

CBI MARKET SURVEY
THE FOOTWEAR MARKET IN THE CZECH REPUBLIC
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Introduction

This CBI market survey gives exporters in developing countries information on some main developments in the footwear market in the Czech Republic. The information is complementary to the information provided in the CBI market survey 'The footwear market in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from <http://www.cbi.eu/marketinfo>.

1 Market description: consumption and production
Consumption

The footwear market in the Czech Republic was valued at € 477 million in terms of retail sales, registering an average annual increase of 1.0% since 2004, being well-above the EU average of 0.3% over the same period. The Czech Republic was the sixteenth largest EU market, behind Finland, but ahead of Ireland and Hungary in value. See chapter 1 of the CBI market survey 'Footwear' for ranking of all EU member states by value.

Table 1.1 Consumption of footwear in the Czech Republic, 2004-2008
€ million / millions of pairs

2004		2006		2008		Population (million)	Consumption per capita €
value	volume	value	volume	value	volume		
458	32	479	37	477	39	10.4	46

Source: Euromonitor (2010)

By volume, the Czech people bought 39 million pairs in 2008, which meant 3.8 pairs per capita, spending € 46 per year. Czech people bought more pairs of footwear than most of the other Eastern EU countries catching up the EU average of 4.2 pairs (€ 100). This above average level of spending indicates a higher quality footwear. See EU survey for ranking of all EU member states by value.

Since joining the EU, the Czech Republic's economy was modernised and retail sales grew strongly along with the establishment of foreign retailers. It is one of the most developed Eastern EU markets with a high consumer confidence and a spectacular rise in footwear sales.

However, the industry lost its dynamic in 2008 and stagnated in 2009. The change was brought about by the strengthening of the Czech currency, which was followed by economic recession and the global financial crisis. The unfavourable economic situation, a sense of uncertainty and a negative outlook for 2009 affected the consumer confidence.

Now Czech consumers are trading down to cheap imported footwear from China, Vietnam and India, which explains the continued rise in volume sales.

Market segments

By user: Women accounted for 54% of footwear expenditure. Because of the cold climate with long winters and humid autumns and springs, women often wear leather boots (knee or ankle) with a heavy rubber sole. Fashionable footwear is mostly worn inside. It is common that people change footwear when arriving at a theatre, a concert or when visiting friends.

The number of working women grew slightly since 2007. According to Eurostat, the ratio of working women increased from 56.0% to 57.6% of all Czech women between 2004 and 2008, getting close to the EU average of 59.1%. The younger age group (15 – 24 years) was down, while the older age group (55 – 64 years) was up.

By price quality: According to the Czech Footwear Association, there are broadly three types of consumer, using price and quality as the basis of segmentation:

- *The high quality buyers* who are looking for fashionable branded footwear at prices of € 60 and more. They tend to purchase from specialist shops. There is little brand loyalty and preferences depend on their taste at the moment. Younger people and the more affluent belong to this group, and this group is growing in size as the economy grows.
- *The middle group* that has changing preferences. They buy all types of shoes from high to low price, branded and unbranded. They are very price conscious and want a good deal from the transaction. This is the largest of the three groups. Consumers here tend to move up to higher quality fashionable footwear but still want value for money.
- *Cheap footwear buyers* who buy unbranded shoes for € 25 or less. These people buy at the lowest possible price and would tend to buy in supermarkets or other non-specialist outlets. Older people form the largest part of this group.

A detailed breakdown of consumption by product group is not available. However, a rough indication of the Czech footwear demand by product group can be found in chapter 3 of this survey.

Trends

- **Czech consumers are now more conscious about fashion and footwear design.** This trend, which has been apparent in Prague for some time, has expanded into other towns and cities around the country.
- **Many Czech consumers take a rational approach towards branded footwear.** They purchase brands if they like the practical features of the footwear, but the brand itself is important only for a small number of people, mostly younger. Around 40% of respondents of a GfK Fashion market study in 2009, consider branded goods to be overpriced in relation to their practical features.
- **Seasonal trends:** See the Annexes of the CBI market surveys covering the German, French and Italian footwear markets and Appendix E of the EU market survey.

Market outlook

The Czech footwear market is expected to contract in 2009 and 2010 due to the global economic downturn. Any recovery in 2010 will be small and higher growth rates in this sector are not expected before 2011 at the earliest. However, the middle class is expected to grow in the long run. There is now more choice in international and fashionable clothing and footwear styles; the interest in well-designed and comfortable footwear remains high.

Production

Prior to 1990, the Czech footwear industry was the largest producing industry in the country and the biggest exporter. However, the end of the Soviet Union saw the near collapse of the footwear industry as much of Czech production was exported there. Czech products were not known in EU markets and the liberalisation of imports also created aggressive competition mainly originating from Asian countries, and many of these imports were illegal. This trade still exists, but to a lesser extent.

The industry has continued to contract and in 2007, there were 49 small to medium-sized companies left, mainly in the area of the town Zlin. The Czech production volume was 5 million pairs of shoes in 2008 and represented a value of € 25 million, an average annual decrease of 6.0% compared to 2004.

Table 1.2 Production of footwear in the Czech Republic, 2004-2008
€ million / millions of pairs

2004		2006		2008		Number of companies 2007	Number of employees 2007
value	volume	value	volume	value	volume		
32	6	27	5	25	5	49	1,508

Source: Eurostat (2009)

As footwear imports continued to rise, the demand for locally produced footwear dropped. Therefore, the Czech footwear industry now is reliant on its relationships with EU companies, particularly producing footwear from components imported from the EU and then re-exported back as finished products. It is interesting to note that while the Czech footwear industry has shrunk, the Slovak industry increased. To continue to survive, the Czech industry is investing in new technologies and try to produce leather footwear in compliance with the new environmental regulations.

In terms of production segmentation, around 45% of production value was leather footwear and 43% were footwear parts. The remainder was textile footwear, although the volume of textile footwear production was high (35%). There was no recorded production of rubber or plastic footwear.

Interesting manufacturers in the Czech Republic include:

- The leading Czech producer is the Indian-renowned, but Czech-owned Bata Group (<http://www.bata.com>), located in Zlin since 1898, with an annual production of 140 million pairs and 6 factories in the country. Bata has a vertical structure being a manufacturer, wholesaler and retailer. They deal with other brands for outdoor footwear (Bamar, Ecco, Fabi, Fabi Teck, Gabor, Högl, Nod, Lloyd, Mister, Termans, Pitti, Gore Tex, Sisley) and for sports footwear (Salomon, Columbia, Power, DC Shoe).
- Bibo shoe, located in Pisek, (<http://www.biboshoe.cz>) and producer of trendy, comfortable shoes and boots for men and women. They deal with the brands Bisek Boty and Mustang.
- Fare, located in Valske, specialises in manufacture of children footwear, but they also make girls and men footwear including oversize one up to size 49 (<http://www.fare.cz>).
- Upman, located in Zlin, designs and produces Gore-Tex footwear and work shoes since 1997. They cooperate with major and important shoemaking companies in Germany and in France. (<http://www.upman.cz>).
- Snaha Jihlava, located in Jihlava, is a designer and a producer of suede and leather footwear. They produce high quality footwear for women and men. This company was founded in 1950. They export in European Union (<http://www.snahajihlava.cz>).

Trends in production

The Czech industry is likely to gradually increase its current levels of production in the coming years. However, the industry needs a greater focus on design to be able to increase its export potential and to compete on the domestic market with an increasing range of higher quality imports.

Opportunities and threats

- + Increasingly affluent Czechs are more interested in fashion with more older working women who are looking for fashionable and formal footwear. This provides opportunities for DC exporters who can benefit from increased demand for a wider choice of products on the market.
- + There is a growing number of single households who are more open to fashionable footwear. They will form a large market, mainly for casual footwear and sports footwear.
- + There will be opportunities with Czech producers who are looking for assistance in lower cost production, as well as help with design.
- +/- The economic downturn has reduced the market opportunities, although some consumers have traded down to lower-priced items. This suggests that any opportunities currently will be in the bottom sections of the market.
- +/- As the country has a long history in footwear, a Czech retailer or distributor will expect good quality, durability at a comparative price advantage when buying from a developing country.
- Being an EU member state en being close to the EU market, Czech footwear exporters are serious competitors for exporters from developing countries.

Many exporters will also be viewing the opportunities available on the Czech market. Any of these trends can equally be an opportunity for one exporter but a threat to another. Buyers are not always loyal to particular overseas suppliers, so you may lose out to a supplier from your own country or neighbouring country.

More information on opportunities and threats can be found in chapter 7 of the CBI market survey 'The footwear market in the EU'.

2 Trade channels for market entry

The Czech Republic retail market is characterised by the presence of many foreign operators that continue to gain share from local retailers. This principle applies particularly in the footwear sector. The market is still dominated by small independent specialist retailers that are supplied from local wholesaler or importers.

However, there has been consolidation in the market and there is development of specialist and non-specialist retail chains. In addition, market stalls still account for a large share of footwear distribution, particularly for lower priced products.

Nevertheless, developing country exporters would be advised to use traditional importers and wholesalers to enter this market. As well as serving small independent retailers, wholesalers also cater to department stores, mail order companies, some buying groups and footwear multiples to a lesser degree.

Agents are active in the footwear sector. Eurostat estimated there were 598 agents involved in the sale of clothing, footwear and leather goods in 2007. Their level of commission is between 10 and 15% depending on what they do. They tend to operate in the high price/quality and middle/high price segments, handling classical, branded, fashion footwear. They are therefore of less interest to exporters from developing countries.

Interesting wholesalers and importers in the Czech Republic include:

- MDV Import sro, (<http://www.m2shoes.cz>) offering women's and men's fashionable shoes, especially casual shoes, formal shoes as well as sports shoes. They operate their own retail outlets and handle the brands Rieker, Mustang, Wortmann, Dockers, Josef Seibel, Eject, Diesel, Caterpillar, Levis, Wendel and many others. They also sell online.
- Simone Style sro, located in Prague, (<http://www.exico.cz>). Shoe production, retail and wholesale - children's shoes, men's and ladies. Traditional operator of own and franchise Exico Shops. Children's shoes brands are Pepino and Bause.
- Galex, located in Hradec Kralove, is a wholesaler of women and men's footwear. They offer fashionable and formal footwear (<http://www.galex.cz>).
- Studio Zdraveho, located in Praha, is a wholesaler of fashion and classic footwear. The product range offered includes also footwear for women, men and children. They also sell medical footwear (<http://www.zdraveobouvani.cz>).
- Polking Shoes, located in Karlovy Vary, wholesales fashion shoes and others items since 2005. They have an online shop (<http://www.poelking-schuhe.de>).

Retail trade

Mintel estimated there were 439 footwear and leather goods enterprises in 2006, totalling over 2,500 outlets, a figure that has fallen slightly in the last few years.

The Austrian research company RegioPlan has done some comparative research on footwear markets in Eastern Europe. The leading retailer in the Czech Republic is Bata, which also is a manufacturer and now Indian-owned. In 2008, they operate 90 outlets in the country (<http://www.bata.cz>).

Other specialist retailers include Ooz Slin (60 outlets), Stival with 16 outlets (<http://www.stival.cz>), Humanic (part of the large Austrian-owned Leder & Schuh Group) has 30 outlets and Salamander (12 outlets, German-owned, <http://www.salamander.cz>), Deichmann (63 outlets), Reno, Leiser and La Halle. High fashion boutiques include Sergio Rossi, Ferragamo, Bally and Galex - <http://www.galex.cz> - who supplies fashionable footwear and leather fancy goods.

Within the non-specialists, foreign retailers expand in the newly built shopping centres. In the cities, they have the best stores, locations, systems and the greater buying power. Their investments aim to compete with the domestic retailers before turning their attention to each other. Tesco is the largest international retailer and they sell a lot of footwear through their 59 hypermarkets and 6 department stores. Hypernova, Carrefour and Ahold are also important super/hyper markets. Footwear is also increasingly sold through the international clothing retailers such as H&M, New Yorker, Mango, Zara, Berska and textile discounters such as Kik, Norma and Coop.

More information on trade structure and business contacts can be found in chapter 6.

3 Trade: imports and exports

Imports

In 2008, Czech imports of footwear were valued at € 446 million, or 146 million pairs. Out of the 27 EU countries, the Czech Republic is ranked fifteenth largest, and as such is regarded as a medium-sized country for footwear imports. Between 2004 and 2008, Czech footwear imports grew steadily by an average of 17.5% per annum in value, from € 234 million and 31% in volume, from 49 million pairs.

Imports exceeded exports by 1.8 times in value and 7.3 times in volume in 2008. Imports were increasing more quickly than exports (16%), although the differential was quite small. The same period has seen a considerable decrease in footwear production and an above EU average annual increase in consumption. Most EU imports came from Germany, Italy and Belgium. Many EU supplies were re-exports, quite likely originating in developing countries.

By source, around 25% or € 111 million of Czech imports came from developing countries in 2008 (84% by volume or 123 million pairs). This proportion was 28% by value in 2004. China accounted for over 78% of all developing country imports by value in 2008 (98% by volume), followed by Vietnam (7.2% by value and 0.7% by volume) and India (5.4% by value and 0.2% by volume). Malaysia, Bangladesh, Indonesia and Brazil were also important suppliers. China increased the value of their imports by an annual average of 21% over the period, but increased the volume of their imports by an annual average 40%.

By product group, Czech imports of footwear consisted of:

- *Footwear with leather uppers* (53% by value and 12% by volume), of which outdoor footwear with other outer soles was the largest sub-group (47% of all footwear imports by value).
- *Footwear with rubber or plastic uppers* (22% by value and 62% by volume), of which outdoor footwear was the largest sub-group (19% of all footwear imports by value).
- *Footwear with textile uppers* (18% by value and 25% by volume), of which outdoor footwear with rubber or plastic outer soles was the largest sub-group (11% of all footwear imports by value).
- *Other footwear* (6.3% by value and 0.7% by volume), of which other parts of footwear was the largest sub-group (5.2% of all footwear imports by value).

Exports

Footwear exports from the Czech Republic were valued at € 244 million in 2008, representing 20 million pairs. Between 2004 and 2008, the average annual increase in exports was 15.9% by value but volumes increased by an average of 30%. Exports have increased steadily since 2004, the year the Czech Republic joined the EU. Increasing exports implies there is some re-exporting, as the amount of domestic production has fallen in the Czech market.

Opportunities and threats

- + Opportunities can be found in all sectors of the market. The main growth opportunities for developing country suppliers are in footwear with leather uppers, particularly leather outdoor footwear with other outer soles. This indicates increasing affluence in the Czech market.

+ Developing country suppliers of rubber or plastic footwear have increased significantly in volume but values have increased more slowly. Supplies of textile footwear to the Czech Republic have increased more in volume than value.

See Chapter 7 of the CBI market survey 'Footwear' survey for more information on opportunities and threats.

Useful sources

- EU Expanding Exports Helpdesk - <http://exporthelp.europa.eu>
- Eurostat – official statistical office of the EU - <http://epp.eurostat.ec.europa.eu>
- Understanding eurostat: Quick guide to easy comext → http://www.eds-destatis.de/en/database/download/Handbook_Comext_Database.pdf

4 Price developments

Consumer prices

Consumer prices of footwear are below average in relation to other EU countries. However, the development of international retailers has meant that there is now a reasonably well-developed premium sector where consumers are prepared to pay higher prices. Still, many footwear at the bottom of the market is also bought from street vendors.

Prices of all goods increased by 6.3% in 2008 and by 0.6% in 2009, well above the EU average in 2008, but below this level in 2009. This compared with an increase of 0.8% in 2008 and a decrease of 1.1% in 2009 for footwear. This means, prices in this sector were tracking well below the all-price average in the Czech Republic.

The website of Czech National Statistics (<http://www.czso.cz>) publishes information on consumer prices, including clothing and footwear. Bata is the main Czech footwear producer and retailer. Footwear prices can be found on their website (<http://www.bata.cz>). Prices of some footwear can also be found at the mail order operator Neckermann - <http://www.neckermann.cz>.

Import prices

Contrary to the consumer prices, there was a downward trend in the average prices of imported footwear by the Czech Republic. As Table 4.1 indicates, developing country prices have fallen substantially, whereas intra-EU import prices have increased. This can be partly explained by the trend to greater purchases from developing countries, as prices have fallen at a fast rate. Please note that these trends should be interpreted with care, as changes in imports do not reflect the demand in the Czech Republic being a sizeable re-exporter.

Table 4.1 Development in Czech average import values/prices, 2004 - 2008

	2004	2006	2008	ave. Annual % change
	ave price per pair	ave price per pair	ave price per pair	
Total imports	4.79	3.31	3.05	-10.7
Intra-EU	11.57	14.51	14.53	5.7
Developing countries	1.97	1.06	0.90	-17.8

Source: Eurostat (2009)

Price structure

In each trade channel different margins and prices apply, with multiples of 2.0 up to 2.9 of the manufacturer's or importer's price. Generally, wholesalers' margins range between 25 – 40% of the CIF price, while retailers' margins are between 35 – 75%. More information can be found in chapter 3.2 of the CBI market survey 'The footwear market in the EU'.

VAT of 19% is added to retail prices.

5 Market access requirements

As a manufacturer in a developing country preparing to access the Czech Republic, you should be aware of the market access requirements of your trading partners and the Czech government. For information on legislative and non-legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select footwear and the Czech Republic in the category search, click on the search button and click on market access requirements.

Detailed information on packaging can be found at the website of ITC on export packaging: <http://www.intracen.org/ep/packit.htm>

Information on tariffs and quota can be found at <http://exporthelp.europa.eu>

6 Doing business

Information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from <http://www.cbi.eu/marketinfo> - go to search publications. For more information on doing business in the Czech Republic, visit the following websites:

- The website of the Czech Footwear and Leather Association can be reached at <http://www.leatherindustry.cz> or <http://www.coka.cz>. They produce an information bulletin and a catalogue of members.
- The Czech Association of Textile, Clothing and Leather Industry also includes footwear activity (<http://www.atok.cz>).
- The main trade fair for the Footwear Industry is the Kabo show, which takes place in Brno each February and August (<http://www.bvv.cz/kabo/>). This also includes other leather products.
- The main trade publications are Textilzurnal (<http://www.textilzurnal.cz>) and Tori - <http://www.tori.cz>
- The main information portal for the industry is the website <http://www.obuv-kuze.cz>. The English version of this is <http://www.shoes-leather.com>.
- The Czech Chamber of Commerce can be reached at <http://www.komora.cz> and <http://www.gfk.cz>.

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