CBI MARKET SURVEY

THE FOOTWEAR MARKET IN AUSTRIA

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Introduction
This CBI market survey gives exporters in developing countries information on some main developments in the footwear market in Austria. 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 Austria was valued at € 1.0 billion in terms of retail sales, registering an average annual decrease of 1.8% since 2004, being below the EU average of 0.3% over the same period. Austria was the tenth largest EU market, behind Greece, but ahead of Sweden and Portugal 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 Austria, 2004-2008
€ million / millions of pairs

2004		2006		2008		Population (million)	Consumption per capita €
value	volume	value	volume	value	volume		
1,095	29	1,129	32	1,022	30	8.4	130

Source: RegioPlan (2009)

By volume, Austrians bought 30 million pairs in 2008, which meant 3.8 pairs per capita, spending € 130 per year. By value, Austrians spent a quite high amount on footwear, compared to the EU average of € 100 per capita (4.2 pairs). This above average level of spending indicates higher than average quality footwear purchased in this country.

Footwear retail sales grew steadily since 2004 and started to slow in the second half of 2006 down due to the high inflation rate. Volume sales have peaked in 2006 as more low cost footwear was imported from Asia and from the nearby Croatia. However, Austrian imports from China are still low compared to the other EU countries.

Along with the economic recession that affected Austria in 2008, Austrian people limited their spending. For the footwear market this has meant a polarisation being in terms of:
- *Grading up* by older consumers looking for quality footwear that can be used longer buying less pairs per year.
- *Grading down* by younger consumers who continue to buy the usual number of pairs, but
- look for fashionable footwear at the lowest possible prices. They are sometimes referred to
- as 'Smart shoppers' and increasingly buy their shoes at clothing chains, textile-discounters, factory outlets and online sellers.

Buying habits
The Austrian market can still be characterised by consumers who choose good quality leather footwear. Formal outfits are still worn during special occasions, dining out or visiting cultural events (e.g. theatre, classical concerts). Consumers remain loyal to Austrian manufacturers and are generally less impressed with designer brands than many other European counterparts. However, younger consumers are more receptive to imported products and less traditional designs, so increasingly a wider range of footwear styles is seen on the Austrian market.

Market segments
According to the research specialist Regioplan, around 58% of all footwear purchases in Austria (by value) were women's footwear in 2008, 26% were men's footwear and 16% children's footwear. Within the footwear market, approximately 20% of sales are of sports footwear.
The number of working women increased. According to Eurostat, the ratio of working women rose from 61% to 66% of all Austrian women between 2004 and 2008. This is high, compared to an EU average of 58.3%. Increase rates were particularly high among young women (15 to 24 years) and older women (55 to 65 years).

In 2007, men's and children's footwear were the strongest performers, while sales of women's footwear were slower than the overall market. An impulse came from more sales of boots during the cold winter in 2008, especially made of leather (black, blue, brown and grey), nubuck, Gore-Tex or lambskin (Uggs). Austrian women tend to pay more attention to appearance, while men are more impressed by special functional features such as a breathable membrane in e.g. Geox footwear. However, footwear sales in all segments has slowed since 2008.

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

Trends
- ***Return to old values.*** Middle-aged and older Austrian consumers are looking for security and returning to old values. This means they want quality and traditional designs of footwear.
- ***Growing interest in recycled footwear***. Austrians are concerned about climate change and have responded by an interest in *Eco-fashion and recycled footwear* made of natural and vegetable tanned leather products.
- ***Seasonal trends:*** See the Annexes of the CBI market surveys covering the German, Italian and Danish footwear markets and Appendix E of the EU market survey.

Market outlook
Forecasts for 2010 suggest a modest recovery, but beyond that, there is uncertainty. Austria is a fairly mature market, but there is still room for future growth as the population is expected to rise due to immigration. This will be especially from the new EU member states and Russia. The Austrian National Statistics office expects a continued population growth until 2050.

With regard to the footwear market, Austrians continue to save money in 2009 and 2010, which will affect the future value footwear sales. This particularly applies to the 'Best agers' group, i.e. people between 50-75 year old looking for quality footwear for a longer use.
While the younger Austrian consumers under the age of 29 (representing 35% of the population), continue to look for something different from the limited ranges offered by the chain stores at the main shopping centres. However, they remain very price conscious.

Production
The heavily export-oriented Austrian footwear industry is based on the concentration of highly skilled jobs in the domestic arena and the outsourcing of production to lower-cost areas of neighbouring countries.

The Austrian footwear industry is small to medium sized compared to other EU countries and produces top-of-the-range shoes, using modern technologies. It is also characterised by a high degree of cooperation between manufacturers and retailers. This is designed to limit the extent to which retailers will engage with outside suppliers and protect the domestic industry.

In 2008, there were 96 small to medium-sized companies left, employing 1,983 people. The industry has been shrinking consistently for a number of years as it responds to the challenge of low cost imports. The production volume was 8 million pairs of shoes in 2008 and represented a sales turnover of € 291 million, an average annual decrease of 3.2% compared to € 331 million in 2004.

Table 1.2 Production of footwear in Austria, 2004-2008
€ million / millions of pairs

2004		2006		2008		Number of companies 2008	Number of employees 2008
value	volume	value	volume	value	volume		
331	11	301	9	291	8	96	1,983

Source: Schuh & Lederwaren Revue, Eurostat (2009/2010)

Export focus and specialisation are the key factors in maintaining the industry. A good example of specialisation is children's footwear manufacturer Richter, who is launching an ecological children's footwear collection labeled "Fair Steps", which is completely free from harmful substances. In this way, the company is seeking to allay the worries of many parents disconcerted by recent findings of harmful substances in children's footwear. As with the fair trade philosophy, the initiative is also aimed at respecting the rights of the workforce and ensuring the absence of harmful substances in production.

According to the Federation of the Austrian Footwear Trade, about 90% of Austrian production was leather footwear. Around 96% of all production was outdoor footwear and 4% was indoor footwear. In addition, 90% of all footwear was women's leather outdoor footwear.

Some interesting manufacturers in Austria include:
- Gabor (http://www.gabor.at), sales at € 120 million with 2 factories in Austria. In the first half year of 2007 they achieved a 9.5% rise in pairs sold, resulting in a 10.1% increase in revenues. Gabor manufactures its footwear almost entirely in fully-owned plants at five European locations, currently employing 3,380 people. In 2007, € 5.2 million was invested in manufacturing and information technologies.
- Högl, located in Taufkirchen, designs and produces fashions footwear of high quality since 1935 (http://www.hoegl.com).
- Richter Shoes (http://www.richter.at) with a sales of € 28 million is specialised in children's footwear. They belong to the industrial group Austrian Shoe and Shirt which includes the German brand Jela (orthopedic shoes). In 2005, 1.2 million pairs were sold, up 23% compared to 2004. Around 85% is exported mainly to Germany, Switzerland, the Netherlands and the United Kingdom.
- Ludwig Reiter, located in Vienna, is a designer and a manufacturer of high quality leather footwear. They sell modern and fashion items. This company was founded in 1885, and is an old family company (http://www.ludwig-reiter.com).
- Giesswein, located in Brixlegg, is producer of footwear, especially slippers. But they also offer boots, leather footwear. They have a shop on line (http://www.giesswein.com).

Trends in production
- ***Continuous innovation.*** Austrian producers, despite the contraction in the industry, continue to innovate and bring new comfortable footwear to the market, particularly those that offer an interesting combination of good design and use of technology.
- ***Structural changes in the industry.*** Nevertheless, the domestic footwear industry is likely to continue to decrease, despite the relatively high levels of skills in this traditional industry. Many family businesses, if they are unable to find enough customers within Austria, may choose to close rather than engage in international trading relationships.
- ***More non-leather footwear.*** Leather footwear is popular and highly regarded in Austria. However, the increasing proportion of non-leather footwear in this sector and their significantly lower costs continue to conspire against the local industry.

Opportunities and threats

\+ Exporters from developing countries will find the best opportunities in targeting younger consumers who look for new fashionable footwear. This will be in boots, shafted and beaded sandals, flip-flops, espadrilles, clogs, sneakers with ethnic prints, evening footwear and recycled footwear. Please note that young Austrian people remain very price conscious.

+ For those people who want to return to old values, retro sporty pumps or classics with a twist could be an interesting market niche (see Appendix E of the CBI EU market survey). Try to offer here footwear that is unique to your country e.g. special colour accent, blue printing or special decoration to retailers or producers who want to specialise.
+/- The 'Best agers' continue to look for quality footwear in terms of a maximum comfort. This means shoes with an optimal fit, soft leather uppers, light and flexible soles, and with a 'soft line' tread. However, there might be much competition from Austrian manufacturers – see http://www.hoegl.com
- Exporters from developing countries can also find opportunities with footwear specialists in the lower sector. However, there is competition from suppliers form nearby Eastern Europe and China. Therefore, an Austrian retailer or distributor will expect some form of comparative price advantage 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 low cost product.

Many exporters will also be viewing the opportunities available on the Austrian market. Any of these trends can equally be an opportunity for one exporter but a threat to another. Austrian 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

Footwear distribution in Austria is divided into traditional trade channels and the other channels, such as sports footwear, clothing and discount retailers, which are gradually gaining market share. Nevertheless, wholesalers and importers represent the most important channel to reach these outlets, despite the fact that much trade now is conducted directly between large buyers and suppliers. Agents still have a role in Austria, although their influence is diminishing. Eurostat reported 517 agents involved in the sale of clothing, footwear and leather goods in 2007.

Agents can be found via http://www.commercial-agent.at or http://www.coesch.at. Increasingly, agents are being overlooked and exporters to Austria are approaching the major footwear retailers directly.

Interesting wholesalers and importers in Austria include:
- Leder and Schuh International AG, located in Graz (http://www.leder-schuh-ag.com) is a holding company dealing in footwear and leather goods. They sell the brands Corti, Dominici, Humanic and Shoe 4 You. Sales in 2006 was € 406 million.
- Grohmann Schuhimport GmbH, located in Salzburg, (http://www.woolf.at). They operate large network of retail outlets and have exclusive sales distribution worldwide. Their footwear range is much influenced by the international trends in fashion.
- Schuhhaus Rattenegger, located in Knittelfeld, (http://www.rattenegger.at).
- Reno, located in Vosendorf, deals with fashion and comfortable and casual footwear. They have a wide choice of footwear and they sell online (http://www.reno.at).
- Asmus, located in Bergheim, deals with a wide range of brands of footwear. They operate an online shop (http://www.asmus.at).

Retail trade
The Austrian retail sector for footwear is becoming more fragmented, although the sector has developed more slowly than in many other European countries. This illustrates the conservative nature of Austrian society with strict planning regulations and opening hours.
According to market research specialist Mintel, 1,046 retailers were involved in the sale of footwear and leather goods in 2007, a figure that has remained fairly constant over the past few years.

Footwear retail sales are dominated by the specialised (retail) trade, although non-specialists are taking up an increasing proportion. According to RegioPlan, buying groups represented 32% of footwear retail sales in 2008, followed by footwear chain stores (37%), independent stores (12%), sports chain stores (7%), home shopping (3%), super/hyper markets (1%), clothing and discount stores (7%) and others (1%).

The leading specialist retailers accounted for the two-thirds of the market. Not all specialist chains are locally-owned. In some cases, purchasing decisions may be taken elsewhere. However, in the first instance it is advised to approach the local point of contact. The leading specialists were:

- Leder & Schuh is the leading retailer with a market share of 22%. They operated 173 outlets and achieved € 250 million sales in 2008. They have a number of retail facia including Humanic (http://www.humanic.at). They also operate outlets in Germany, Czech Republic, Slovenia, Slovakia, Hungary and Poland. See also under wholesalers. Shoe4you a trendy chain which operated around 30 outlets (http://www.shoe4you.at).
- Stiefelkönig with 60 outlets and € 145 million sales, operated across a number of retail brands http://www.stiefelkoenig.at).
- Deichmann – German owned and strong in Austria (131 outlets), but also expanded aggressively into other parts of central Europe (http://www.deichmann.at) with the brands Elefanten and Gallus.
- Jello (http://www.jello-schuhpark.com) offers trendy shoe fashion at low prices. Over 100 outlets in Austria, Germany and Slovenia.
- Ringschuh (260 outlets, sales € 85 million, http://www.ringschuh.at), a leading buying group.
- Salamander – German owned (30 outlets, sales € 30 million, http://www.salamander.at).

Non-specialists include department stores such as Kastner & Öhler (12 outlets) and Steffl (1 outlet), and clothing retailers such as C&A (67 outlets), KiK (245 outlets), Vögele (150 outlets), H&M (60 outlets) and many others, including the Austrian-owned Fürnkranz (5 outlets). Sports retailers such as the Intersport group (http://www.intersport.at) are important in the distribution of sports footwear.
Next to the 'trend shops' selling watches, glasses, leather goods and footwear, factory outlets and discounters have been popular among younger Austrians. Discounters are now grading up to 'convenience discounters' offering more choice in (branded) footwear, for example, the German owned 'Bon prix' (http://www.bonprixsecure.com/at/home.htm).

Mail order is important in Austria, particularly Neckermann, Quelle and Otto. However, more growth is coming from online sales of footwear, which have proven popular in this medium particularly for younger consumers.

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

3 Trade: imports and exports

Imports

In 2008, Austria's imports of footwear were valued at € 906 million, or 68 million pairs. Out of the 27 EU countries, Austria is ranked eighth largest, and as such is regarded as a medium-sized country for footwear imports. Between 2004 and 2008, Austria's footwear imports grew by an average of 1.3% per annum in value, from € 860 million and 1.1% in volume, from 65 million pairs. Austria's footwear imports peaked in value in 2006 (€ 926 million).

Imports exceeded exports by 1.7 times in value and 2.4 times in volume in 2008. Exports were decreasing (-4.1%) while imports increased. The same period has seen a decrease in footwear production and an average annual decrease in consumption of 1.8%. Most imports came from Germany and Italy. Some of these may have been re-exported.

By source, almost 20% or € 181 million of Austria's imports came from developing countries in 2008 (38% by volume or 26 million pairs). This proportion was just 16% by value in 2004.

China accounted for over 29% of all developing country imports by value in 2008 (58% by volume), followed by Croatia (19% by value and 3.8% by volume) Vietnam (19% by value and 15% by volume). India, Bosnia and Herzegovina and Turkey were also important suppliers. China increased its value supply by 12% and its volume supply by 19% over the period.

By product group, Austrian imports of footwear consisted of:

- *Footwear with leather uppers* (62% by value and 35% by volume), of which outdoor footwear with other outer soles was the largest sub-group (50% of all footwear imports by value).
- *Footwear with rubber or plastic uppers* (14% by value and 34% by volume), of which outdoor footwear was the largest sub-group (12.5% of all footwear imports by value).
- *Footwear with textile uppers* (14% by value and 29% by volume), of which outdoor footwear with rubber or plastic outer soles was the largest sub-group (7.6% of all footwear imports by value).
- *Other footwear* (9.3% by value and 1.5% by volume), of which other parts of footwear was the largest sub-group (8.2% of all footwear imports by value).

Exports

Footwear exports from Austria were valued at € 515 million in 2008, representing 28 million pairs. Between 2004 and 2008, the average annual decrease in exports was 4% by value and 9% by volume. There may be a limited amount of re-exporting, but this does not appear to be a major factor in the Austrian market.

Opportunities and threats

+ The main growth opportunities for developing country suppliers are in textile and leather footwear, particularly textile outdoor footwear.
+ Developing country suppliers of rubber or plastic footwear are increasing in volume but values are static. This is particularly the case for rubber or plastic outdoor footwear.

See Chapter 7 of the CBI market survey ‘Footwear’ 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 increased by 3.2% in 2008 and by 0.4% in 2009 being marginally lower than the EU average. This compares with prices for footwear, which increased by 2.5% in 2008 and by 2.0% in 2009. These increases were well above the EU average in 2008 and in 2009. These changes should be seen in the context of relatively high prices in Austria for footwear, amongst the highest in the EU. Only Finland, Luxembourg and Sweden had higher average prices.

Consumers prefer to purchase higher quality footwear, particularly of quality leather. However, low priced imports are starting to enter the market, producing more consumer choice and more pressure on margins for traditional stockists of these products.

The website of Austrian National Statistics (http://www.statistik.at) publishes harmonised indices of consumer prices, which includes clothing and footwear. Not all Austrian footwear retailers feature prices on their website. One retailer that does is Stiefelkönig (http://www.stiefelkoenig.at). Furthermore, the auction site Idealo - http://www.idealo.at - sells footwear and features prices. Prices can be found at http://www.walbusch.at - or at the

German mail order operator Otto that also operates in Austria - http://www.otto.de or http://www.schwab.de.

Import prices

There is an upward trend in average prices of imported footwear by Austria which is less significant than the increase in consumer prices. As Table 4.1 indicates, developing country prices have slightly fallen, whereas intra-EU import prices are marginally higher in the period between 2004 and 2008.

Table 4.1 Development in Austrian average import values/prices, 2004 – 2008, €

	2004 ave price per pair	**2006** ave price per pair	**2008** ave price per pair	**ave. Annual % change**
Total imports	13.15	13.17	13.32	*0.3*
Intra-EU	15.26	16.97	17.38	*3.3*
Developing countries	7.16	6.68	6.96	*-0.7*

Source: Eurostat (2009)

This may explain the trend to greater purchases from developing countries. Prices are 40% of intra-EU import prices for footwear. This may illustrate more imports of cheaper footwear by Austrian manufacturers and large retailers from suppliers from Asian countries. Please note that these trends should be interpreted with care, as changes in imports do not reflect the demand in Austria.

Price structure

In each trade channel, different margins and prices apply, with multiples of 2.3 up to 2.9 of the manufacturer's or importer's price. Generally, wholesalers' margins range between 30 – 40% of the CIF price, while retailers' margins are between 45 – 75%. More information can be found in chapter 3.2 of the CBI market survey 'The footwear market in the EU'.
The VAT rate in Austria is 20%.

5 Market access requirements

As a manufacturer in a developing country preparing to access Austria, you should be aware of the market access requirements of your trading partners and the Austrian government. For information on legislative and non-legislative requirements, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select footwear and Austria 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 Austria, visit the following websites:

- The website of the Austrian footwear industry can be reached at http://www.shoes-leather.at.

- The organiser of the Shoes & Bags exhibitions that also include footwear, and occur regionally in Vienna, Salzburg, Innsbruck and Klagenfurt can be reached at http://www.mgc.at.
- Details of Schuh Austria, which takes place in Salzburg can be found at http://www.coesch.at.

- The Federation of the Austrian Footwear Trade can be reached at http://www.schuhhandel.at.
- The Austrian fashion industry portal - http://www.fashion-industry.at - has links to various footwear. Another interesting portal is http://www.mode-branche.at.
- Schuh & Lederwaren Revue - http://www.schuhrevue.at - the main trade publication in this sector, is published monthly.
- Market information can be found at Regioplan Consulting - http://www.regioplan.eu, at Makam Market Research - http://www.makam.at - and at Gfk – http://www.gfk.at.
- A good business publication that occasionally produces market information is http://www.austriantimes.at. Austria's leading online market research company is http://www.marketagent.com.

This survey was compiled for CBI by ***Searce***