand	2,349	173,290	2,259	234,985	1,084	75,164	0.3%	-18%	0.1%
Belgium	7	6,832	5	391	840	49,139	0.2%	+231%	0.03%
Brazil	681	19,002	422	23,889	398	22,318	0.1%	-13%	0.0%
Turkey	42	5,827	176	17,360	391	41,974	0.1%	+75%	0.03%
Mauritius	0	100	0	1	327	120,581	0.1%	+++%	0.2%
USA	466	39,442	321	10,992	295	10,436	0.1%	-11%	0.0%
Hong Kong	911	175,683	800	115,190	238	39,878	0.1%	-29%	0.03%
Spain	226	17,715	415	17,362	217	6,858	0.1%	-1%	0.0%
Other Asian suppliers of which:	450	43,373	1,715	178,557	380	41,184	0.1%	-4%	0.03%
Bangladesh	9	445	280	24,537	208	23,296	0.06%	+119%	0.02%
Malaysia	44	2,295	93	25,821	63	3,902	0.02%	+9%	0.0%
S Korea	14	475	12	1,399	23	1,505	0.01%	+13%	0.0%
Myanmar	0	0	0	0	22	1,746	0.01%	++%	0.0%
Taiwan	183	16,048	1,270	116,071	22	2,994	0.01%	-41%	0.0%
Singapore	153	8,382	48	6,484	21	3,261	0.01%	-39%	0.0%
Sri Lanka	0	0	0	0	8	2,003	0.0%	++%	0.0%
Pakistan	47	15,728	11	4,167	8	1,018	0.0%	-36%	0.0%
Japan	0	0	1	78	4	1,450	0.0%	++%	0.0%
Laos	0	0	0	0	1	9	0.0%	++%	0.0%

*Compound Annual Growth Rate 2012 – 2016

Source: ITC Trademaps (2017)

Table 20 Bhutan - Footwear imports by product groups, 2008-2012,
Value in \$ 000 / volume in pairs **DIRECT DATA**

	2008		2010		2012		value share (2012)	CAGR*	volume share (2012)
	value	volume	value	volume	value	volume			
Total Footwear 6400	1,444	677,131	1,873	753,376	3,023	897,072	100%	+20%	100%
6401 Footwear waterproof	708	452,303	761	497,497	582	217,108	19.3%	-5%	24.2%
6402 Footwear / rubber/ plastic	176	61,570	203	44,763	1,280	444,228	42.3%	+64%	49.5%
6403 Footwear rub/plas outers/ leather uppers	85	46,925	133	26,313	306	45,441	10.1%	+38%	5.1%
6404 Footwear / textile uppers	56	26,801	115	25,087	488	112,488	16.1%	+72%	12.5%
640411 Sports footwear	49	22,826	88	18,901	269	58,608		+53%	
640419 Rub/plas outers, text uppers	4	1,713	20	5,663	197	48,688		+165%	
640420 leather outers text uppers	4	2,262	7	523	22	5,192		+53%	
6405 Footwear other (woodetc)	414	89,532	659	159,716	365	77,807	12.1%	-3%	8.7%
6406 Footwear parts	4	1**	3	2**	3	1**	0.1%	-7%	

** tons (not pairs)

Table 21 Bhutan - Imports of footwear with textile uppers and main supplying countries, 2008-2012,
Value in \$ 000 / volume in pairs **DIRECT DATA**

	2008		2010		2012		value share (2012)	CAGR*	volume share (2012)
	value	volume	value	volume	value	volume			
6404 Footwear with textile uppers	56	26,801	115	25,087	488	112,488	100%	+72%	100%
Top 10 suppliers	56	26,801	115	25,087	488	112,488	100%	+72%	100%
India	17	4,129	24	4,250	331	72,979	67.8%	+110%	64.9%
China	24	10,772	32	7,446	90	22,185	18.4%	+39%	19.7%
Hong Kong	8	7,508	42	9,703	44	11,698	9.0%	+53%	10.4%
Thailand	6	3,956	4	1,874	13	3,359	2.7%	+21%	3.0%
Nepal	2	435	1	321	8	2,020	1.6%	+41%	1.8%
Japan	0	0	0	0	1	131	0.2%	+	0.1%
Switzerland	0	0	0	0	1	115	0.2%	+	0.1%
Germany	0	0	0	0	0	0	0.0%	+0%	0.0%
S Korea	0	0	3	291	0	0	0.0%	+0%	0.0%
Singapore	0	0	8	1,200	0	0	0.0%	+0%	0.0%

*Compound Annual Growth Rate 2008 – 2012

Source: ITC Trademaps (2017)

Table 22 Bhutan - Footwear imports by product groups, 2012-2016,
Value in \$ 000 / volume in pairs MIRROR DATA

	2012		2014		2016		value share (2016)	CAGR*	volume share (2016)
	value	volume	value	volume	value	volume			
Total Footwear 6400	1,063	n.a.	652	n.a.	314	n.a.	100%	-26%	100%
6401 Footwear waterproof	12	n.a.	9	4**	29	794	9.2%	+25%	-
6402 Footwear / rubber/ plastic	54	n.a.	183	15,904	11	n.a.	3.5%	-33%	-
6403 Footwear rub/plas outers/ leather uppers	42	n.a.	59	2**	70	n.a.	22.3%	+14%	-
6404 Footwear / textile uppers	4	n.a.	363	17**	151	4,401	48.1%	+148%	-
640411 Sports footwear	4	n.a.	1	n.a.	150	n.a.	47.8%	+147%	-
640419 Rub/plas outers, text uppers	0	n.a.	360	n.a.	1	n.a.	0.3%	++%	-
640420 leather outers text uppers	0	n.a.	2	n.a.	0	n.a.	0.0%	+0%	-
6405 Footwear other (woodetc)	951	n.a.	3	1,168	52	4**	16.6%	-52%	-
6406 Footwear parts	0	n.a.**	34	7**	0	n.a.**	0.0%	+0%	-

** tons (not pairs)

Table 23 Bhutan - Imports of footwear with textile uppers and main supplying countries, 2012-2016,
Value in \$ 000 / volume in pairs MIRROR DATA

	2012		2014		2016		value share (2016)	CAGR*	volume share (2016)
	value	volume	value	volume	value	volume			
6404 Footwear with textile uppers	4	n.a.	363	17**	151	4,401	100%	+148%	-
Top 7 suppliers	4	n.a.	363	17**	151	4,401	100%	+148%	-
Italy	0	n.a.	0	n.a.	100	n.a.	66.2%	+++%	-
S Korea	0	n.a.	2	n.a.	50	n.a.	33.1%	+++%	-
China	0	n.a.	360	n.a.	1	n.a.	0.7%	+%	-
Germany	1	n.a.	1	n.a.	0	n.a.	0.0%	-%	-
Hong Kong	3	n.a.	0	n.a.	0	n.a.	0.0%	--%	-
India**	0	n.a.	0	n.a.	0	n.a.	0.0%	+0%	-
Bangladesh	0	n.a.	0	n.a.	0	n.a.	0.0%	+0%	-

* Compound Annual Growth Rate 2012 – 2016 **India 10 in 2013 ***Bangladesh 13 in 2015

Source: ITC Trademaps (2017)

CHEMICAL REQUIREMENTS



ANNEX 3

TIER 1: These substances include chemicals that are currently covered by State and Federal laws within the U.S. and should be tested as part of a reasonable testing program.

Restricted Chemical	Recommended Test Method	Maximum recommended (from legislation and/or industry best practice)	Coated Leather	Leather	Textiles	Coated Textiles	Polymer/Plastic/Rubber	Coating (Ink/Paint)	Metal hardware	Adhesive	Electrical components	Packaging	Legislation Examples	Example Alternatives**
Lead in Paint (this applies to the finish or coating and is required for all children's products)	CPSC CH 1003 09.1; ASTM F2853-10 ICP analysis—total digestion	≤90 ppm						X					CPSIA, REACH, Prop 65, KC Mark	Organic pigments / non-toxic heavy metal pigments
Lead in Substrate (required for all children's products)	CPSC CH E1001 08.3; CPSC CH E1002 08.3 ICP analysis—total digestion	≤100 ppm	X		X*	X	X		X	X	X		CPSIA, REACH, Prop 65, KC Mark	No lead containing dyes
Cadmium	ICP analysis—total digestion	<75 ppm	X		X*	X	X	X	X	X	X		REACH, Prop 65, KC Mark	Organic pigments / non-toxic heavy metal pigments
Restricted Phthalates screen	BS EN 14372 Screening for DEHP, BBP, DBP, DINP, DIDP, DNOP, DnHP & DIBP	≤0.1% by weight (sum)	X			X	X	X		X			CPSIA, Prop 65, REACH, KC Mark	Alternatives include citrates, sebacates, adipates, and phosphates
Formaldehyde	Leather EN ISO 17226-1 (HPLC analysis) Textile EN ISO 14184-1	Materials without skin contact <150 ppm Materials with skin contact <75 ppm Children's products (up to 24 months) with skin contact <16 ppm	X	X	X	X				X			Retailer and brand specified (legislated in Japan). Prop 65, Minnesota, KC Mark	Avoid using formaldehyde to process products
Total Heavy Metal for Packaging	ICP / UV-Vis analysis—Pb, Cd, Hg, CrVI	Pb + Hg + Cd + Cr ≤0.01% by weight										X	Directive 94/62/EC, TPCH	Use non-toxic heavy metal materials

Source: Global Product Safety Guidebook (2014)

PPM is equivalent to mg/kg.

* Tested only for printed textile

** Please note that any alternative chemical products are listed as examples only. The list is not exhaustive. New chemicals should be sourced in consultation with a reputable chemical company and tested accordingly for quality and safety purposes.

TIER 2: These substances are partially regulated outside the U.S., including within the European Union, and may be present in some footwear materials. Some of these chemicals are covered by California's Proposition 65, but have yet to be the subject of increased regulatory scrutiny. Future regulations may include these chemicals.

Restricted Chemical	Recommended Test Method	Maximum recommended (from legislation and/or industry best practice)	Coated Leather	Leather	Textiles	Coated Textiles	Polymer/Plastic/Coating (Ink/Paint)	Metal hardware	Adhesive	Electrical	Packaging	Legislation examples
Azo dyestuffs—Arylamines	Leathers BS EN 17234-1:2010 and BS EN 17234-2:2011 Textiles BS EN 14362-1:2012 and BS EN14362-3:2012	None detected (detection limit: 30 ppm)	X	X	X	X						REACH, Prop 65, KC Mark
Chrome VI Soluble	Aging, followed by EN ISO 17075 (Aging: 24h at 80°C and <20% humidity)	None detected (detection limit: 3 ppm)	X	X								Prop 65, REACH (will apply on 1 May 2015), Germany, KC Mark
Chlorinated Phenols - PCP, TeCP and TriC	EN ISO 17070	None detected (detection limit: 5 ppm)	X	X	X	X						REACH, Prop 65, KC Mark (PCP only)
Flame Retardants	GC-MS/GC-ECD	pentaBDE, octaBDE, decaBDE—none; TRIS, TEPA, PBBs—none; TCEP, TDCPP—0.1% by weight		X	X	X						REACH, Prop 65, KC Mark (For TRIS, PentaBDE, OctaBDE only) Various State laws
Restricted Phthalates Screen	BS EN 14372 Screening for DMEP, DHNUP, DIHP, DIPP, DPP, 1,2-Benzenedicarboxylic acid, dipentylester, branched and linear	≤0.1% by weight (sum)	X			X	X		X			CPSIA, Prop 65, REACH, KC Mark
Disperse Dyes	DIN 54231	<5mg/l in extract (each)		X	X	X						BfR recommendation in Germany, KC Mark (Only test for synthetic textile with direct skin contact.)
Dimethyl Fumarate (DMFu)	CEN ISO TS 16186 (or equivalent)	≤0.1 ppm	X	X	X	X					X	REACH, KC Mark
Extractable Heavy Metals Screening (for children's products)	BS EN71-3:2013	See Table 1 for limit	X	X	X	X	X	X	X	X		Toy Directive 2009/48/EC
Nickel Release of Metallic Components in Direct Prolonged Contact with Skin	BS EN 12472: 2005 + A1:2009 BS EN 1811:2011	<0.5 µg/cm2/week						X				REACH, KC Mark
DNPEO, NP, OPEO and OP	HPLC analysis	<100 ppm	X	X	X	X	X		X			REACH (processing) and focus of NGO campaigns
PFOS/PFOA (for water / stain resistance treated materials)	CEN TS 15968 (or equivalent)	<1000 ppm <1 µg/m2 for coated materials	X			X						REACH and focus of NGO campaigns
SCCP	GC-MS analysis	Not detected (Detection limit: ppm)	X	X	X	X						EU POPs

TIER 3: These substances are partially regulated outside the U.S., including within the European Union, and may be present in some footwear specific materials. California's Proposition 65 covers some chemicals contained within tier 3. These chemicals could be a focus of U.S. regulations in the long term.

Restricted Chemical	Recommended Test Method	Maximum recommended (from legislation and/or industry best practice)	Coated Leather	Leather	Textiles	Coated Textiles	Polymer/Plastic/Coating (Ink/Paint)	Metal hardware	Adhesive	Electrical	Packaging	Legislation examples
Organotin Compounds (MBT, DBT, TBT, MOT, TeBT, DOT, TPHT & TcYT)	CEN ISO TS 16179 (or equivalent)	TBT—<25 µg/kg (0.025 ppm) Others—<50 µg/kg (0.050 ppm)	X			X	X		X			REACH, Prop 65, KC Mark (For DBT, TBT only)
PAH	GC-MS analysis	≤1 ppm (each)*	X			X	X					REACH (will apply on 27 December 2015)
N,N-Dimethyl—formamide	GS-MS analysis	<50 ppm—direct skin contact <300 ppm—indirect skin contact	X		X	X	X					REACH
Total Heavy Metals Screening	ICP analysis—total digestion Screening for Sb, As, Ba, and Hg	<100 ppm per metal	X	X	X	X	X	X	X	X		Prop 65, Metal Specific Directives
Pesticides Screening	LC-MS analysis	oTotal <1.0 ppm	X	X	X	X						REACH, Prop 65
Volatile Organic Compounds (toluene, benzene & naphthalene)	GC-MS analysis	<5.0 ppm per compound	X	X	X	X	X	X	X			REACH, Prop 65
Nitrosamines	EN 12868 (or equivalent)	<0.1 ppm					X					EU Directive 1993/11/EEC
BisphenolA	LC-MS analysis	None present					X	X	X			Country/US State specific controls
REACH Screening for SVHC	Various methods	<0.1% by weight of the product	X	X	X	X	X	X	X	X		REACH
Children's Product Safety Act—Chemical of High Concern (CHCC)	Various method	Below PQL; <100 ppm as contamination	X	X	X	X	X	X	X	X		Washington State CPSA

FOOTWEAR SIZES



ANNEX 4

In general, single unit sizes are common for textile and plastic footwear, while half sizes are expected for footwear made of leather or synthetic leather.

The normal continental European size range for women's shoes is 36 to 41 and for men's shoes 40 to 46. However, be aware of the larger sizes and wider feet of people in Germany and the USA and smaller sizes in Indian (see chart below) and in most of the other Asian countries.

Adult Mens and Womens Shoe Size Conversion Table																		
M/W indicates Men's or Women's Sizes. Other systems are for either gender.																		
System		Sizes																System
Europe		35	35½	36	37	37½	38	38½	39	40	41	42	43	44	45	46½	48½	Europe
Mexico							4.5	5	5.5	6	6.5	7	7.5	9	10	11	12.5	Mexico
Japan	M	21.5	22	22.5	23	23.5	24	24.5	25	25.5	26	26.5	27.5	28.5	29.5	30.5	31.5	Japan
	W	21	21.5	22	22.5	23	23.5	24	24.5	25	25.5	26	27	28	29	30	31	Japan
U.K.	M	3	3½	4	4½	5	5½	6	6½	7	7½	8	8½	10	11	12	13½	U.K.
	W	2½	3	3½	4	4½	5	5½	6	6½	7	7½	8	9½	10½	11½	13	U.K.
Australia	M	3	3½	4	4½	5	5½	6	6½	7	7½	8	8½	10	11	12	13½	Australia
	W	3½	4	4½	5	5½	6	6½	7	7½	8	8½	9	10½	11½	12½	14	Australia
U.S. & Canada	M	3½	4	4½	5	5½	6	6½	7	7½	8	8½	9	10½	11½	12½	14	U.S. & Canada
	W	5	5½	6	6½	7	7½	8	8½	9	9½	10	10.5	12	13	14	15.5	U.S. & Canada
Russia & Ukraine *	W	33½	34		35		36		37		38		39					Russia & Ukraine
Korea (mm.)		228	231	235	238	241	245	248	251	254	257	260	267	273	279	286	292	Korea
Inches		9	9 1/8	9¼	9 3/8	9½	9 5/8	9¾	9 7/8	10	10 1/8	10¼	10½	10¾	11	11¼	11½	Inches
Centimeters		22.8	23.1	23.5	23.8	24.1	24.5	24.8	25.1	25.4	25.7	26	26.7	27.3	27.9	28.6	29.2	Centimeters
Mondopoint		228	231	235	238	241	245	248	251	254	257	260	267	273	279	286	292	Mondopoint



SIZE CONVERSION CHART FOR FOOTWEAR

Quality For Excellence

WOMEN'S SIZES

INDIAN SIZE:	3	4	5	6	7	8
EUROPE SIZE:	35.5	37	38	39	41	42
US SIZE:	4	5	6	7	8	9

MEN'S SIZES

INDIAN SIZE:	6	7	8	9	10	11	12
EUROPE SIZE:	39	41	42	43	44	45	46
US SIZE:	7	8	9	10	11	12	13

KIDS' SIZES

INDIAN SIZE:	2	3	4	5	6	7	8	9	10	11	12	13
EUROPE SIZE:	18	19	20	22	23	24	25	27	28	29	31	32
US SIZE:	3	4	5	6	7	8	9	10	11	12	13	1

INFANTS

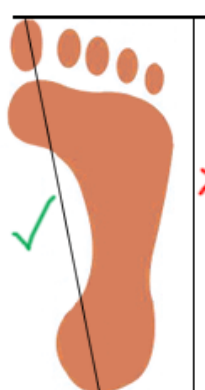
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EUROPE SIZE:	18	19	20
US SIZE:	3	4	5

KIDS

INDIAN SIZE:	5	6	7	8	9	10	11	12	13
EUROPE SIZE:	22	23	24	25	27	28	29	31	32
US SIZE:	6	7	8	9	10	11	12	13	1

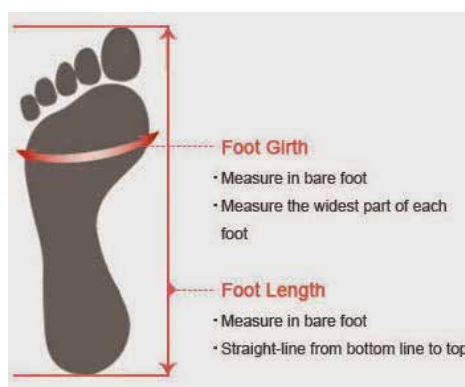
JUNIORS

INDIAN SIZE:	1	2	3	4	5	6
EUROPE SIZE:	33	34.5	35.5	37	38	39
US SIZE:	2	3	4	5	6	7



MEASURE BETWEEN THE BACK OF YOUR HEEL AND THE TIP OF YOUR LONGEST TOE.

BE SURE TO MEASURE THE LONGEST DIMENSION OF BOTH FEET. MOST PEOPLE WILL SEE A DIFFERENCE OF HALF A CENTIMETER OR MORE BETWEEN THE MEASUREMENTS SHOWN HERE.



Foot Girth
• Measure in bare foot
• Measure the widest part of each foot

Foot Length
• Measure in bare foot
• Straight-line from bottom line to top

FOOTWEAR DESIGN IDEAS



ANNEX 5

TRAINERS



Especially for Nepalese companies Karin Grabner made more than 200 photos of footwear as a source of inspiration.

The photos are subdivided as follows:

- Trainers, sports, fitness
- Winter (women, men, children)
- Summer (women, men, children)
- Stylish (women, men)
- Indoor



All 200 photos are digitally (soft copy) available from GIZ.



WINTER

MEN



WOMEN



KIDS



SUMMER

MEN



WOMEN

KIDS



STYLISH

MEN



WOMEN



INDOOR



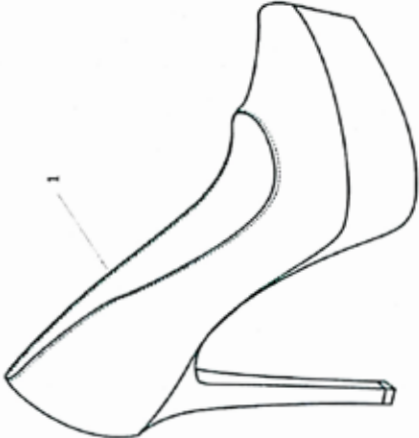
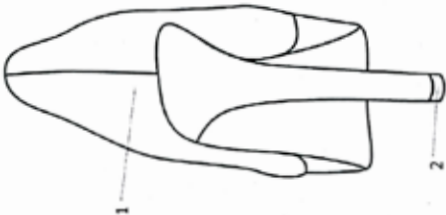
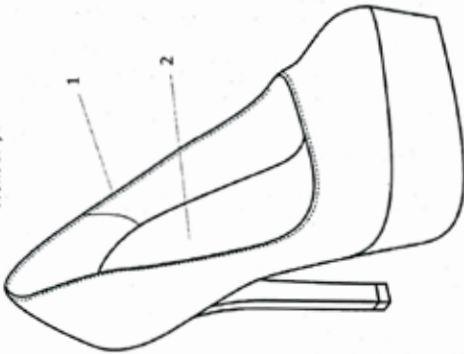
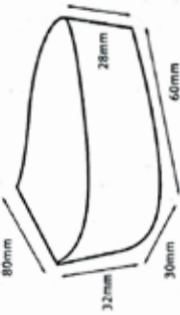
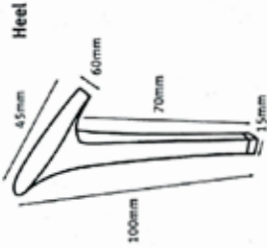
FOOTWEAR SPECIFICATION SHEET



ANNEX 6

SHOE SPEC SHEET

Date Sent	6", August	Product Name	Platform Pump	Insole	#IN006
Deadline	1", October	Product Number	SS 1832 0001	Thread	Nylon 60 Red
Company	Fashionary Company	Sample Size	US Size 7	Finish 1	
Season	Spring Summer	Last Model	Spring Line, #P412	Finish 2	

Side View		Back View		Front or 3/4		Platform	
A		B		C		D	
						E	

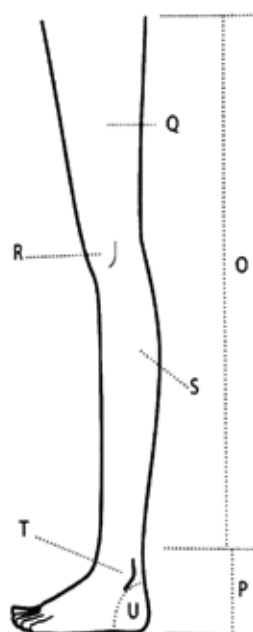
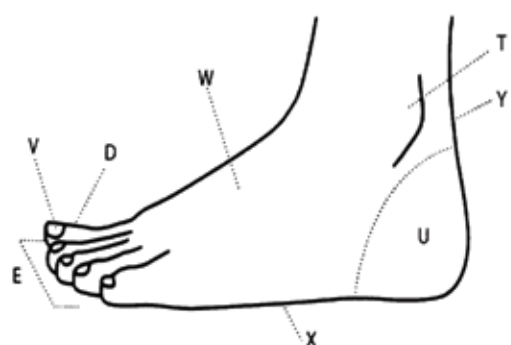
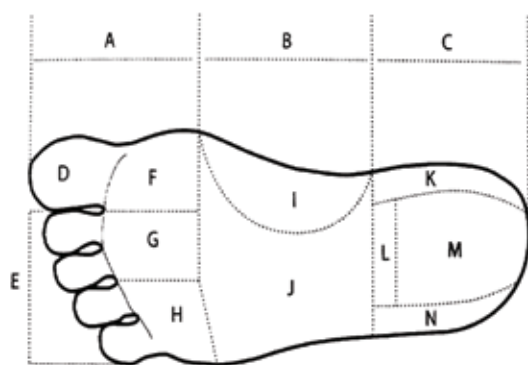
Material		Description		Notes			
Upper	Red calf leather	Colour Code: RE001		A 1. Folded edge	B 1. One piece counter 2. Top piece height : 5mm	C 1. Folded edge 2. Company logo print on it	D The platform needed to be polished with matt finish wood wax
Lining	Brown sheep skin	Colour Code: BR002					
Zip							
Insole	Lamb nappa	Insole Code: IN006					
Insole Binding							
Sock							E The heel needed to be polished with matt finish wood wax
Heel	Pine Wood	Heel Code: HS032					
Platform	Pine Wood	Platform Code: PA068					
Sole							
Thread	Nylon 60 Red						

FOOTWEAR TERMINOLOGY AND ANATOMY



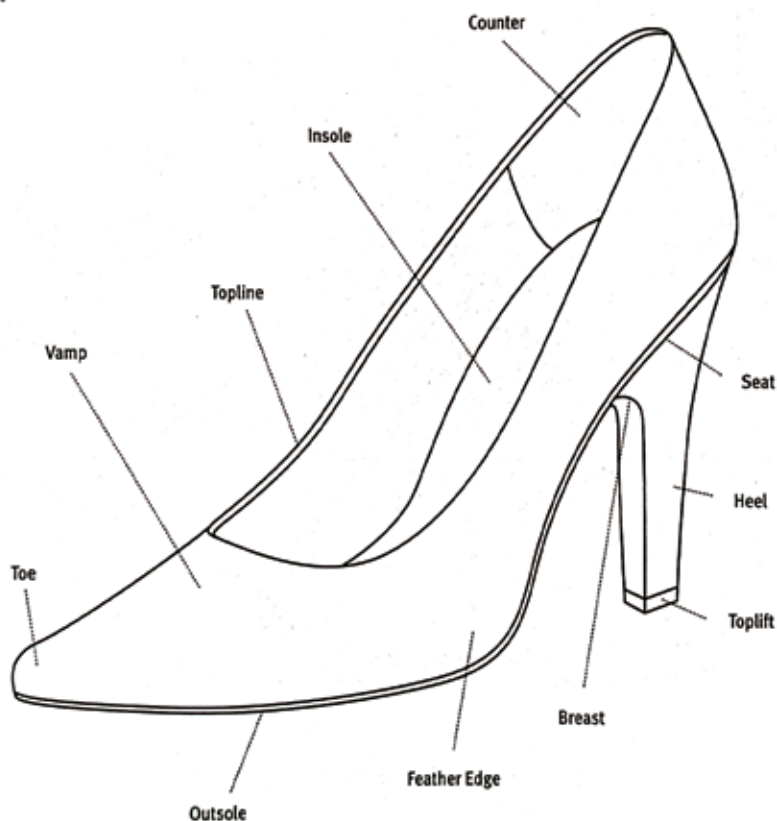
ANNEX 7

FOOT TERMINOLOGY

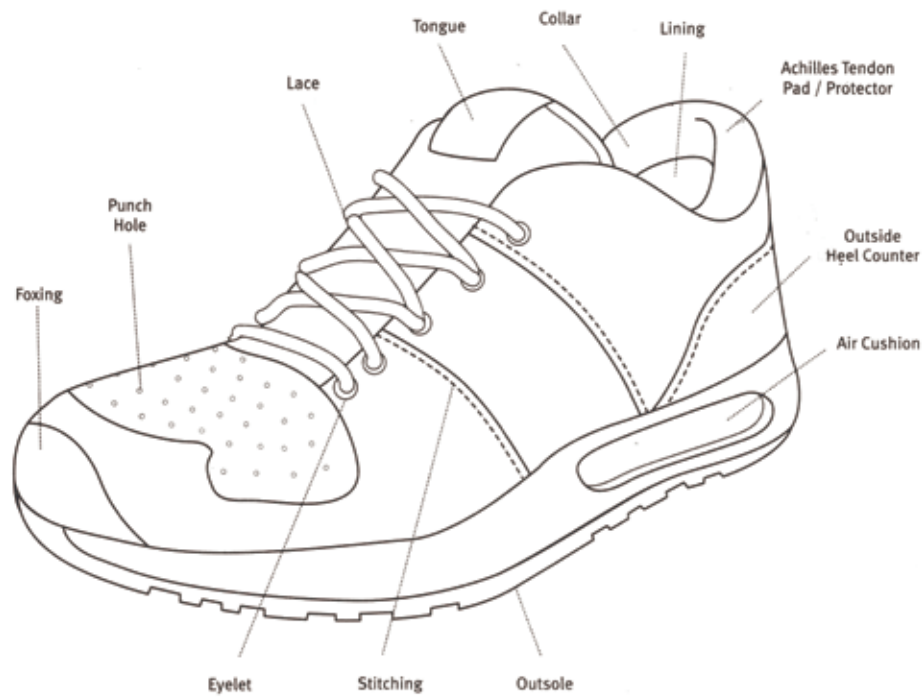


- A Forefoot
- B Midfoot
- C Heel
- D Hallux / Big Toe
- E 2nd, 3rd, 4th & Little Toe
- F 1st Metatarsal Head
- G 2nd & 3rd Metatarsal Head
- H 4th & 5th Metatarsal Head
- I Arch
- J Lateral Midfoot
- K Inner Heel
- L Heel Front
- M Heel
- N Outer Heel
- O Leg
- P Foot
- Q Thigh
- R Knee
- S Calf
- T Ankle
- U Rearfoot
- V Nail
- W Upper Side of the Foot
- X Sole of the Foot
- Y Achilles Tendon

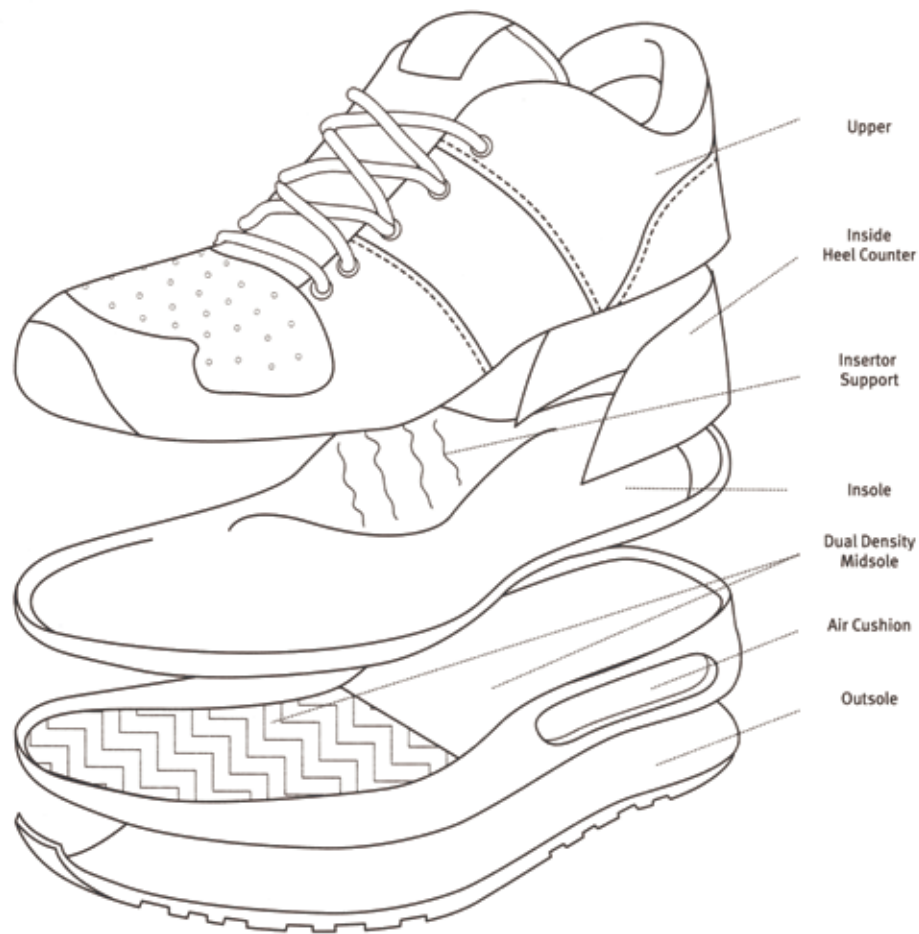
PUMP ANATOMY



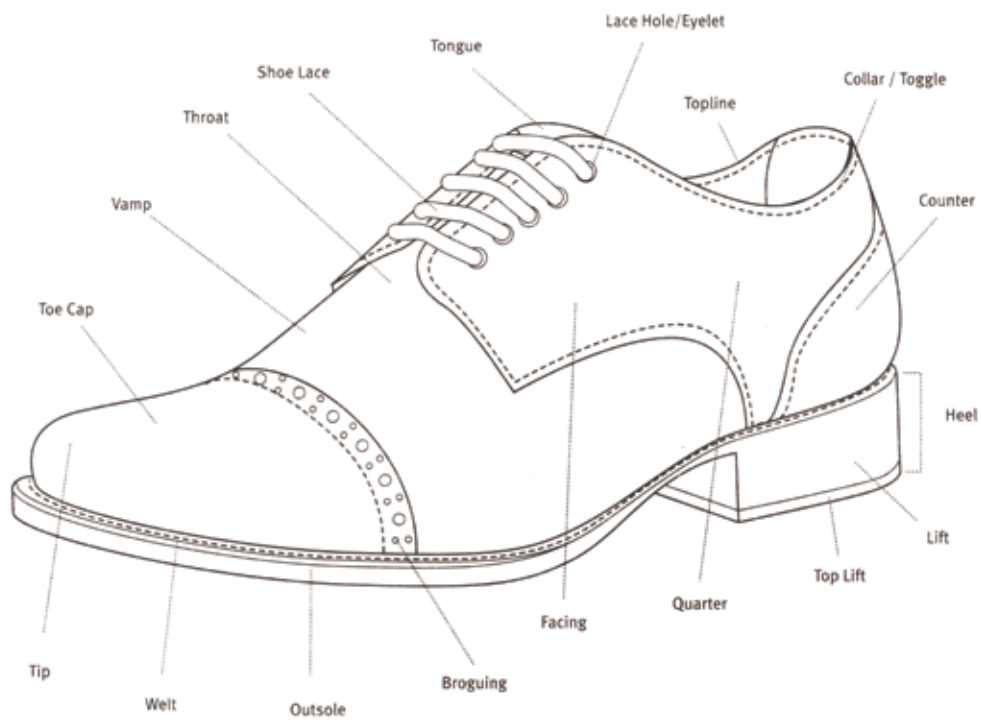
TRAINER ANATOMY



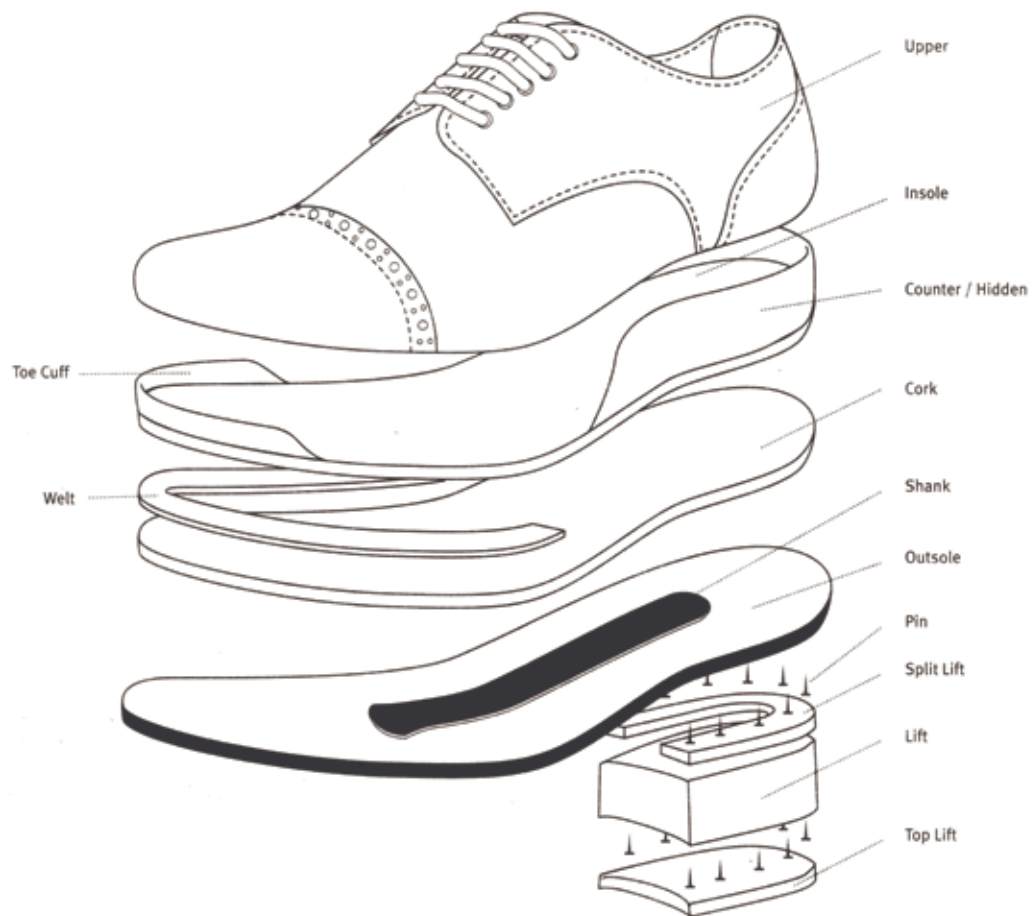
EXPLODED VIEW OF A TRAINER



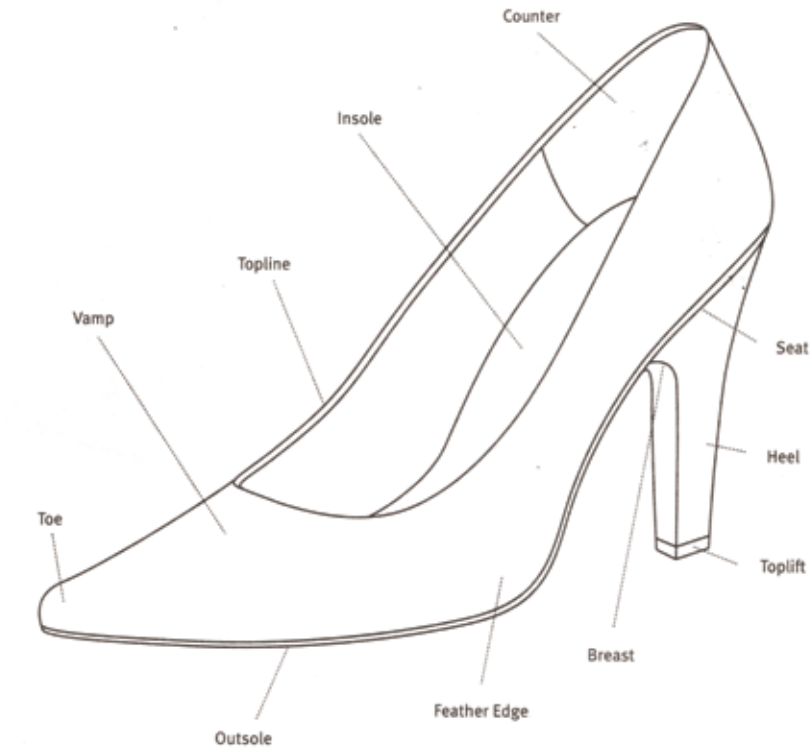
DERBY SHOE ANATOMY



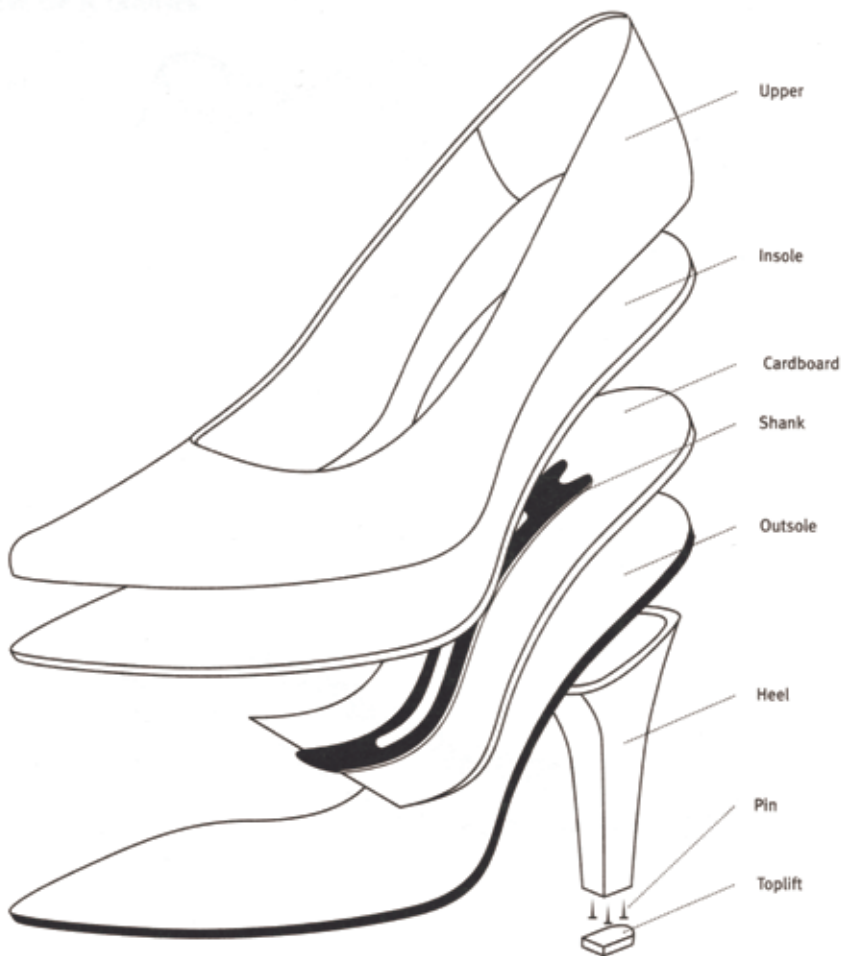
EXPLODED VIEW OF A DERBY SHOE



PUMP ANATOMY



EXPLODED VIEW OF A PUMP



FOOTWEAR TYPES AND GLOSSARY



ANNEX 8

SHOE LIBRARY

FLATS



Ballet Flat
(refer to P.80)



Folding Ballet Flat
(refer to P.81)



Bandage Ballet Flat



Espadrille
(refer to P.82)



Slip-on
(refer to P.83)



Mary Jane Flat
(refer to P.84)



Thong



Clog
(refer to P.85)



Mule



D'Orsay Flat



Bow Shoe



Evening Slipper
(refer to P.86)



Opera



Opera Pump
(refer to P.87)



Open Shank



Boat Shoe / Deck Shoe
(refer to P.88)



Moccasin



Snaffle Moccasin



Driving Shoe



Wallabee
(refer to P.89)



Adelaide



Loafer



Slip-on Loafer
(refer to P.90)



Bit Loafer



Venetian Loafer



Penny Loafer
(refer to P.91)



Tassel Loafer
(refer to P.92)



Brogue



Blind Brogue



Quarter-Brogue



Semi-Brogue



Austerity Brogue



Buck



Oxford
(refer to P.93)



Balmoral /
Galosh Oxford



Kiltie Oxford



Saddle Oxford / Bicolor



Spectator



Desert



Derby
(refer to P.94)



Blucher
(refer to P.95)



Wingtips



Long Wing



Monkstrap



Double Monkstrap



Evening Shoe



Norwegian



Whole Cut Oxford
(refer to P.96)

SANDALS



Flipflop



Slider



Cross Thong



Cross Over Thong



Ankle Strap Sandal
(refer to P.97)



Slingback Thong
(refer to P.98)



Huarache
(refer to P.99)



Gladiator
(refer to P.100)



Fisherman Sandal



Wörishofer



Salt Water Sandal



Geta



Contoured Insole
Sandal



Platform



Curved Sole Sandal



Cork Sandal



Mule
(refer to P.101)



Ghillie
(refer to P.102)



T-bar



Cross Over



Multi Strap



Cut-out



Strappy



Espadrille Wedge

HIGH HEEL SHOES



Pump
(refer to P.103-108)



Pointy Pump
(refer to P.109)



Mary Jane Pump
(refer to P.110)



Stiletto
(refer to P.111)



D'Orsay Pump



Slingback
(refer to P.112)



Ankle Strap



Strappy



T-bar
(refer to P.113)



Double Strap



Cross Strap



Side Cross Strap



Peep Toe
(refer to P.114)



Ghillie Pump
(refer to P.115)



Loafer Pump
(refer to P.116)



Ruby Slipper



Mule



Kiltie Pump



Platform
(refer to P.117)



Wedge
(refer to P.118)



Oxford Pump
(refer to P.119)



Spectator



Heel-less
(refer to P.120)



Lita Boot

BOOTS



Flat Shoe Boot



Ankle Boot
(refer to P.121)



Chukka
(refer to P.122)



Desert Boot



Cut-out Boot



Button Up Boot



Side Gore Boot / Chelsea
(refer to P.123)



Granny Boot



Multi Buckle Boot



Multi Strap Boot



Strapped Boot



Tassel Boot



Steel-toe Boot



Dress Boot
(refer to P.124)



Zip Up Boot



Duck Boot
(refer to P.125)



Hobnail Boot



Work Boot



Australian Boot



Hiking Boot
(refer to P.126)



Jodhpur Boot
(refer to P.127)



Combat Boot



Deck Boot



Jungle Boot



Harness Boot



Pecos Boot
(refer to P.128)



Biker Boot



Frye Boot



Logger Boot
(refer to P.129)



Paratrooper Boot



UGG Boot
(refer to P.130)



Engineer Boot



Galoshe / Wellington Boot



Touring Boot



Rigger Boot



Tanker Boot



Quilted Boot



Mukluk



Snow Boot



Valenki



Indian Boot



Hessian Boot

BOOTS



Cossack Boot



Cowboy Boot
(refer to P.131)



Jockey Boot/ Riding Boot



Slouch Boot
(refer to P.132)



Knit Top Boot



Knee High Boot

ATHLETIC SHOES & SNEAKERS



Plimsoll



Mule Plimsoll



Vans Slip-on
(refer to P.133)



Low-top Converse
(refer to P.134)



High-top Converse
(refer to P.135)



Sneaker



Platform Sneaker



Skate Sneaker



Zip Up Sneaker



Bouldering Shoe



Hiking Shoe



Basic Trainer



Sling Back Trainer



Tennis Shoe



Jogging Shoe



Soccer Shoe
(refer to P.136)



Golf Shoe



Bowling Shoe
(refer to P.137)



Running Shoe
(refer to P.138)



Cycling Shoe



Wedge Trainer



Basketball Shoe
(refer to P.139)



Five Toe Shoe



Wetsuit Boot



Mountaineering Boot



Snowboard Boot



Ski Boot



Racing Boot



Motorcycle Boot



Motocross Boot

SHOE GLOSSARY

Aglet	A small plastic or metal sheath at the end of a shoelace, cord, or drawstring.	Derby Shoes (cont'd)	contrasts with that of Oxfords.
Aniline Leather	A type of leather which retains the natural signatures and skin structure of the original animal.	Dress Boots	A short leather boot worn by men. It is built like dress shoes, but with uppers covering the ankle.
Ankle Boots	A type of boots which is ankle high while the shaft of the boot is absent.	Dressing	Application of polish or gloss to a shoe to maintain its finish and appearance.
Ankle Strap	A strap attached at the back of the shoe and goes around the ankle to provide heel retention.	Duck Boots	Designed in 1912, Duck boots were created as a type of waterproof boot sold to hunters. The boots were made of lightweight waterproof leather uppers and rubber bottoms.
Arch	A section of the foot between the ball and the heel that is curved to allow for the support of the body with the least amount of weight.	Elastic Gore	A flexible, elastic fabric that is sewn into the shoe's lining in order to provide a snug fit.
Athletic Shoes	A type of shoes designed for sports or other physical exercises.	Espadrilles	A type of shoes in which the sole is made of jute rope. The jute rope sole is the defining characteristic of an espadrille.
Back Seam	A vertically stitched seam running down the center-back of shoes.	Eyelet	A small hole through which aglets are threaded. They are often reinforced with a metal, plastic or rubber grommets.
Ball	The padded section of foot between the arch and the toes.	Fiberboard	The material used for counters, insoles and heel lifts. It is primarily made of wood fibers.
Ballet Flats	It is derived from a woman's soft ballet slipper, with a very thin heel or the appearance of no heel at all.	Flat Foot	This is a medical condition where the arch of the foot has collapsed, leaving the entire foot to rest flat on the ground.
Balmoral	A type of oxford shoes with a horizontal seam running across the quarters of the shoe.	Folding Ballet Flats	Similar to ballet flats but with an elastic trim added along the topline.
Basketball Shoes	A type of athletic footwear designed for playing basketball. It comes in a variety of materials, designs, and even ankle heights, giving many options for different playing needs.	Footbed	Also known as the insole, it refers to inside of the shoe where the foot rests.
Bespoke Shoes	Shoes that are made on a shoe last that has been custom-made for an individual, rather than from the standard shoe last.	Forefoot	The area in the front (fore) of the foot.
Blucher	A shoe with "open lacing" at the vamp. A Blucher and a Derby have a lot in common, but a Blucher does not have a gooseneck seam on the quarter.	Foxing	A strip of rubber found on sneakers usually made from canvas. It joins the upper part of the shoe to the sole.
Boat Shoes	Also known as deck shoes or topsiders, are typically canvas or leather with non-marking rubber soles designed for use on boats.	Full Grain Leather	A type of leather that has been tanned so that the natural texture, or grain, of the animal skin is visible.
Bowling Shoes	The sole of the stationary foot is generally made of rubber to provide traction, while the sliding foot's sole is made of a smooth and flat material that allows the bowler to slide into the release with a rubber heel to allow for braking.	Gait	Refers to a person's manner of walking.
Break	A natural crease created on the leather upper of a shoe resulting from everyday wear.	Ghillie	It is originally worn by people in Ireland when they are dancing. They use laces which criss-cross the top of the foot and are tied together similar to a sneaker.
Brogueing	Refers to the perforations or small punches that can be used to decorate a shoe.	Gladiator Sandals	A type of T-strap sandals with several straps running across the front of the foot. These sandals were favored by Ancient Greeks and Romans.
Calluses	A hard area of skin that has been thickened by continual pressure, friction and use.	Grain	The surface pattern on a piece of leather. Differs depending on the animal it came from.
Cap Toe	Also known as a tip, a cap toe is a decorative piece of leather across the toe of a shoe.	Heel	The part of shoe that is attached under the heel of foot, and which varies in height and material according to the style of the shoe.
Chelsea Boots	A type of close-fitting, ankle-high boots. There are elastic side panels and a tab of fabric at the back of the boot, enabling it to be slipped on and off.	Heel-less	A type of high-heeled shoes, from which the heel is absent. Wearers have to put the weight on the toe instead of heel when walking.
Chukka Boots	A type of ankle-length boots with two or three pairs of eyelets for lacing. They are usually made from calfskin or suede.	Heel Breast	The side of the heel that faces forward when the shoe is on the foot.
Clogs	A type of footwear which is made in part or completely from wood traditionally. They usually have a big round toe and no fastening.	Heel Counter	It is placed behind the heel of the foot, and is used to stiffen the back part of the shoe, and to maintain the shape of the shoe.
Collar	A piece of material stitched around the topline of the shoe. The collar can be padded to add extra comfort.	High-top Converse	Designed in 1917, the shoe was composed of a rubber sole and canvas upper and was designed to be an elite shoe for the professional basketball league.
Contoured Footbed	An insole usually made of memory foam that molds to the shape of the foot for extra comfort and support.	Hiking Boots	Provides comfort for walking considerable distance over rough terrain, and protects the hiker's feet against water, mud, rocks, etc.
Counter	A piece of material forming the back of a shoe to give support and stiffen the material around the heel.	Huarache	It is a type of Mexican sandal. It has a woven-leather form on the upper.
Cowboy Boots	A specific style of riding boots, historically worn by cowboys. They have a Cuban heel, rounded to pointed toe, high shaft, and, traditionally, no lacing.	Insole	The lining that adds comfort and arch support while separating the foot from the sole of the shoe.
Creme Sole	A type of sole typically made from rubber and made to resemble the texture of wrinkled crepe paper.	Instep	The arched upper section of the foot found near the center between the toes and ankle.
Croc Embossed	A leather decorative technique which gives it the impression of crocodile skin by stamping a pattern similar to crocodile skin onto the cow leather and then giving it a high-shine finish.	Jelly	A translucent rubber-like plastic used in soles and as a filler in heels to add cushioning.
Cushioning	A shoe padding which is used to absorb foot strike forces and provides comfort and stability.	Jodhpur Boots	An ankle boot designed as a riding boot with a rounded toe and a low heel and fastened with a strap and buckle.
Derby Shoes	Also called Blucher in America, it is a type of shoe characterized by shoelace eyelet tabs that are sewn on top of a single-piece vamp. This construction method, also known as "open lacing", contrasts with that of Oxfords.	Kidd Leather	A type of leather made from the skin of young goats. It is very soft and mostly used for lightweight and casual footwear.
		Kiltie Tassels Loafers	A type of slip on loafer which was first introduced as Aurlandskoen in Norway. It often features tassels on the front, or metal decorations.
		Laces	A cord that is strung through eyelets in order to draw the shoe closed.
		Last	A wooden or plastic block which represents the shape and size of

Last (cont'd)	the foot of the wearer. It is used during the process of shoemaking. It can be in standard sizes or bespoke.	Shoe Horn (cont'd)	easily.
Lasting Margin	The section of the upper which is tucked under and attached to the shoe's sole.	Shoe Sizes	An alphanumeric guidance indicating the fitting size of a foot.
Lining	The interior surface of a shoe.	Shoe Tree	A device used to resemble the shape of a foot. It is used to preserve the shape of the shoe and to stop it from developing creases by placing it into the shoe.
Loafers	Similar to the Moccasin shoe, which is a lace-less casual shoe.	Slipes	A razor-cut pattern in outsoles of shoes, specifically deck shoes. These help to disperse water and prevent slipping.
Loafer Pumps	A type a pump with the upper similar to loafers.	Slingback	A strap that crosses behind the heel or ankle.
Logger Boots	Also named Caulk Boots. It is a type of working leather nail-soled boots worn by loggers traditionally.	Slip-ons	A type of shoes which are typically low and lace-less.
Louis Heel	Developed in the seventeenth century. It is a heel fashioned from an extension of the shoe's sole.	Slippers	A flat, casual shoe that slips on and is typically meant for use indoors.
Low-top Converse	With the same features of the High-top version, the low-cut "oxford" version was designed in 1957 and is still manufactured today.	Slouch Boots	A type of shoe with a flexible boot shaft that rumples instead of standing upright.
Mary Jane	It is an American term for a closed, low-cut shoe with one or more straps across on the top.	Sneakers	A rubber-soled casual shoe made of soft, often man-made, materials, and used often for casual wear and sporting events.
Midsole	The layer of material located under the insole but over the outsole providing the shoe's main support and cushioning components.	Soccer Shoes	Also known as football boots. There are studs on the outsole of the shoes which could aid grip when running on grass.
Moc Toe	Structure similar to moccasins, but which lace-up instead of simply slipping-on.	Sole	The underside of the shoe. The term is also used to describe the bottom of the foot.
Moccasins	A casual shoe made from soft leather, with the sole brought up and attached to a piece of U-shaped leather on top of the foot, worn originally by American Indians.	Spectators	Made popular in the 1920's and 30's by Jazz and Swing musicians, they are a kind of shoe that is made from contrasting colored materials.
Mules	A type of shoe with a closed toe and no back, which allows the feet to just slide into them.	Steel Toe	A reinforced toe frequently found in industrial-style shoes designed to protect the foot and prevent injury in the workplace.
Nap Or Napped	A soft and fuzzy surface texture usually associated with leather or suede.	Stilletos	A stiletto heel is a long, thin, high heel found on some boots and shoes, usually for women.
Nubuck	A soft aniline dyed leather buffed to a suede-like condition. Easily susceptible to stains even after stain protection treatments.	Suede	A type of leather with napped surface, but may also indicate fabrics of a similar nap or brushed finish.
Opera Pumps	Also known as court shoes, it is a shoe with a low-cut front and usually without fastening.	T-bar Pumps	A closed, low-cut shoe with two or more straps forming a T shape.
Orthotic Insole	It is designed to straighten, improve, and support the foot.	Tap	A small partial sole which is normally made of metal or leather that is attached to the existing toe or heel of a shoe.
Outsole	The bottom of part of the shoe that touches the ground.	Tassel	A knotted rope ornamental piece typically found on a shoe vamp.
Oxford Shoes	Also called "Balmoral" in America. It is characterized by shoelace eyelets tabs that are attached under the vamp, a feature termed "closed lacing". Oxfords are the standard shoe to wear with most suits.	Thermoplastic - Rubber (T.P.R)	A type of plastic material used in injection molding processes. It is commonly used to sole safety shoes.
Pecos Boots	The Pecos boots were introduced in 1953 and the boots were durable and practical, combining western style with the ruggedness of a work boot. There are ears on both sides of the boots.	Throat	Located at the central of the vamp which just proximal to the toe box. The throat of the shoe dictates the maximum girth permitted by the shoe.
Peep Toe	A type of shoe in which there is an opening at the toe-box.	Tip	Also known as a cap, a tip is another piece of material, usually leather, enclosing the toe of the shoe.
Penny Loafers	A type of slip-on shoes, but the term penny loafer has uncertain beginnings. One explanation is that two pennies could be slipped into the slit, enough money to make an emergency phone call in the 1930's.	Toe Box	The portion of the shoe that holds the toes.
Perforations	Small holes punched into the shoe's leather, often on the toe, in order to add ornamental details to dress shoes.	Tongue	A strip of leather or other materials found under the laces of a shoe. The tongue is sew into the vamp and extends to the throat of the shoe.
Pinking	The zig-zag finish found the edge or seams on the shoe.	UGG Boots	It is known in Australia and New Zealand as a unisex style of sheepskin boots. They are typically made of twin-faced sheepskin with fleece on the inside, a tanned outer surface and a synthetic sole.
Platform Shoes	A shoe, boot, or sandal with thick soles. They are often made of cork, plastic, rubber, or wood.	Upper	All parts of a shoe above the sole that are stitched together.
Pumps	A type of shoes with a low-cut front and usually without fastening.	Vamp	It is the fore part of a shoe upper, normally a piece of leather that partially envelopes the foot.
Quarter	The rear portion of a shoe comprising the part that covers the heel and is often joined at the back seam.	Venetian Loafers	It is a type of loafers without the ornamentation often found across the middle.
Quarter Lining	A soft, inner lining of a shoe, typically made from leather or fabric.	Waist	The part of the foot or shoe located between the ball and the instep, also known as the shank of the shoe.
Running Shoes	A type of shoes which is designed for running. There are different types of running shoes in the market, e.g. road running shoes and trail running shoes, while different features were added for improving the running experience.	Wallabies	Has been produced by Clarks shoes since 1967 and it comes in both shoe and boot versions. Both are made out of two pieces of leather or suede in the classic moccasin style, two eyelets and wedge sole.
Sandals	A type of footwear worn mostly in the warmer weather. It is in an open design that reveals most of the foot and toes and uses straps or strips or material to hold the shoe to the foot.	Wedges	Shoes or boots with a sole in the form of a wedge so that one piece of material serves as both the sole and the heel.
Scalloped, Scalloping Shank	Similar to pinking, but a wavy cut instead of a zig-zag cut. The supportive part of the shoe between the insole and outsole. It sits under the arch of the foot and gives the shoe structure.	Welt	A strip of leather that is used to sew together the shoe's outsole and its insole and upper.
Sheepskin	A type of material made from the leather of sheephide used for making shoes and boots. Comes with or without the wool attached.	Whole Cut Oxfords	Instead of multiple pieces of leather being stitched together to make the upper, whole-cut oxfords are cut from just one piece for a hyper-clean look.
Shoe Horn	A device used to allow a user to slip the foot into a shoe more	Wing Tip	A style of shoe with a toe that looks like a "W".
		Zero Drop	Refers to the thickness of the sole which the heel is less than a half inch in height. It allows the forefoot and heel to be the same distance from the ground.










FOOTWEAR PARTS AND FOOTWEAR LABELLING



ANNEX 9

SHOE OVERVIEW

SHOE PARTS

Parts		Function	Common Materials
	Shoe lace	The most common fastening component of a shoe.	Leather, woven fabric, polypropylene ropes, webbing
	Upper	The upper helps hold the shoe onto the foot. It is connected to the sole by a strip of leather, rubber, or plastic that is stitched between it and the sole, known as a welt.	Calf, hide, kid (leather shoes), heavyweight woven fabrics such as cotton, linen, canvas, cotton drill (fabric shoes), polypag, neoprene, Lycra, Spandex (sports shoes & sneakers)
	Lining	The lining covers the inside seams of a shoe, but linings made of special materials also tout comfort features such as additional padding, or the ability to pull moisture away from the foot.	Sheepskin, pigskin, fabric
	Toe Puff & Heel Stiffener	The puff and the stiffener provide support and help to retain the shape of the shoe.	Thermoplastic materials, fiberboard board with adhesive coating
	Insole	The insole is attached to the lasting margin of the upper, which is wrapped around the last during the closing of the shoe during the lasting operation.	Leather, fiberboard
	Shank	Together with the insole, the shank is the foundation of a shoe. It helps to strengthen the shoe between the back and the joint.	Wood (low heel), fiberboard (low heel), fluted steel (high heel)
	Midsole (Optional)	Provides cushioning and shock absorption.	Ethylvinyl Acetate (EVA)
	Outsole / Sole Unit	The outsole is the layer in direct contact with the ground. It may comprise of a single piece, or may be an assembly of separate pieces, often of different materials.	Leather, vegetable-tanned leather, rubber, rubber cupsoles (sport shoes), thermoplastic resin (TPR) and polyurethane (PU), brown polyurethane, wood, cork, PVC
	Heel	The heel provides support for the heel of the foot.	Wood, nylon or polycarbonate with steel central core, metal, cork, Perspex

SHOE LABELS

PARTS OF FOOTWEAR



Upper



Lining & Sock



Outer Sole



Leather



Coated Leather



Textile



Other Material

MATERIAL USED

LABEL EXAMPLES

BRAND			
US	UK	EUR	cm
7.5	6	39	24.5
Gender: Female			
Upper: Leather			
Lining: Leather			
Outsole: Man-made			
Made in Somewhere			

7.5 US	6 UK
39 EUR	24.5 cm
BRAND	
Made in Somewhere	
Product Code: FA12345	

BRAND			
US	UK	EUR	cm
7.5	6	39	24.5
Made in Somewhere			
Product Code: FA12345			

BRAND			
US 7.5	UK 6	EUR 39	cm 24.5
Product Code: FA12345			

BRAND			
US 7.5	UK 6	EUR 39	cm 24.5
Product Code: FA12345			

BRAND			
US	UK	EUR	cm
7.5	6	39	24.5
Gender: Female			
Upper: Leather			
Lining: Leather			
Outsole: Man-made			

US 7.5	UK 6	EUR 39	cm 24.5
BRAND			
Made in Somewhere			
Product Code: FA12345			

BRAND			
US	UK	EUR	cm
7.5	6	39	24.5
Gender: Female			
Upper: Leather			
Lining: Textile			
Outsole: Man-made			

BRAND			
US 7.5	UK 6	EUR 39	cm 24.5
Product Code: FA12345			

FA12345			
7.5	6	39	24.5
Gender: Female			
Product Code: FA12345			

SHOE BOX LABEL EXAMPLES

BRAND	
FA1234	Product Name
Style Details & Descriptions	Style Details & Descriptions
EU 39	US 6

EUR 39	
US 6	UK 7.5
BR 37	cm 24.5

6	
US 7.5	cm 24.5
BR 37	EUR 39

BRAND	
Product Name	Style Details & Descriptions
www.website.com	www.website.com

BRAND	
6	8
MENS	WOMENS
6	39
UK	EUR
24.5	cm

Product Name with code	
FA1234	Product Name
Style Details & Descriptions	Style Details & Descriptions
www.website.com	www.website.com

Product Name	
6	Product Name
WOMEN'S	Style Details & Descriptions
www.website.com	www.website.com

BRAND	
FA1234	Product Name
Style Details & Descriptions	Style Details & Descriptions
www.website.com	www.website.com

FA1234	
Color: Black	Product Name
Style Details & Descriptions	Style Details & Descriptions
www.website.com	www.website.com

BRAND	
39	Product Name
Style Details & Descriptions	Style Details & Descriptions
www.website.com	www.website.com

39	
US 7.5	Product Name
BR 37	Style Details & Descriptions
cm 24.5	Style Details & Descriptions
www.website.com	www.website.com

FA1234	
6	Product Name
US 7.5	Style Details & Descriptions
BR 37	Style Details & Descriptions
EUR 39	Style Details & Descriptions
www.website.com	www.website.com

FA1234	
Product Name	Style Details & Descriptions
www.website.com	www.website.com

39	
7.5 US	Product Name
37 BR	Style Details & Descriptions
24.5 cm	Style Details & Descriptions
www.website.com	www.website.com

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LIST OF ABBREVIATIONS



ANNEX 11

AMPS	All Media and Product Survey
ASEAN	Association of South East Asian Nations
BDSE	Association of German Footwear Retailers
BIS	Bureau of Indian Standards
CAGR	Compound Annual Growth Rate
CFR	Code of Federal Regulation
C&F	Cost & Freight
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
DNB	Dun & Bradstreet (<i>checking financial status of companies</i>)
ECHA	European Chemical Agency (for REACH registration)
EPA	Environmental Protection Agency
FDRA	Footwear Distributors & Retailers of America
FOB	Free on Board
GSP	General System of Preferences
JETRO	Japan External Trade Organisation
ITC	International Trade Centre
L/C	Letter of Credit
LEFASO	Vietnam Leather, Footwear and Handbag Association
LSM	Living Standards Measure
MATRADE	Malaysian External Trade Promotion Agency
MITI	Japanese Ministry of International Trade & Industry
NES	Not Exactly Specified
PASA	Podiatry Association of South Africa
PPE	Personal Protective Equipment
PPM	Parts per Million
PPP	Public Private Partnership
REACH	Registration, Evaluation, Authorization and Restriction of Chemicals (<i>EU- regulation</i>)
SIRIM	Malaysian National Standards Agency
UAE	United Arab Emirates
USA	United States of America
VAT	Value Added Tax

