

**CBI MARKET SURVEY**
**THE FOOTWEAR MARKET IN BULGARIA**
**Publication date: May 2010**
**Introduction**

This CBI market survey gives exporters in developing countries information on some main developments in the footwear market in Bulgaria. 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 Bulgaria was valued at € 229 million in terms of retail sales, registering an average annual increase of 1.4% since 2004, being four times the EU average of 0.4% over the same period. Bulgaria was among the smaller EU markets, behind Slovakia, but ahead of Slovenia and Lithuania in value. By volume, Bulgarians bought 17 million pairs in 2008, which meant 2.2 pairs per capita, spending € 30 per year, being far below the EU average of € 100 per capita (4.2 pairs). 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 Bulgaria, 2004-2008**  
**€ million / millions of pairs**

2004		2006		2008		Population (million)	Consumption per capita €
value	volume	value	volume	value	volume		
217	11	232	14	229	17	7.6	30

Source: Euromonitor (2009)

Footwear sales rose steadily since 2004, primarily due to Bulgaria's accession to the EU and the fast growth of shopping centres in the main cities Sofia, Plovdiv, Varna and Burgas. Due to the sharp prices increases and the recession, sales slowed down in 2007.

However, volume continued to rise during the whole period between 2004 and 2008. This can be explained by more sales of cheap imported footwear from China and Turkey. It can be also explained by the existence and greater acceptance of counterfeit or imitation items that are sold through street markets and other informal channels.

**Buying habits**

Most Bulgarian people buy lower quality footwear due to low disposable incomes. According to the Research Agency Noema, 50% of the Bulgarian population had a monthly income of around € 300 in 2007. Whereas around 25% of Bulgarian people had an income of over € 500. They are able to spend more money on clothing and footwear. The remaining 25% either earned less than € 300 or earned more than € 500 per month. This is low compared to a minimum average income of € 1,160 in the EU15 countries in 2008.

**Market segments**

*By user:* Women represented the largest segment (58%) of footwear expenditure in 2007.

*The ratio of working women* increased substantially from 50.6% to 59.5% of all Bulgarian women between 2004 and 2008. According to Eurostat, this ratio is now closer to the EU average of 59.1%. The group of women aged between 25 and 54 years showed the largest increase. They have more money to spend on their outfit for work and for leisure. This implies a rising demand for fashionable formal, casual and evening footwear.

*By price/quality:* There are three segments, according to the Branch Union of Leather, Fur and Footwear in Bulgaria.

- *The low end of the market*, which is covered by imports from Asia and some local production (45% of the market).
- *The middle segment*, which is covered by higher quality local production and other imports. This segment attracts the growing middle class that aspires to European average levels of expenditure (40% of the market).
- *The top and luxury end of the market*, which is dominated exclusively by Italian and French imports of very high price and quality (15% of the market).

Bulgarian consumers in all segments are receptive to imported goods.

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

### **Trends**

- ***The Bulgarian population is declining and ageing***, which will affect future expenditure and demand for different (less fashionable) styles of footwear.
- ***Second hand outlets for clothing and footwear*** have been very successful within the economical and medium segments, led by Second hand mania and the fast growing Z outlet, selling old (footwear) collections from the Zara clothing chain.
- ***Bulgarian people become more familiar with new footwear designs***. Although there is a well-established domestic footwear industry, much of this is destined for export markets, so imported footwear is an increasing feature of the retail market. Bulgarian consumers are becoming more aware with the wide variety of imported footwear – from the cheapest to the most expensive.

### **Seasonal trends**

Fashion trends do not change as frequently in Bulgaria as they do in many other EU countries. Pumps, boots and sandals with low – high heels made of natural or patent leather remain popular, as well as boots and sneakers. Platform soles or heels could range from coloured or black leather to natural material (cork, wood) increasingly with comfortable foot beds. Other popular footwear were formal court shoes or round toed flat ballerina pumps sometimes in strong colours and contrasted trims and a tiny heel of 2 cm or more.

See also the Annexes of the CBI market surveys covering the German, French and Italian footwear markets.

### **Market outlook**

The Bulgarian market contracted by value and due to the recession many consumers have chosen to buy cheaper footwear, while others have delayed their purchases until economic conditions improve. Recovery in the Bulgarian market is expected from 2010, but growth rates will not return to the high levels experienced in the years up to 2007. Nevertheless, demand for low to mid-priced fashionable footwear should be maintained, as the number of working women is still on the rise.

Along with the expansion of foreign retailers in the new shopping centres, there will be greater offering in both formal and casual footwear, including sports footwear. However, the wide discrepancy between the large urban areas and rural areas remains concerning the interest in new designs of footwear.

### **Production**

Bulgaria is a relatively small footwear producer in the EU, but the industry is one of the few that are growing. The footwear and leather industry has been traditionally important to the Bulgarian economy. Bulgaria is close to Italy, and many of its (other) EU neighbours have been looking for outsourcing and assembly partners. Bulgaria has benefited from this due to its low labour costs and relatively skilled workforce.

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

2004		2006		2008		Number of companies 2007	Number of employees 2007
value	volume	value	volume	value	volume		
92	8	107	10	123	14	104	2,623

Source: Eurostat, Ubifrance (2010)

Production values increased significantly since 2006, with steady rising volume levels. The labour force for footwear, however, has not been increasing. Over the review period, production value rose by an annual average 7.5% to € 123 million, representing 14 million pairs in 2008.

Despite this good performance, the Bulgarian footwear industry is facing many challenges to modernise to meet the threat of low cost imports, and also to conform to EU production standards. There are many issues around health and safety and environmental practices where the Bulgarian industry has been lagging behind. There is also the threat of losing skilled workers, who see opportunities to leave Bulgaria and earn more money elsewhere e.g. in Italy. Consequently, the future prospects for the industry are uncertain.

There has been some notable success stories in this effort. For example, Valeo, a sports shoes and accessories manufacturer that produces over 2 million pairs per year from four separate production sites, has been very successful in reducing the emission of volatile organic compounds (VOCs), making their production process much cleaner.

In terms of production segmentation, approximately 66% of all production was leather footwear (46% by volume); rubber or plastic footwear accounted for 16% of production value (over 17% by volume); textile footwear represented 3% of production value but 21% of production volume; and footwear parts accounted for the remaining 15% of production value.

**Some interesting manufacturers in Bulgaria** include:

- David shoes, located in Sofia, (<http://www.davidshoes.com>) produces comfortable fashionable ladies and men's shoes under the 'Stepper' brand.
- Dinev shoes, located in Sofia, (<http://www.dinev-shoes.com>) the newest models, made of high quality materials.
- Italbul, located in Sofia, is a manufacturer of footwear, specially slippers and sandals. This company was founded in 1997. At beginning, there were only 7 employees, and now, there are more than 150 employees (<http://www.italbul.com>).
- Flavia, located in Plovdiv, is a designer and a producer of fashion footwear for women and children. This company was established in 1997. They sell their products in all Europe (<http://www.flavia-bg.com>).
- Bentley, located in Rousse, designs and manufactures of fashion and leather footwear (<http://www.bentleyfashion.com>).

**Trends in production**

Production is likely to continue to grow in the coming years, based in large part on its lower labour costs compared with other EU Member States. Despite technological advances in equipment and inflows of foreign capital, it is unlikely to develop into a large industry nor represent a major threat to importers unless it is able to significantly improve its production systems and competitiveness.

**Opportunities and threats**

- + Opportunities exist to supply direct to the domestic market as Bulgarian consumers, especially younger women, look for more interesting styles of fashionable footwear. You can have an idea of popular footwear in Bulgaria by visiting <http://www.stil99.com>
- + Bulgarian producers will be interested in partnerships with outside suppliers who provide parts of footwear.

- +/- Opportunities also exist for supplying footwear to the lower-priced end of the market. This is a large segment in Bulgaria, but there will be competition from market stalls, second hand outlets and from Asian countries.
- As a new EU Member State and being nearby to the largest EU manufacturers (Italy, Germany), Bulgaria can be regarded as a serious competitor for exporters from developing countries.

Bulgarian buyers are not always loyal to particular overseas suppliers, so you may lose out to a supplier from your own country or neighbouring country.

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

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 Bulgaria is very fragmented. It is dominated by a large number of small independent retailers. Market stalls still play an important role in the retail supply of footwear. This implies that traditional importers and wholesalers represent the best route to market. Many local manufacturers act as importers, but operate their retail outlets.

It is recommended that DC exporters find a local partner. With this arrangement, DC exporters will have someone who knows the language and local procedures and market conditions. Although there are some commercial agents, they are not as active in Bulgaria as other countries. Eurostat estimated there were 101 agents in the clothing, textile, footwear and leather goods sectors in 2007, and that 621 Bulgarian enterprises were involved in the wholesaling of clothing and footwear. When selecting an importer, it is important to know in which channel he specialises.

**Interesting importers and wholesalers in Bulgaria** include:

- Castle Shoes Ltd, located in Sofia, (<http://www.castle-shoes.com>). Import and distribution in Bulgaria. Owner of trademarks Rival, Bamboleo and Soft Wind. Producer of fashionable and comfortable ladies and men's shoes.
- Fado, located in Plovdiv, deals with footwear. They offer casual and formal footwear for women, men and children. They have a shop online (<http://www.fado.bg>).
- Aries Commerce, located in Sofia, is a wholesaler in footwear. They offer different brands in luxury goods (<http://www.ariescommerce.com>).
- Shoes-Bg, is a wholesaler of fashion and classic footwear. They have a shop on line (<http://www.shoes-bg.com>).
- Alex Fashion Shoes, deals with fashion footwear. They offer leather and synthetic footwear. They sell on line (<http://www.shoesbg.com>).

### **Retail trade**

The footwear market is still dominated by a large number of small independent retailers, although the structure of the market has changed with the arrival of international retailers and the construction of shopping malls in some towns and cities. The first western-style shopping centre, called the Mall, opened in June 2007 in Sofia, and several others are under development. The former state-owned department store Tzum is now in private hands and accommodates a number of retailers that sell footwear, such as Timberland and Reebok. Nevertheless, the retail environment is the least developed of all EU Member States. Growth is still inhibited by a reputation for corruption that the government is trying hard to remove.

In 2007, it was estimated that around 2,000 retail enterprises were involved in the footwear and leather goods sector with 3,250 employees.

One of the leading local specialist footwear retailers is called House of Shoes. They operated 53 outlets in 2004. Another leading domestic specialist retailer is Stil 99 - <http://www.stil99.com>, which has 11 outlets and offers fashionable footwear. The German footwear retailer Salamander is expanding its distribution further into Eastern Europe, with plans to open in Bulgaria, as well as Romania.

**Non-specialists:** The voluntary group CBA is currently the leading retailer in Bulgaria (172 outlets), also selling footwear. The group was created as a joint venture between 24 Bulgarian food and non-food retailers and Hungarian food group CBA in 2003 (<http://www.cba.bg>).

In 2007, there were an estimated 15,000 market stalls, most of which sell cheap imported footwear. While in the same year, there were 75 clothing and footwear retailers, of which Etere (16 outlets), La Fiesta (15 outlets), Denyl (12 outlets), Zara, Marks & Spencer, Miss Sixty, Mango, Levies, Benetton, Ninka, Exxo and Dika were the most important chains.

Footwear was also sold by second hand retailers of which Second Hand Mania (30 outlets) was most popular, as well as the new entrant Z Outlet. This is owned by Trend Studio Bulgaria and they have opened up 6 outlets in 2008.

Other leading non-specialists include the hypermarket group Billa (29 outlets) and the Bonjour chain of 56 General Goods Stores, who are owned by the Cypriot Stambouli group, and the French Carrefour hypermarkets. Internet sales is also gaining popularity in Bulgaria.

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

### 3 Trade: imports and exports

#### Imports

In 2008, Bulgaria's imports of footwear were valued at € 110 million, or 20 million pairs. Out of the 27 EU countries, Bulgaria is ranked seventh smallest, and as such is regarded as a small-sized country for footwear imports. Between 2004 and 2008, Bulgaria's footwear imports grew by an average of 9.0% per annum in value, from € 78 million, but decreased by 7.2% in volume, from 27 million pairs.

Exports exceeded imports by 35% in value but imports exceeded exports by 82% in volume in 2008. Exports have increased 1.0% by value since 2004, but have decreased 1.0% by value since 2006. The same period has seen an increase in footwear production and an average annual increase in consumption of 1.4%. Consequently, the market dynamic is changing rapidly as imports take an increasingly important share. Italy was the leading EU supplier, partly due to a close relationship in production and supply of parts. However, domestic production is still important in the local market, especially as exports decreased due to the recession and the purchase of locally produced footwear.

**By source**, just 22% or € 24 million of Bulgaria's imports came from developing countries in 2008 (80% by volume or 16 million pairs). This proportion was 42% by value in 2004. China accounted for over 58% of all developing country imports by value in 2008 (69% by volume), followed by Turkey (33% by value and 19% by volume) and Brazil (2.9% by value and 1.2% by volume). Vietnam and Indonesia were also important suppliers. China's value supplies decreased by 12.6% over the period, while their volume supplies decreased by 12.8%.

**By product group**, Bulgarian imports of footwear consisted of:

- *Footwear with leather uppers* (42% by value and 15% by volume), of which outdoor footwear with other outer soles was the largest sub-group (26% of all footwear imports by value).

- *Other footwear* (36% by value and 2% by volume), of which other parts of footwear was the largest sub-group (35% of all footwear imports by value).
- *Footwear with rubber of plastic uppers* (15% by value and 60% by volume), of which outdoor footwear was the largest sub-group (14% of all footwear imports by value).
- *Footwear with textile uppers* (9.1% by value and 25% by volume), of which outdoor footwear with rubber or plastic outer soles was the largest sub-group (3.6% of all footwear imports by value).

### Exports

Footwear exports from Bulgaria were valued at € 149 million in 2008, representing 11 million pairs. Between 2004 and 2008, the average annual increase in exports was 1% by value, and volumes grew by a similar amount, although exports peaked at € 159 million in 2007. Around 47% of Bulgaria's exports by value are footwear parts, destined mainly for Italy.

### Opportunities and threats

- + There are growth opportunities for developing country suppliers in all product groups. Footwear with plastic or rubber uppers appears to offer the greatest opportunities to developing country suppliers, notably outdoor footwear of these materials.
- + Values in the leather and textile sub-sectors are increasing more than volumes, indicating rising prices but greater competition for developing country exporters.

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](http://www.eds-destatis.de/en/database/download/Handbook_Comext_Database.pdf)

## 4 Price developments

### Consumer prices

Footwear prices were lower in Bulgaria than any other EU country, almost half the EU average. They were relatively similar to Romania, the other newest EU Member State, but these prices are likely to increase. While all prices in Bulgaria increased by 12% in 2008 and 2.5% in 2009, prices of footwear increased at a higher rate over the same period (12.3% in 2008 and 3.0% in 2009). This compared with the EU average for this group of a 0.2% increase in 2008 and a 0.3% increase in 2009.

Bulgaria is still a relatively poor country, in comparison to most EU Member States, and consumers do not spend much on this product group. The greatest demand is for products in the lower cost segment. However, an emerging group of affluent consumers is interested in more expensive international designed footwear, and is prepared to pay higher prices for them.

The website of Bulgarian National Statistics (<http://www.nsi.bg>) publishes harmonised indices of consumer prices, which includes clothing and footwear. The department store Tzum features prices of some footwear - <http://www.tzum.bg>. Not many Bulgarian footwear retailers feature prices on their website. A number of footwear companies can be accessed via <http://www.bgfashion.net/accessories/footwear.php>. Wholesale shoe prices can be found at <http://www.shoesbg.com>.

### Import prices

Similar as to the consumer prices, there is an upward trend in average prices of imported footwear by Bulgaria. This is in contrast with the falling import prices of intra EU countries. Developing country prices were quite low compared to intra-EU prices. They increased over the period with a peak in 2006. Price convergence with neighbouring EU countries is likely to result in rising rather than falling import prices, which has been the case in many other EU countries.

Please note that these trends should be interpreted with care, as changes in imports do not reflect the demand in Bulgaria. Especially as there a large fluctuations in the trade flows between Bulgaria (outsourced producer) and Italy.

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

	<b>2004</b>	<b>2006</b>	<b>2008</b>	<b>ave. Annual % change</b>
	ave price per pair	ave price per pair	ave price per pair	
Total imports	2.92	4.38	5.51	17.2
Intra-EU	35.59	34.76	21.13	-12.3
Developing countries	1.32	2.02	1.54	3.5

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%. As the market is not yet as ordered as in some of the other more mature EU countries, higher margins can still be earned in Bulgaria. More information can be found in chapter 3.2 of the CBI market survey 'The footwear market in the EU'.

VAT of 20% is added to retail prices.

## **5 Market access requirements**

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

- The branch union of the Bulgarian Leather, Furriers, Footwear and Haberdashery industries can be reached via <http://www.bia-bg.com/bia/branch/leather.htm>. They produce a bulletin called "Koji I Obuvki" (Leather and Shoes). The main activities of this union are conducted by the Consortium of Leather and Leather Goods (<mailto:consllid@mb.bia-bg.com>).
- Leather and Fur Fashion is a specialist exhibition for leather products, which also includes footwear. It takes place in Sofia in March and September and is organised by Bulgarreklama (<http://www.bulgarreklama.com>).
- Information about the International Fair in Plovdiv can be found at <http://www.fair.bg>.
- The Bulgarian Association of Apparel and Textile Producers and Exporters also makes reference to the footwear sector (<http://www.bgtextiles.org>).

- The Bulgarian Chamber of Commerce is a good contact (<http://www.bcci.bg>).
- Novinte - <http://www.novinite.com> - is a useful news agency. Other news agencies include <http://www.dnevnik.bg>, <http://www.monitor.bg> and <http://www.econ.bg>.

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

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