

EU MARKET SURVEY 2003

FOOTWEAR



CENTRE FOR THE PROMOTION OF IMPORTS FROM DEVELOPING COUNTRIES

EU MARKET SURVEY 2003

FOOTWEAR

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August 2003

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New CBI publication with updated contents, replacing CBI's EU Market Survey 2002 'Footwear' published in August 2002 and CBI's EU Strategic Marketing Guide 2001 'Footwear'.

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REPORT SUMMARY

This EU Market Survey 'Footwear' is intended to serve as a basis for further market research: after you have read this survey it is important to further research your target markets, sales channels and potential customers. Market research depends on secondary data (data that have been compiled and published earlier) and primary data (information that you collect yourself). This EU Market Survey is an example of secondary data. Primary data are needed when secondary data fall short of your needs, for example when researching your specific type of consumer about the acceptance of your specific product. Sources of information are among others (statistical) databanks, newspapers and magazines, market reports, (annual) reports from branch associations, but also shops in target countries, products or catalogues from your competitors, and conversations with suppliers, specialists, colleagues and even competitors. After you have received/collected your information you should analyse it. In order to judge the attractiveness of the market, sales channel or customer you should use/develop a classification or score system.

For more detailed information on market research, reference is made to CBI's Export Planner (2000) and CBI's new manual on market research (2003). A fairly complete overview on packaging, environmental aspects etc. is published in CBI's AccessGuide. These sources of information are also available on the CBI web site.

Product groups

Footwear is categorised in several ways in official statistics, according to:

- end use: waterproof footwear, safety footwear, sports footwear, indoor footwear and other footwear (outdoor footwear if not classified before);
- raw materials used for the uppers and the soles. Uppers can be of leather, synthetic leather, plastic, rubber or textile (canvas). Outer soles can be of leather, plastic, rubber, wood, cork and other materials;
- end user: for children, for women and/or for men;
- footwear height: varying from not covering the ankle, covering the ankle but under the calf, and other covering the ankle (calf-, mid-calf-, knee- and thigh-length);
- in some cases a distinction is made for aspects like the height of the heels including soles (more than 3 cm) or the presence of a vamp of straps or pieces cut out.

Consumption

Consumption of footwear in the EU grew by 4.8 percent in the period 1999-2002, of which less than 1 percent in 2002, to almost € 52 billion. A further

annual growth of 2 percent is expected for the next five years. The footwear market has tended to be characterised by cheap, mass-produced items, but in recent years there has been some movement away from such products towards higher quality, more individual footwear like ladies' leather boots and comfort footwear.

Germany is still the most important country in footwear consumption in the EU despite a small fall. Germany is followed by the UK, Italy, France and Spain, and at a distance by The Netherlands. The five first mentioned leading countries account for 80 percent of EU footwear consumption.

The footwear sector accounts for about 1.2 percent of total consumer expenditure in the EU. Consumption patterns of households vary substantially across the EU, due to differences in culture, traditions and tastes.

Looking at the major EU countries, Italian and Spanish consumers are the biggest spenders on footwear per capita, followed by consumers in the UK, France and The Netherlands while German consumption was lower than the EU average.

Production

Footwear production in the EU accounted for 1,043 million pairs in 1998, sank for the first time below the one billion pair level in 1999 and ended up at 810 million pairs in 2002. Footwear production continued its fall as it relocated to other countries, especially CEECs (Central & East European Countries).

Italy remained the EU's leading footwear producer with 41 percent of total EU production, followed by Spain (24%). Other major producers are Portugal (12%) and France (10%).

The footwear industry is relatively labour-intensive, added to which increasing costs and the competition from cheap imports have pressed manufacturers to specialise in niches (luxury, safety or orthopaedic footwear) or to shift production to abroad.

Manufacturing companies have more and more switched from manufacturing to assembling, by using imported parts of shoes, whether or not manufactured according to specific requirements. Besides this development, the high price of manufacturing in EU countries has led to the following de-localisation strategies by suppliers of footwear: foreign production (based on an ownership structure); subcontracting (manufacturing by a third party); sourcing (buying goods according to specifications).

Imports

Total EU imports of footwear amounted to € 21.0 billion in 2001. Germany remained the leading importer, with an import share of 21 percent in terms of value, followed by UK (17%), France (15%), Italy

(15%) and The Netherlands (8%).

EU imports of footwear increased by 19 percent in the period 1999-2001, of which 5 percent in 2001 after almost 13 percent in 2000. EU countries can be divided, as to developments in value of imports during the period under review, into: very slowly in Germany; slowly in UK; strongly in France and The Netherlands; and, booming in Italy and Spain. The booming growth of Spanish imports covered, for an important part, outdoor footwear with leather uppers (mainly in 2000) and sports footwear both with leather and plastic uppers, while the considerable growth of Italian imports mainly covered outdoor footwear with leather uppers, sports footwear with plastic uppers and parts of footwear.

Total EU imports from developing countries increased in terms of volume (+20%) and value (+34%) in the period 1999-2001. China remained the leading exporter to the EU. The difference between China and number two, Vietnam, grew in 2000, but became smaller in 2001 in terms of value. EU imports from China rose from € 1,380 million in 1999 to € 1,960 million in 2001, while imports from Vietnam rose from € 1,283 million in 1999 to € 1,856 million.

The different areas including developing countries showed varied patterns:

- The biggest growth came from Asian developing countries, like China, Vietnam, Indonesia, India, Thailand, Macao, Cambodia and Malaysia. These imports rose 24 percent (in terms of value) in 2000 and 10 percent in 2001 and accounted for 81 percent of total imports from developing countries.
- Imports from Mediterranean countries (Tunisia, Morocco, Croatia, Albania, Bosnia & Herzegovina and Turkey) increased by 16 percent in 2000 and 17 percent in 2001 and accounted for 16 percent of total imports from developing countries.
- Imports from other area were often dominated by only one country: imports from Central & South America came mainly from Brazil; imports from ACP countries came mainly from the Dominican Republic; imports from developing countries in Central and Eastern Europe came from Moldova.

Exports

The EU member states exported footwear totalling € 19.8 billion in 2001, representing a rise in value of 19 percent in the period 1999-2001. In terms of volume, EU exports increased from 959 million pairs in 1999 to 1,015 million in 2001. The growth in EU exports was the result of higher exports to countries outside the EU: in value (+29%) and in volume (+35%).

The leading EU exporter is Italy accounting for 42 percent of total EU exports, at a distance followed by Spain (10%), Belgium (10%), Portugal (8%), Germany (8%), The Netherlands (7%) and France (5%). Italian exports grew 22 percent in the period under review,

which is above the EU growth of 19 percent.

Portuguese exports grew by a limited 3 percent, while exports from the UK decreased by 4 percent. 36 percent of total EU exports went to countries outside the Union in 2001 (in terms of value), while in 1999 this percentage was 33.

The leading export product groups in terms of value were footwear with leather uppers and accounted for 62 percent of total EU exports in 2001. Parts of footwear, covering 9 percent of total EU exports, went for 72 percent to countries outside the EU, mainly to CEECs (Romania, Hungary, Bulgaria, Poland etc.) or Mediterranean countries (Tunisia, Morocco, Albania, Croatia etc.). Germany, France, USA, UK and The Netherlands were the leading destinations. The main destinations outside the EU, besides the USA (11% of total exports) were Switzerland (3%), Japan, Russia, Romania, Canada, Hong Kong, Poland and Norway.

Distribution

Specialised retailers (footwear multiples, independent footwear retailers) accounted for 58 percent of total retail sales in 2002 and sports (footwear) retailers for another 12 percent. The market share of non-specialised distributors remained limited. Other developments, which were continued, were increasing concentration and growing internationalisation.

Generally spoken, domestic manufacturers and wholesalers/importers distribute footwear directly to the retail trade. With regard to imports from outside Europe, importers/wholesalers, large multiples and buying cooperatives mainly act as contractors.

The role of wholesalers/importers will stabilise, while the role of footwear multiples and, to a lesser degree, buying groups or franchise formula will increase in the coming years.

Opportunities for exporters

The keen competition on the footwear market will steadily increase and this leads to further opportunities for exporters in low-cost countries.

A start for exporters, which involves limited risks, is to try to acquire fixed orders for products specified by the client, because the latter has the best knowledge of his market. Exporters in the footwear sector are confronted with many aspects like sizing, packaging, environmental aspects. These result in a lot of legal and technical requirements, added to which are aspects of design and fashionability leading to quality requirements, market developments etc.

INTRODUCTION

CBI's EU Market Survey 'Footwear' is built up in the following way:

| | |
|---|---|
| Part A: EU Market Information and EU Market Access Requirements | |
| EU Market Information <i>(Chapter 1-8)</i> Product characteristics Introduction to the EU market Consumption and production Imports and exports Trade structure Prices | EU Market Access Requirements <i>(Chapter 9)</i> Quality and grading standards Environmental, social and health & safety issues Packaging, marking and labelling Tariffs and quotas |
| Part B | |
| Export Marketing Guidelines: Analysis and Strategy | |
| External Analysis <i>(Chapter 10)</i> | Internal Analysis <i>(Chapter 11)</i> |
| Decision Making <i>(Chapter 12)</i> SWOT and situation analysis: Target markets and segments Positioning and improving competitiveness Suitable trade channels and business partners Critical conditions and success factors (others than mentioned) | |
| Export Marketing <i>(Chapter 13)</i> Matching products and product range Building up a trade relationship Drawing up an offer Handling the contract Sales promotion | |

Part A provides EU market information for footwear and describes the requirements, which have to be fulfilled in order to gain market access for footwear. The emphasis of the survey lies on those products, which are of importance to developing country suppliers. The major national markets within the EU for those products are highlighted and are placed in ranking of consumption: Germany, UK, Italy, France, Spain and The Netherlands. Five of these countries (Germany, UK, France, Italy and The Netherlands) are the leading importers of footwear in the EU. It is of vital importance that exporters comply with the requirements of the EU market in terms of product

quality, sizing, packaging, labelling and social, health & safety and environmental standards. These issues are therefore covered in Chapter 9. The survey includes contact details for trade associations, trade fair organisers and other relevant organisations. Part B subsequently aims to assist (potential) exporters in developing countries in their export-decision making process. After having assessed the external (Chapter 10) and internal environment (Chapter 11), the (potential) exporter should be able to determine whether or not there are interesting export markets for his company. In fact, by matching external opportunities and internal capabilities, he should be able to identify suitable target

countries, market segments and target product(s) within these countries, as well as possible trade channels to export the selected products (Chapter 12).

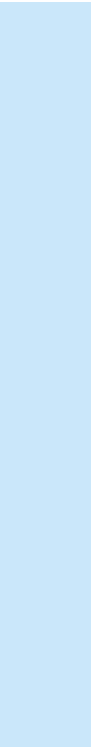
Chapter 13 subsequently describes marketing tools which can be of assistance in successfully achieving the identified export objectives.

The survey is interesting for both starting exporters and exporters already engaged in exporting (to the EU market). Part B is especially interesting for more experienced exporters starting to export to the EU and exporters looking for new EU markets, sales channels or customers. Starting exporters are advised to read this publication together with the CBI's Export Planner, a guide that shows systematically how to set up export activities.

Part A

EU market information and EU market access requirements





1 PRODUCT CHARACTERISTICS

1.1 Product groups

Footwear is categorised in several ways in official statistics, according to:

- end use: waterproof footwear, safety footwear, sports footwear, indoor footwear and other footwear (outdoor footwear if not classified before);
- raw materials used for the uppers and the soles. Uppers can be of leather, synthetic leather, plastic, rubber or textile (canvas). Outer soles can be of leather, plastic, rubber, wood, cork and other materials;
- end user: for children, for women and/or for men;
- footwear height: varying from not covering the ankle, covering the ankle but under the calf, and other covering the ankle (calf-, mid-calf-, knee- and thigh-length);
- in some cases a distinction is made for aspects like the height of the heels including soles (more than 3 cm) or the presence of a vamp of straps or pieces cut out.

Other definitions can be made by the method of attaching the upper to the sole or other production techniques.

Defining types of footwear by their end use or wearing circumstances gives the following breakdown (besides the breakdown into women's, men's and children's footwear) into four major segments:

- **Outdoor footwear;** this segment which is also indicated as town or street wear, is made up of a wide variety of products such as shoes (pumps, moccasins, loafers, Oxford shoes etc.), boots (ankle-, calf-, knee- or thigh-high), clogs and some types of sandals.
Using the link to clothing behaviour, a breakdown can be made in formal (dress shoes), casual and leisure/sports footwear. However, sandals can be classified as casual as well as leisure/sport footwear, while some models even can be classified as formal wear.
- **Sports and leisure footwear;** this segment covers sports wear with on the one side, trainers or runners, made for jogging and other sports activities, but which are also worn for every day use, and on the other side more specific technical products for football, cycling, athletics, skiing etc.. This segment also includes footwear with a leisure character, like textile uppers especially for summer wear such as sneakers, rope-soled sandals, plimsolls etc.
- **Indoor footwear;** this segment includes slippers (carpet, bedroom and house slippers) and mules. Carpet slippers are indicated as 'Pantoffel' in Germany and in The Netherlands and as 'charentaise' in France.

- **Work, hunting and safety footwear;** safety footwear offers protection adapted to the type of work involved and often covers shoes and boots with a built-in steel toecap designed to prevent crushing damage to the toes. Distribution and end-use is completely different from the other segments of footwear. For that reason this segment is not considered in this survey and we refer to the CBI survey and guide 'Personal Protective Equipment'.

Besides the distinction based on wearing circumstances, a breakdown can be made by: materials used for uppers (leather, rubber/plastic, canvas/textile etc.) and outer soles (leather, rubber, plastic, synthetic leather, wood etc.). The criterion for footwear for adults or for children in statistics is the size of the inner sole: an inner sole of less than 24 cm is considered to be children's wear in this survey.

Below, we give a (not exhaustive) overview of the enormous varieties in types of footwear. Most of these types are not used in statistics and for that reason are not discussed further in this survey.

Types of footwear

Footwear is the generic term for foot coverings.

Footwear with the opening below the ankle is a shoe, those with the top of the foot exposed are pumps, and those with the opening above the ankle are classified as boots. In addition, those items which do not fully enclose the foot are sandals when used outdoors and slippers when used indoors. A classification can be made in shoes, sandals and slippers, boots and sport shoes or sneakers.

Shoes - outer covering for the foot which does not reach higher than the ankle, basically made up of the sole (under the foot), the vamp (front part), the quarter (back part) and the shank (portion under the instep). Shoes may be of the slip-on variety (pumps or moccasins) or closed with laces (oxford-type), buckles or Velcro®.

- Pumps; this kind of slip-ons has a large opening for the foot (rounded or V-shaped) so the top of the foot is exposed. It usually has a medium to high heel, sometimes covered with the same material as the upper, sometimes with open toe and/or open heel in sling-back style. Names of pumps are for instance: high heel (5 cm or more), mid/low heels, ankle strap, sling backs, one-strap shoe, open toe, cross strap, flat shoes, T-strap shoes, back and side open, one-point shoes and ballet pumps. A British name for a pump is court shoe.
- Moccasins and loafers; characteristics of the moccasin are that upper and sole are in one piece and the shoe is closed by stitching in the vamp (not

at the back as is usual); in this form mainly used as indoor wear. For outdoors, the outer sole and heel are attached to the bottom and can be identified by the absence of an inner sole. The loafer is essentially a two-piece moccasin but has a hard sole and a strap or saddle, made of leather, over the instep. Names of loafers are: tassel-top loafers, chain loafers, and penny loafer. The loafer is an example of a dressy type of shoe, while the moccasin (Indian moccasin, leather deck shoes etc.) can be classified as a sport or leisure type.

- Oxford shoes is the generic name for lace-up shoes, like Brogue shoes a closed front tie shoe, the upper comprising several parts each punched and serrated (gimped) along the margins, together with a punched and gimped wing cap. A brogue effect is often achieved in other styles of shoe by punching and gimping. Brogues are the formal name for wing tip shoes.

Sandals - open type of shoes (backless, with or without a heel); held on foot by means of straps, like: chappal or chuplee (originating in India), ankle-strap, T-strap, gladiator and platform sandal or with a band over the instep that holds the shoe on the foot, like: slides, clogs (made with thick sole of wood or cork), mules with heel open or the so-called Hepburn sandal with toe and heel open.

Slippers - include several types of carpet, bedroom or house slippers, mules (UK) and evening slippers. Slippers are not intended to be worn outdoors. Examples of slippers are the low-heel boudoir slipper, the hostess slipper and the Grecian slippers.

Boots - the generic term for footwear with the opening above the ankle and indicating several lengths (ankle-high and calf-high or reaching the knee or the thigh). Can be classified as utility (hunting, climbing etc.) boots and fashion boots, the latter not being intended to be waterproof.

Ankle boots are among others: jodhpur boot, desert boot (or chukka boot or floats), side gore boot (or Chelsea boot), mukluk, demi-boot and george boot. The generic name for calf-length boots is high-low boots, specific types are cowboy boots and Courrèges boots. Types of knee-length boots are for instance Wellingtons and (turnover) top boots. Boots that reach the thigh are called stocking or fit boots.

Sports footwear - nearly all sport activities require specific footwear. The link with leisure started already in the 1920s when tennis became popular and adults adopted sneakers and plimsolls, before that time only worn by children. In the 1950s the basketball boot overtook the sneaker in particular for men's footwear, of which the most famous brand was Converse's All Stars. Training shoes (trainers) and runners are some of the

many other names.

The name of sneakers was replaced by gym shoes or tennis shoes of white canvas and is now used for a range of low and high sports shoes.

The leading brands (Nike, Reebok, Adidas, Puma and Fila) use some of the following types of sports shoes in their assortment: running (with or without reflecting details), cross training, conditioning (aerobics and fitness), workout, outdoor or hiking, leisure, walking and fitness. Most of these sports items are now worn in non-working circumstances by consumers of every age. Usage of sports shoes for sports like soccer, athletics (spikes), baseball, skiing, surfing etc. is limited to their specific activities.

1.2 Customs/statistical product classification

Products can be specified by the Harmonised Commodity Description and Coding System (HS). These numbers are used for both Customs and statistical purposes in EU member countries. The number clearly identifies a specific product, so it is possible to see which types of footwear are concerned and which materials are used. Referring to the code number can therefore facilitate communication and eliminate misunderstanding about the type of footwear.

Chapter 64 'Footwear, leggings, similar articles and parts thereof' is the relevant section of the HS code. The key product group headings are:

| HS code | Product group |
|---------|---|
| 64.01 | Waterproof footwear |
| 64.02 | Footwear with outer soles and uppers of rubber or plastic |
| 64.03 | Footwear with leather uppers |
| 64.04 | Footwear with textile uppers |
| 64.05 | Other footwear |
| 64.06 | Parts of footwear |

Appendix I of this survey gives full information on the HS codes relevant for all different types of footwear. Please note that the product groups falling under the HS codes, given in 1.2, are not completely in line with the product groups mentioned in section 1.1. Moreover, different statistical sources use different product groups or specifications. This puts limitations on in-depth interpretation of trade figures and of the possible relationships between import and export figures on the one hand and production and consumption figures on the other hand.

2 INTRODUCTION TO THE EU MARKET

The European Union (EU) is the current name for the former European Community. Since 1 January 1995 the EU has consisted of 15 member states. Ten new countries will join the European Union in 2004. Negotiations are in progress with a number of other candidate member states.

In 2002, the size of the EU population totalled 379.4 million; the average GDP per capita amounted to approximately € 21,023 in 2002.

More than 20 million enterprises are active in Western Europe – covering 15 EU member countries, Iceland, Liechtenstein, Norway and Switzerland –. Small and medium-sized enterprises (SMEs) accounted for the lion's share. In 2000, the average turnover per enterprise of SMEs and large enterprises amounted to € 600,000 and € 255 million respectively.

EU Harmonisation

The most important aspect of the process of unification (of the former EC countries), which affects trade, is the harmonisation of rules in the EU countries. As the unification allows free movement of capital, goods, services and people, the internal borders have been removed. Goods produced or imported into one member state can be moved around between the other member states without restrictions. A precondition for this free movement is uniformity in the rules and regulations concerning locally produced or imported products. Although the European Union is already a fact, not all the regulations have yet been harmonised. Work is in progress in the fields of environmental pollution, health, safety, quality and education. For more information about harmonisation of the

regulations visit AccessGuide, CBI's database on non-tariff trade barriers at www.cbi.nl/accessguide

Monetary unit: Euro

On 1 January 1999, the euro became the legal currency within twelve EU member states: Austria, Belgium, Finland, France, Germany, Italy, Ireland, Luxembourg, The Netherlands, Spain, and Portugal. Greece became the 12th member state to adopt the euro on January 1, 2001. In 2002 circulation of euro coins and banknotes replaced national currency in these countries. Denmark, United Kingdom and Sweden have decided not to participate in the euro.

The most recent Eurostat trade statistics quoted in this survey are from the year 2001. In this market survey, the € is the basic currency unit used to indicate value.

Trade figures quoted in this survey must be interpreted and used with extreme caution. The collection of data regarding trade flows has become more difficult since the establishment of the single market on 1 January 1993. Until that date, trade was registered by means of compulsory customs procedures at border crossings, but, since the removal of the intra-EU borders, this is no longer the case. Statistical bodies like Eurostat cannot now depend on the automatic generation of trade figures. In the case of intra-EU trade, statistical reporting is only compulsory for exporting and importing firms whose trade exceeds a certain annual value. The threshold varies considerably from country to country, but it is typically about € 100,000. As a consequence, although figures for trade between the EU and the rest of the world are accurately represented, trade within the EU is generally underestimated.

Overview 15 EU countries, 2002

| | |
|------------|-------------------------------------|
| Population | 379.4 million |
| Area | 31,443,000 km² |
| Density | 83 people per km² |
| Languages | 11 (excl. dialects) |
| GDP/capita | € 21,023 |
| Currencies | €, UK£, DKr., SKr. |
| Exchange | € 1 = US\$ 0.99 |

Source: The World Factbook 2002

Population and GDP of selected EU countries, 2002

| Countries/category | Population in millions | Age 15-64 | GDP (€ billion) |
|--------------------|---------------------------|--------------|--------------------|
| Germany | 83.3 | 68% | 2,206 |
| France | 59.8 | 65% | 1,556 |
| UK | 59.8 | 66% | 1,485 |
| Italy | 57.7 | 67% | 1,416 |
| Spain | 40.1 | 68% | 836 |
| The Netherlands | 16.0 | 68% | 417 |

Furthermore, the information used in this market survey is obtained from a variety of different sources.

Therefore, extreme care must be taken in the qualitative use and interpretation of quantitative data, both in the summary and throughout the text, as also in comparisons of different EU countries with regard to market approach, distribution structure etc..

For more information on the EU market, please refer to the CBI's manual Exporting to the European Union.

3 CONSUMPTION OF FOOTWEAR

Information about consumption of footwear differs significantly between the separate EU member states. For that reason, a uniform detailed overview of consumer expenditure on footwear by product types etc. cannot be given in this survey for the major countries under review.

3.1 Market size

EU

Consumption of footwear in the EU grew by 4.8 percent in the period 1999-2002, of which less than 1 percent in 2002, to almost € 52 billion. A further annual growth of 2 percent is expected for the next five years. The footwear market has tended to be characterised by cheap, mass-produced items, but in recent years there has been some movement away from such products towards higher quality, more individual footwear like ladies' leather boots and comfort footwear.

Germany is still the most important country in footwear consumption in the EU, as can be derived from table 3.1, despite a small fall. Germany is followed by the UK, Italy, France and Spain, and at a distance by The Netherlands. The five first mentioned leading countries account for 80 percent of EU footwear consumption.

The footwear sector accounts for about 1.2 percent of total consumer expenditure in the EU. Consumption patterns of households vary substantially across the EU, due to differences in culture, traditions and tastes. Looking at the major EU countries, Italian and Spanish consumers are the biggest spenders per capita on footwear, followed by consumers in the UK, France and The Netherlands. Consumption of footwear per person in these countries was higher than the EU average consumption, while German consumption per person was lower.

Table 3.1 Consumption of footwear (€ million) in EU countries in 1999-2002 and expected developments in 2003-2007

| | 1999 | 2000 | 2001 | 2002 | Per head consumption | Expected annual growth in % | |
|-----------------|---------------|---------------|---------------|---------------|----------------------|-----------------------------|------------|
| | € mn | € mn | € mn | € mn | in € | 2003 | 2003-2007 |
| Germany | 10,840 | 11,026 | 11,021 | 10,763 | 132 | 1.2 | 1.5 |
| United Kingdom | 7,813 | 7,693 | 8,147 | 8,595 | 143 | 4.0 | 3.0 |
| Italy | 8,400 | 8,457 | 8,639 | 8,293 | 146 | - 1.0 | 1.8 |
| France | 7,763 | 7,934 | 8,037 | 8,198 | 139 | 2.2 | 2.0 |
| Spain | 5,167 | 5,183 | 5,485 | 5,777 | 144 | 1.8 | 2.0 |
| The Netherlands | 1,983 | 2,107 | 2,231 | 2,251 | 139 | 0.0 | 1.5 |
| Belgium | 1,437 | 1,446 | 1,471 | 1,442 | 144 | 1.0 | 1.5 |
| Portugal | 1,160 | 1,172 | 1,206 | 1,227 | 121 | 1.6 | 1.2 |
| Greece | 1,189 | 1,220 | 1,235 | 1,260 | 116 | 0.0 | 1.4 |
| Austria | 1,148 | 1,174 | 1,190 | 1,221 | 141 | - 2.5 | 1.6 |
| Sweden | 961 | 983 | 1,057 | 1,092 | 123 | 1.0 | 1.4 |
| Denmark | 646 | 653 | 665 | 680 | 129 | 2.0 | 1.4 |
| Finland | 583 | 595 | 606 | 615 | 122 | 2.0 | 1.8 |
| Ireland | 453 | 496 | 504 | 517 | 136 | 1.0 | 1.5 |
| Luxembourg | 62 | 62 | 63 | 64 | 142 | 2.0 | 2.0 |
| EU (15) | 49,605 | 50,201 | 51,557 | 51,995 | 136 | 1.7 | 2.0 |

Sources: FSO, Retail Intelligence and Euromonitor

Table 3.2 Consumer expenditure on footwear in Germany, 1998-2002

| | 1998 | | 2000 | | 2002 | |
|--------------------------------------|---------------------|----------------|---------------------|----------------|---------------------|----------------|
| | Volume mln pairs | Value € mln | Volume mln pairs | Value € mln | Volume mln pairs | Value € mln |
| Footwear with leather uppers: | | | | | | |
| - Sports | 21 | 1,085 | 22 | 1,168 | 20 | 1,091 |
| - Sandals | 38 | 791 | 37 | 764 | 34 | 714 |
| Town wear for: | | | | | | |
| - Women | 75 | 3,698 | 78 | 3,971 | 75 | 3,825 |
| - Men | 43 | 2,245 | 44 | 2,483 | 42 | 2,645 |
| - Children | 16 | 559 | 16 | 569 | 15 | 514 |
| - Other | 4 | 136 | 7 | 206 | 5 | 160 |
| Footwear with other uppers: | | | | | | |
| - Slippers | 28 | 298 | 29 | 336 | 31 | 356 |
| - Other | 152 | 1,695 | 149 | 1,529 | 144 | 1,458 |
| Total | 377 | 10,507 | 382 | 11,026 | 366 | 10,763 |

Sources: HBD and Euromonitor

Germany

The value of footwear consumption in Germany increased very slightly until 2002, stabilized in 2001 and decreased in 2002 to just above the level of 1998. In volume terms, the German market reached 382 million pairs in 2000, but fell back in the succeeding years to 366 million in 2002. Average prices increased by 5.5 percent in the period 1998-2002, while the footwear spending per capita stabilised. The dampened consumer sales associated with the economic downturn have impacted on the shoe industry. Unlike other markets such as apparel, the German footwear market does not show rising indicators of any importance. Developments in the footwear market are the result of many factors like economic limitations (consumer spending in Germany is weak compared to other major EU countries), intensive price competition (increasing market shares for non-specialist retailers), growing imports from low-cost countries (direct imports as well as production abroad under the regime of German manufacturers) etc.

Women's footwear captures about 51 percent of the footwear sector in Germany, while men's footwear accounts for 33 percent in terms of volume. Per capita consumption decreased from 4.6 pairs per person in 1998 to 4.4 pairs in 2002, of which 2.3 pairs leather, 1.7 pairs non-leather and 0.4 pairs of slippers. Per capita spending reached € 132 in 2002, lower than the EU average of € 136.

The German footwear market has been polarising for several years. High-priced footwear covers high-fashion branded footwear for women, health and comfort footwear for children and older adults (of which more

women than men), while branded sports footwear is very popular among young people. Lower priced footwear mostly covers unbranded imported footwear, especially shoes with textile uppers, mainly from China and other East Asian countries like Vietnam, partly as a result of an ineffective EU anti-dumping policy. These developments resulted in a fall in sales of mid-priced shoes.

The most popular brands remained the shoe names of the two top retail chains Deichmann and Salamander. Branded shoes from clothing retailers have been doing well. Popular brands in the sector comfortable shoes are Ara, Jenny, Gabor, Rieker, Domdorf, Ganter, Salamander and Sioux and in the sector children's footwear Elefanten, Ricosta and Salamander. In the sports sector, the two leading brands Adidas and Nike together take around half the market, while Puma and Reebok together take a quarter. In the health sector Birkenstock (sandals), Bama and Ganter are the most popular brands.

Table 3.3 Consumer expenditure on footwear in the UK, 1998-2002

| | 1998 | | 2000 | | 2002 | |
|--------------------------|---------------------|----------------|---------------------|----------------|---------------------|----------------|
| | Volume mln pairs | Value € mln | Volume mln pairs | Value € mln | Volume mln pairs | Value € mln |
| Outdoor footwear: | | | | | | |
| - Women | 120 | 3,079 | 121 | 3,234 | 124 | 3,589 |
| - Men | 48 | 1,491 | 47 | 1,543 | 49 | 1,781 |
| - Children | 44 | 707 | 44 | 722 | 46 | 833 |
| Sports footwear: | | | | | | |
| - Women | 16 | 540 | 15 | 528 | 15 | 587 |
| - Men | 29 | 990 | 28 | 996 | 28 | 1,056 |
| - Children | 26 | 491 | 25 | 464 | 26 | 515 |
| Indoor footwear: | 0 | 0 | 0 | 0 | 0 | 0 |
| - Slippers | 18 | 182 | 17 | 206 | 17 | 234 |
| Total | 301 | 7,480 | 297 | 7,693 | 305 | 8,595 |

Sources: TNS Fashion Trak and BFA

UK

Consumer expenditure on footwear in the UK increased annually by 5.8 percent since 2000 to almost € 8.6 billion and 1.4 percent in volume to 305 million pairs. The British footwear market is dominated by imports. The strength of the local currency (pound sterling) coupled with competition on the high street has seen the index of footwear retail prices rise much less than the index for all retail goods in the same period. Per capita spending was € 143 in 2002, which is above the EU average.

In value terms, women's footwear accounted for 50 percent of consumer expenditure in 2002, men's footwear for 34 percent, with children's shoes taking the balance of 16 percent. In volume terms, a different picture emerges because men buy fewer pair of shoes each year but tend to spend a higher sum of money per pair. Consequently, women's footwear accounts for 49 percent of volume sales, children's footwear for 25 percent and men's footwear takes 26 percent.

Recent years have seen a trend towards purchasing casual wear for the office and leisurewear for home, and away from buying formal wear. However, in the review period formal wear still represented a higher part of the market in the UK than in other major EU countries. This resulted in a smaller growth of the UK clothing market in terms of value. The growing number of women in the labour process, in particular at managerial levels, has helped support sales of formal wear. According to experts, there are now some indications that a balance is being reached between sales of formal, smart casual and casual women's wear. The influence of clothing behaviour on footwear

consumption: in terms of purpose, trainers and sport shoes take around 22 percent of the market, with formal and casual footwear (both categories excluding children's footwear) being the other major sectors at 29 and 26 percent respectively, which indicates a move from trainers to casual footwear.

The most popular brand remained the shoe name of the manufacturer and retail chain Clarks, followed by the private labels of Marks and Spencer like Footglove and Per Uno. Popular brands are among others: Faith, Dune, Sacha, Pod, Ben Sherman, Hush Puppies, Kickers and Dr. Martens. In the sports sector, the leading brands are Nike, Reebok, Adidas and Skechers.

Table 3.4 Consumer expenditure (in volume and value) on footwear in Italy, 1998-2002

| | 1998 | | 2000 | | 2002 | |
|---------------------------------|---------------------|----------------|---------------------|----------------|---------------------|----------------|
| | Volume mln pairs | Value € mln | Volume mln pairs | Value € mln | Volume mln pairs | Value € mln |
| Footwear with uppers of: | | | | | | |
| - Leather | 110 | 5,936 | 113 | 5,979 | 111 | 5,824 |
| - Plastic | 41 | 1,068 | 47 | 1,105 | 50 | 1,147 |
| - Textile | 56 | 750 | 50 | 778 | 48 | 731 |
| - Other | 3 | 39 | 4 | 49 | 4 | 44 |
| Slippers | 23 | 406 | 25 | 425 | 24 | 428 |
| Total | 233 | 8,324 | 239 | 8,457 | 237 | 8,293 |

Sources: Eurostat and Euromonitor

Italy

Until 2001, the Italian consumer footwear market showed a very slow growth in terms of volume and value. The decrease in Italian production (mainly fashion and sports) and a strong increase of imports (from Asian countries as well as from other EU countries) exerted pressure on prices.

Leather footwear accounted for 70 percent of total consumption in 2002. Leather footwear was followed by footwear with plastic uppers, accounting for 14 percent of total consumption. Compared to other sectors of the market, consumption of leather shoes decreased slightly over the past five years, but nevertheless has been affected somewhat by the general reduction in consumer expenditure. Per capita spending valued € 146 in 2002, which was far above the EU average of € 136.

No detailed figures concerning footwear consumption in Italy were available, so for that reason the figures in table 3.4 are derived from apparent consumption (calculated as production plus imports less export). The availability of detailed production figures combined with trade statistics from Eurostat gives the following figures.

Italian fashion houses such as Gucci, Prada, Salvatore Ferragamo, Marina Rinaldi and Moreschi have given Italian footwear its international cachet. Italian consumers can be considered as the most stylish and have good taste, compared with other EU consumers, followed by Spanish and French consumers. The role of designers (high priced) footwear is decreasing, but still important and higher than in countries like Germany, The Netherlands and UK. However, recession has forced many consumers to consider the value-for-money option. Popular brands are Geox, Lumberjack, Dr. Scholls, Brio, Bruno Manetti, Bruno Magli, Bacco Bucci and many others. Private labels have been the principal beneficiaries of this trend. The sports footwear

sector performed well in the period under review, primarily due to an increase in imported branded goods such as Nike and Reebok. The wearing of sports shoes, for purposes other than for sports, as a replacement for everyday leather shoes has been changed by an increased usage of casual varieties of sports shoes.

An estimated 40 percent of the Italian population is involved in sports activity, although the main target for this type of footwear remains the 15-35 year-old age group. Unlike their female counterparts, Italian men are less influenced by fashion and its vagaries and prefer more classical lines when making footwear purchases.

Table 3.5 Consumer expenditure (in volume and value) on footwear in France, 1998-2002

| | 1998 | | 2000 | | 2002 | |
|--------------------------------------|---------------------|----------------|---------------------|----------------|---------------------|----------------|
| | Volume mln pairs | Value € mln | Volume mln pairs | Value € mln | Volume mln pairs | Value € mln |
| Footwear with leather uppers: | | | | | | |
| Sports | 8 | 296 | 8 | 275 | 9 | 304 |
| Sandals | 20 | 604 | 20 | 606 | 21 | 639 |
| Town wear for: | | | | | | |
| - Women | 40 | 2,245 | 41 | 2,255 | 42 | 2,364 |
| - Men | 25 | 1,361 | 26 | 1,448 | 26 | 1,468 |
| - Children | 19 | 582 | 20 | 643 | 21 | 697 |
| - Other | 11 | 334 | 11 | 328 | 10 | 340 |
| Footwear with textile uppers | 105 | 819 | 100 | 796 | 98 | 810 |
| Footwear with other uppers | 55 | 1,251 | 56 | 1,419 | 55 | 1,394 |
| Slippers | 33 | 152 | 37 | 164 | 39 | 183 |
| Total | 316 | 7,644 | 319 | 7,934 | 321 | 8,198 |

Source: derived from FNICF and Euromonitor

France

French consumer expenditure on footwear increased annually 1.7 percent since 2000 to almost € 8.2 billion in 2002. Almost 321 million pair of shoes were sold in France in 2002. According to the French Shoe Federation equivalent amounts will be sold in the next five years.

Women's footwear captures about 50 percent of the footwear sector in France, men's footwear 33 and children's 17 percent in terms of value. Per capita consumption stabilised in the period under review at about 5.5 pairs per person, of which 2.2 pairs leather, 2.7 pairs non-leather and 0.6 pairs of slippers. Per capita spending valued € 138 in 2000, which is just above the EU average of € 136.

The weaker economic climate and the climbing rate of unemployment resulted in very price-conscious consumers looking for good value for money. Consumers appear to be less guided by impulse and tend to be more rational in their purchasing. However, fashion plays an important role in purchasing decisions in particular for women. These dual aspects led to a tendency to favour cheaper and casual footwear. The casual footwear segment, including leather and textile uppers, was one of the fastest growing sectors of the last decade, particularly for children and young people. The dictates of fashion play a more important role for ladies' and teenagers' footwear than for men's shoes. Women buy shoes more often than men, while teenagers of both sexes are the most prolific purchasers. The men's footwear market in France is quite poor, although the available range of footwear became more

attractive in recent years and young men became more fashion conscious.

The brands best known to the public are in fact distributors' brands which can also be manufacturers such as André, Eram, Myrys and Bally. The best known brands are Charles Jourdan, Weston, Stephane Kélian, Rober Clergerie, Myama and Free Lance. For up market products: Paraboot, Mephisto, JB Martin, Arcus, Ted Lapidus, Salamander for men's and women's footwear; Aigle, Lafuma, Eider and Palladium for leisure products. In the sports sector, the well known global brands like Nike, Adidas, Reebok, Puma are the most popular.

Table 3.6 Consumer expenditure on footwear in Spain, 1999-2001

| | 1998 | | 2000 | | 2002 | |
|----------------------------------|---------------------|----------------|---------------------|----------------|---------------------|----------------|
| | Volume mln pairs | Value € mln | Volume mln pairs | Value € mln | Volume mln pairs | Value € mln |
| Leather outdoor footwear: | | | | | | |
| - Women | 31 | 1,930 | 34 | 1,942 | 37 | 2,061 |
| - Men | 15 | 892 | 16 | 905 | 17 | 929 |
| - Children | 21 | 705 | 23 | 716 | 24 | 739 |
| Other outdoor footwear: | | | | | | |
| - Plastic | 18 | 516 | 22 | 522 | 26 | 592 |
| - Textiles | 35 | 374 | 33 | 332 | 32 | 329 |
| Other footwear: | | | | | | |
| - Sports | 17 | 672 | 18 | 684 | 20 | 748 |
| - Slippers | 15 | 78 | 16 | 82 | 16 | 87 |
| Total | 152 | 5,167 | 162 | 5,183 | 172 | 5,485 |

Sources: Eurostat, Euromonitor

Spain

Footwear consumption in Spain increased in volume (13%) and in value (6%), which indicates that average prices decreased by 6.2 percent in the period 1999-2001, mainly caused by strongly increased imports (from low-cost countries) and intensive price competition (increasing market shares for non-specialist retailers). In volume terms, the Spanish market reached 172 million pairs in 2001, while the footwear spending per capita increased to an estimated € 144 per person in 2002.

Women's footwear captures 50 percent of the footwear sector in Spain, while men's footwear accounts for 27 percent in terms of volume. Per capita consumption increased to 4.3 pairs, of which 2.2 pairs leather, 1.7 pairs non-leather and 0.4 pairs of slippers.

The value-for-money concept is still an important factor in purchasing decisions for Spanish consumers. They are equally concerned with the quality of the products, projecting a sophisticated outward appearance and are brand conscious.

Spanish men over 40 are classic dressers, while younger consumers prefer sportswear and (smart) casual wear. They demand the latest designs from national and international "name" designers and are spending more on clothing and footwear. Spanish women have higher preferences for national brands and are interested, in order of importance, in: comfort, quality and design. Besides the traditional school uniform for the younger children, formal children's wear still plays an important role especially on Sundays and Christian holy days, although children's casual wear is growing in popularity. Footwear consumption can be considered as additional to the described clothing behaviour.

Popular brands of women's and men's footwear in Spain are among others Camper, Strange, Juan Antonio Lopez, Ursula Mascaro, Ras, Pikolino, El Dante and in the casual sector brands like Panama Jack, Destroy, Havana Joe and New Rock.

Table 3.7 Consumer expenditure on footwear in The Netherlands, 1998-2002

| | 1998 | | 2000 | | 2002 | |
|--------------|---------------------|----------------|---------------------|----------------|---------------------|----------------|
| | Volume mln pairs | Value € mln | Volume mln pairs | Value € mln | Volume mln pairs | Value € mln |
| - Women | 25 | 858 | 27 | 946 | 27 | 1021 |
| - Men | 16 | 491 | 17 | 547 | 17 | 575 |
| - Children | 12 | 239 | 13 | 270 | 12 | 284 |
| - Sports | 5 | 203 | 6 | 228 | 6 | 233 |
| - Other | 7 | 96 | 8 | 116 | 7 | 118 |
| Total | 65 | 1,887 | 71 | 2,107 | 69 | 2,251 |

Sources: EIM, CBS

The Netherlands

In 2002, total consumer expenditure on footwear in The Netherlands amounted to € 2.3 billion, or only 1 percent more than in the previous year. In 2001, there was an increase of 5.9 percent to € 2.2 billion. The average consumption was € 139 per head, which is higher than the EU average. A low annual growth of 1.5 percent is expected for the next 5 years.

In terms of volume, consumption grew until 2000 to over 71 million pairs, fell 4.2 percent in 2001 but increased 1.5 percent to reach almost 69 million pairs in 2002.

Average prices of footwear rose 6.7 percent in 2001 and 3.0 percent in 2002. Increased expenditure was the result of the following aspects: consumers bought higher priced footwear. Higher priced footwear concerns mainly luxury and high-quality shoes and, for women, also leather boots. Luxury and high-quality shoes (especially for men) are often made by domestic manufacturers (mainly abroad), and consumers expanded their footwear collection, for instance by buying footwear for special events or occasions.

Brand loyalty is rather low in the footwear sector, except for sports footwear and the higher segments. It is estimated that about 75 percent of the Dutch consumers does not have a favourite brand. The most popular brands in the women's sector are Ecco, Gabor and Clarks; in the men's sector van Bommel, Ecco and Van Lier; in the children's sector Pedro, Elefanten and Renata; in the sports sector Nike, Adidas, Reebok, Puma and Fila, and in the indoor footwear sector Rohde, Blenzo and Romika. It has to be noted that the so-called spontaneous brand knowledge is rather low, with the exception of the sports sector.

Table 3.8 Overview population and age groups in the EU at 1 January 2002

| | Total population in millions | 0-14 years in % | 15-64 years in % | 65 years and older in % |
|----------------|------------------------------|-----------------|------------------|-------------------------|
| Austria | 8.1 | 17 | 68 | 15 |
| Belgium | 10.4 | 17 | 66 | 17 |
| Denmark | 5.3 | 19 | 66 | 15 |
| Finland | 5.2 | 18 | 67 | 15 |
| France | 59.8 | 19 | 65 | 16 |
| Germany | 83.3 | 15 | 68 | 17 |
| Greece | 10.5 | 14 | 66 | 20 |
| Ireland | 3.9 | 22 | 67 | 11 |
| Italy | 57.7 | 15 | 67 | 18 |
| Luxembourg | 0.4 | 19 | 68 | 13 |
| Netherlands | 16.0 | 19 | 68 | 13 |
| Portugal | 10.0 | 17 | 68 | 15 |
| Spain | 40.1 | 15 | 68 | 17 |
| Sweden | 8.9 | 19 | 64 | 17 |
| United Kingdom | 59.8 | 19 | 66 | 15 |
| EU (15) | 379.4 | 17 | 67 | 16 |

Source: The World Factbook 2002

3.2 Market segmentation

The general criteria for market segmentation of footwear are:

- by age - children's wear and adults, in this report (unless otherwise mentioned) the criterion used is 15+;
- by gender - women/girls and men/boys;
- by type of product and type of activity resulting in the usage of specific footwear;
- by attitude towards fashion and lifestyle;
- by product/quality ratio.

Segmentation based on demographics

The size and age structure of the population is one of the basic determinants of how much will be spent on footwear. Table 3.8 showed the composition by age groups of the population in the EU.

Although this may appear to be a rough method for categorising the market, it is interesting because generally speaking, different age categories have different clothing behaviour including accessories like footwear, and developments within the various age categories can be followed, by comparing results with projections.

The EU population has a declining birth rate and an ageing population. In the selected EU countries, the category below 20 years has decreased and population growth is expected to slow.

The categories 40 and older have increased substantially. As the "baby boom" generation becomes older, we

see the population as a whole becoming "greyer", apparent in the number of senior citizens above 55 years of age. However, the healthy and active senior citizens make up an important and growing market segment including sports and leisure activities and this age group has a growing share of available disposable income. Another important demographic development is the increase of one- and two-person households. The persons in such households do not have many household or family obligations, so they have a lot of leisure time. Besides that, they have rather high incomes. Both factors are stimulating footwear consumption.

Consumer requirements and aspirations differ by segment of the population. Children are an important segment and purchasing patterns vary according to age. For children of the age of three years and younger, parents pay particular attention to the structure of the shoe (shape, rigidity, stiffeners which maintain the back of the shoe) and, more often than not, they are ready to buy expensive good quality articles, to ensure a perfect development of the child's foot. In this age group, it is the adults who choose the footwear. When the children are aged between three and ten, parents still seek to acquire a sensible quality shoe, which will not damage the foot, but choice is also guided by the size of the family budget and the child's tastes.

Pre-adolescents (10-14 years of age) have a strong desire for freedom of choice. Boys have a preference for sportswear and often demand a certain model or brand, which is particularly popular with their friends.

Girls meanwhile often have long slim feet which have not gained full maturity and consequently it is not always easy for them to find shoes that fit. The juniors aged 15-18 years are nearly totally independent in their choice of footwear, the only curb being the family budget. Sports and outdoor-wear are very much to the fore, fired by the popularity of brands such as Nike and Adidas (sportswear), Dr. Martens and Caterpillar (outdoor wear). Their choice is geared to social recognition and group membership. Meanwhile today's parents have tastes which differ from those of their own parents.

In terms of consumer targeting, the footwear market for men can be divided into two broad groups: younger buyers, who tend to be more concerned with image and fashion, and older buyers, who are concerned more with quality, value, practicality, comfort and durability. However, the dividing line between these two groups in terms of age is not easy to draw. Fashion is important to many consumers in their 30 to 40s and quality has become an increasingly important criterion for younger consumers.

The women's footwear market shows another pattern and is generally fast moving and volatile, particularly so amongst the crucial younger age groups for whom fashion is the key driver. However, unlike men's expenditure, expenditure by women on footwear increases to the age around 60. This is probably the result of women's sustained purchasing of higher-priced and better quality footwear in middle life, which boosts value rather than volume growth in the market. The women's wear market is not only much larger than the men's wear market, but is also more dynamic and enjoys growth in most of the EU countries; fundamentally, women spend far more on footwear than men do and they spend more consistently throughout their lives.

Segmentation by type of product

The footwear market can be divided into several segments based on type of product combined by their end use or wearing circumstances. As mentioned in chapter 1 the following categories can be distinguished (besides the breakdown into women's, men's and children's footwear):

- Outdoor footwear; this segment which is also indicated as town or street wear, is made up of a wide variety of products such as shoes (pumps, moccasins, loafers, Oxford shoes etc.), boots (ankle-, calf-, knee- or thigh-high), clogs, some types of sandals etc.

Using the link to clothing behaviour, a breakdown can be made in formal (dress shoes), casual and leisure/sports footwear. However, sandals can be classified as casual as well as leisure/sport footwear, while some models even can be classified as formal wear.

- Sports and leisure footwear; this segment covers sports wear with on the one side, trainers or runners, made for jogging and other sports activities, but which are also worn for every day use, and on the other side more specific technical products for football, cycling athletics, skiing etc. This segment also includes footwear with a leisure character, like textile uppers especially for summer wear such as sneakers, rope-soled sandals, plimsolls etc.
- Indoor footwear; this segment includes slippers (carpet, bedroom and house slippers) and mules.

Segmentation by attitude towards fashion and life style

Elements of fashion are: colour, design, exclusivity and style. The present consumer in Western Europe wants to be seen as an individual with his/her own life style. Clothing and footwear products have an individualising function, especially in the fashion segment (higher price ranges). Therefore, consumer demand has become more specific.

Character, ideas and attitude to life will be emphasised by the way a person dresses. Clothing and footwear serves as the means of expression of personality.

Combination fashion is eminently suited to expressing a personal style. Consumers set priorities in their pattern of expenditure according to their life style. The increasingly individualistic nature of society will bring about a rise in demand for goods with an expressive value. People do not mind spending their money on such goods, while for products with a lower priority, a low price is the main criterion.

In the world of fashion there are some important concepts. One of them is fashion mentality. It means the degree of rapid acceptance of new fashion trends by consumers. Using this concept, one can divide fashion products into: avant-garde, innovative, actual, well known and out-dated.

Another important concept regarding fashion consciousness is 'conception of culture'. It is the attitude of a consumer on patterns of culture. A consumer can choose for conforming to the dominating culture or he/she can choose just the opposite (opposition to traditional culture). This concept helps to distinguish the following kind of products: extreme, different, funny, neat, chique.

In general, the judgement on what is beautiful or ugly is currently not so much determined by macro-economic factors like age, income, profession and/or region, but much more by factors like fashion consciousness and culture.

Derived from a consumer lifestyle approach (Spiegel-Verlag 1997) both for men and women, the following five groups can be distinguished (the weight of each group can be different among men and women):

- Trendsetter (style first, young, urban, interested in new brands or stores)
- Fashion follower (urban and non-urban, style first, young)

- Conformist/conventional (adults, classic, mainly men)
- Comfort seeker (adults, problems with fit, search functionality)
- Prestige seeker (adults, classic)

The variety in life styles and sub-cultures has led to an increase in the fragmentation of the clothing and footwear market. It has also become rather difficult to predict the buying behaviour of the footwear consumer.

Segmentation by price/quality ratio

Quality is an essential requirement for the higher segments of the footwear market. There are several aspects about it: quality must be reliable, may not change in time, is closely connected to service, and products have their own brand and design. Quality requirements are also that the footwear fits well and must be comfortable.

The trend towards looking for higher quality and more expensive products has increased in recent years, but an

even more important trend is the price-conscious consumer who is looking for fashionable trends as well as good quality materials. Value for money is still the most important purchase criterion for most consumers. The major purchase criteria and the consequences for the store choices are given in the diagramme below.

The size of the segments distinguished varies per country. Generally spoken can be said that the two extremes are represented in all (major) EU countries. Concerning the other segments, some different patterns are shown: German consumers, with the exception of young people, are less fashion conscious than consumers in the other major EU countries and the segments III and IV are most important; French, Spanish and Italian consumers are more oriented on segments II and III with preferences for the smart casual shoe; consumers in the UK and The Netherlands are mainly oriented on segments IV and increasingly on II. In the UK, high fashion can be combined with

| PURCHASE CRITERIA | STORE CHOICES |
|--|---|
| I High-price/high quality (luxury) segment | |
| Exclusive luxury and designer brands High quality materials Brand-name goods with image effect | Exclusive retail stores Designer's direct stores Special departments in department stores |
| II High fashion (price/quality not necessarily high) segment | |
| Fashion themes Broad range in design Trend setters | Footwear (fashion) multiples Independent speciality shops |
| III Middle to high price/quality segment | |
| Brand name goods Good quality Trend following or classical assortment | Independent speciality shops Footwear multiples Manufacturer's direct stores Department stores Clothing multiples |
| IV Low to middle price/quality segment | |
| Basic quality Limited range in design Fashionable | Variety stores Footwear multiples Value retailers |
| V Low or very low price/low quality segment | |
| Inexpensive products Special sales/offers Low quality | Variety stores Discounters Super- and hypermarkets Street markets |

casual and sports shoes. It has to be noted that price is no longer the first consideration in the latter-mentioned countries as it was for many years.

One of the consequences is that the consumer expects retailers to have a clear image. In order to meet these consumer demands, we see many shoe stores going in for upgrading and, on the other side, discounters maintain their operating at discount level. This will be discussed in more detail in chapter 7 'Trade structure'.

3.3 Consumption patterns and trends

Demand for footwear is determined by factors like demographics and life styles as discussed above. Other factors are, among others: income and spending power, priorities in consumer choices, developments in fashion, brand awareness and preferences, climate and environment.

Income and spending power

Economic growth has slowed across much of Western Europe since the turn of the millennium, with the softness in the economy driven for a large part by cyclical factors, such as reduced exports amid global weakness. However, in countries such as Germany and Italy, the economy also suffers from structural barriers to growth, such as rigid labour market and a strict regulatory environment.

Reduced consumer confidence and growth in unemployment were, among others, the main factors leading to a smaller growth in total consumer spending. The income elasticity of clothing is about equal to one. So when consumer incomes rise by 1%, the demand for footwear will rise by 1% too. However, this elasticity is higher for rising incomes than for declining incomes.

Priorities in consumer choices

There are significant differences in consumption habits in the varying EU countries, due to differences in culture, traditions and tastes. Footwear accounted for 1.2 percent of household expenditure in the EU in 2002, while this percentage was 1.3 percent in 1990.

Consumer expenditure was higher on sectors like health, housing/energy, transport/communication and leisure/education activities.

In 2002, spending on footwear was higher than the EU average in all major EU countries except in Germany. Spanish consumers devoted the highest share of expenditure on footwear at 1.8 percent in 2002. The UK showed a modest growth in the last decade in spending on footwear, while in most other countries it has significantly declined.

Brands

In a world of change and insecurity, brands provide an ideological home. All humans face a fundamental conflict between wanting to be different and needing to belong. Belonging to a group or a community of some

kind provides us with an identity that says something about how we perceive ourselves and how others should perceive us. Brands are important because:

- In the purchase decision they give consumers confidence about the product that goes beyond pure quality assurance. They know they will not be disappointed and that they can be sure of a product's durability and workmanship.
- Only some brand attributes are related to the product. Consumers feel it is important that a brand should not only guarantee quality but should also project the image that relates to their life style.
- Consumers do not distinguish between supplier and retailer brands. Either can reach the consumer with a branded proposition. Suppliers have opened their own stores and retailers are offering their own products. Retail chains and importers use fantasy labels and brands to distinguish their collections from those of competitors, also to target particular segments
- A polarisation of brand leadership also appears likely in Europe. Retailers in Germany, UK, France and other EU countries are clearly aiming to replace manufacturer brands with their own identities in the middle market, leaving the upper market to designer brands. Clothing brands are increasingly used as distinguishing promotional features (with agreement/royalty payment to the brand name owner).

In the EU market for footwear, manufacturers' brands are important for the high-fashion, classical, health and sports sectors. These shoes come mainly from European manufacturers with the exception of sports footwear. Brand names are of little importance for cheap gym shoes, slippers and other textile and plastic shoes. One sector, that of specialist sport shoes, is dominated by well promoted brands. These sport shoes are frequently promoted alongside fashion clothing ranges for individual sports. Examples of these labels are: Adidas, Nike, Reebok, Puma and Lotto.

Climate

Climate influences the footwear market profoundly. There are basically two seasons in the shoe business. Some types of footwear are sold for winter wear only, while others are sold primarily for the summer season. However, some types of footwear are sold all throughout the year. For example many young people wear sports shoes with leather or plastic uppers both summer and winter. In some parts of Europe (mainly Southern), the same types of footwear are worn throughout the year, while in other parts (mainly Northern) winter boots are a must.

Generally spoken, weather has an impact on the timing of expenditure, which tends to be highly seasonal. Unexpected weather changes influence consumers in their purchasing decisions.

Fashion developments

Footwear fashion is strongly related to fashion developments in clothing behaviour. Fashion trends in footwear must necessarily be in harmony with those of clothing; fashion requires substantial investment in creativity, like highly skilled designing, the right colours and materials. Fashion in footwear can be based on a basic model but also on specific features like colour, materials, shape, outer sole and heel-heights, decoration (bows, buckles, ribbons etc.). There are also segments where the idea of more or less permanent articles exist: safety footwear, Wellingtons, rope soled sandals and slippers. However even in these segments the pressure of fashion is not absent.

In all EU countries we see a switch from formal clothing in favour of more casual wear; this trend has also affected the footwear market. Canvas casual footwear and sports footwear (trainers) have become acceptable wear for non-work situations and are now worn by every age group.

Slippers traditionally worn around home are partly replaced by slip-on canvas shoes, espadrilles (rope-soled) or sports shoes.

Waterproof and water-repellant footwear have become more popular in the EU, following the trends in the USA. New leather techniques and high-tech membranes are used in all kinds of shoes, mainly developed for the sports sector, but also applied to casual and town shoes. Developments are also derived from the applications in mountain-climbing shoes and special work shoes.

Italian producers and designers lead footwear fashion and dominate the market for leather fashion shoes, while leading brands mainly from the USA dictate fashion in sports footwear. The fashion trends which originate there are in turn adopted and modified by foreign importers including multiple buyers, who then specify their requirements to contract manufacturers. Although the number of older consumers is increasing and this will raise the demand for better fitting high quality shoes, there is a gradually increasing demand for fashionable shoes for this age group as well.

The effects of fashion vary according to the type of product. Women's footwear is obviously the segment most influenced by fashion. According to the trade, around half of the sales of women's footwear is geared to fashion. Men meanwhile are far less influenced by the latest styles and are said to be more interested in comfort and quality. They are even ready to spend a little more so that their shoes last longer.

The following footwear trend prognoses applying to spring/summer 2004 have been published by the German trade fair GDS: Spring/summer 2004 promises to be a "colourful" affair, as anyone who wants to be "in" next summer will be wearing brightly coloured shoes. Whether on sandalettes or sneakers, bold colours are back. From apple green to tangerine, one-tone or multicoloured, anything goes – if you like it and it puts a spring in your step, go for it! Footwear fashion should be fun.

That's the top trend for spring/summer 2004 in a nutshell. Otherwise, neither men nor women are in for any big surprises. Designers are sticking to the tried-and-tested and will once again air lots of open shoes. Clogs, mules, pumps and flip-flops reveal the maximum amount of skin. Feet bear all, and a pedicure is a must. Sports shoes are also familiar faces but in more modern guise. Although declared dead time and again: Sneakers and sport shoes just keep on topping the shoe charts and the experts even predict a record-breaking year is on its way. Sport defines our zeitgeist. Jogging in the morning is a matter of good form and visits to the health club are socially de rigeur. 'Mens sana in corpore sano' - a sound mind in a sound body. And taking this one step further is the idea that sport is synonymous with success. Those whose bodies are perhaps not the picture of athleticism can turn to clothing as a sign of belonging, because where sport goes, fashion soon follows: be it walking, jogging, parachuting or trekking. Girls, boys, men and women will combine sneakers, sports sandals and boxer boots with cargo pants, leggings, bermudas or tennis skirts. And in the evenings, high heels add sex appeal.

Counterbalancing the illustrious sporty style is a gaudy fantasy look. The recipe for fantasy fun calls for a pinch of Hawaii with flower-bearing flip-flops, a sprinkling of Asia-look with lace-up plaited sandals and a touch of glitzy Hollywood with glossy red platform sandals. And don't forget to season well with retro pickings from the punky eighties – sandals with high block heels finished with broad ankle straps, rivets and eyelets.

Of course, there are also offerings that are not quite as loud – shoes for business. Here the mood is filigreed and elegant. But don't get the wrong idea – ladylike and conservative is a no-no. Pumps, clogs or mules featuring slender, mainly pointed or square forms with slightly curved heels will dominate the office environment. Nothing heavy and nothing clumpy should distract from the delicate summer look. Small bows, dainty buckles or fine stitching underscore the refined style that embraces soft, sandy or watery shades in particular. A leading look is the combination of black and white.

Unobtrusiveness and elegance are the watchwords also for men. Soft shoes complete the casual summer suit. Whether with pointed, square or rounded lasts, slip-ons or lace-ups, manufacturers are increasingly selecting super-soft (and therefore more expensive) leathers and light, flexible soles. Great looking and comfortable as well. The fashionable business shoe for men is stepping out in harmonious browns and earth tones.

Colours: Green is the colour of hope and brazen apple green is the absolute favourite. As a rule of thumb: From orange to turquoise and pink through to blue, colour is leading this fashion's parade. And it is not just sporty feet that will be looking on the brighter side next

summer. Open shoes will also be characterised by the rainbow look. All shades are equal – whether muted, flashy or neon. The must-have of the season is a combination of white and a colour.

Sneakers: The new sneaker on the streets will be two-tone. White is the basic colour that sets off powerful shades – red, yellow, green, blue or timeless black. Materials are also mixed and matched – high-tech materials with canvas, or leather with mesh. Sporty lasts have moved away from broad and bulky shapes to longer oval forms. Sneakers are sporting intricate details: punchings, various stripes, geometric or ornamental patterns, bands of rivets and rhinestones, metal decorations or eyelets. The season's hottest offering: high-heeled sneakers sneakers on heels or with fashionable ankle straps.

Decoration: The new footwear fashions revel in decoration: giant enamelled ovals, sparkly semi-precious stones or rhinestones; tiny mother-of-pearl or silver plates, rivets, eyelets, rings or zips, leather with embellishments or cut-outs, floral, vamp or animal appliqués. Designers have left no source untapped in ornamenting shoes in line with the various trends – starfish cut-outs for the fantasy look and delicate buckles for smart business pumps.

High shine: Alongside soft nappa leather, specially treated patent, metallic and perlato leathers will grace en vogue shop shelves. High-tech textiles with a metallic sheen will have many more eyes lighting up than just those of the sporty crowd. Designers will also have city-types stepping out in elegant, finely shimmering satins and parachute silk.

Wrap-around effects: Lacing has made a comeback, and in no small measure. Long laces of leather, taffeta, cord or raffia will adorn ankles and calves. But please leave the Jesus boots in the cupboard! New on the scene are sophisticated laces that entwine pumps, platform sandals and stilettos. The new punk sandals that harken back to the eighties also draw the eye to the ankles. Here, however, the delicate straps make way for broad leather bands that are closed with bold buckles.

Transparency: There is no holding back next summer when it comes to baring the whole foot. Perforated, with cut-outs or stripped down to a few straps, pumps, sandals or sandalettes will reveal the art form in creating footwear. Even men will be finding more open shoes around. Hot feet look set to become a thing of the past. Designers' fondness for displaying the foot in all its glory is also behind the new low-cut pumps. Deep, rounded shapes bring the beginnings of toes into view. With the right foot, it is a really sexy look.

Flip-Flops: These are the G-strings of the shoe world, offering up the maximum of foot to the onlooker. With their mundane name, the shoes known as flip-flops or dianettes (named after Diana, goddess of the hunt) with the thong between the toes have added to their established fundamental utility value for every beach holiday, and are now displaying a diversity like never

before. They give a sporty feel with light plastic soles, but embroidered with hundreds of tiny Swarovski stones they take a turn to the oriental, or show their playful side with giant blossoms and butterflies. Whether completely flat, on a wedge or heels, flip-flops are hip.

More detailed fashion trends for spring/summer 2004 including illustrations can be found on the website of GDS (<http://www.gds-shoe-fair.com>) or on sites of other trade fairs, like Midec and Micam (see appendix 3.4 for addresses).

4 FOOTWEAR PRODUCTION

4.1 Footwear production in the EU

Footwear production in the EU decreased to 1,043 million pairs in 1998, sank for the first time below the one billion pair level in 1999 and ended below the 0.9 billion pair in 2001. Footwear production continued its fall in the period under review as it relocated to other countries, especially CEECs. Preliminary EU production figures for 2002 indicate a further decrease of 8 percent to 810,000 pairs.

Italy remained the leading footwear producer with 41 percent of total EU production, followed by Spain (24%). Other major producers are Portugal (12%) and France (10%). 264,100 employees worked in the EU footwear industry in 2002, while this number was still 283,000 in 1998. The footwear industry is relatively labour-intensive, added to which increasing costs and the competition from cheap imports have pressed manufacturers to specialise in niches (luxury, safety or orthopaedic footwear) or to shift production to abroad. The footwear manufacturing industry in The Netherlands showed (limited) positive developments but output remained very limited. Decreased production was limited in major EU producers Portugal, Spain and Austria, but at the other end of the scale, significant reductions had been recorded by many other EU producers, like Italy, France, Germany and the UK.

There are large differences between the member states in production regarding number of output as well as type of product. Many footwear manufacturers in the EU are now importing uppers and, to a lesser degree, outer soles and other parts for final assembly in their

products. EU imports (from outside the Union) of parts of footwear amounted to € 1.8 billion, of which 73 percent uppers. Romania is the main supplier of uppers followed by India, Tunisia and Hungary.

Almost all sports and sports leisure shoes continue to be made in the Far East (more than 80% of the global production!) and Eastern Europe, including production for the major international manufacturers such as Nike, Reebok, Adidas, Fila, Hi-Tec and Puma.

Europe accounts for 10 percent of the world's total footwear production and for almost 20 percent of the world's production of leather uppers. Fashion and quality production comes for an important part mainly from Italy, Portugal and Spain.

Table 4.1 Production of footwear by EU member states 1998-2002 in million pairs

| | 1998 | 1999 | 2000 | 2001 | 2002*) | % change 2001/1998 | % change 2001/2000 |
|-----------------|--------------|------------|------------|------------|------------|-----------------------|-----------------------|
| Italy | 425 | 381 | 391 | 375 | 335 | - 12 | - 2 |
| Spain | 221 | 212 | 203 | 200 | 197 | - 7 | - 1 |
| Portugal | 106 | 107 | 108 | 113 | 101 | - 2 | - 4 |
| France | 125 | 115 | 100 | 86 | 77 | - 23 | - 6 |
| Germany | 41 | 40 | 36 | 34 | 33 | - 20 | - 8 |
| UK | 83 | 63 | 34 | 34 | 31 | - 59 | 0 |
| Austria | 11 | 11 | 10 | 10 | 9 | - 6 | 0 |
| The Netherlands | 4 | 4 | 4 | 4 | 4 | + 15 | + 2 |
| Other (7) | 27 | 26 | 24 | 23 | 23 | - 15 | - 4 |
| Total EU | 1,043 | 959 | 910 | 879 | 810 | - 14 | - 2 |

*) preliminary figures

Source: CEC

Table 4.2 Overview of Italian footwear industry, 1999-2002

| | 1999 | 2000 | 2001 | 2002 |
|-----------------------------|---------|---------|---------|---------|
| Plants (average number) | 7,660 | 7,570 | 7,500 | 7,380 |
| Employees (average number) | 114,015 | 113,000 | 111,650 | 107,008 |
| Production (in mln pairs) | 380.9 | 389.9 | 375.2 | 335.0 |
| Value of output (€ million) | 7,417 | 8,269 | 8,670 | 8,171 |
| Domestic sales (€ mln) | 1,915 | 1,963 | 1,919 | 1,829 |
| Foreign sales (€ mln) | 5,690 | 6,606 | 7,231 | 6,781 |

Source: ANCI

Italy

Italy plays a major role in global footwear production, in spite of high costs of labour and is concentrated on quality, well designed footwear in leather. Italy is Europe's largest producer of footwear (ahead of Spain and Portugal) and fifth largest on a global scale. However, Italian footwear production decreased from 381 million pairs in 1999 to 335 million in 2002. Italian footwear manufacturers ended with a turnover of € 8.2 billion in 2002, 5.8 percent less than 2001, with 335 million pairs produced (down 11%). This downturn reflects a deterioration in export sales in the face of intense competition, especially from low-cost countries and higher imports. These have made it increasingly difficult for Italian producers to retain their shares of the home market.

Export figures showed negative signs in 2002 compared to the previous year with 322.3 million pairs (- 8.9%) at a value of € 6.781 million (equal to an decrease of 6.2 percent). The average price of exported footwear (€ 21.04 per pair) has increased by 2.9 percent. The quantity of goods manufactured and exported has dropped considerably whilst this trend has not affected the total value and average prices. The overall Italian offer reached a higher bracket, with each product sector being positioned on a higher level, although to different degrees.

The Italian footwear industry is very fragmented. The number of companies amounted to 7,380 in 2002. Footwear producers employ an average of about 14.4 persons. In 2002, leather accounted for 83 percent of total production value and 68 percent of the total volume. All the main types of footwear suffered falls in output. In particular, production of sports footwear and textiles uppers fell.

In spite of the negative economic picture, the flexibility of the system of sub-contracting and third party work relations, typical of the footwear supply chain, seems still able to sustain the production efficiency. The success of the footwear sector in Italy is linked to an enterprising spirit and to the typical structure of the sector which is part of a "web", an operational system consisting of sub-suppliers of raw materials, tanneries,

components, accessories, machinery manufacturers, model makers and designers. This has resulted in a territorial concentration of companies and the formation of shoe manufacturing districts, like Marches, Tuscany, Venetia, Lombardy, Campania, Apulia and Emilia Romagna. Some Italian footwear producers are: Filanto, Pol Scarpe (Geox), Basicnet, Rossi Moda, Tods and, in the sports footwear sector, Lotto and Diadore. A strong sector in the Italian supply industry is the soling sector, not only leather soles but also soles of rubber, PVC or moulded PU soles are sold to the domestic industry and exported. On the other side, imports of footwear parts increased from € 678 million in 1999 to € 971 million in 2001. Romania is the main supplier of uppers and soles with an import share of 37 percent (in terms of value), at a distance followed by Tunisia, India, Albania, Bulgaria and Hungary.

Spain

Spain has been the second leading shoe manufacturer in the EU for many years. Spanish production decreased 7 percent in the period 1999-2002 to 197 million pairs in 2002 with a value of € 3.1 billion.

Whereas Italian shoes are known for being elegant and formal, Spanish producers built up a reputation in stylish casual footwear. In the last fifteen years, Spain transformed itself from a low cost centre of production to one of the world's leading style setters in the medium to high end market. The majority of the companies is based around Valencia, the Balearic Islands (namely Mallorca and Menorca), Aragon and Murcia. Leading companies are among others Kelme, Coflusa SA (Camper), Ivan Shoes SL, Calzado José Vicente SL, Sendra Boots, Ras, Magrit, Pura Lopez, Jaime Mascaro. Spanish companies imported a very limited size of uppers and soles for (final) assembly. In 1998 these imports amounted to € 42 million and € 55 million in 2001, coming mainly from Italy (47%), followed by India, China, France and Portugal.

Leading categories in Spanish footwear production in 2001 were footwear with leather uppers (139 million pairs or 66 percent of total production) and footwear with uppers of textiles (50 million pairs or 24 percent).

Table 4.3 Overview of Spanish footwear industry, 1999-2002

| | 1999 | 2000 | 2001 | 2002 |
|----------------------------------|--------|--------|--------|--------|
| Plants (average number) | 2,812 | 2,794 | 2,761 | 2,802 |
| Employees (average number) | 45,883 | 47,030 | 48,122 | 46,309 |
| Volume of output (million pairs) | 212 | 203 | 200 | 197 |
| Value of output (€ mln) | 2,959 | 3,033 | 3,158 | 3,120 |
| Foreign sales (€ mln) | 1,853 | 1,961 | 2,069 | 2,090 |

Source: FICE

The remaining 10 percent included footwear with rubber or plastic uppers (6%). In terms of value, the leading product group was also footwear with leather uppers (83% of total production).

France

France is the fourth leading shoe manufacturer in the EU. It ranked third for many years but was passed by Portugal in 2000. French production decreased 24 percent in the period 1999-2002 to 77 million pairs in 2002 with a value of € 1.4 billion.

The ten leading companies are Eram, Bacou, Bata, Mephisto, Pindière, Lafuma, Aigle, TBS, Arche, Allemand Industries and Polygone. Eram is not only the leading manufacturer but also the leading retailer in France. Bacou and Jalatte are manufacturers of safety footwear, besides other safety products. Bata operates as a manufacturing, wholesaling and retailing organisation, however, Bata's retail activities are limited to Italy. Mephisto is specialised in walking shoes and an estimated 85 percent of its turnover is covered by exports. The other companies are all active in fashionable footwear, of which Allemand Industries is the leading children's footwear manufacturer.

Despite the strong decreased output, French companies imported an increasing degree of uppers and soles for (final) assembly. In 1998 these imports amounted to € 217 million and € 255 million in 2001, coming mainly from Tunisia (28%) and Morocco (19%), followed by Italy, Spain, Portugal and India.

Leading categories in French footwear production were footwear with leather uppers (46 percent in volume and 62 percent in value of total production) and footwear with uppers of textiles (respectively 32 and 20 percent). The trend to move production to foreign sites is likely to continue as a cost-saving measure. The sluggishness of the home market and the intense competition from the low-wage countries has forced French manufacturers to react in order to survive. A number of companies has created brands along with a selective distribution or specialised in specific products, such as children's footwear. Other strategies consist of moving into specialised niches like safety wear, hiking and mountain boots.

Table 4.4 Overview of French footwear industry, 1999-2002

| | 1999 | 2000 | 2001 | 2002*) |
|----------------------------------|--------|--------|--------|--------|
| Plants (average number) | 212 | 191 | 180 | 175 |
| Employees (average number) | 23,300 | 20,800 | 18,400 | 17,700 |
| Volume of output (million pairs) | 115 | 100 | 86 | 77 |
| Value of output (€ mln) | 2,011 | 1,797 | 1,728 | 1,680 |
| Foreign sales (€ mln) | 880 | 783 | 698 | 630 |

*) estimated

Source: CNC

Table 4.5 Overview of German footwear industry, 1999-2002

| | 1999 | 2000 | 2001 | 2002 |
|------------------------------|--------|--------|--------|--------|
| Plants (average number) | 151 | 138 | 133 | 129 |
| Employees (average number) | 17,770 | 16,960 | 16,460 | 16,000 |
| Volume of output (mln pairs) | 39.8 | 35.8 | 33.9 | 33.0 |
| Value of output (€ bn) | 3.22 | 3.03 | 3.04 | 2.97 |
| Domestic sales (€ bn) | 2.42 | 2.25 | 2.19 | 2.08 |
| Foreign sales (€ bn) | 0.80 | 0.78 | 0.85 | 0.89 |

Source: HDS

Germany

German production of footwear has been on the decline for many years, as imports from low labour cost countries have increased. Production by Germany's footwear industry decreased steadily, i.e. output decreased by 17 percent to 33 million pairs in the period 1999-2002. In terms of production, the good growth in exports (+11 percent during the same period) counteracted the weakness in the domestic market, on which sales fell 14 percent to € 2.1 billion.

Salamander is the biggest shoe manufacturer in Europe (€ 1.29 billion in 2001) and includes besides the brand Salamander: Lurchi, Yellowmiles, Sioux, Betty Barclay and Apollo. The retail division of the Salamander Group (230 stores) including a production plant in Hungary was sold to Garant in 2003. Many German manufacturers are doing well in the so-called "health and comfort" sector, of which Birkenstock and Ganter are well-known because of their sizeable exports to respectively the USA and Japan.

Imports of footwear parts (uppers and soles) for final assembly in Germany increased from € 365 million in 1998 to 409 million in 2001, coming mainly from Portugal (14%), India, Italy and Hungary.

UK

The UK is the sixth largest producer of footwear in the EU since 2000, when Germany passed the UK in terms of volume, after a fall of 46 percent in UK output. In

2002 around 9,200 people were employed in footwear manufacturing.

UK production of footwear has been in decline for many years (103 million pairs in 1995 and 28 million in 2002) as imports from low labour cost countries have increased. The severe price competition on retail level has put pressure on manufacturers, which have responded by closing some or all UK factories and sourcing overseas to retain market share. However, this action has tended to lower footwear prices further. C&J Clark International Ltd is the UK's top-ranked shoe company in terms of sales. Other manufacturers are Barker Shoes Ltd., Church & Co., Loake Bros Ltd, George J. Cox, Dunkelman & Son, E.Sutton & Son, Merell, French Connection, Grenson Shoes, Ascot Int., Start rite Shoes, Pentland-Group, Peter Black, Lambert Howarth etc. Airwair Ltd includes the popular brand Dr. Martens. Clarks and Church are significant manufacturers as well as retailers.

Imports of uppers and soles for final assembly into the UK increased strongly until 1998. In 1999 the imports of uppers more or less stabilised at € 195 million, whereas ten years ago this was only € 46 million. In 2001, these imports decreased to € 186 million, caused by the considerable fall in domestic production. The main suppliers of uppers and soles were India (34% of total imports), Thailand (28%), China (12%) and Brazil (8%) in 2001.

Table 4.6 Overview of UK's footwear industry, 1999-2002

| | 1999 | 2000 | 2001 | 2002 |
|-------------------------------|--------|--------|--------|-------|
| Plants (average number) | 670 | 535 | 530 | 486 |
| Employees (average number) | 14,790 | 13,229 | 11,486 | 9,162 |
| Production (in million pairs) | 62.9 | 34.1 | 33.8 | 28.1 |
| Value of output (£ bn) | 1,015 | 608 | 584 | 480 |
| Foreign sales (£ bn) | 380 | 233 | 230 | 190 |

Source: British Footwear Association

Table 4.7 Overview of the footwear industry in The Netherlands, 1999-2002

| | 1999 | 2000 | 2001* | 2002*) |
|-------------------------------|-------|-------|-------|--------|
| Plants (average number) | 195 | 191 | 185 | 180 |
| Employees (average number) | 1,688 | 1,650 | 1,600 | 1,540 |
| Volume of output ('000 pairs) | 3,800 | 3,925 | 3,900 | 4,000 |
| Value of output (€ mln) | 114 | 120 | 134 | 138 |
| Domestic sales (€ mln) | 78 | 75 | 81 | 80 |
| Foreign sales (€ mln) | 36 | 45 | 53 | 58 |

*) estimated

Sources: CBS

The Netherlands

Footwear production in The Netherlands accounted for almost 6 percent of the domestic market in 2002. The number of footwear manufacturers in The Netherlands has declined too and numbers only 20 companies (with more than 20 employees) with an annual output of 4 million pairs, including production abroad. The leading companies are Van Bommel, Van Lier, and Van der Putten/Durea are specialised in the more expensive footwear.

4.2 Delocalisation of footwear production

The restructuring policy of many manufacturing companies in the EU during the last decade led to relocation of the footwear production to other countries inside the EU (Portugal, Spain and Greece) and outside the EU, like Central and East European countries (CEECs), Mediterranean countries and Asian countries. Manufacturing companies have more and more switched from manufacturing to assembling, by using imported parts of shoes, whether or not manufactured according to specific requirements. Besides this development, the high price of manufacturing in EU countries has led to the following de-localisation strategies by suppliers of footwear:

- **foreign production**, production carried out in a foreign subsidiary of an European company. Most of the largest companies entered into joint ventures in

low-cost countries or have built up their own factories abroad. These forms are based on an ownership structure;

- **subcontracting**, manufacturing by a third party of materials owned by the principal and according to his specifications. A specific form of subcontracting is OPT (outward processing trade), parts are exported to be made up into finished footwear in specific third countries and are re-imported at preferential tariffs on added value;
- **sourcing**, buying goods according to specifications issued by the principal according to his specifications, mainly used by manufacturers for additional products to their own product range.

The policy of de-localisation enables EU manufacturers to maintain control over the management and quality of the outsourcing operations and to respond quickly to changing market demands. In the case of subcontracting, the most labour intensive piecework has been relocated.

EU OPT for footwear increased steadily in the period 1992-1998 from € 340 to 578 million, followed by a small decrease of less than 2 percent in 1999 and a further growth to € 590 million in 2002.

Almost 90 percent of total OPT value came from CEECs. The most important OPT country outside

Table 4.8 EU developments in OPT of footwear in total and by trade partners, 2001

| | € million | Leading trade partners in 2001 EU 590 Romania (41%), Albania (15%), Hungary (12%), Ukraine (4%), India (4%) |
|--------------------|-----------|---|
| Of which: | | |
| Italy | 433 | Romania (53%), Albania (20%), Ukraine (5%), Hungary (5%), Bulgaria (5%) |
| Germany | 83 | Hungary (58%), Czech Rep. (19%), Moldova (9%), India (8%) |
| France | 19 | Tunisia (29%), Slovakia (25%), Czech Rep. (15%) Morocco (14%) |
| UK | 17 | India (87%), Thailand (8%) |
| Other EU countries | 38 | Poland (21%), Romania (20%), Morocco (17%), India (9%), Bulgaria (6%) |

Source: Eurostat 2002

Europe was India, followed by the Mediterranean countries Morocco and Tunisia. OPT with India (mainly UK) increased from € 13 million in 1999 to 25 million in 2002.

5 IMPORTS OF FOOTWEAR

5.1 Total EU imports

Before we take a look at the import figures for footwear into the EU, it should be noted that all data presented in this chapter are official trade figures provided by Eurostat. We therefore refer to the remarks in chapter 1, explaining that official statistics are not always all-embracing and should be interpreted with care. Total EU (15) imports of footwear amounted to € 21.0 billion in 2001. Germany remained the leading importer, with an import share of 21 percent in terms of value, followed by UK (17%), France (15%), Italy (15%) and The Netherlands (8 %). Belgium (6%) ranked sixth, followed by Austria (4%) and Spain (3%).

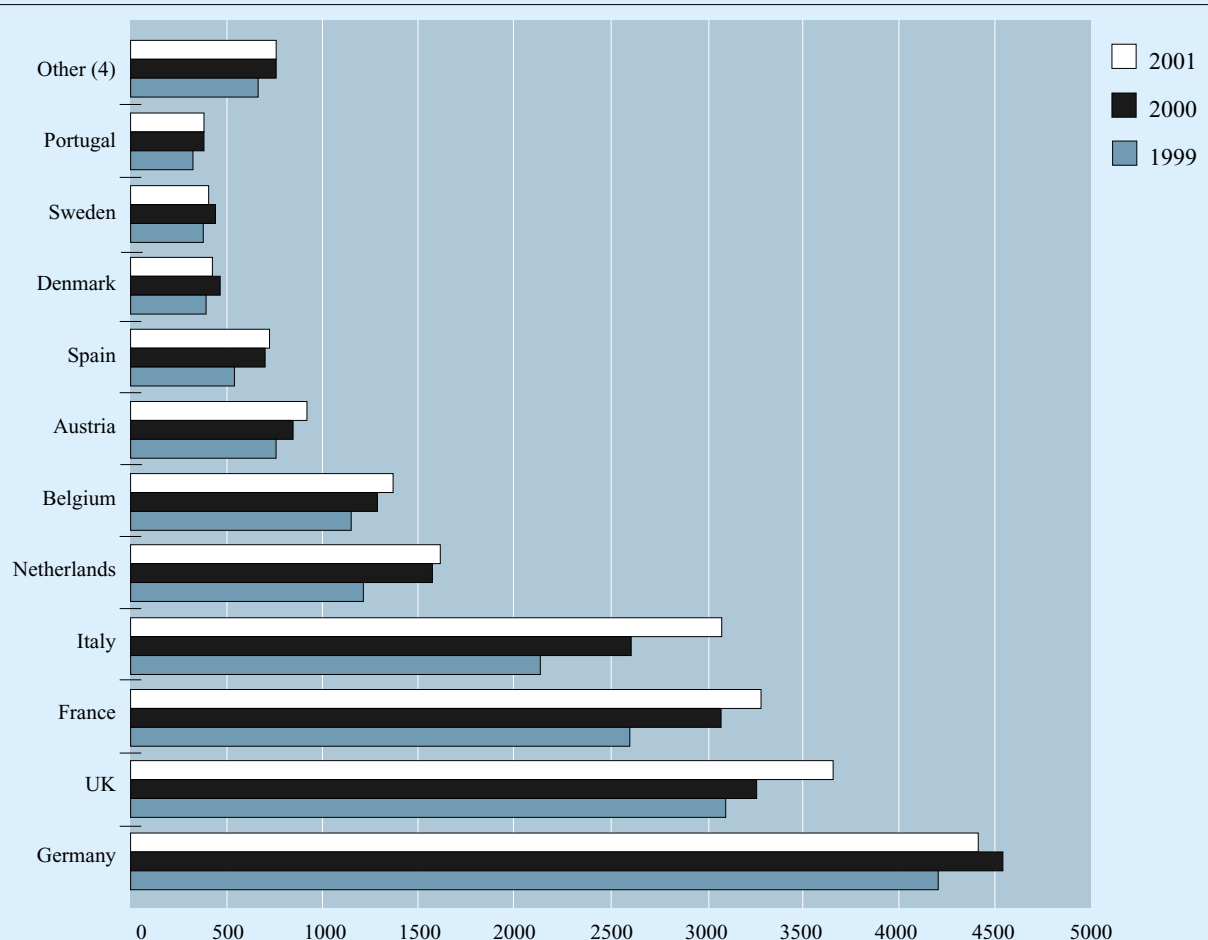
EU imports of footwear increased by 19 percent in the period 1999-2001, of which 5.4 percent in 2001. The biggest growth occurred in 2000 with almost 13 percent. EU countries can be divided, as to developments in value of imports during the period 1999-2001, into:

- Very slowly growing imports (less than 10%) in Germany, Denmark, Finland, Sweden, Greece and Portugal;
- Slowly growing imports (between 10-19%) in Ireland, Belgium, UK and Austria;
- Strongly growing imports (between 19-30 %) in France, The Netherlands;
- Booming imports (more than 30%) in Italy and Spain.

The booming growth of Spanish imports covered, for an important part, outdoor footwear with leather uppers (mainly in 2000) and sports footwear both with leather and plastic uppers, while the considerable growth of Italian imports mainly covered outdoor footwear with leather uppers, sports footwear with plastic uppers and parts of footwear.

Developments in imports of footwear vary strongly per EU country. This depends on several factors like size and structure of domestic production of footwear, the possibilities and size of re-exports and developments in

Figure 5.1 EU imports of footwear by member states (in value), 1999-2000
€ million



demand as described in chapter 3.

International brands came from other EU countries (mainly Italy, Portugal, Spain, Germany, UK and The Netherlands) while lower priced products came from developing countries (mainly Vietnam, China and Morocco). Spanish production satisfies the demand for medium and medium-high articles.

About 37 percent of the total volume of EU imports came from other EU countries in 2001, mainly from Italy (12% of total EU imports and 32% of intra-EU imports). Other major suppliers to the EU market were

Spain (5%), Portugal (5%), Belgium (4%) and The Netherlands (4%). The total import share of other EU countries decreased, this percentage being 5.4 percent in 1999 and 4.3 percent in 2001. Imports from the leading EU supplier Italy decreased by 18 percent in the period 1999-2001 to 201 million pairs, while imports from Spain decreased 11 percent and imports from Portugal 6 percent in the same period. This means that Spain ranked fourth (in terms of volume) under China, runner-up Vietnam and Italy. Imports from Vietnam (+43%), Cambodia (+117%), Macao (+77%), Tunisia (+45%) and Romania (+40%) showed the biggest

Figure 5.2 Imports of footwear into the EU by area of origin, in terms of volume, 1999-2001

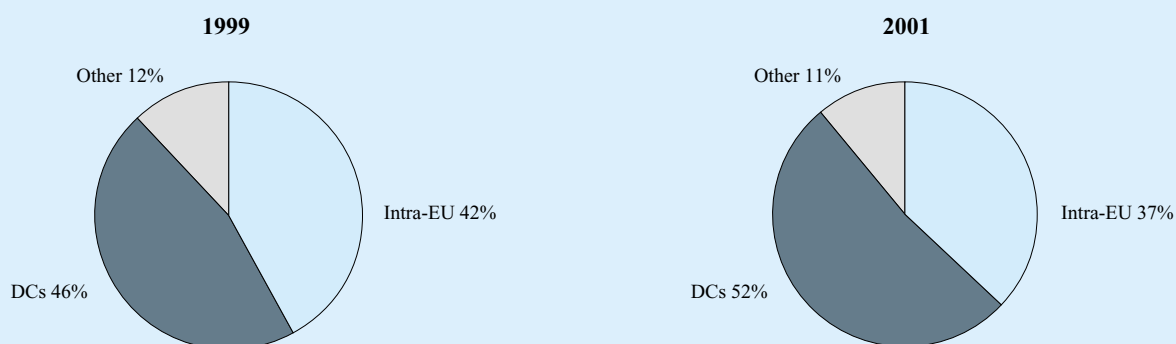


Table 5.1 Leading suppliers of footwear to the EU for major product groups in 2001 in million pairs

| | 2001 | Five leading suppliers in 2001: |
|---|-------------|---|
| Footwear with plastic/rubber uppers: | | (import share in % between brackets) |
| - Waterproof outdoor | 25 | Italy (31), China (28), Czech Rep. (5), Romania (5), Portugal (4). |
| - Sports | 46 | China (44), Italy (9), Belgium (7), Vietnam (7), Indonesia (5). |
| - Indoor | 13 | Italy (22), Turkey (12), Spain (8), Poland (6), Belgium (5). |
| - Outdoor | 356 | China (27), Vietnam (25), Italy (9), Belgium (5), Indonesia (5). |
| Footwear with leather uppers: | | |
| - Sports | 43 | China (23), Italy (11), Vietnam (9), Indonesia (7), Germany (6). |
| - Indoor | 17 | Italy (18), Romania (14), Spain (10), China (6), Poland (5). |
| - Outdoor, leather outer soles | 71 | Italy (35), Spain (13), Portugal (11), India (7), Romania (7). |
| - Outdoor, other outer soles | 565 | Italy (15), Vietnam (11), Portugal (10), Romania (6), Spain (6). |
| Footwear with textile uppers: | | |
| - Sports | 110 | China (29), Belgium (18), Vietnam (11), Indonesia (7), The Netherlands (6). |
| - Indoor, rubber/plastic outer soles | 95 | China (27), Spain (23), Vietnam (9), Turkey (5), Italy (4). |
| - Indoor, other outer soles | 92 | China (76), Italy (4), Poland (3), Netherlands (3), Germany (2). |
| - Outdoor, rubber/plastic outer soles | 123 | Vietnam (26), China (20), Italy (7), Spain (7), Netherlands (4). |
| - Outdoor, other outer soles | 15 | Italy (25), Spain (18), Portugal (12), China (10), Poland (9). |
| Footwear with other uppers: | 23 | China (47), Italy (15), Poland (9), Spain (4), Romania (3). |
| Safety footwear | 31 | Italy (31), Tunisia (21), China (8), France (7), India (5). |
| Parts of footwear | 9 | Romania (29), India (13), China (9), Brazil (8), Morocco (7). |
| Total imports of footwear | 1634 | China (20), Vietnam (15), Italy (12), Spain (6), Portugal (5). |

Source: Eurostat 2002

growth in exports to the EU in the period 1999-2001. Other countries with growing exports, but to a lesser degree, were: Morocco, India, The Netherlands, Belgium, Germany, Slovakia and Bulgaria.

EU imports from developing countries increased in terms of volume (+ 14%) against 18 percent higher prices. Developing countries gain from the decreased intra-EU and Asian (mainly Taiwan and Hong Kong) imports, just like CEECs (mainly Romania).

Italy remained the leading supplier to the EU market in the category outdoor footwear with leather uppers: 110 million pairs in 2001, above Portugal (63 mln), Vietnam (61mln), Spain (43 mln), Romania (41 mln) and China (34 mln). Imports from Vietnam and Romania increased considerably having respectively been 48 and 25 million pairs in 1999. Italy was also the leading supplying country in the product groups waterproof outdoor footwear, indoor footwear with plastic and leather uppers and safety footwear.

Vietnam retained its leading position in exports of footwear with textile uppers and other than leather outer soles, followed by China and at a distance followed by Italy, Spain and The Netherlands. China remained the EU's leading supplier of all kinds of sports footwear, outdoor footwear with plastic/or rubber uppers and indoor footwear with textile uppers.

A total overview of EU import sources is given in appendix 2.2, while the role of developing countries will be discussed in chapter 5.3.

Total imports by selected markets within the EU

Germany

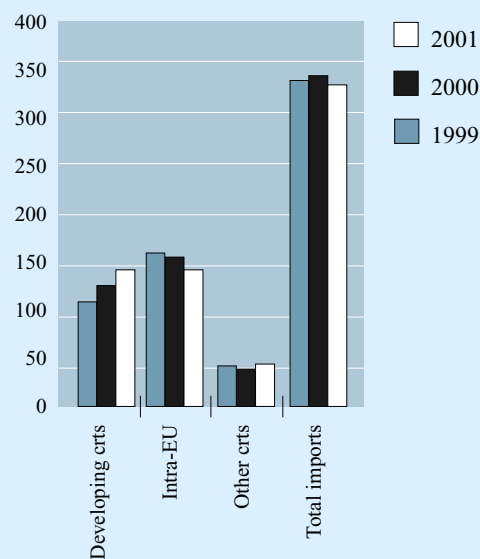
Germany is the largest EU importer of footwear and accounted for 21 percent in terms of value in 2001. However, this percentage had been 25 percent in 1998 and 30 percent in 1995.

Germany imported footwear at a value of € 4.4 billion in 2001, of which 48 percent was sourced outside the EU. Of the total footwear imports, 32 percent came from developing countries.

Between 1999 and 2001, German imports increased by 4.5 percent in terms of value (despite a fall of 2.7 percent in 2001) and decreased 5.3 percent in terms of volume (caused by a fall of 5.9 percent in 2001). The general trend in German imports of footwear in the period under review was growing imports in 2000 and sharply decreasing imports in 2001; average prices of total imports increased 10.4 percent while average import prices from developing countries even grew by 11.8 percent in the same period.

The period 1999-2001 showed a decreasing import share from other EU countries to 43 percent in volume and 52 percent in value of total German imports in 2001, while these percentages were respectively 49 and

Figure 5.3 German imports of footwear by area of origin, 1999-2001 million pairs



Source: Derived from Eurostat 2002

59 in 1999. This was caused by decreased imports from Italy, Portugal, Spain, France and the UK, in favour of Asian developing countries (Vietnam, Cambodia and India), Mediterranean developing countries (Turkey and Morocco) and CEECs (Romania, Slovakia and Poland). The ranking of the three leading suppliers to the German market did not change in the period under review: Italy retained its leading position in terms of volume, despite a considerable fall of almost 20 percent to 65 million pairs in 2001. Imports from Vietnam rose from 47 million pairs in 1999 to 56 mln in 2001, while imports from China fell from 45 million in 1999 to 44 mln in 2001. Imports from EU countries varied considerably: imports from Portugal (4th) decreased strongly: 5 percent to just above 20 million pairs in 2001, and from Spain (5th) considerably: 24 percent to just below 20 million pairs. Imports from The Netherlands (6th) fluctuated considerably: +37 percent in 2000 and - 33 percent in 2001 and from Austria strongly: +9 percent in 2000 and -7 percent in 2001. Other important suppliers were Poland, Indonesia, Hungary, India, Slovakia and Romania. China was the leading supplier to the German market in waterproof footwear, sports footwear with plastic/rubber and textile uppers, and indoor footwear with textile uppers in 2001. Italy was the leading supplier of Germany in the product groups indoor footwear with plastic uppers, indoor and outdoor footwear with leather uppers. Vietnam was the leading supplier of outdoor footwear with plastic/rubber and with textile uppers.

Table 5.2 Leading suppliers of footwear to Germany for major product groups in 2001 in thousand pairs

| | 2001 | Five leading suppliers in 2001 (import share in % between brackets): |
|---|----------------|--|
| Waterproof outdoor footwear | 7,386 | China (43), Italy (38), Czech Rep. (9), France (2), Netherlands (2). |
| Footwear with plastic/rubber uppers: | | |
| - Sports | 2,610 | China (31), Italy (16), Belgium (9), Macedonia (7), Netherlands (7). |
| - Indoor | 3,169 | Italy (37), Poland (19), Spain (9), Austria (7), Moldova (5). |
| - Outdoor | 86,761 | Vietnam (33), China (17), Italy (17), Netherlands (5), Cambodia (4). |
| Footwear with leather uppers: | | |
| - Sports | 5,285 | Slovakia (29), China (26), Italy (12), Vietnam (8), Indonesia (8). |
| - Indoor | 5,682 | Italy (24), Spain (17), Poland (12), Moldova (11), Portugal (10). |
| - Outdoor, leather outer soles | 8,784 | Italy (61), Spain (10), Austria (5), India (4), Portugal (4). |
| - Outdoor, other outer soles | 139,738 | Italy (21), Vietnam (11), Portugal (10), Spain (7), Hungary (5). |
| Footwear with textile uppers: | | |
| - Sports | 13,455 | China (42), Vietnam (16), Belgium (12), Netherlands (6), Austria (5). |
| - Indoor, rubber/plastic outer soles | 18,431 | Spain (20), Italy (12), Portugal (12), Poland (11), France (9). |
| - Indoor, other outer soles | 11,983 | China (60), Poland (16), Netherlands (11), Switzerland (4), Austria (2). |
| - Outdoor, rubber/plastic outer soles | 25,122 | Vietnam (34), Italy (12), Spain (8), Netherlands (7), China (6). |
| - Outdoor, other outer soles | 1,513 | China (36), Italy (12), Bangladesh (10), Sri Lanka (8), Poland (6). |
| Footwear with other uppers: | 3,081 | Poland (50), China (28), Romania (9), Italy (3), Netherlands (2). |
| Safety footwear | 5,608 | Italy (56), France (11), Slovakia (7), Portugal (6), China (5). |
| Parts of footwear | 1,127 | Brazil (40), India (38), Hungary (4), Czech Rep. (4), France (4). |
| Total imports of footwear | 339,735 | Italy (19), Vietnam (16), China (13), Portugal (6), Spain (6). |

Source: Eurostat 2002

Five product groups constituted 80 percent of German imports in terms of value in 2001:

- outdoor footwear with uppers of leather and soles of rubber etc.
- outdoor footwear with uppers and outer soles of plastic or rubber
- outdoor footwear with uppers of leather and soles of leather
- outdoor footwear with uppers of textiles and outer soles of plastic or rubber
- sport shoes with uppers of textiles

Total imports decreased in terms of value in 2001, mainly caused by a fall in imports of the leading product groups outdoor footwear with leather and textile uppers. The main developments in German imports of the product category leather outdoor footwear, besides a general decrease in imports of most items, were:

- decrease in imports of low footwear for men and women with outer soles of leather etc. with vamp of straps or pieces cut out, from 3.3 million pairs in 1999 to 1.6 million in 2001 and a decrease of other (closed) low footwear from 8.4 to 5.8 million pairs;
- decrease in imports of footwear covering the ankle (under calf) for men, women and children with outer soles of rubber, plastic or synthetic leather etc. from 27.3 million pairs in 1999 to 15.6 million in 2001;

- decrease in imports of low footwear with outer soles of rubber, plastic or synthetic leather, closed upper (without vamp of straps or pieces cut out) for women and children, from 96.5 million pairs in 1999 to 91.0 million in 2001;
- decrease in imports of low footwear with outer soles of rubber, plastic or synthetic leather with vamp of straps or pieces cut out and height of heels max. 3 cm. from 21.4 million pairs in 1999 to 18.6 million in 2001 and with heels of more than 3 cm from 11.3 to 9.9 million pairs;
- imports of leather outdoor footwear decreased for children by 12 percent to 20.1 million pairs, for men by 8 percent to 38.0 million and for women by 21 percent to 69.1 million. Leather footwear for both sexes also decreased (9%).

Imports of **outdoor footwear with rubber or plastic uppers** increased from 66.8 million in 1999 to 86.8 million pairs in 2001. In this product group, the following items showed the biggest growth:

- rubber boots from 14.2 million pairs in 1999 to 17.9 in 2001;
- footwear not covering the ankle and plastic uppers (vamp of straps or with pieces cut out): 12.5 million in 1999, 18.9 million in 2000 and 17.0 million pairs in 2001) and with heels of more than 3 cm. (8.6 million in 1999 and 11.1 million pairs in 2001).

- footwear not covering the ankle with closed plastic uppers from 29.8 million in 1999 to 38.4 million pairs in 2001.

Imports of **outdoor footwear with textile uppers** into Germany increased from 30.9 million pairs in 1999 to 33.7 million in 2000 but fell to 26.6 million in 2001, mainly caused by imports of shoes with soles of rubber or plastic. The average import prices of this product group were € 6.53 in 1999, € 6.91 in 2000 and € 6.81 in 2001.

German imports of rubber or plastic and textile **sport shoes** decreased considerably: uppers of rubber or plastic (other than ski or snowboard boots) from 2.6 to 2.0 million pairs and uppers of textiles from 16.0 to 13.5 million, while imports of leather sportswear increased from 4.1 million in 1999 to 5.2 million pairs in 2001. Imports of ski and snowboard boots with rubber or plastic uppers increased strongly (+45%) in 2000 but fell back (-41%) in 2001 to 0.6 million pairs. Imports of indoor footwear with leather and textile uppers increased during the period 1999-2001, by respectively 6 and 2 percent, while **indoor footwear** with plastic uppers decreased 33 percent. Indoor footwear with textile uppers covered 77 percent (in terms of volume) of total imports in 2001 and increased from 29.9 million pairs in 1999 to 30.4 million in 2001.

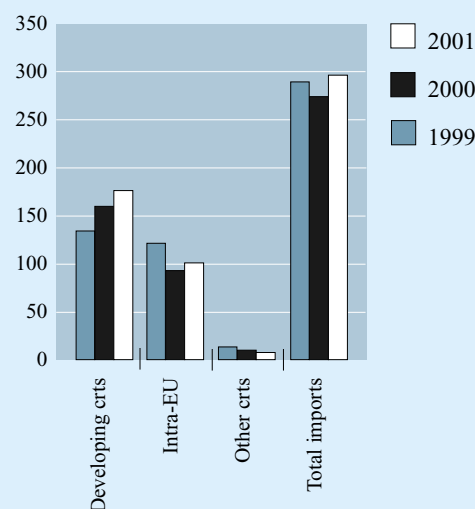
United Kingdom

The UK is the second largest EU importer in terms of value and accounted for 17 percent of the EU total imports of footwear in 2001. Imports of footwear amounted to € 3.7 billion in 2001. Average prices of total imports increased 11 percent in 2000 and 2 percent in 2001, while average import prices from developing countries grew by 11 percent in 2000 but fell 4 percent in 2001.

British importers sourced 49 percent of footwear in non-EU countries (in 1999 this percentage was 43%). UK imports grew in the period 1999-2001 by 17 percent, which was somewhat lower than the EU average of 19 percent. Of the total imports, 44 percent came from developing countries in 2001. The general trend in UK imports of footwear in the period under review was growing imports from developing countries at the detriment of other area of origin, especially other EU countries.

In 2000, China and Vietnam passed Italy as leading suppliers to the UK market in terms of volume. This situation did not change in 2001, just like the rankings of Spain (4th) and Portugal (5th). Other suppliers to the UK were: Indonesia, India, Belgium, The Netherlands, Thailand and Brazil. Imports from all countries mentioned increased except Italy and Brazil. Italy retained its position as leading supplier to the UK market in terms of value, despite a fall of 9 percent

Figure 5.4 UK imports of footwear by area of origin, 1999-2001 million pairs



Source: Derived from Eurostat 2002

during 1999-2001 to € 574 million in 2001. Other main EU suppliers to the UK were Vietnam, China, Belgium, Portugal, Spain and India. Besides imports from Italy, imports from Portugal decreased in the period under review, while imports from Vietnam showed the biggest growth.

Italy remained the leading supplier to the UK market in outdoor footwear with uppers of leather in 2001. China was the leading supplier to the UK in sports footwear and indoor footwear with textile uppers, outdoor plastic or rubber footwear and waterproof footwear. Spain retained its leading position in some indoor footwear sectors, just like Vietnam in sports footwear with leather uppers and outdoor footwear with textile uppers.

Leather outdoor footwear covered almost 60 percent of UK imports (in terms of value) in 2001. The growth of imports in the period 1999-2001 from 292 million to 304 million pairs was mainly caused by outdoor footwear with plastic/rubber uppers and indoor footwear with textile uppers.

Imports of low (not covering the ankle) leather outdoor shoes with rubber, plastic or synthetic leather soles decreased for children by 23 percent to 17.9 million pairs, stabilized for men at 22.6 million pairs and increased for women by 2 percent to 31.4 million pairs in the period 1999-2001.

Imports of women's shoes with high heels (more than 3 cm) rose from 6.1 million to 7.1 million in 2001.

Imports of high outdoor footwear under calf decreased from 14.4 to 13.6 million pairs, while other (higher) footwear increased from 2.8 to 3.9 million.

Table 5.3 Leading (5) suppliers of footwear to UK for major product groups in 2001 in thousand pairs

| | 2001 | Five leading suppliers in 2001 (import share in % between brackets): |
|---|----------------|---|
| Waterproof outdoor footwear | 3,396 | China (36), Italy (25), Portugal (9), France (6), Morocco (4). |
| Footwear with plastic/rubber uppers: | | |
| - Sports | 6,457 | Italy (19), China (17), Vietnam (15), Belgium (15), Indonesia (12). |
| - Indoor | 1,557 | Spain (27), China (19), Vietnam (15), Belgium (6), Thailand (6). |
| - Outdoor | 64,006 | China (37), Vietnam (30), Indonesia (9), Italy (5), Belgium (3). |
| Footwear with leather uppers: | | |
| - Sports | 7,124 | Vietnam (18), Indonesia (14), Italy (11), China (11), Germany (8). |
| - Indoor | 1,772 | Sri Lanka (26), Italy (9), Vietnam (9), China (9), Spain (7). |
| - Outdoor, leather outer soles | 21,041 | Italy (32), India (18), Portugal (15), Spain (7), Netherlands (6). |
| - Outdoor, other outer soles | 109,811 | Italy (16), Vietnam (14), Portugal (12), China (8), Indonesia (7). |
| Footwear with textile uppers: | | |
| - Sports | 19,527 | China (36), Belgium (15), Vietnam (12), Indonesia (7), Pakistan (6). |
| - Indoor, rubber/plastic outer soles | 20,155 | Spain (40), China (25), Vietnam (18), Mexico (3), Indonesia (2). |
| - Indoor, other outer soles | 18,546 | China (88), Vietnam (3), Hong Kong (2), Sri Lanka (2), Spain (1). |
| - Outdoor, rubber/plastic outer soles | 14,655 | Vietnam (39), Spain (14), China (10), Italy (8), Thailand (3). |
| - Outdoor, other outer soles | 3,777 | China (37), Italy (18), Portugal (11), Vietnam (10), Spain (8). |
| Footwear with other uppers: | 4,767 | China (55), Italy (16), Spain (8), Portugal (4), Vietnam (4). |
| Safety footwear | 6,275 | Italy (34), China (22), India (14), Portugal (7), Tunisia (6). |
| Parts of footwear | 722 | Thailand (68), China (27), Italy (4), USA (0), France (0). |
| Total imports of footwear | 303,588 | China (23), Vietnam (17), Italy (11), Spain (7), Portugal (6). |

Source: Eurostat 2002

Imports of **outdoor footwear with uppers of rubber or plastic** into the UK increased by 19 percent annually to 64.0 million pairs in 2001. Imports of women's shoes with plastic closed uppers showed the biggest growth in this category, followed by several other items, like rubber boots, shoes with plastic open uppers with low as well as with high heels.

Imports of **outdoor footwear with uppers of textiles** into the UK decreased; they fell from 186.6 million pairs in 1999 to 138.3 million in 2001. These imports concerned for 89 percent footwear with rubber or plastic soles and for 7 percent footwear with soles of wood or cork, while the remaining part concerned other materials for the sole, like leather.

Imports of leather and textile **sports shoes** increased in the period under review by respectively 12 percent to 7.1 million pairs and 7 percent to 19.5 million pairs in 2001. Imports of rubber/plastic sportswear shoes decreased considerably with the exception of snowboard footwear, of which imports are very limited. Imports of sport shoes with uppers of rubber or plastic, other than ski and snowboard boots, decreased from 8.3 million in 1999 to 6.3 million pairs in 2001.

UK imports of **indoor footwear** increased strongly during the period 1999-2001 from 35.8 million to 42.0 million pairs in 2001. Indoor footwear with textile

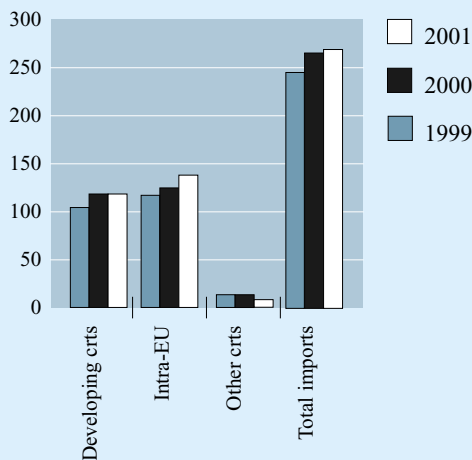
uppers covered 92 percent (in terms of volume) of total imports in 2001. Imports of indoor footwear with textile uppers and rubber or plastic soles showed the biggest growth, namely from 15.8 million in 1999 to 20.2 million pairs in 2001.

France

France accounted for 15 percent of EU imports of footwear in 2001. Around 52 percent in volume and 33 percent in value of French imports was sourced outside the EU, while 47 percent in volume representing 28 percent in value came from developing countries. Imports from other EU countries increased more strongly than imports from countries outside the EU. French imports of footwear grew by almost 30 percent in value terms between 1999 and 2001, of which 7.5 percent in 2001.

In 2001, most French imports of footwear (in terms of value) came from the other EU members: Italy (22%), Belgium (11%), Spain (11%), Portugal (10%) and The Netherlands (10%). The leading non-EU suppliers were Vietnam (7%), China (6%) and Tunisia (4%). Other suppliers to France were Morocco, Germany, UK and Romania. Imports from all countries mentioned increased in the period 1999-2001, except China which showed a slight decrease in 2001. Exports of other developing countries than those mentioned above increased considerably in 2000 but stabilized

Figure 5.5 France imports of footwear by area of origin, 1999-2001 million pairs



Source: Derived from Eurostat 2002

(Bangladesh) or decreased slightly (Thailand, Cambodia and Macao) or strongly (Brazil) in 2001.

China has been the leading supplier to the French market in terms of volume since 1999. In 2001, China improved its position as leading supplier to the French market in terms of volume. Imports from China rose from 51.7 million pairs in 1999 to 56.7 in 2001, while imports from Italy fell from 46.6 million in 1999 to 44.0 in 2001. Vietnam retained its position, despite a fall of 9 percent to 29.5 million pairs in 2001, and ranked 3rd during the whole period 1999-2001, followed by Belgium, Spain, The Netherlands and Portugal.

Italy, Portugal and Spain were leading suppliers to the French market in the category outdoor footwear with uppers of leather in 2001. China was the leading supplier in the product groups plastic or rubber outdoor footwear and indoor footwear with textile uppers. Sports footwear with upper of textiles came mainly from Belgium and China and outdoor footwear with uppers of textiles from Vietnam.

Outdoor footwear with leather uppers covered 53 percent of French imports of footwear (in terms of value) in 2001. Imports of outdoor footwear with leather and plastic or rubber uppers increased in 2001 compared with 1999 (and 2000), just like imports of all kinds of sport shoes and of indoor footwear, the latter product group mainly being caused by increased imports of slippers with uppers of textiles and with rubber or plastic soles.

French imports of low (not covering the ankle) leather outdoor shoes with vamps of straps or with pieces cut out increased from 13.8 million pairs in 1999 to 16.0

million in 2001 and other low shoes with closed leather uppers from 51.5 million in 1999 to 61.4 million in 2001. High (covering the ankle but under the calf) fell from 15.5 to 11.5 million pairs in the same period, while other (higher) footwear increased from 2.9 million in 1999 to 3.6 million pairs in 2001.

In the product group footwear with leather uppers, imports of footwear for children increased by 16 percent to 15.7 million pairs in 2001, for men by 3 percent to 23.6 million, for women by 14 percent to 39.3 million. Footwear imports for both sexes in this product group increased by 18 percent during the period 1999-2001.

Imports of low and women's shoes with vamps of straps and pieces cut out and with high heels (more than 3 cm) did not grow so fast, like in the UK, and rose from 5.0 to 5.6 million pairs.

Imports of **outdoor footwear with uppers of rubber or plastic** increased from 45.8 million in 1999 to 54.8 million pairs in 2001. All product groups increased in this product category. The following items showed the biggest growth:

- low shoes with closed uppers, 18.1 million in 1999 and 23.0 million pairs in 2001;
- low shoes with vamp of straps or with pieces cut out and with low heels, 7.1 million in 1999 and 7.6 million pairs in 2000 and with high heels, 7.4 million in 1999 and 8.6 million pairs in 2000.

French imports of **outdoor footwear with uppers of textiles** decreased considerably in the period 1999-2001, namely from 49.1 million pairs in 1999 to 37.3 million in 2001. Textile footwear with rubber or plastic soles accounted for 89 percent of total imports and, to a much lesser degree, other soles like wood, cork or leather.

French imports of nearly all types of **sport shoes** increased, with the exception of ski boots with leather uppers.

Imports of sport shoes, other than ski and snowboard footwear, increased: uppers of leather from 3.6 to 5.2 million; uppers of textiles from 15.6 to 19.4 million; and uppers of rubber or plastic from 2.4 to 3.5 million pairs in 2001.

Imports of **indoor footwear** into France increased strongly during the period 1998-2000, namely from 44.1 million to 51.1 million pairs in 2000, mainly caused by a considerable increase in imports of indoor footwear with uppers of textiles and soles of rubber or plastic from 19.0 million in 1998 to 26.4 million pairs in 2000. Indoor footwear with textile uppers accounted for 96 percent (in terms of volume) of total imports in 2000.

The trend in French fashion, the change from the daily wearing of sports shoes to more casual outdoor footwear, is illustrated by developments in imports. In

Table 5.4 Leading suppliers of footwear to France for major product groups in 2001 in thousand pairs

| | 2001 | Five leading suppliers in 2001 (import share in % between brackets): |
|---|----------------|---|
| Waterproof outdoor footwear | 3,760 | Italy (46), Slovakia (15), China (14), Morocco (9), Germany (3). |
| Footwear with plastic/rubber uppers: | | |
| - Sports | 5,705 | Romania (26), China (25), Italy (18), Belgium (11), Netherlands (4). |
| - Indoor | 1,584 | Romania (27), Belgium (22), Italy (20), Netherlands (8), Germany (4). |
| - Outdoor | 54,848 | China (21), Vietnam (20), Italy (14), Belgium (12), Netherlands (7). |
| Footwear with leather uppers: | | |
| - Sports | 5,199 | Italy (39), Spain (15), Belgium (14), Netherlands (10), Germany (5). |
| - Indoor | 1,394 | Italy (25), Vietnam (11), Czech Rep. (10), China (8), Germany (8). |
| - Outdoor, outer soles of leather | 14,745 | Italy (36), Spain (26), Portugal (19), Bulgaria (3), Morocco (2). |
| - Outdoor, other outer soles | 81,105 | Italy (21), Portugal (16), Netherlands (11), Spain (11), Vietnam (8). |
| Footwear with textile uppers: | | |
| - Sports | 19,398 | Belgium (33), China (18), Netherlands (15), Italy (6), Croatia (5). |
| - Indoor, rubber/plastic outer soles | 30,002 | China (42), Spain (17), Vietnam (8), Belgium (5), Germany (5). |
| - Indoor, other outer soles | 21,819 | China (81), Belgium (4), Germany (4), Italy (3), Netherlands (3). |
| - Outdoor, rubber/plastic outer soles | 29,484 | Vietnam (27), China (17), Italy (10), Belgium (8), Spain (6). |
| - Outdoor, other outer soles | 2,662 | Italy (23), China (23), Spain (16), Belgium (9), Netherlands (7). |
| Footwear with other uppers: | 2,381 | Italy (40), China (25), Spain (8), Germany (6), Portugal (4). |
| Safety footwear | 5,111 | Italy (42), Tunisia (21), Spain (8), India (8), Slovakia (8). |
| Parts of footwear | 1,291 | Morocco (41), Spain (32), Croatia (12), Tunisia (10), Portugal (3). |
| Total imports of footwear | 280,488 | China (20), Italy (16), Vietnam (11), Belgium (9), Spain (9). |

Source: Eurostat 2002

the period 1999-2001, outdoor footwear imports increased by 15.1 million pairs, while sports footwear imports increased by 7.6 million pairs.

Italy

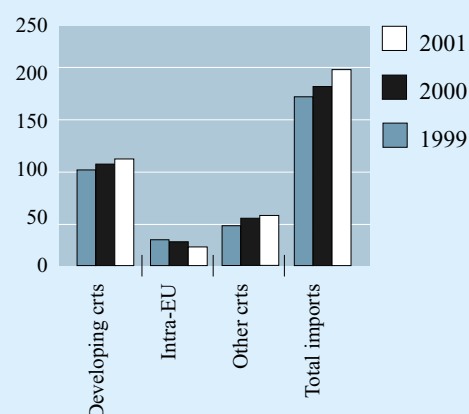
In 2001, Italy imported footwear for € 3,062 million, of which 80 percent was sourced outside the EU, 39 percent in developing countries and 41 percent in other countries. Imports rose in terms of volume by 3.7 percent, and by 17.2 percent in terms of value in 2001, after a bigger growth of respectively 6.1 and 21.2 percent in 2000.

Romania (28%) was the leading supplier of footwear (in value) to Italy in 2001, of which 27 percent concerned OPT. Other suppliers to Italy included Belgium (7%), China (7%), Tunisia (6%), Vietnam (6%), Bulgaria (5%) and several countries with a share of around 2-3 percent, such as India, Albania, Hungary, The Netherlands, Spain, France and Croatia..

China retained its leading position as leading supplier to the Italian market in terms of volume.

Imports from China rose from 51.6 million pairs in 1999 to 55.6 mln in 2001, while imports from Romania (ranked 2nd during the period under review) grew from 33.3 mln in 1999 to 44.1 in 2001. Vietnam ranked 3rd, followed by Tunisia, Bulgaria, Belgium, Indonesia and Spain. Imports from Belgium and Spain decreased in

Figure 5.6 Italian imports of footwear by area of origin, 1999-2001 million pairs



Source: Derived from Eurostat 2002

2001, while imports from the other countries mentioned increased.

China was the leading supplier to the Italian market in all types of footwear with textile uppers and sports and outdoor footwear with plastic or rubber uppers.

Table 5.5 Leading (5) suppliers of footwear to Italy for major product groups in 2001 in thousand pairs

| | 2001 | Five leading suppliers in 2001 (import share in % between brackets): |
|---|----------------|---|
| Waterproof outdoor footwear | 2,054 | Romania (56), Serbia/Monten. (12), Albania (7), France (6), Czech R. (5). |
| Footwear with plastic/rubber uppers: | | |
| - Sports | 9,838 | China (59), Hungary (6), Vietnam (5), Bosnia/H. (5), Belgium (4). |
| - Indoor | 1,188 | Tunisia (35), Bulgaria (12), Romania (9), Poland (7), Germany (7). |
| - Outdoor | 33,411 | China (39), Vietnam (15), Thailand (9), Indonesia (6), Romania (6). |
| Footwear with leather uppers: | | |
| - Sports | 5,135 | Romania (20), China (19), Vietnam (12), France (8), Germany (7). |
| - Indoor | 3,638 | Romania (61), Croatia (14), Bulgaria (7), Slovakia (4), Ukraine (3). |
| - Outdoor, outer soles of leather | 8,428 | Romania (39), Serbia/Monten. (14), India (9), Ukraine (7), Spain (5). |
| - Outdoor, other outer soles | 67,547 | Romania (39), Vietnam (8), Bulgaria (6), Bosnia Herz. (4), Indonesia (3). |
| Footwear with textile uppers: | | |
| - Sports | 15,677 | China (26), Belgium (23), Vietnam (15), Netherlands (9), Indonesia (7). |
| - Indoor, rubber/plastic outer soles | 7,592 | China (46), Spain (20), Bulgaria (14), Vietnam (9), Netherlands (2). |
| - Indoor, other outer soles | 13,715 | China (87), Poland (6), France (2), UK (1), Tunisia (1). |
| - Outdoor, outer soles rubber/plastic | 19,227 | China (38), Romania (17), Vietnam (13), Spain (5), Thailand (3). |
| - Outdoor, other outer soles | 1,355 | China (57), Spain (8), Indonesia (6), Pakistan (5), India (4). |
| Footwear with other uppers: | 7,300 | China (75), Bulgaria (5), Ukraine (4), Romania (4), Thailand (3). |
| Safety footwear | 6,961 | Tunisia (74), Romania (13), China (3), France (2), Bulgaria (2). |
| Parts of footwear | 3,940 | Romania (69), Bulgaria (12), Hungary (5), China (4), Slovakia (4). |
| Total imports of footwear | 207,006 | China (27), Romania (21), Vietnam (8), Tunisia (4), Bulgaria (4). |

Source: Eurostat 2002

Romania was the leading supplier of all types of footwear with leather uppers and waterproof outdoor footwear.

Italian imports of footwear increased 5 percent annually in terms of volume to 207 million pairs in 2001, mainly caused by increased imports of **outdoor footwear with uppers of leather**. This product group increased from 54 million pairs in 1999 to 76 million in 2001.

Imports of all major items in this product category increased in the period under review:

- imports of low (not covering the ankle) outdoor shoes with straps etc. grew from 6.0 million to 11.5 million in the period 1999-2001;
- imports of low outdoor shoes with closed leather uppers increased considerably, from 37.7 million in 1999 to 50.1 million pairs in 2001;
- imports of high (covering the ankle but under the calf) outdoor footwear grew from 7.8 to 9.2 million in 2001, while imports of other (higher) footwear more than doubled: 1.6 million pairs in 1999 and 3.4 million in 2001.

Imports of leather footwear for children increased by 10 percent to 6.3 million pairs in 2001, for men by 23 percent to 28.7 million, for women by 72 percent to 29.7 million and for both sexes by 47 percent.

Imports of **outdoor footwear with uppers of rubber or plastic** into Italy grew slightly 2.9 percent in the period under review, namely from 32.5 million in 1999 to 33.4 million pairs in 2001. The following items showed the biggest growth in this product group: rubber boots (2.9 million in 1999 and 4.8 million pairs in 2001), footwear not covering the ankle with plastic covers (8.2 million in 1999 and 10.6 million pairs in 2001). Imports of the remaining items showed a very slight increase or decreased in the period under review (low plastic shoes with plastic uppers of straps etc. and low rubber shoes).

Imports of **outdoor footwear with uppers of textiles** into Italy decreased from 32.6 million pair in 1999 to 28.4 million in 2001 and consisted mainly (78%) of footwear with rubber or plastic soles. This percentage rose because, in contrast, imports of textile footwear with other soles than wooden or cork decreased strongly.

Total Italian imports of **sport shoes** increased from 29.3 million in 1999 to 33.1 million in 2000, but fell to 30.6 million in 2001, mainly caused by fluctuations in imports of footwear with textile uppers (17.9 million in 1999, 18.6 million in 2000 and 15.7 million in 2001) and despite a growth in imports of sportswear with rubber or plastic uppers from 5.4 to 8.9 million pairs in 2001. Imports of sport shoes with leather uppers, other

than ski and snowboard boots, decreased: from 5.3 million in 1999 to 5.1 million pairs in 2001. Italian imports of **indoor footwear** decreased on average 8.9 percent annually during the period 1999-2001, namely from 31.8 million to 26.1 million pairs in 2001. Indoor footwear with textile uppers covered 82 percent (in terms of volume) of total imports in 2001. This percentage decreased strongly in comparison with 1999 (90%), because imports of indoor footwear with uppers of leather increased from 2.1 million in 1999 to 3.6 million pairs in 2001 and imports of plastic/rubber uppers from 0.9 to 1.2 million pairs.

The Netherlands

The Netherlands ranked fifth as EU importer of footwear with an import value of € 1,619 million, of which 58 percent came from non-EU sources and 45 percent from developing countries. Between 1999 and 2001, Netherlands imports decreased by 3.9 percent in terms of volume and increased 29 percent in terms of value, which indicated 34 percent higher average import prices. China became The Netherlands' leading supplier in terms of volume and value in 2000. Chinese imports rose from € 127 million in 1999 to € 282 mln in 2001 and reached an import share of 17 percent, followed by Belgium (12%), Italy (11%), Vietnam (11%), Germany (7%), Portugal (6%) and Indonesia (5%).

China improved its leading position as the leading supplier to the Netherlands market in terms of volume. Imports from China rose from 35.1 million pairs in 1999 to 39.6 mln in 2001. Vietnam retained its position and ranked 2nd as from 1999. Imports from Vietnam increased considerably from 14.4 million pairs in 1999 to 16.9 mln in 2001 (of which almost 11% in 2000). Other leading suppliers were: Italy, Belgium, Indonesia, Portugal and Germany. Countries with strong fall in imports to the EU in the period under review were: Hong Kong and Taiwan. Countries with strongly growing imports, besides China and Vietnam, were: Thailand, Macao, Turkey, Cambodia, India and the Philippines.

Table 5.6 covers 16 product groups of which China was the leading supplier of 10 product groups. Italy and Portugal were the leading suppliers to the Netherlands market of waterproof outdoor footwear and leather outdoor footwear. Indoor footwear with textile uppers and rubber/plastic soles came mainly from Turkey and China.

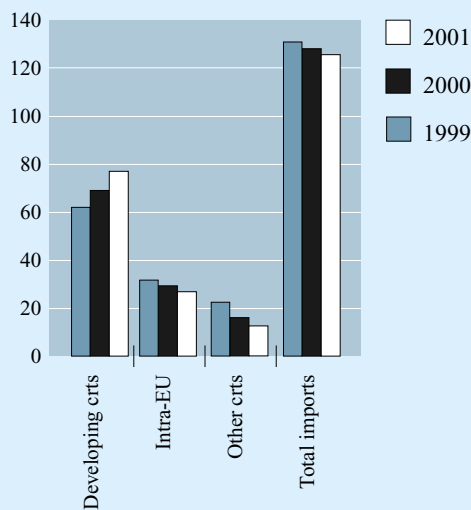
Imports of footwear into The Netherlands decreased 4 percent in terms of volume to almost 129 million pairs in 2001, caused by decreased imports of the product category outdoor footwear with textile uppers and despite an increase in imports of other outdoor

Table 5.6 Leading suppliers of footwear to The Netherlands for major product groups in 2001 in thousand pairs

| | 2001 | Five leading suppliers in 2001 (import share in % between brackets): |
|---|----------------|---|
| Waterproof outdoor footwear | 1,646 | Italy (50), Portugal (30), Germany (6), Belgium (6), China (5). |
| Footwear with plastic/rubber uppers: | | |
| - Sports | 1,450 | China (29), Vietnam (20), Belgium (11), Italy (9), Indonesia (9). |
| - Indoor | 834 | Italy (38), Turkey (16), Belgium (14), Hungary (8), Germany (7). |
| - Other outdoor | 31,255 | China (34), Vietnam (21), Romania (6), Italy (6), Belgium (5). |
| Footwear with leather uppers: | | |
| - Sports | 2,368 | Germany (26), Indonesia (15), China (14), Vietnam (11), Taiwan (9). |
| - Indoor | 984 | China (42), Germany (13), Italy (11), India (11), Spain (9). |
| - Outdoor, outer soles of leather | 3,069 | Italy (48), Portugal (12), Spain (9), Germany (6), India (4). |
| - Outdoor, other outer soles | 50,891 | China (16), Vietnam (13), Portugal (9), Italy (9), Indonesia (8). |
| Footwear with textile uppers: | | |
| - Sports | 9,929 | China (44), Belgium (18), Indonesia (10), Vietnam (7), Hong Kong (7). |
| - Indoor, rubber/plastic outer soles | 4,236 | Turkey (31), China (28), Belgium (9), Hungary (8), Spain (6). |
| - Indoor, other outer soles | 8,948 | China (92), France (2), Belgium (1), Hong Kong (1), Germany (1). |
| - Outdoor, outer soles rubber/plastic | 8,889 | China (42), Vietnam (21), Pakistan (4), Macao (4), Cambodia (4). |
| - Outdoor, other outer soles | 1,157 | China (81), Thailand (5), Hong Kong (4), Germany (2), Spain (2). |
| Footwear with other uppers: | 980 | China (49), Hungary (15), Poland (10), Portugal (7), Italy (6). |
| Safety footwear | 1,273 | Portugal (22), China (22), Italy (19), Germany (10), Indonesia (5). |
| Parts of footwear | 878 | China (54), Brazil (34), Italy (8), Hong Kong (1), Hungary (1). |
| Total imports of footwear | 128,787 | China (31), Vietnam (13), Italy (8), Belgium (5), Indonesia (5). |

Source: Eurostat 2002

Figure 5.7 Netherlands imports of footwear by area of origin, 1999-2001 million pairs



Source: Derived from Eurostat 2002

footwear. Imports of outdoor footwear with leather uppers and rubber, plastic or synthetic leather soles increased from 47 million pairs in 1999 to 50 million in 2001, and outdoor footwear with outer sole and uppers of rubber or plastic increased from 28 million to 31 million pairs.

Netherlands imports of low (not covering the ankle) outdoor shoes with leather uppers of vamps of straps or with pieces cut out increased from 4.2 million pairs in 1999 to 5.6 million in 2001 and other low shoes with closed leather uppers from 34.1 million in 1999 to 37.4 million in 2001. High (covering the ankle but under the calf) fell from 10.9 to 7.7 million pairs in the same period, while other (higher) footwear increased from 1.2 million in 1999 to 2.3 million pairs in 2001.

Imports of **outdoor footwear with leather uppers** increased by 4.7 percent during the period 1999-2001, caused by a growth of 10 percent in imports of footwear for women to 18.7 million pairs, while men's footwear grew by 7 percent to 17.1 million pairs in 2001. Imports of leather footwear for children decreased 7 percent to 6.8 million pairs in the same period.

Imports of **outdoor footwear with uppers of rubber or plastic** into The Netherlands increased from 27.8 million in 1999 to 31.3 million pairs in 2001. Imports of the major items in this product group increased strongly. The following items showed the biggest growth in this product group:

- footwear with upper of straps attached to the sole

with plugs, 1.1 million in 1999 and 1.6 million pairs in 2001;

- rubber boots, 4.9 million in 1999 and 8.0 million pairs in 2001;
- footwear not covering the ankle with vamp of straps or with pieces cut out, 4.2 million in 1999 and 5.1 million pairs in 2001.

Imports of **outdoor footwear with uppers of textiles** into The Netherlands fell considerably, namely from 24.8 million pairs in 1999 to 11.8 million in 2001 and consisted for 85 percent of footwear with rubber or plastic soles and for 15 percent of other materials, like wood, cork or leather.

Total imports of **sport shoes** into The Netherlands decreased in 2000 but grew in 2001 to 13.7 million pairs, which is just above the volume of 1999. Imports of ski boots with rubber/plastic and leather uppers decreased, while imports of snowboard boots grew. Imports of sport shoes, other than ski and snowboard boots, increased: uppers of leather from 2.0 to 2.4 million and uppers of textiles from 9.7 to 9.9 million during 1999-2001. However, imports of sports footwear with plastic or rubber uppers fell from 1.9 to 1.4 million pairs.

Netherlands imports of **indoor footwear** increased on average 8.6 percent annually during the period 1999-2001, namely from 13.0 million to 15.0 million pairs in 2001. Indoor footwear with textile uppers covered 88 percent (in terms of volume) of total imports in 2001. This percentage increased slightly compared with 1999 because imports of indoor footwear with leather uppers decreased more (from 11.9 million in 1999 to 9.7 million pairs in 2001) than imports of indoor footwear with plastic/rubber uppers, which increased (from 0.7 million to 0.8 million pairs in 2001).

Spain

Spain accounted for a modest 3.4 percent of EU imports of footwear in 2001. Around 75 percent in volume and 45 percent in value of Spanish imports was sourced outside the EU, while 66 percent in volume representing 39 percent in value came from developing countries. Imports from other EU countries fluctuated around 19 million pairs against increasing import prices.

Spanish imports of footwear grew by 37 percent in value terms between 1999 and 2001, of which 33 percent in 2000.

In 2001, most Spanish imports of footwear (in terms of value) came from Belgium (11%), China (11%), Italy (10%), Vietnam (10%) and The Netherlands (10%). Leading non-EU suppliers, besides China and Vietnam, were Indonesia (7%), Taiwan (6%) and South Korea (4%). Other EU suppliers to Spain were France, Portugal, UK and Germany. Imports from all countries mentioned were higher in 2001 than in 1999, however, imports from some countries decreased in 2001 like

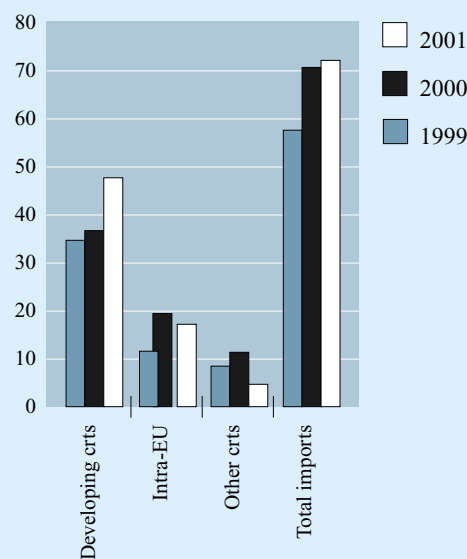
Italy, France, Portugal, UK and Taiwan. Exports by other developing countries than these mentioned above increased considerably in the period 1999-200, like Thailand, India, Morocco, Philippines, Brazil, Malaysia and Cambodia.

China retained its position as leading supplier to the Spanish market in terms of volume. Imports from China rose from 21.3 million pairs in 1999 to 26.8 mln in 2001. Imports from Vietnam (ranked 2nd) fell from 8.2 mln in 1999 to 6.6 in 2001 and imports from Taiwan (ranked 3rd) from 7.9 mln in 1999 to 5.5 in 2001. Other suppliers (ranked in volume of imports in 2001) were Belgium, Italy, Thailand, Indonesia, Portugal, South Korea and France.

China was the leading supplier to the Spanish market in sports footwear with plastic or rubber uppers and with leather uppers; outdoor footwear with plastic or rubber uppers and with textile uppers and indoor footwear with textile uppers. Vietnam was the leading supplier of outdoor footwear with leather uppers and other than leather soles and Belgium of sports footwear with textile uppers.

Spanish imports of footwear increased almost 9 percent annually in terms of volume to 56 million pairs in 2001, mainly caused by increased imports of outdoor

Figure 5.8 Spanish imports of footwear by area of origin, 1999-2001 million pairs



Source: Derived from Eurostat 2002

footwear with uppers of leather and outer soles of plastic, rubber or synthetic leather (this product group

Table 5.7 Leading suppliers of footwear to Spain for major product groups in 2001 in thousand pairs

| | 2001 | Five leading suppliers in 2001 (import share in % between brackets): |
|---|---------------|--|
| Waterproof outdoor footwear | 791 | Italy (39), China (19), France (13), Portugal (13), Czech Rep. (10). |
| Footwear with plastic/rubber uppers: | | |
| - Sports | 11,292 | China (69), Taiwan (6), Vietnam (5), South Korea (5), Italy (5). |
| - Indoor | 226 | Taiwan (34), Germany (22), Italy (15), China (12), UK (9). |
| - Outdoor | 20,816 | China (35), Thailand (13), Taiwan (9), Vietnam (6), Belgium (5). |
| Footwear with leather uppers: | | |
| - Sports | 9,133 | China (45), Morocco (11), Indonesia (10), Vietnam (9), Taiwan (8). |
| - Indoor | 239 | Italy (45), Belgium (27), Germany (13), France (3), Portugal (3). |
| - Outdoor, leather outer soles | 1,246 | Italy (34), Portugal (16), France (9), India (7), Germany (4). |
| - Outdoor, other outer soles | 12,713 | Vietnam (18), Belgium (14), Portugal (10), Italy (9), Netherlands (8). |
| Footwear with textile uppers: | | |
| - Sports | 6,092 | Belgium (29), Taiwan (21), China (16), Vietnam (8), France (6). |
| - Indoor, rubber/plastic outer soles | 831 | China (33), Germany (17), France (16), Vietnam (10), Netherlands (7). |
| - Indoor, other outer soles | 2,643 | China (83), Germany (4), France (3), UK (3), Italy (1). |
| - Outdoor, rubber/plastic outer soles | 5,876 | China (39), Vietnam (20), Taiwan (7), Portugal (5), Thailand (3). |
| - Outdoor, other outer soles | 935 | China (55), UK (33), Italy (2), France (2), Indonesia (1). |
| Footwear with other uppers: | 1,008 | China (46), Italy (27), France (5), Taiwan (4), Poland (3). |
| Safety footwear | 907 | Italy (67), France (25), China (2), Portugal (2), Netherlands (1). |
| Parts of footwear | 155 | Morocco (58), India (27), China (14), UK (1), Portugal (0). |
| Total imports of footwear | 74,903 | China (36), Vietnam (9), Taiwan (8), Belgium (7), Italy (6). |

Source: Eurostat 2002

increased from 8.4 million pairs in 1999 to 12.2 million in 2001) and imports of plastic or rubber footwear (this product group increased from 24 million pairs in 1999 to 32 million in 2001).

Imports of the following items in the product category **outdoor footwear with leather uppers** increased in the period under review:

- imports of low (not covering the ankle) outdoor shoes with straps etc. grew from 0.7 million to 1.5 million in the period 1999-2001;
- imports of low outdoor shoes with closed leather uppers increased considerably, from 7.1 million in 1999 to 10.2 million pairs in 2001.

Imports of high (covering the ankle but under the calf) outdoor footwear stabilized at 1.4 million pairs while imports of other (higher) footwear fell from 1.0 million pairs in 1999 to 0.3 million in 2001. Imports of footwear with leather uppers into Spain increased strongly (27%) in 2000 and decreased slightly (3%) in 2001. During the whole period, imports of leather footwear for children increased by 50 percent to 2.4 million pairs, for men by 13 percent to 5.2 million, for women by 52 percent to 3.5 million pairs in 2001.

Imports of **outdoor footwear with uppers of rubber or plastic** into Spain increased from 16.4 million in 1999 to 20.8 million pairs in 2001. Imports of the major items in this product group increased strongly, except for shoes with plastic uppers of straps etc. and heels higher than 3 cm. and low shoes with plastic covers for women and children.

The following items showed the biggest growth in this product group:

- footwear with upper of straps attached to the sole with plugs, 2.1 million in 1999 and 5.9 million pairs in 2001;
- rubber boots, 0.7 million in 1999 and 2.2 million pairs in 2001;
- low shoes with plastic vamps of straps etc., 3.8 million in 1999 and 6.2 million pairs in 2001;
- low shoes with plastic covers for men, 1.0 million in 1999 and 1.8 million pairs in 2001.

Spanish imports of **outdoor footwear with uppers of textiles** decreased from 10.9 million pair in 1999 to 8.3 million in 2001 and consisted mainly (82%) of footwear with rubber or plastic soles. This percentage stabilized because imports of textile footwear with other soles decreased considerably, despite the growing but very limited imports of textile footwear with soles of wood or cork.

Total Spanish imports of **sports footwear** increased from 21.6 million in 1999 to 26.5 million in 2001, caused by increased imports of footwear with rubber or plastic uppers including snowboard boots and increased imports of leather sports shoes except leather ski and

snowboard boots. Imports of sport shoes with textile uppers decreased considerably: from 8.4 million in 1999 to 6.1 million pairs in 2001.

Spanish imports of **indoor footwear** fluctuated very strongly during the period 1999-2001, namely from 3.3 million in 1999 to 4.7 million in 2000 and to 3.9 million pairs in 2001. Indoor footwear with textile uppers covered 87 percent (in terms of volume) of total imports in 2001. This percentage stabilized in comparison with 2000, because imports of indoor footwear with uppers of leather fell from 0.4 million in 2000 to 0.2 million pairs in 2001.

5.2 Imports by product group

Three product groups covered 84 percent (in value) of total EU imports of footwear (excluding safety footwear and parts of footwear):

- outdoor footwear with leather uppers
- outdoor footwear with uppers and outer soles of plastic or rubber
- sports footwear with uppers of textiles

Outdoor footwear remained by far the most important type of footwear in EU imports. Imports increased more strongly in value than in volume, meaning that average import prices increased from € 10.65 in 1999 to € 11.97 in 2001, mainly caused by strongly increased imports of plastic outdoor footwear. Imports of the latter product group increased in volume (+40% during the period 1999-2001) and in value (+68%), which indicates that average import prices rose by 20 percent. Imports of sports footwear and indoor footwear increased in volume (respectively 4 and 6 percent) in 2000, but stabilized in 2001. In terms of value, sports shoes increased 24 percent during 1999-2001 and indoor footwear 12 percent. Average import prices increased for both product groups, of which import prices for textile sports shoes showed the biggest increase (+32%).

Leather outdoor footwear

EU imports of leather outdoor footwear rose from 575 million pairs in 1998 to 630 million in 2000 and grew to reach 635 million in 2001. These imports of footwear with leather uppers consisted for 87 percent of soles of rubber, plastic or synthetic leather, for 11 percent leather soles and the remaining 2 percent soles of other materials, like wood, cork etc.

About 17 percent of leather outdoor footwear with soles of rubber or plastic imports was footwear covering the ankle and 83 percent not covering the ankle; these percentages were respectively 18 and 82 percent in 1999.

Imports of footwear covering the ankle decreased from 113 million pairs (of which 85 percent concerned a height under the calf) in 1999 to 105 million in 2001. The import share of footwear with a height under the

Table 5.8 Imports of footwear into the EU by end use and material in volume and value, 1999-2001 (excl. safety footwear and parts of footwear)

| | 1999 | | 2000 | | 2001 | |
|-------------------------------|--------------|---------------|--------------|---------------|--------------|---------------|
| | mln pairs | € mln | mln pairs | € mln | mln pairs | € mln |
| Outdoor footwear: | | | | | | |
| - Leather uppers | 632 | 9,575 | 630 | 10,602 | 635 | 10,880 |
| - Plastic or rubber uppers | 287 | 1,601 | 318 | 2,113 | 401 | 2,692 |
| - Textile uppers | 187 | 928 | 175 | 1,005 | 138 | 805 |
| - Waterproof | 25 | 138 | 25 | 128 | 25 | 136 |
| - Other uppers | 30 | 124 | 24 | 115 | 23 | 109 |
| Total outdoor footwear | 1,161 | 12,366 | 1,172 | 13,963 | 1,222 | 14,622 |
| Sport shoes: | | | | | | |
| - Textile uppers | 114 | 1,334 | 114 | 1,529 | 110 | 1,704 |
| - Leather uppers | 36 | 599 | 40 | 694 | 43 | 748 |
| - Plastic or rubber uppers | 42 | 488 | 46 | 565 | 46 | 538 |
| Total sport shoes | 192 | 2,421 | 200 | 2,788 | 199 | 2,990 |
| Indoor footwear: | | | | | | |
| - Textile uppers | 176 | 391 | 187 | 442 | 187 | 428 |
| - Leather uppers | 15 | 105 | 16 | 123 | 17 | 129 |
| - Plastic or rubber uppers | 13 | 41 | 13 | 42 | 13 | 43 |
| Total indoor footwear | 204 | 537 | 216 | 607 | 217 | 600 |
| Total imports | 1,557 | 15,324 | 1,618 | 17,358 | 1,638 | 18,212 |

Source: Eurostat 2002

calf decreased from 85 percent in 1999 to 79 percent in 2001.

Imports of footwear covering the ankle, but under the calf, include for 20 percent children's footwear, 24 percent for men and 46 percent for women, while the remaining 10 percent is for both sexes in 2001. These percentages were rather stable in the preceding years with higher import share of children (22%) and men's

footwear (29%) and a lower share of women's footwear (39%).

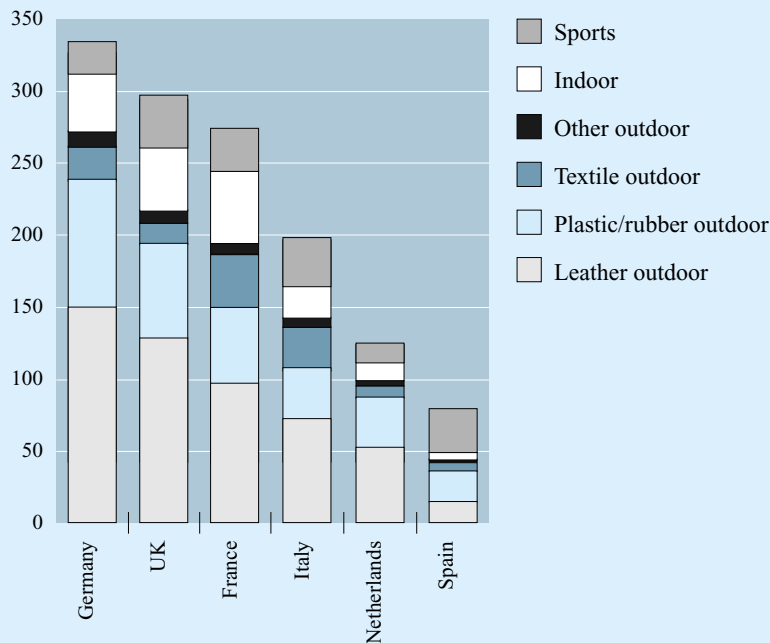
Footwear not covering the ankle can be divided into shoes with vamp of straps or pieces cut out, and other shoes. Imports of the latter category increased from 421 in 1999 to 430 million pairs in 2001, with average import prices of € 15.14 in 1999 and € 17.53 in 2001. About 28 percent of imports of the first-mentioned

Table 5.9 EU imports of footwear with leather uppers, 1999-2001

| | 1999 | | 2000 | | 2001 | |
|---|--------------|--------------|--------------|---------------|--------------|---------------|
| | mln pairs | € mln | mln pairs | € mln | mln pairs | € mln |
| Footwear covering ankle: | | | | | | |
| - Under calf | 96 | 1,707 | 79 | 1,576 | 83 | 1,500 |
| - Other | 17 | 359 | 22 | 501 | 22 | 564 |
| Footwear not covering ankle: | | | | | | |
| - With vamp of straps or pieces cut out | 98 | 1,136 | 97 | 1,256 | 100 | 1,276 |
| - Other | 421 | 6,373 | 432 | 7,269 | 430 | 7,540 |
| Total | 632 | 9,575 | 630 | 10,602 | 635 | 10,880 |

Source: Eurostat 2002

Figure 5.9 Imports of footwear by product category into major EU countries, 2001



Source: Derived from Eurostat 2002

category includes women's shoes with height of heel more than 3 cm. (mainly pumps) during the whole period. Just like other leather footwear, the majority of pumps has outer soles of synthetic leather (thunit): 84 percent during the whole period.

Plastic or rubber outdoor footwear

The value of EU imports of outdoor footwear with uppers and outer soles of plastic or rubber accounted for 18 percent of total outdoor footwear imports in 2001, while this percentage was 13 in 1999. During this period, the imported volume grew by 40 percent. The most important growth was shown by low shoes for women with plastic uppers (other than vamps of straps), namely from 52 million pairs in 1999 to 112 million pairs in 2001.

Total average import prices rose from € 5.57 in 1999 to 6.71 in 2001. Import prices of almost all products increased, except slippers and low shoes for women with plastic uppers.

Outdoor footwear with uppers of textiles

Imports of outdoor footwear with uppers of textiles into the EU decreased from 187 million pairs in 1999 to 138 million in 2001. This product group covered for 83 percent rubber or plastic soles, 4 percent leather soles, 1 percent wood or cork and 12 percent other soles. Average import prices grew from € 4.96 in 1999 to € 5.83 in 2001.

Sports footwear

Sports shoes with textile uppers covered 55 percent of EU sports footwear imports in the period under review. This product group, despite a fall in imports, remained very important. Official statistics provide no further specifications for this product group.

Imports of ski and snowboard boots with uppers of rubber or plastic increased from 5.0 million to 5.3 million pairs in the period 1999-2001, while imports with leather uppers remained very limited. Leather sports footwear imports include for a very small part (less than 1%) ski and snowboard boots.

EU imports of sportswear with uppers of rubber or plastic (other than ski and snowboard boots) were 10 percent higher in 2001 than in 1999, with uppers of leather 21 percent, while the most important category sports footwear, namely uppers of textiles, were 3 percent lower. The popularity of the specific sports shoes in Germany is declining, because the fashion trend is towards easy-to-wear and easy-to-care footwear. Differences between town or city wear and sportswear became much smaller. Imports of sports footwear into countries like Italy and Spain increased strongly but to the detriment of domestic production.

Indoor footwear

EU imports of indoor footwear increased 6 percent in volume and 13 percent in value in 2000, mainly caused by indoor footwear with textile uppers and outer soles of rubber or plastic. Imports of indoor footwear stabilized more or less in 2001. Imports of textile

uppers increased from 176 million pairs in 1999 to 187 million in 2001 and leather uppers from 15 to 17 million pairs.

Just like in the case of sports footwear, the product group with uppers of textile dominated with around 86 percent of total imports of indoor footwear. Average import prices increased from € 2.63 in 1999 to € 2.81 in 2000 but fell to € 2.76 in 2001.

Figure 5.9 gives an overview of imports of footwear by the six product categories into the major EU countries in 2001. Imports by Germany and The Netherlands showed more or less the same pattern: high imports of leather and plastic outdoor footwear and low imports of sports footwear. Imports of sports footwear into Spain and Italy were relatively high, just like textile outdoor footwear and indoor footwear into France. Imports of leather outdoor footwear into Spain were very low.

5.3 The role of developing countries

The important role of developing countries in EU imports and in imports by major EU countries has been described and illustrated above. China remained the leading exporter of footwear to the EU. The difference with number two, Vietnam, grew in 2000, but became smaller in 2001 in terms of value. EU imports from China rose from € 1,380 million in 1999 to € 1,960 million in 2001, while imports from Vietnam rose from € 1,283 million in 1999 to € 1,856 million.

Total EU imports from developing countries increased in terms of volume (+20%) and value (+34%) in the period 1999-2001. The different areas showed varied patterns:

- The biggest growth came from Asian developing countries, like China, Vietnam, Indonesia, India, Thailand, Macao, Cambodia and Malaysia. These imports rose 24 percent (in terms of value) in 2000 and 10 percent in 2001 and accounted for 81 percent of total imports from developing countries.

- Imports from Mediterranean countries (Tunisia, Morocco, Croatia, Albania, Bosnia & Herzegovina and Turkey) increased by 16 percent in 2000 and 17 percent in 2001 and accounted for 16 percent of total imports from developing countries.
- Imports from Central & Southern American countries increased 12 percent in 2000, but fell 3 percent in 2001. Brazil covered 93 percent of imports from this area, of which total imports were limited to 3 percent of imports from developing countries. Other countries were mainly Mexico and Colombia, but imports from these countries decreased, too.
- Imports from ACP countries decreased from € 42 million in 1999 to € 32 million in 2001. The leading country remained the Dominican Republic (62% of ACP imports) despite strong decreases and mainly trading with The Netherlands and France, followed by Cape Verde (17%) and trading with Portugal, South Africa (14%) mainly trading with the UK and Senegal (7%), of which country France was the main trading partner. Almost 40 percent of total exports from ACP countries went to The Netherlands, 25 percent to France, 16 percent to Portugal and 11 percent to the UK.
- Imports from developing countries in Central and Eastern Europe increased from € 7 million in 1999 to 12 million in 2001 and concerned only one country (Moldova). Moldova exported mainly to Germany and Italy.

Table 5.10 Imports of footwear from leading developing countries by major EU countries, 2001 in % of value of total imports

| | 1 | 2 | 3 | 4 | 5 |
|------------------------|---------------------|-----------------------|-------------------------|---------------------|-----------------------|
| EU (15) | China (9.3%) | Vietnam (8.8%) | Indonesia (3.3%) | India (2.8%) | Tunisia (1.7%) |
| Germany | Vietnam (10.2%) | China (7.9%) | India (3.0%) | Indonesia (2.2%) | Macao (1.1%) |
| UK | Vietnam (11.8%) | China (11.5%) | India (5.8%) | Indonesia (4.8%) | Brazil (3.5%) |
| France | Vietnam (6.7%) | China (5.5%) | Tunisia (3.5%) | Morocco (3.3%) | India (1.3%) |
| Italy | China (7.1%) | Tunisia (6.0%) | Vietnam (5.6%) | India (3.6%) | Albania (3.2%) |
| The Netherlands | China (17.4%) | Vietnam (10.6%) | Indonesia (5.4%) | Thailand (3.1%) | Macao (1.8%) |
| Spain | China (16.2%) | Vietnam (8.5%) | Indonesia (3.9%) | South Korea (1.8%) | Thailand (1.8%) |
| Other (9) | China (9.4%) | Vietnam (8.3%) | Indonesia (4.9%) | Thailand (2.2%) | Croatia (1.5%) |

Source: Eurostat 2002

Import statistics for total footwear supplies by developing countries to the EU can be found in Appendix 2.2. The role of developing countries in EU imports for individual product types is given in table 5.11 below.

Table 5.11 EU imports from developing countries (DC) by product types, 2001

| Low leather shoes with plastic or rubber soles: | | Low plastic shoes with plastic | Plastic or rubber sports footwear | Sports footwear with uppers of | Indoor footwear with textile uppers |
|--|---|---------------------------------------|--|---------------------------------------|--|
| Vamps of straps etc. | Other | or rubber soles | (excl. ski etc.) | textiles | |
| EU € 1,023 mln DC € 224 mln | EU € 6,231 mln DC € 2,117 mln | EU € 1,528 mln DC € 804 mln | EU € 1,704 mln DC € 744 mln | EU € 1,704 mln DC € 744 mln | EU € 428 mln DC € 201 mln |
| of which from: | | | | | |
| Vietnam (25%) | Vietnam (29%) | Vietnam (48%) | China (51%) | China (51%) | China (51%) |
| India (15%) | China (19%) | China (27%) | Vietnam (22%) | Vietnam (22%) | Vietnam (22%) |
| Brazil (10%) | Indonesia (15%) | Indonesia (8%) | Indonesia (13%) | Indonesia (13%) | Dominican Rep. (2%) |
| Morocco (7%) | India (7%) | Cambodia (4%) | Thailand (8%) | Thailand (8%) | Turkey (2%) |
| Macao (7%) | Thailand (4%) | Macao (3%) | South Korea (2%) | South Korea (2%) | Sri Lanka (2%) |
| Thailand (6%) | Brazil (4%) | Malaysia (2%) | Macao (1%) | Macao (1%) | Morocco (1%) |
| Indonesia (6%) | Morocco (4%) | Thailand (2%) | Cambodia (1%) | Cambodia (1%) | Croatia (1%) |
| China (5%) | Macao (3%) | Philippines (2%) | | | Mexico (1%) |
| Tunisia (5%) | Croatia (3%) | South Korea (2%) | | | |

Source: Eurostat 2002

6 EXPORTS OF FOOTWEAR

The same restrictions as for the import figures apply to the export figures below. Refer to chapter 1 for these restrictions.

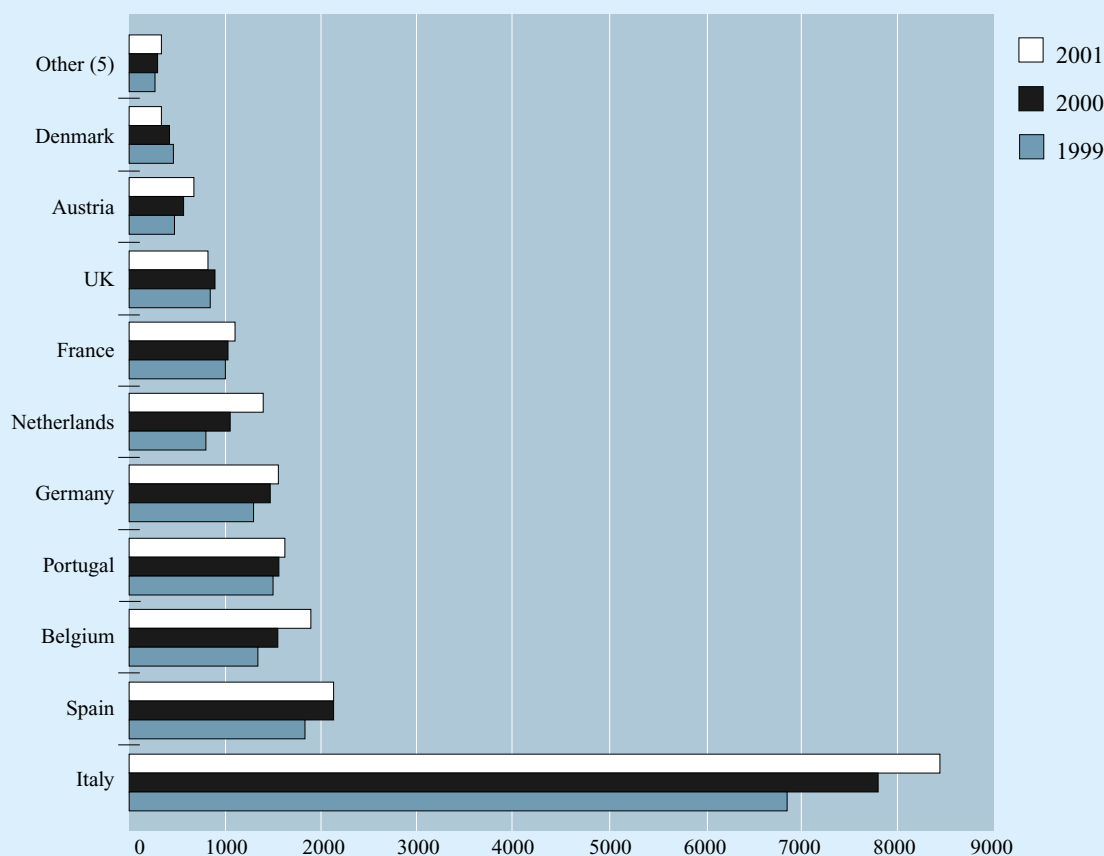
The EU member states exported footwear totalling € 19.8 billion in 2001, representing a rise in value of 19 percent in the period 1999-2001. In terms of volume, EU exports increased from 959 million pairs in 1999 to 1,015 million in 2001. Intra-EU exports accounted for 692 million pairs or 68 percent of total exports in 2001, which was almost 4 percent lower than exports to other EU countries in 1999. Therefore the growth in EU exports was the result of higher exports to countries outside the EU: in value (+29%) and in volume (+35%).

The leading EU exporter is Italy accounting for 42 percent of total EU exports, at a distance followed by Spain (10%), Belgium (10%), Portugal (8%), Germany (8%), The Netherlands (7%) and France (5%). The Netherlands and Belgium showed the biggest increase in exports of footwear in the period 1999-2001 with

respectively 67 and 37 percent. The Netherlands passed France in the ranking and Belgium passed Portugal. Italian exports grew 22 percent in the period under review, which is above the EU growth of 19 percent. Portuguese exports grew by a limited 3 percent, while exports from the UK decreased by 4 percent. 36 percent of total EU exports went to countries outside the Union in 2001 (in terms of value), while in 1999 this percentage was 33.

The leading export product groups in terms of value were footwear with leather uppers with leather and other soles. These two product groups covered 62 percent of total EU exports in 2001, just like the export share of these two product groups in total exports to outside the EU during the whole period. Parts of footwear, covering 9 percent of total EU exports, went for 72 percent to countries outside the EU, mainly to CEECs (Romania, Hungary, Bulgaria, Poland etc.) or Mediterranean countries (Tunisia, Morocco, Albania, Croatia etc.) and fell for an important part under the

Figure 6.1 EU exports of footwear by member states (in value), 1999-2001
€ million



Source: Derived from Eurostat 2002

regime of outward processing trade (OPT).

Germany, France, the UK and The Netherlands were the leading destinations for intra-EU trade. The USA was, after Germany and France, the most important destination for EU footwear, with 11 percent of total exports. 31 percent of extra-EU exports went to the USA in 2001. Other main destinations outside the EU were Switzerland (3.2% of total EU exports), Japan (2.2%), Russia (2.1%), Romania (2.1%), followed by Canada, Hong Kong, Poland and Norway.

Exports to Norway decreased, while exports to the other countries mentioned increased, of which exports to Russia showed the biggest growth followed by Romania. Russia ranked 6th after USA, Switzerland, Japan, Romania and Canada in 1999 with exports valued at € 193 million, and then grew to 323 million in 2000 and to € 417 million in 2001. Exports to Romania increased by 94 percent to € 415 million in 2001 and concerned for 95 percent OPT.

Germany

German exports increased in terms of volume by 3.4 percent to 45.8 million pairs. German footwear exports went to Austria (17% of total exports), The Netherlands (11%), Switzerland (8%), USA (7%), UK (7%) and France (7%). Other destinations outside the EU besides the USA and Switzerland were Russia, Hungary, Japan, Poland and the Czech Republic in 2001.

Exports to other EU countries increased 8 percent in 2000 and fell 4 percent in 2001 to € 896 million.

Exports to countries outside the EU increased 24 percent in value from € 479 million in 1999 to € 592 million in 2001, which accounted for 40 percent of total exports, mainly due to much higher exports to Russia (from € 18 million in 1999 to 59 million in 2001); exports increased in volume 8.1 percent to 18.7 million pairs. In terms of value, exports to all major destinations increased, except exports to Japan and Poland. Export to CEECs, like Hungary, Poland and Slovakia, mainly concerned OPT.

Many German manufacturers are doing well in the so-called health sector, of which Birkenstock and Ganter are well-known, with important exports to respectively the USA and Japan

The Netherlands

Exports by The Netherlands amounted to 73.7 million pairs with a value of € 1,356 million in 2001, of which only 6 percent went to countries outside the EU. Leading destinations were France, Germany, UK, Belgium and Italy. In total, 82 percent of Netherlands' exports (in value) went to these five countries. Destinations outside the EU were the USA (2% of total exports in terms of value), Canada, Switzerland, Norway and Japan. Exports to all countries mentioned increased as from 1999.

France

French exports increased in value (8%) and decreased in volume (6%) in the period 1999-2001, which indicates 16 percent higher export prices. Exports to countries outside the EU grew much faster than exports to other EU countries. Around 42 percent of French intra-EU exports went to two countries: Germany and Belgium. Exports to the USA stabilized at 106 million (23% of non-EU exports), so the USA remained the third most important destination, followed by Italy, UK, Spain and Switzerland. Other non-EU destinations were Japan, Tunisia, Morocco, Hong Kong and Canada. Exports to the two North African countries included for 87 percent parts of footwear.

Italy

The leading producing country Italy is also the leading exporting country. However, Italian exports decreased by 6 percent: from 378 million pairs in 1999 (valued € 6.9 billion) to 356 million in 2001 (valued € 8.4 billion), which indicates that average export prices were 29 percent higher in 2001 than in 1999.

Almost half of Italian exports of footwear went to other EU countries, of which Germany is the leading destination (16% of total exports and 34 percent of the intra-EU trade). Exports to Germany decreased in 2000 but came to the same level as in 1999. Exports to the USA increased considerably in volume and value, so that it passed Germany as the leading export destination with 17 percent of total exports. Other destinations inside the EU were France, UK and The Netherlands. Other destinations outside the EU were Switzerland, Romania, Russia, Japan, Canada, Hong Kong and Poland. Exports to all these countries increased. Exports to CEECs, like Romania and Bulgaria, mainly covered parts of footwear.

UK

UK exports of footwear were much lower in 2001 than in 1999; in volume (16%) and in value (4%). Exports amounted to € 776 million in 2001, of which 41 percent went to countries outside the EU, mainly the USA. Exports to the USA, for many years the leading destination, decreased by 21 percent to € 162 million in 2001. Ireland passed the USA and became the leading destination of UK exports in 2001 with an export share of 22 percent of total UK exports (37% of intra-EU exports). USA covered 51 percent of exports outside the EU. Other destinations inside the EU were France (9%), Italy (6%) Germany (6%), The Netherlands (5%) and Belgium (3%). Other destinations outside the EU, besides USA, were Japan (3%), Canada (2%) and Hong Kong (2%).

Spain

Spanish exports increased in value (17%) and in volume (1%) in the period 1999-2001. Exports in volume increased 9 percent in 2000 but fell 7 percent

back in 2001. Average export prices in 2001 were 15 percent higher than in 1999. Exports by Spain amounted to 136 million pairs with a value of € 2,069 million in 2001, of which a third went to countries outside the EU. Leading destinations were France (19%), Germany (13%), UK (12%) and Portugal (6%). Half of Spanish exports (in value) went to these four countries. Destinations outside the EU were the USA (15% of total exports), at distance followed by Japan, Mexico, Canada, Israel, Russia and Switzerland. Exports to all countries mentioned increased since 1999, except the USA. Exports to the USA rose in 2000 but fell back in 2001 to the level of 1999.

Re-exports

Exports by major EU countries as described above include the so-called re-exports: imported products, which are exported to other (mainly other EU) countries. The volume of re-exports can be calculated when national production statistics are available and the destination of production can be divided into domestic sales and exports by industry. Without these data it can be assumed that about 45 percent of Netherlands footwear imports is re-exported or that almost 95 percent of exports of footwear consists of re-exports. Besides The Netherlands, re-exports by UK and Germany are important, while re-exports in the other major EU countries are more limited but growing.

7 TRADE STRUCTURE

7.1 EU trade channels

Figure 7.1 shows the basic functions of the various kinds of exporting manufacturers and traders, agents, importing manufacturers, wholesalers and retailers, either or not organised in buying or selling groups. Depending on its position in the market, the functions of a particular distribution organisation will be linked with up- or downstream organisations with the same kind of specialisation. It is also possible for a given organisation to take over (some of) the functions of the latter, in order to improve competitiveness (vertical integration). For instance, manufacturers, agents and retailer organisations, like multiples and department stores, may also function as importer/wholesaler. Each of these groups has a different approach to business and the market, with its own specific interpretation of the marketing mix.

It is essential for the potential exporter to know into which product/market combination his products fit (or “which kind of business he is in”) as well as being familiar with the marketing and distribution characteristics of these product/market combinations. These may differ significantly from combination to combination.

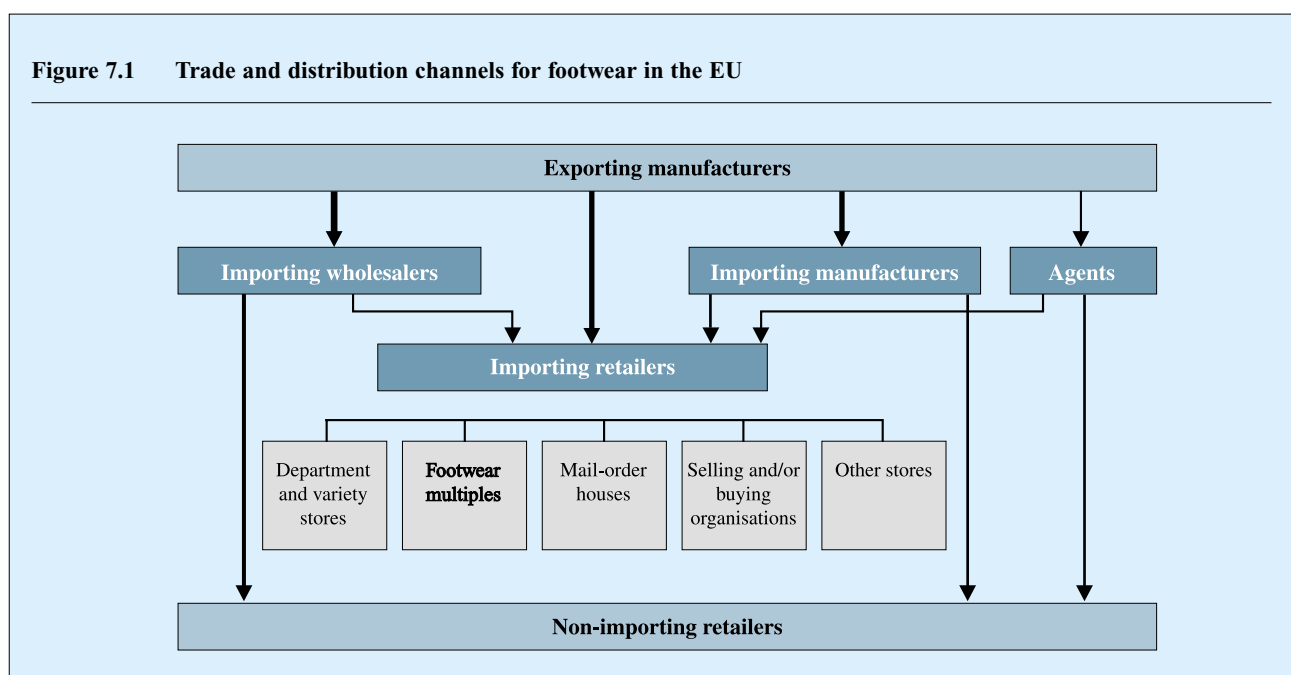
7.1.1 Sales intermediaries

Different sales intermediaries have their place between industry in export countries and consumers in EU countries, for instance:

- **Importers/wholesalers:** most wholesalers cater to specialist shops as well as to the department stores, mail-order companies, selling and buying

organisations and to a lesser degree footwear multiples. The wholesaler purchases from manufacturers in and outside the EU and holds his stocks at own risk. The mark-up of wholesalers is approximately 20-30 percent. The fact that many independent retailers as well as purchasing combinations and multiple stores are becoming more cautious about pre-ordering, preferring to sell from stock, is reinforcing the position of the wholesaler. On the other side, large retail companies are increasingly purchasing abroad, thereby bypassing the intermediaries. The choice of whether to sell directly to a wholesaler or through an agent depends on the type of supplier organisation concerned and its product/market combinations. All the factors relating to pricing, collection forming, sampling, fashion trends, delivery times, delivery frequency, product quality, exclusiveness, labels and packing and promotion may play a role in this respect. Mainly products like slippers, roped soles footwear and items with textile uppers are traded through the wholesale channel, but also leather and sports footwear. The number of wholesale organisations is limited to one; the address is provided for reference in Appendix 3.3.

- **Importing manufacturers:** manufacturing companies play a pivotal role in the distribution system. Most footwear manufacturers wholesale their own goods to retailers, and some even function as retailer as well. Manufacturers with their own outlets are for example Clarks in the UK and Eram in France. Shoe manufacturers generally sell their products (mainly brands) themselves and therefore they have a direct relationship with the distribution



network. According to the importance of the distributor and the size of the company, it is the sales manager (or the managing director himself) or the sales representative of a region empowered by the manufacturer, who ensures business dealings between production and distribution. An increasing number of manufacturers of branded clothing has added footwear to their assortment, for instance: Marc O' Polo, Esprit, Mexx, Hugo Boss, Jackpot, Cottonfield, More & More.

- **Importing retailers:** the bigger retail organisations (multiples with more than 20 outlets, department and variety stores, buying organisations, mail-order houses) do their own importing, as will be described in chapter 7.1.2.
- **Agents:** the sales agent is an independent intermediary between the (foreign) manufacturer and the retailer or retail organisation, receiving a commission from the former. The agent (or sales representative) covers a limited geographical area. The level of the commission depends on a number of factors, including the turnover rate of the product concerned, but it averages an estimated 10-15 percent of turnover. Most agents represent more than one manufacturer, although competition is avoided. More and more agents are starting to sell from stock, to meet their clients' short-term demands. Stock forming is often on a consignment basis. If the agent builds up his own stock, he is in fact functioning as a wholesaler. The role of agent as described above is often indicated as selling agent. They operate mainly in the segments high price/quality and in the middle/high price, classical, branded shoes fashion. Another type of agency is the so-called buying agent. The buying agent is located in the supplying country and settles business on the instructions of his principals, mainly retail organisations and works on commission basis, too.

Contacts with sales intermediaries can be made in several ways like consulting trade representatives' associations, chambers of commerce, fashion centres, trade publications, trade directories etc. We refer to the appendices of this survey for addresses and other information.

7.1.2 Retailers

Retailers in general

Retailers constitute the final stage before products reach the consumer. The various retailing outlets differ in the sales formula they apply, i.e. their assortment and the targeted consumer group, as well as in the way they distinguish themselves from competitors. As an aid to understanding the market, one can distinguish between "service retailing", where the retailer offers the consumer substantial added value (quality, service, fashionably, choice etc.), and "low-margin retailing", where the price-conscious consumer is offered low

prices, at the expense of quality, service and so forth. Outlets of the first kind are often referred to as being at the "upper end" of the market, the latter at the "lower end" of the market; intermediate-type outlets may be termed "mid-market".

Another criteria for dividing the market is the composition of the total assortment: specialised in footwear eventually complemented with a limited number of related fashionable products like clothing, handbags etc., indicated as specialised stores or specialists. The difference between independent retailers and multiples is formed by the number of outlets: multiples are organisations with 7 or more outlets. The main operations of independent retailers are in the middle and upper sections of the market. They lack the advantages of economies of scale and consequently have to work with higher margins. This means on one side that the products must be fashionable and exclusive, otherwise customers will purchase in cheaper stores. On the other side, most independent retailers are organised via franchise, selling formula or buying groups. These organisations can be considered as multiple stores or chains. The original function of the buying groups was reduction in costs by centralising of buying and logistics. More and more selling formula for the members are being developed and the successful ones have been exploited as franchising activities. In particular in Germany and The Netherlands, buying groups play a significant role for specialised independent retailers.

Non-specialists cover stores with an assortment of various branches (department stores, variety stores), or specialists in a branch other than footwear, of which footwear forms a complementary product like textile discounters, drug stores, super- and hypermarkets and mail-order companies.

Department stores combine a wide range in product groups, including garments and footwear of branded goods and private labels (own range). Branded goods can also be sold by concessionaires or shop in the shops.

The remaining channels are street markets, factory outlets, non-food stores like sport shops.

Table 7.1 gives an overview of how the consumer has been reached in several major EU member states.

Table 7.1 Types of retail channels by market share (in % of value) in major EU countries, 2002

| | Footwear multiple stores | Independ. specialised retailers | Dep. and variety stores | Mail-order houses | Hyper-/super-markets | Sports shops | Clothing stores | Other ¹⁾ | Total |
|----------------|--------------------------|---------------------------------|-------------------------|-------------------|----------------------|--------------|-----------------|---------------------|------------|
| Germany | 31 | 30 | 6 | 12 | 4 | 7 | 4 | 6 | 100 |
| UK | 33 | 10 | 16 | 8 | 4 | 14 | 10 | 5 | 100 |
| Italy | 9 | 52 | 6 | 0 | 7 | 10 | 5 | 11 | 100 |
| France | 40 | 22 | 5 | 4 | 8 | 11 | 5 | 5 | 100 |
| Spain | 7 | 55 | 12 | 1 | 5 | 7 | 8 | 5 | 100 |
| Netherlands | 29 | 46 | 4 | 1 | 1 | 11 | 4 | 4 | 100 |
| EU (15) | 26 | 32 | 9 | 4 | 5 | 12 | 6 | 6 | 100 |

¹⁾ including street markets, factory outlets and other

Sources: OETH and Retail Intelligence

Besides the important role of specialised distributors, as mentioned above, the most important developments are increasing concentration (developments in the major countries will be given below) and growing internationalisation or cross-border activities, of which the main (besides many others) examples are Garant Schuh +Mode AG in Germany and sports formula like Intersport and Sport 2000.

Germany

Around 8,250 specialised footwear retailers operated in Germany in 2002. However, they met strong competition from mail-order companies and from hyper- and supermarkets, although their market share is still over 60 percent, while non-footwear specialised trade (sports shops and clothing shops) took 11 percent together.

Table 7.2 Market shares for retail distribution of footwear in Germany, 1998-2002 in % of value

| | 1998 | 2000 | 2002 |
|-------------------------------|------------|------------|------------|
| Specialists | 65 | 63 | 61 |
| Independent retailers | 33 | 32 | 30 |
| Footwear multiple stores | 32 | 31 | 31 |
| Non-specialists | 35 | 37 | 39 |
| Department and variety stores | 5 | 5 | 6 |
| Mail-order houses | 12 | 12 | 12 |
| Sports shops | 6 | 6 | 7 |
| Hyper- and supermarkets | 3 | 4 | 4 |
| Clothing shops | 4 | 4 | 4 |
| Other outlets | 5 | 6 | 6 |
| Total | 100 | 100 | 100 |

Source: BBI and BTE

Independent specialised retailers: The high share of co-operating specialised retailers, which amounts to round 44 percent, is remarkable, also in comparison with other branches. Most of them belong to a buying group. The two leading buying groups are: Garant Schuh + Mode AG and ANWR (Ariston/Nord-West-Ring e.G.). Garant had 4,850 members with 6,780 stores at the end of 2002 and operates in 14 European countries with 1,910 members in Germany, 1,110 in France, 750 in The Netherlands, 330 in Belgium and 750 in other European countries, of which 3,150 specialised footwear retailers and 1,040 specialised sports and leisure footwear retailers. Garant's formula are, among others, Podo Linéa (comfortable footwear), Firetti (fashionable footwear), Fair Play (sports and leisure footwear) and Outdoor Center International (leisure footwear). Expansion activities of Garant expanded with the take-over of the buying group Sabu-Schuhverband e.G. (230 stores and production unit in Hungary) of Salamander AG in 2003.

ANWR was formed by a merger of Ariston and Nord-West-Ring at the end of 2000. ANWR had 1,984 specialized footwear members (of which 1,600 in Germany) with 4,022 outlets at the end of 2002. One of the formula is sports and leisure chain Sport 2000 with 771 members and 1,096 outlets. Other marketing formula are Quick Schuh, ABC-Schuhe, Arbell and Mania. ANWR operates in many other European countries and is associated with the buying group Hobo Faam in Belgium. Another much smaller buying group is Rexor (around 500 shops).

Footwear multiple stores: About 50 multiple chains account for 31 percent of the market. The leading footwear multiple is Deichmann, selling its own labels in several chains in 11 countries. The mainly German chain operates under the name Deichmann (950 outlets) and Roland Schuhe (63 outlets), in Switzerland under the names Dosenbach and Ochsner (together 240 outlets), in The Netherlands under Van Haren (100) and

in the USA under Rack Room Shoes. Other chains are: Reno (850 outlets including stores in 7 other countries); Görtz (240 outlets in Germany and Austria, operating under differentiated concepts mainly in higher segments of the market, but also including discounter Hess).

Clothing shops: Leading clothing multiples with footwear in their assortment are C&A (185 outlets), Peek & Cloppenburg (West: 82 and North: 27 outlets), Hennes & Mauritz (206), Sinn Leffers (48), K+L Ruppert (37), Vögele (330), Wöhrl (39), Boecker (19) and Hettlage (49).

Ladies' wear multiples are Orsay (240); Jean Pascale (184); Bonita Mode (367) and Ulla Popken (276). There are a few men's clothing multiples selling footwear in Germany of which can be mentioned: Pohland (12) and Nicolas Scholz (16). Leisure or jeans shops are, among others, Mister+Lady Jeans (200) and Jeans Fritz (201).

Sports shops: Important channels for sport shoes, but also for casual and leisure wear, are the sport speciality shops. Many of them are organised in co-operations (organisations of independent retailers) like Intersport (1,400 outlets) and Sport 2000 (1,095 outlets). Sport chains are: Runners Point (111 outlets, part of Karstadt/Quelle) and Sport Voswinkel (35). It is estimated that around half of the sport shoes has been sold by sport specialists.

Department and variety stores: Leading department stores are Karstadt and Kaufhof. Karstadt, with its 118 stores, including Wertheim, KaDeWe and Alsterhaus, is part of Karstadt/Quelle. Kaufhof (133 stores) is part of Metro. Another department store is Breuninger with 13 stores. Leading variety store is Woolworth (336 outlets). All these department stores have footwear in their assortment.

Mail-order houses: Mail-order houses occupy a significant position in the German retail market. Total sales in footwear are about € 1.3 billion in 2002. Leading companies are Quelle, Neckermann, Otto Versand and Klingel. The Otto Group is the world's biggest mail-order house, due to its many foreign activities. Otto includes for instance Schwab, Witt, Heine, Sport Scheck, Alba Moda and many others. Besides Neckermann and Quelle, mail-order companies like Atelier Goldner Schnitt, Peter Hahn, Madeleine and many others belong to the Karstadt Quelle Group. Other (independent) mail-order companies are Bader and Walbusch. Most of the mail-order companies mentioned have outlets; on the other side, several footwear (Deichmann, for instance) and clothing multiples started mailing activities and have their own catalogue in printed form and/or on Internet.

Hyper- and supermarkets: Footwear can increasingly be found in super- and hypermarkets, like: Metro (chains: Real, Extra and Kaufhof), Aldi, Edeka/AVA, Tengelmann, Schwarz (including Lidl) and Rewe.

Other channels: Street markets and the coffee multiples Tchibo (850 coffee shops, including retail

activities) and Eduscho are other types of retail channels.

UK

There are some 3,000 businesses operating 11,000 specialist shoe shops in the UK. The structure of footwear retailing in UK is one of the most concentrated in the world. The market share of footwear specialised multiple stores covered more than a third of the market; variety stores (including market leader Marks & Spencer) and sports shops exceeds the share of independent retailers. The latter has a share of only 10 percent, compared with 46 percent in The Netherlands and 30 percent in Germany.

Table 7.3 Market shares of retail distribution of footwear in the UK, 1998-2002 in % of value

| | 1998 | 2000 | 2002 |
|--------------------------|------------|------------|------------|
| Specialists | 46 | 44 | 43 |
| Independent retailers | 11 | 10 | 10 |
| Footwear multiple stores | 35 | 34 | 33 |
| Non-specialists | 54 | 56 | 57 |
| Variety stores | 12 | 11 | 12 |
| Clothing shops | 9 | 10 | 9 |
| Sports shops | 13 | 13 | 14 |
| Department stores | 4 | 5 | 5 |
| Hyper- and supermarkets | 2 | 3 | 4 |
| Mail-order houses | 8 | 8 | 8 |
| Street markets and other | 6 | 6 | 5 |
| Total | 100 | 100 | 100 |

Source: TNS

One of the major developments in footwear retailing in the UK is the shift away from specialised stores to clothing and sports shops.

Independent specialised retailers: The market share of the independent retailers was 13 percent in 1996 and 10 percent in 2002. The main reasons for this fall were: consumers became particularly price conscious, resulting in a shift towards buying in outlets which were widely regarded as offering value for money, such as variety stores like Marks & Spencer; the increasing activities of clothing retailers like Next, chains of the Arcadia Group; and, value and discount retailers like Matalan and Benson Shoe.

Footwear multiple stores: C&J Clark remained the leading retail footwear chain with around 500 outlets, divided into several formula like Clarks, KShoes and Ravel. Another manufacturer with retail activities is Stylo plc. This concern makes shoes under the name Barratts and sell them in more than 250 of its own

stores through the UK. Other major multiples are Stead & Simpson (470 stores under several names like Peter Briggs, Express Lilly & Skinner and Stead & Simpson), The Shoe Studio Group (203), Shoefayre (365 stores including concessions and recently introduced two new formula: Ess2Eff and Wigston Warehouse), Benson Shoe, known for its discount approach and 440 stores after take over of the Oliver Group, Dolcis (168 stores and concessions and owned by Alexon Group). Other chains are among others: Brantano (from Belgium), DE Shoes, Jonathan James, Russell & Bromley and Shoe Express.

Clothing shops: Many clothing specialist multiples added footwear to their assortment: Top Shop (270), Top Man (160), Evans (350), Dorothy Perkins (540), Burton Menswear (370), Wallis (250) and Miss Selfridge (fashionable wear for young women, 120 outlets). All belong to the Arcadia Group. Another general clothing multiple is Next (379 outlets), other women's clothing stores are: Etam (215), New Look (483), Alexon (783) and Monsoon (257). Examples of value and discount retail chains in the UK are Matalan (161), TK Max (123), Primark (110), Peacocks (300) and Mackays (280).

Sports shops: The market share of sports shops (second after footwear multiples) is more important for men's and children's than for women's footwear. The shops offer branded high priced products like Nike, Reebok, Adidas, Kickers, Fila and Ellesse, as well as low-priced own labels. The most popular items are trainers and outdoor boots, both items being more used for leisure/fashion than for the original function. Important sports multiples are: JJB Sports with 444 outlets, JD sports (140 outlets), Allsports (240 outlets) and the Blacks Leisure Group with 240 Millets retail outlets, 66 Blacks outdoor stores, 30 Free Spirit boardwear markets and some other chains.

More than 60 percent of the independent sport shops in UK has joined a buying group. The three major buying groups are: Intersport, the largest with 288 outlets, Southern Traders Alliance Group (STAG) with 200 and Sport 2000 with 108 outlets.

Department and variety stores: The most important variety chain is Marks & Spencer with some 300 stores nationwide. M&S is Europe's leading clothing retailer, and an important retailer of foods, home furnishing and footwear. Other variety chains are BHS (160 stores), Littlewoods (115) and Woolworth (almost 800).

Department store Debenham also sells footwear besides clothing in its 90 stores. Other department stores are: House of Fraser (50 stores) and John Lewis (25).

Mail-order houses: Some companies active in the mail-order sector (catalogue-based but also direct-mail operations) are: Great Universal Stores (GUS) selling to several target groups through several large catalogues and Littlewoods Home Shopping. The German mail-order giant Otto Versand owns Grattan and Freemans, while French PRP owns Empire Stores. Many retail

organisations (Next, M & S, Debenhams, Selfridges and others) operate also via mail-order and home-shopping.

Super- and hypermarkets: The two major retailers in the supermarket sector are ASDA (part of American Wal-Mart) and Tesco. In general, they have not followed the trend of non-food development as have, for instance, the leading French hypermarkets. The market share in footwear sales of the leading grocery retailers is quite limited, caused among other factors by competition from stores such as M&S and, more recently, the value and discount retail chains.

Italy

Major developments in the Italian footwear retail trade in the period under review were growth in sales by non-specialists like hypermarkets, department/variety stores and specialists (like footwear multiples) to the detriment of independent retailers. It is expected that this development will be continued in the coming years, while an increase of multiples is also expected. Manufacturers of classic and exclusive, higher-priced footwear sell mainly directly to retailers or through agents. Wholesalers play an important role in distribution and are generally used by manufacturers of cheaper, mass-market and standardised products. Big retail chains like the Coin Group and the Rinascente Group buy directly from producers but also import by themselves.

Table 7.4 Market shares of retail distribution of footwear in Italy, 1998-2002 in % of value

| | 1998 | 2000 | 2002 |
|---------------------------|------------|------------|------------|
| Specialists | 63 | 62 | 61 |
| Independent retailers | 56 | 54 | 52 |
| Footwear multiples | 7 | 8 | 9 |
| Non-specialists | 37 | 38 | 39 |
| Department/variety stores | 5 | 6 | 6 |
| Clothing shops | 5 | 4 | 5 |
| Sports shops | 10 | 9 | 10 |
| Hyper- and supermarkets | 6 | 7 | 7 |
| Street markets | 7 | 8 | 7 |
| Other | 4 | 4 | 4 |
| Total | 100 | 100 | 100 |

Source: ANCI

Independent specialised retailers: Specialists dominate the Italian footwear retail sector, however, the share of independent specialists is nevertheless decreasing. This is mainly due to the growth of specialised multiples. The decreasing, but still

important, market share of independent retailers was realised by around 13,000 companies.

Footwear multiple stores: The number of specialised multiples is very limited in Italy. The largest chain is Bata (160 outlets and 80 franchises, under three formula Bata City, Bata Supers and Athletics World). Other chains are Spatafora (80), Tods (37) and Di Varese.

Clothing stores: Many specialist clothing shops also sell footwear in Italy, although shoe shops rarely sell apparel.

Sports shops: The two major buying groups are: Intersport, the largest with 320 outlets and Sport 2000 (52). Important sports multiples are: Giacomelli Sport with almost 100 stores in 10 countries and Sergio Tacchini (110). The latter combines sports goods and outdoor clothing and is also internationally active. Giacomelli Sport is a fast growing and internationally operating chain with over 100 megastores in 10 West and East European countries. Sports chains from abroad come from France (Déclathon) and from the USA (Footlocker).

Department and variety stores: The major department stores in Italy are Coin (80 stores) and La Rinascenta (13). The Coin Gruppo owns the leading variety stores La Standa (220) and Oviessa (110). Gruppo Rinascenta covers variety store Upim (330).

Super-and hypermarkets: Hypermarkets grew in number, as did the footwear sales by these channels. The most important hypermarket chains are Citta Mercato, Rinascente, Joyland and Auchan.

Other: The Italian mail-order market remains relatively undeveloped, primarily due to problems with distribution and the generally poor postal delivery service. The leading mail-order company, with sales in footwear besides clothing and general goods, is Postalmarket.

France

Major developments in French footwear retail in the period under review were growth in sales of footwear by footwear specialised discount chains at the expense of independent retailers and hypermarkets. Footwear products are distributed in France by approx. 6,700 retailers, including 42 chains.

Footwear distribution channels of less importance in France are department and variety stores, clothing shops and mail-order houses. Independent retailers often buy from French manufacturers, while multiple stores import by themselves, rather than buying from domestic manufacturers.

Independent specialised retailers: Independent retailers have grouped themselves into associations which are buying organisations or franchise formula. However, these associations are relatively limited in importance.

Footwear multiple stores: Two groups dominate in the

field of footwear multiple stores:

Groupe Vivarte (former name Groupe André) operates with the chain André, selling mass market products in 143 outlets; discount chain La Halle aux Chaussures with 495 outlets, the chains Chaussland with 68 outlets Orcade and Minelli (140), San Marina (133) and Besson Chaussures (55) sell medium and upper range products; Groupe Eram operates with the largest chain Eram (651 outlets) on the mass market, fashion and young person's footwear, the France Arno chain (157 outlets) selling upper-medium range footwear, Heyraud (50) selling boutique styles and fancy items and l'Hyper aux Chaussures selling standard, good quality footwear at discount prices in 121 outlets. Other chains are Teneo (153), Bocage (43), Divergence (38) and some smaller chains each with 10-20 outlets operate in the boutique style and fancy items for men, women and children. The formula Gemo (260 outlets) combines standard, good quality footwear and textile products selling at discount prices. Eram continue to manufacture in France (9 factories) and Portugal (1 factory), while only a very small part (less than 10 percent) of Groupe Vivarte's retail sales come from its own production facilities. Eram's retail activities cover in total 1,613 stores in 6 countries.

Other footwear chains in France are Beryl (93 stores), Multichauss and, from Germany, Salamander operating with 29 outlets.

There has been a strong growth in specialist discount chains catering for customers seeking value for money.

Clothing shops: Despite the fact that the leading footwear retailers of Groupe Vivarte and Eram also operate on the clothing market, the market share for footwear in clothing stores remained rather low.

Footwear is sold, by among others, the clothing chains: C&A, Hennes & Mauritz, Zara and Alain Manoukian

Table 7.5 Market shares of retail distribution of footwear in France, 1998-2002 in value, in %

| | 1998 | 2000 | 2002 |
|-------------------------------|------------|------------|------------|
| Specialists | 63 | 62 | 62 |
| Independent retailers | 25 | 23 | 22 |
| Footwear multiple stores | 38 | 39 | 40 |
| Non-specialists | 37 | 38 | 38 |
| Department and variety stores | 4 | 5 | 5 |
| Hyper- and supermarkets | 9 | 8 | 8 |
| Mail-order houses | 3 | 4 | 4 |
| Clothing shops | 4 | 5 | 5 |
| Sport shops | 12 | 11 | 11 |
| Other channels | 5 | 5 | 5 |
| Total | 100 | 100 | 100 |

Source: INSEE

Sports shops: The leading chains of sports shops in France are Déclathon (215 outlets in France and 106 abroad), Intersport (458), Go Sport (116), Sport 2000 (390) and Courir (187). Go Sport and Courir are part of the Groupe Go Sport. Most of them are (part of) buying groups and operate on an international basis.

Department and variety stores: Major department store chains in France are Galerie Lafayette (99 stores) and Printemps (27) owned by PPR (Pinault-Printemps-Redoute). Major variety stores are Prisunic/Monoprix/Inno, in total 350 outlets owned by Galerie Lafayette.

Super-and hypermarkets: Major hyper- and supermarket chains include Leclerc 370 hypermarkets, 130 supermarkets while family clothing is sold by 35 stand-alone Leclerc Vêtements outlets, Auchan (in total over 200 hypermarkets, 470 supermarkets and 600 convenience stores with the fascias Auchan, Mammouth and Atac), Carrefour (around 4,000 outlets in France with fascias Carrefour, Champion, Ed, etc.) and Intermarché (ITM) almost 4,000 outlets of which 3,600 in France with the hyper- and supermarket formula Intermarché, supermarkets Ecomarché and discount stores CDM. The German chains Metro, Lidl and Aldi also operate on the French market, with more than 1,100 outlets together.

Mail-order houses: La Redoute is the leading mail-order and home-shopping brand in France followed by Les Trois Suisses; both operate internationally. La Redoute owned by Pinault Printemps Redoute (PPR) is market leader in fashion sales by mail-order companies and covers stores, including Orcanta. Other (foreign) mail-order companies operating on the French market are Otto Versand, Redcats and Camif. Figures for footwear sales are not available but are very limited, much lower than clothing sales, and are estimated at around 4 percent.

Spain

About 16,000 footwear retailers operated in Spain in 2002. Independent stores led retail sales of footwear, however, they met increasing competition from department stores and from non-footwear specialised trade (sports shops and clothing shops). Specialised retailers dominate the Spanish footwear retail sector and account for 62 percent of footwear sales, of which **independent retailers** account for 55 percent and multiple chains for 7 percent in 2002.

Footwear multiple stores: Footwear multiples are Fosco (41 outlets) and Merkalzados (60), both owned by the French Group Vivarte, and Camper (52). Much smaller chains, often operating under franchise licenses, came from abroad like Timberland, Bally and C&J Clark.

Clothing shops: Leading clothing multiples with footwear in their assortment are Zara (217 outlets), Pull & Bear (165), Massimo Dutti (136), Adolfo Dominguez

Table 7.6 Market shares for retail distribution of footwear in Spain, 1998-2002 in value, in %

| | 1998 | 2000 | 2002 |
|-------------------------------|------------|------------|------------|
| Specialists | 65 | 63 | 62 |
| Independent retailers | 57 | 56 | 55 |
| Footwear multiple stores | 8 | 7 | 7 |
| Non-specialists | 35 | 37 | 38 |
| Department and variety stores | 12 | 11 | 12 |
| Mail-order houses | 0 | 1 | 1 |
| Sports shops | 6 | 6 | 7 |
| Hyper- and supermarkets | 5 | 6 | 5 |
| Clothing shops | 7 | 8 | 8 |
| Other outlets | 5 | 5 | 5 |
| Total | 100 | 100 | 100 |

Source: ISTAT

(101), C&A (26) and Hennes & Mauritz (19).

Ladies' wear multiples are Bershka (88); Mango (192); Cortefiel (166) and Promod (40).

There are a few men's clothing multiples in Spain of which can be mentioned: Springfield (222).

The sector **department stores** in Spain is dominated by El Corte Ingles (45), especially after its takeover of Galeria Preciados. In 2003, the variety stores of Marks & Spencer (UK) were sold to El Corte Ingles.

Sports shops: Important channels for sport shoes but also for casual and leisure wear, are the sport speciality shops. Many of them are organised in co-operations (organisations of independent retailers) like Intersport (321 outlets), Sport 2000 (410) and Décathlon (35). Another sport chain is Corre Corre (74).

Mail-order activities are relatively weak in Spain. The major German and French players are present in Spain but their progress has been slow. Spanish leading mail-order companies with sales in footwear besides general goods are Venca (part of Otto Versand), Distribucion Quelle and La Redoute Catalogo.

Hypermarkets grew in number, as did the footwear sales by these channels. Important **supermarket** chains are Superco/Maxor/Maxim, El Arbol, Caprabo, Mercadona Gadisa, Supersol etc. Hypermarket chains are Continente, Pryca, Eroski/Maxi, Alcampo and Hipercor. Increased sales in footwear are expected via super- and hypermarkets in the coming years, of which much can be ascribed to foreign supermarket chains like Auchan, Carrefour and Metro.

The Netherlands

The National Shoe Centre (Schoencentrum) of The Netherlands in Nieuwegein (Utrecht) plays a pivotal role in shoe distribution in The Netherlands. This is a permanent exhibition centre, where nearly all the major

manufacturers, importers and agents own showrooms. The most important wholesalers/importers in The Netherlands are: Eegim, Hengst, Henkelman, Comforta, van Vliet, BP Orces. The address of the Association of Wholesale Import and Agency Companies of Footwear (Vimagro) is provided for reference in Appendix 3.3.

There were 1,465 companies operating with in total 3,000 stores at the end of 2002 in The Netherlands footwear retail branch, of which 60 percent concerned independent retailers.

Penetration by foreign retailers in The Netherlands footwear market is limited and came mainly from organisations in neighbouring countries like Germany (buying corporations Garant+Mode AG and ANWR) and Belgium (Mitiska NV is the holding company of Brantano and Euro Shoe Unie which owns Bristol and Van Woensel).

Table 7.7 gives an overview of sales of footwear by several types of outlets for the period 1998-2002.

| | 1998 | 2000 | 2002 |
|-------------------------------|------------|------------|------------|
| Specialists | 77 | 76 | 75 |
| Independent retailers | 49 | 48 | 46 |
| Footwear multiple stores | 18 | 18 | 19 |
| Footwear discount chains | 10 | 10 | 10 |
| Non-specialists | 23 | 24 | 25 |
| Department and variety stores | 5 | 4 | 4 |
| Clothing shops | 3 | 4 | 4 |
| Sports shops | 10 | 10 | 11 |
| Mail-order houses | 0 | 1 | 1 |
| Super- and hypermarkets | 0 | 0 | 1 |
| Other outlets | 5 | 5 | 4 |
| Total | 100 | 100 | 100 |

Source: EIM and HBD

Independent specialised retailers: 58 percent of the independent specialized retailers in the Netherlands is organized. About 47 percent of these independents belongs to one of the three large buying cooperatives: Garant+Mode, ANWR (both from Germany) and Euro-Holland, which together account for about 25% of retail shoe sales. Garant operates with 425 outlets in The Netherlands (excluding sports footwear) under formula like Promenade (100) and Podo Linéa (65). ANWR operates with 432 (including Belgium and Luxembourg) and Euro Holland with 100 outlets in the mid and luxury segments.

55 percent of the independent specialist sports shops belongs to one of the three buying cooperatives in this field: Garant, Euretco Sport and Intres. There are also some franchise organisations for footwear, such as Nimco (23 outlets) and Nelson (40).

The number of non-organized (independent) retailers stabilised in the period under review, despite the strong competition, but in a growing market.

Footwear multiple stores: The leading footwear retailer is Hoogenbosch (owned by Macintosh Retail group) with 237 outlets and includes the following chains for specific target consumer groups in the middle and upper segments: Dolcis (90 outlets), Invito (33), Manfield (66 and 14 in Germany), Pro Sport, Olympus Sports and Olympus Shoes (together 34). Van Haren (owned by Deichmann Schuhe from Germany) has 110 stores under the same name and operates just like Van Woensel (34) and Nelson (40) in the lower segments of the market. The following multiple chains operate in the higher and medium price segments: Brantano (42 outlets), Cinderella (19), Van Dalen (23), Durlinger (22), Sacha Shoes (36) and Ziengs (72). Besides these footwear multiples, 55 small chains operate with a total of 336 outlets.

Footwear discount chains: Scapino, a discount chain with sports-, leisure- and casual wear, sports hardware etc., operates with 175 outlets in The Netherlands and 27 abroad (Belgium and Germany). Bristol has the same assortment as Scapino in its 102 outlets. The assortment offered by Schoenenreus (177) and Shoetime (45) consists mainly of footwear and clothing.

Sports shops: Sport speciality shops are often members of buying organisations with (often internationally) operating selling formula. Euretco operates with the formula Sport 2000 (105 outlets), Sportpoint (80) and Runnersworld (14); Intres with Intersport (112) and GOS (130); Garant with Fairplay (190). Specialised sports footwear chains are Foot Locker (40) and Olympus Shoes (15). The following chains operate with sport articles, including clothing and footwear on the Dutch market: Aktie Sport (75 outlets); Coach (55 outlets), Perry Sport (40) and Favoriet Sport (32).

These speciality shops and the sports specialists multiples remained by far the leading distributors of sportswear with a market share (in terms of value) of 40 percent, followed by department stores with 10 percent

Clothing stores: More and more clothing retailers have begun selling shoes and boots as an accessory to their main ranges. Some of them have their own buying department (like C&A and H&M), other retailers have footwear in their assortment of the same brand as the fashion sold, like Diesel, Esprit, Mexx, Marc O' Polo, Hugo Boss etc.

Department and variety stores: The major department stores V&D (70 stores at the end of 2002, but will be reduced to 58 in 2003) and De Bijenkorf (10) and the leading variety store Hema (280 sales outlets, of which 27 abroad) are part of the holding company

Vendex/KBB. V&D operates in the middle of the market; De Bijenkorf stocks high-quality, stylish and appropriately priced products and in variety store Hema, all articles are sold under a private label. The assortment of footwear in De Bijenkorf includes private labels as well as the better brand labels. V&D operates in the middle of the market, while Hema has good quality at lower prices (value-for-money concept). The assortment of footwear at Hema does not include leather footwear.

Other: The relevant mail-order catalogues are Wehkamp, Otto, Neckermann and La Redoute, but their market share in footwear is limited. A more important part of this category is taken by the street vendors. They are involved in clearing up stocks from wholesalers and retailers and are not themselves involved in importing. Another part in this category is Makro (wholesaler with retail activities and part of metro, Germany).

7.1.3 Buying policy of intermediaries

Margins are under continuous pressure in the major EU countries. Consumers' expectations with regard to lower prices, in particular, as well as tough competition, have resulted in the retailer's needs for lower inventories, less out of stock and lower markdowns. Consequences of these developments are that buyers increasingly place smaller and more frequent orders to reduce their stockholding and the risk of having unsold stock. Successful formula in European clothing retail, like H&M and Zara, are based upon permanent replenishment and fast-moving goods. This is an example which will be more and more adopted by footwear chains or other large retail organisations with footwear in their assortment.

All opportunities to reduce costs are eagerly pursued. Buyers of footwear importing companies are looking for lower purchase prices and minimising costs in the buyer's home country. The need to reduce costs has provided the main driving force behind the development of foreign footwear being sourced for the markets of importing countries. As a result, production has migrated to a growing number of developing countries, as buyers have sought and are still seeking for ever lower-cost locations. In practice, it is not a question of looking for the lowest wages but looking for manufacturers with the lowest overall manufacturing costs. The best value is not necessarily created in countries where labour costs are lowest. Instead, it tends to be generated in factories where the management is best able to manage costs and productivity and where technology is used cost effectively. In other words, the skill and circumstances which contribute to achieving the best value are factory-specific rather than country-specific. Minimising purchasing costs implies that many buyers try to limit the number of countries and the number of individual manufacturers they deal with. Sourcing policies are made on two levels country level and company level. Aspects like quota, duty rates,

ethical aspects, wage structure, distance, local infrastructure, economic and political stability, play a role on country level. Other aspects like fast reaction, speed to market, logistics management, quality, production facilities, design capacity, availability of raw materials and accessories are not country-specific. With regard to imports from outside Europe, wholesalers/importers, large multiples and buying cooperatives mainly act as contractors. They do not seek own designs and collections from the foreign manufacturer but search for competitive price levels and standards of workmanship. The importer then specifies the models, materials, seasonal designs and colours, and the brands or fantasy labels to be used. Frequently, the importer will provide the appropriate lasts to be used or copied, as well as technical advice and quality control. Some importers have their own local offices in the Far East and, in any case, their executives spend a lot of time at the supplier factories. It should be noted that importers invest considerably in the development of their contract producer to enable the factory to supply merchandise suitable for the European market. They therefore do not change suppliers frequently.

7.2 Distribution channels for developing country exporters

The EU footwear market is rather complex and sophisticated. Major footwear brands from many EU countries compete in the high-price segments including premiere collections. In the sports footwear segments, more affordable sports brands compete with famous names from the USA, Australia, Italy and Germany. In the low-price segments cheap, mass-produced items from low-cost regions such as China, Vietnam and other Asian countries, Mediterranean and CEECs compete with each other.

The movement away from cheap products (with low relation of fashion and comfort) to mid-price segments including products of higher quality and more individual footwear offers interesting opportunities to exporters. The majority of European retailers (footwear chains, buying and selling organisations, mail-order companies, department stores) operates in this segment with their own private labels (for an increasing part sourced outside the EU), sometimes combined with branded products but also with non-branded or fancy branded items. A polarisation of brand leadership also appears likely in Europe: retailers in Germany, UK, France and other EU countries are clearly aiming to replace manufacturer brands with their own identities in the middle market, leaving the upper market to designer brands.

By buying at his own account, the **importer/wholesaler** takes title to the goods and is responsible for their further sale and distribution in his country

and/or in other EU markets. He is familiar with local markets and can supply considerable information and guidance to the exporter in addition to the primary business of buying and selling, such as administration of import/export procedures and holding of stock. The development of a successful working relationship between exporting manufacturer in developing countries and importing/wholesaler or importer can lead to a high level of co-operation with regard to appropriate designs for the market, new trends, use of materials and quality requirements.

The missing of direct contacts with retailers, as well as margins being lower than in the case of direct selling to retailers, are possible disadvantages. However, especially for starting and/or SME exporters advantages are of more importance than disadvantages!

Agents mainly work with brand names and are therefore less interesting for most exporters in developing countries.

Buyers at **retail organisations**, like footwear multiples, mail-order companies and variety stores, which have mainly or exclusively private labels in their assortment, divide their budgets between the purchase of finished products via direct imports (sourcing ready-made products) and sourcing from own design. However, internal aspects like size and structure of the organisation and external aspects like market developments provide opportunities for the importer/wholesaler.

Many major retail organisations use buying agents or set up their own buying organisations in low labour-cost countries. This means that retailers are able to bypass domestic wholesalers and/or manufacturers and to reduce costs.

Differences have to be distinguished in the segments involved: super- and hypermarket chains, footwear and other (more general) discounters operate mainly at the lower end of the market, so lowest purchasing prices are the main buying criteria. Generally spoken variety stores and multiples are interested in more criteria than price; they look for service by the producer, technological capacity, quick response etc.

Unorganised **independent retailers**, with decreasing but still important market shares in most of the EU countries, buy directly from local or near-by manufacturers or agents representing these manufacturers, as well as from wholesalers/importers. The buying policy of buying groups and franchise organisations becomes more and more similar to that of multiple stores.

Distribution channels in the selected markets within the EU are different and each market has its own preferred distribution system. In countries like The Netherlands and Belgium, footwear is mainly distributed by specialised retailers (independents and multiple stores). France and the UK have a high concentration of distribution by multiple stores. In UK and France,

sports shops and hypermarkets have high market shares, resulting in a relatively low share for independent retailers. The southern member states Portugal, Italy and Spain have high market shares for independent retailers. The market share of department and variety stores in the UK is rather high and includes Marks & Spencer, the market leader in this channel.

Around 45 percent of the independent retailers belongs to a buying group in Germany and The Netherlands. The large-scaled German buying groups (Garant, ANWR) expanded their activities to many other European countries, in particular to France and The Netherlands. In the field of sports goods, including footwear, the degree of organisation is even more important. Buying and selling formula like Intersport and Sport 2000 are active in almost all EU countries.

The trading partner likely to be the most suitable depends on external and internal factors, which will be discussed in part B of this survey.

8 PRICES

8.1 Price developments

Prices and margins at the various different levels of distribution are influenced by six factors and are different for each product/market combination. These factors are:

- degree of risk;
- volume of business;
- functions or marketing services rendered;
- general economic conditions (booming or depressed business);
- competition, and
- exclusiveness.

The effect of low, medium and high margins on consumer end price, based on one CIF (cost, insurance and freight) price for three different products, will be shown in table 8.1. A multiplier of between 2.6 and 3.1 on the manufacturer's or importer's price should be used to calculate an appropriate final consumer price. Caused by factors like increasing competition at all levels in the distribution column, further concentration and integration, the factor has decreased in the last decade. Elimination of the wholesaler, for instance, can lead to a lower multiplier used by clothing multiples, department and variety stores and mail-order companies.

Wholesalers and other importers base their costing on a CIF basis and apply their margins. In other words, the landed cost for the importer is the FOB (free on board) cost plus the cost of transportation to the importer's warehouse and insurance, including any import duty if applicable. If exporters find that their profit margins are too low, they should look at their costing and find methods to reduce or control costs to bring margins into line. If this is not possible, the export market should be abandoned.

This means that exporters' CIF prices should be in the range of 32-40 percent of the final consumer price. In absolute terms, it is more attractive for an exporter to operate in the medium and high market.

Margins vary greatly according to both type of product and retail channel. Thus the average footwear retailer marks goods up by 100 percent of the buying price, with selected goods retailing up to 150 percent higher than buying prices. In super- and hypermarkets, footwear, mainly with uppers of rubber, plastic or textiles, achieves a gross margin of 20-30 percent of the retail selling price. This figure is highly attractive compared with the typical profit margin on food and other grocery lines.

Although levels of wholesaler and retailer costs often shock suppliers, these intermediaries do not generate excessive profits. While purchase costs have fallen since manufacturing in low cost countries started to gather pace, other costs have risen and increasing competitive pressures have kept profitability down. Bargain sales are growing in importance in all segments of the footwear market and in all major EU countries. Bargain sales generally threaten margins but are considered as inevitable because of the growing dynamics of the footwear market. Rapidly changing fashion makes footwear assortments "out-fashioned". Bargain sales are then the only means to regain a part of the purchase price, even if they are sold below the usual retail price.

Price is an important selling factor, especially in the lower segments of the footwear market. In the higher segments (higher added value), factors like quality and fashion are more important than price. In the lower segments of the footwear market, retailers have little room to manipulate prices because competition is very fierce and margins are low.

The market is intensively competitive and prices vary widely according to the product and type of outlet. Below, an overview is given of some selected retail prices in The Netherlands.

8.2 Sources of price information

Consumer prices

Travelling to the centres of style gives a comprehensive view of fashion trends and prices. Window shopping in European cities like London, Düsseldorf, Paris, Milan and, to a lesser degree, Amsterdam will provide a good insight.

Alternatively, an impression of average prices in EU countries can be formed by browsing through the catalogues of mail-order houses and department stores on Internet and on sites of specialty chains, like Deichmann (one of the leading German footwear retailers).

Trade prices

A good way to obtain information about prices and price levels in the EU is by visiting one of the major trade fairs (see appendix 3.4) or trade centres. Prices of competitors can be found by browsing their Internet sites or looking for general sites like <http://www.globalsources.com> or <http://www.alibaba.com>

Table 8.1 Calculation schedule: margins

| | Low | Medium | High |
|--|------------|------------|------------|
| CIF Rotterdam/Amsterdam | 100 | 100 | 100 |
| Import duties | * | * | * |
| Charges on CIF basis: | | | |
| - Handling charges, transport/ insurance and banking services | 6 | 6 | 6 |
| | 106 | 106 | 106 |
| Wholesaler's margin (30/35/40%) | 32 | 37 | 42 |
| | 138 | 143 | 148 |
| Retailer's margin (55/65/75%) | 76 | 93 | 111 |
| - Net selling price | 214 | 236 | 259 |
| Value Added Tax (VAT) (19% of net selling price **) | 41 | 45 | 49 |
| - Gross selling price (consumer price) | 255 | 281 | 308 |
| Ratio CIF/consumer price | 2.6 | 2.8 | 3.1 |

*) 0, 1.5, 3.5, 4.0, 4.5, 5.0, 7.0, 8.0, 11.9 and 17.0 percent of CIF value

**) In practice, footwear retailers calculate a 80-110% mark-up, incl. VAT and an important part of the assortment has been priced-off. In this calculation, the VAT tariff valid for The Netherlands is used, but note that this tariff varies per EU country.

Table 8.2 Retail prices for some selected footwear items in The Netherlands, 2003

| Product | Material | Height heel in cm | Height leg in cm | Sizes | Colours | Prices in € |
|----------------------------------|--------------------|----------------------|---------------------|-------------------|------------------------------|-------------|
| Women: | | | | | | |
| - Mule | Suede | 5 | - | (36-41) | beige and camel | 65 |
| - Mule | Leather | 6 | - | (36-42) | camel and brown | 90 |
| - Pump | Artificial leather | 6 | - | (3-8) | black and camel | 35-45 |
| - Ankle-boot | Artificial leather | 9 | 18 | (4-8) | black | 45 |
| - Ankle-boot | Suede | 5 | 20 | (36-42) | black, camel | 80 |
| - Calf-boot | Leather | 7 | 28-30 | (36-41) | black, brown, camel | 70-140 |
| - Knee-length boots | Suede/leather | 8 | 35 | (3-8) | black, camel | 85/80 |
| - Knee-length boot | Artificial leather | 3 | 35 | (36-41) | black, brown, camel | 45 |
| - Sneaker (several brands) | Leather | - | - | (36-41) | red, black, blue, brown a.o. | 50-90 |
| - Loafers | Suede | - | - | (3-8) | black, beige, red, blue | 45 |
| - Sandals | Plastic | 7 | - | (3-8) | flower print | 33 |
| - Slingback | Satin | 6/7 | - | (4-10) | black, red, pink, blue | 30/32 |
| - Outdoor-slippers | Textile | - | - | (3-8) | several | 25 |
| - Indoor slippers | Textile | - | - | (36-42) | several | 19-33 |
| Men: | | | | | | |
| - Brogue lace-shoe ¹⁾ | Leather | - | - | (40-46) (7-11) | black and brown | 70 130 |
| - Lace-shoe | Leather or suede | - | - | (40-46) | black and brown | 50 |
| - Lace-shoe ²⁾ | Suede | - | - | (40-46) | black, brown | 60/70 |
| - Chelsea-boot ²⁾ | Leather | - | 14 | (40-46) | black, brown | 60/80 |
| - Loafer ²⁾ | Leather | - | - | (7-11) | black, brown | 45-75 |

¹⁾ resp brandless and branded (Berkelmans)

²⁾ resp. brandless and branded (Wrangler)

9 MARKET ACCESS REQUIREMENTS

9.1 Non-tariff trade barriers

9.1.1 Quality and standards for footwear

There is no EU standard for footwear other than for safety footwear. Most of the importers (manufacturers, wholesalers, retail organisations etc.) work with certain minimum requirements. Despite EU harmonisation, individual markets have different requirements regarding quality, materials, sizes, colours etc. In this respect they have formulated and stipulated minimum quality requirements, relating to both materials and make. A great number of tests can be used to test if the applied materials (leather, textiles etc.) meet the standards required by the customers, e.g. sturdiness. Ground properties common to any leathers concern mechanical strength-tests, like the tensile strength and the more important tear strength. Methods of testing (excluding footwear for professional use) are mainly based on European norms (EN) or national standards and otherwise on ISO standards.

Many countries have their own system of test methods as specified/used by their respective standardisation organisations; DIN in Germany, NEN in The Netherlands, BS in the UK and AFNOR in France. The CEN (European Committee for Standardisation) and ISO (International Organisation for Standardisation) are drawing up business to business standards enabling footwear manufacturers to pursue a “total quality” policy if they so wish. CEN/TC 309 is preparing to standardise test methods, terminology and performance requirements for components for footwear, test methods and terminology for the whole shoe and the environmental aspects of footwear. These standards concern the end use of footwear. ISO/TC 216 is working on extending the CEN/TC 309 standardisation worldwide. Its work excludes footwear for professional use (already covered by ISO/TC 94) and sizing system designation and marking for boots and shoes (dealt with by ISO/TC 137).

In the children’s footwear sector, the European industry works with support from medical and scientific circles on the development of consumer information to identify good-quality children’s shoes, in order to avoid health problems.

9.1.2 Trade-related environmental, social and health & safety issues

The following paragraphs, concerning environmental, social and health & safety issues are derived from AccessGuide, CBI’s on-line database on non-tariff trade barriers at <http://www.cbi.nl/accessguide>.

Product legislation

At the moment, the most important environmental and health issue in the footwear trade is product legislation.

EU product legislation on environmental and consumer health and safety issues is compulsory, therefore of the utmost importance. For instance, legal requirements on dangerous substances such as certain azo dyes splitting off carcinogenic amines. In AccessGuide you will find an analysis of all necessary EU requirements, applicable in all EU member states, including: azo dyes in footwear, nickel, cadmium, PCB/PCT and asbestos. In addition, legislative requirements in Germany (azo dyes, formaldehyde, PCP, chromium, disperse dyes, dioxins and furans) and The Netherlands (azo dyes, formaldehyde in textiles with skin contact, PCP) are outlined when they are additional to EU legislation. These two countries are chosen, because they are relatively pro-active in their legislation. Please note this does not imply that there is no additional relevant legislation in other EU countries.

Most of the EU legislation mentioned is directly applicable to foreign firms supplying products to a European country, for instance through their own foreign sales outlet. However, products are often put on the market indirectly, through importers. In most cases this makes the importer responsible for the product. Importers might therefore encourage or even force foreign suppliers to meet certain standards, for example through legally binding guarantees.

Social requirements (labels, codes and management systems)

Besides legal requirements imposed by their own governments, exporters might be confronted with social requirements that are requested by EU buyers. More and more companies have laid down minimum standards in so-called codes of conducts, or use labels and management systems to guarantee fair labour conditions. These social requirements are gaining importance on European markets and are becoming a precondition for international trade.

In AccessGuide you can find the most important requirements, including an indication of their market impacts by typing in the keyword search: international social standards for textile and garments; ILO Conventions; SA8000 (International social management system).

Occupational health and safety (OHS)

Standards and methods are developed because of the growing concern in Europe about the local social conditions in which products are manufactured. OHS or labour conditions are an important issue when looking at the social standards that are more and more required on EU markets. Especially in leather, occupational health and safety is an important issue. More information can be found in AccessGuide.

Environmental and consumer health and safety requirements (ESP, labels, codes and management systems)

The environmental impact of leather, rubber and textile production is considerable. Environmental criteria are (among others) fire retardants, pigments and heavy metals in the various materials used for the manufacture of footwear. Several measures can be taken to reduce this environmental impact. Environmental sound production (ESP) measures in the production process are not legally compulsory such as EU product legislation, but you might be confronted with these requirements if they are requested by EU buyers. The environmental effects of leather can be limited by specifying criteria for chromium emissions to water, emission of organic solvents (e.g. through the use of water-based finishes) and emission of waste water (via a biological water treatment plant). This also applies to criteria with regard to emission of organic solvents, bleaching with chlorine-containing agents and treatment of the waste water for textile and plastic leg and lining materials used. Environmental criteria can also be specified for plastic sole materials and rubber. There are many instruments such as labels, hallmarks, management systems and codes of conduct. The number of ecolabels in the footwear sector is limited and some of them have only a small market impact. You can find information on these requirements in AccessGuide.

9.1.3 Packaging, size marking and labelling

Packaging

Care must be given to the packaging of products if one intends to export to the EU countries. It is obvious that the packaging must be travel-steady. As required, products should also be protected against the elements, changes of temperature, rough handling and theft. Besides these basics of travel- and handle-durability, some importers may have specific demands concerning packaging, like information concerning the order printed on the boxes (order number, box number, name department or contact person etc.). For environmental reasons packaging made from materials like PVC is less popular with consumers and in some cases is or will be forbidden by government. Exporters in developing countries should be prepared to discuss this issue with potential clients and should anticipate building the cost of special packaging into their price, if required.

The European Directive on Packaging and Packaging Waste (94/62/EC) establishes overall legislation for the treatment of packaging waste, consisting of quantitative objectives to be achieved by each of the EU member states. The member states have the responsibility to translate the Directive into national legislation.

It is becoming increasingly difficult and expensive to dispose of waste in Europe. In principle, the importer is held responsible for disposal of the packaging waste for all goods from outside the EU. It is therefore crucial, when planning exports to the EU, to take the packaging of your products (both sales packaging and transport packaging) into consideration. To fulfil the requirements of the target market, good communication with the importer about packaging is necessary. Leather shoes are generally packed in individual boxes per pair and 12 to 18 pairs in a carton, but cheaper plastic and textile shoes may also be packed in plastic bags or in bulk. Here too, importers will most likely specify their packaging requirements.

More detailed information about packaging techniques and the use of packaging materials can be found on the website of ITC.

Size marking

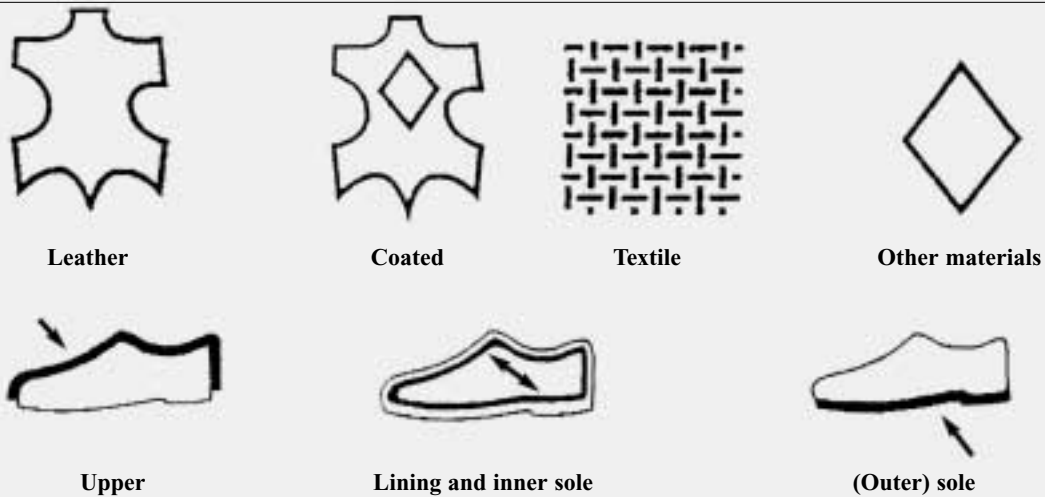
The International Standards Organisation (ISO) published, in 1994, standards concerning the Mondopoint shoe sizing system, covering length and width grading and method of marking. However, this size system has not been accepted by the market.

Two different size systems for footwear are used in the EU in general, sometimes in combination: the English size system and the (mainly) used French or (continental) European sizing system. In general, single unit sizes are demanded for textile and plastic shoes, whereas leather and synthetic leather must also be made in half sizes. The normal size range for ladies' shoes is 36 to 41 and for men's shoes 40 to 45. Width sizes are given in capitals A until K, of which A is smaller than K and G represents the standard width size. Differing widths are rarely offered, except by more expensive European brands and by manufacturers of children's shoes.

Appendix 5 of this guide contains more information concerning the relationship between the above-mentioned size scales in use. Importers purchase a minimum of 12 to 18 pairs of shoes per model. The size assortment for an order of 12 pairs (the so-called Pirmazenser size range) is typically as follows:

| | | | | | | | | | | | |
|------------------------|----|--------------------------------|----|--------------------------------|----|--------------------------------|----|--------------------------------|----|--------------------------------|----|
| Ladies' sizes | 36 | 36 ¹ / ₂ | 37 | 37 ¹ / ₂ | 38 | 38 ¹ / ₂ | 39 | 39 ¹ / ₂ | 40 | 40 ¹ / ₂ | 41 |
| Men's sizes | 40 | 40 ¹ / ₂ | 41 | 41 ¹ / ₂ | 42 | 42 ¹ / ₂ | 43 | 43 ¹ / ₂ | 44 | 44 ¹ / ₂ | 45 |
| Number of pairs | | | | | | | | | | | |
| - Ladies' full sizes | 1 | | 2 | | 3 | | 3 | | 2 | | 1 |
| - Ladies' half sizes | | 1 | 1 | 1 | 2 | 2 | 2 | 1 | 1 | 1 | |
| - Men's full sizes | 1 | | 2 | | 3 | | 3 | | 2 | | 1 |
| - Men's half sizes | | | 1 | 1 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |

International labelling symbols



Labelling

The aim of labelling is to foster trade, inform consumers, and highlight the visibility. The obligatory labelling, as described in the EU shoe labelling Directive 94/11/EC, concerns information about parts of footwear, namely the upper, the lining and insole sock, and the outer sole of the footwear article. The information must be conveyed by means of agreed pictograms (see below) or textual information, as defined and illustrated in the Directive, and must relate to the material which constitutes at least 80 percent of the surface area of the upper, the lining and insole sock, and at least 80 percent of the volume of the outer sole. However, if no single material accounts for at least 80 percent, information must be given concerning the two principal materials in the composition of the product. The manufacturer or his authorised agent in the EU has to use at least the language or languages of the EU member state of consumption. Exporters should be aware that the labelling should involve affixing the required information to at least one article of footwear in each pair, either by printing, sticking, embossing or attaching a label. Moreover, the labelling must be sufficiently large, visible and understandable, so as not to mislead the consumer.

At the moment, eco-labels are to a limited degree applied to footwear. The increasing market share of self-service outlets, like grocers' supermarkets and variety stores, has enforced the inclusion of information on packaging or product.

9.2 Tariffs and quota

9.2.1 Tariffs

All EU countries apply common Customs tariffs to imports from outside the Union. If there is no special trade agreement in force, the general import tariff applies. Some kind of preferential trade agreement in

the field of tariffs, reductions of EU duty levels may apply to many developing countries, according to the commitments in the Uruguay Round, until 2005. Most of the developing countries are granted special trade preferences; these countries usually benefit from zero duties through preferential treatment under the renewed Generalised System of Preferences (GSP) or under the 4th Lomé Convention for the African, Caribbean and Pacific (ACP) countries.

- **GSP**

This agreement allows products originating in the countries concerned to be imported at preferential tariffs or, for the least developed countries, duty-free. A "Certificate of Origin Form A" has to be filled in by the exporter and issued by the competent authorities. Tariff contingents and tariff ceilings do not exist anymore.

- **Lomé Convention**

Products originating in the ACP countries can be imported without duties, when a "Movement Certificate EUR.1" is filled in by the exporter and issued by Customs in the country of export.

The EU common external import tariffs for outerwear (as a percentage of CIF value, without duties and VAT) are as follows:

Table 9.1 Import tariffs for footwear, as a percentage of CIF value, without duties and VAT

| HS code | Description | Tariff in % | |
|--------------------|--|-------------|--------------------|
| | | General | RGSP ¹⁾ |
| 64.01 | Waterproof footwear. | 17 | 11.9 |
| 64.02 | Footwear with uppers of rubber or artificial plastic material. | 17 | 11.9 |
| 64.03 | Footwear with leather uppers. | 8 | 4.5 |
| with exception of: | | | |
| 64.03.5911 | Footwear, not covering the ankle, upper and outer sole of leather, with vamp of straps or with pieces cut out, heel including soles more than 3 cm. | 5 | 1.5 |
| 64.03.9198 | Footwear, covering the ankle, outer sole of rubber, plastic or synthetic leather, upper of leather, inner soles 24 cm or more, for women. | 5 | 1.5 |
| 64.03.9938 | Footwear, not covering the ankle, upper of leather, outer sole of rubber, plastic or synthetic leather, with vamp of straps or pieces cut out, inner sole 24 cm or more, heel incl. soles 3 cm or less, for women. | 5 | 1.5 |
| 64.03.9998 | Footwear, not covering the ankle, upper of leather, outer sole of rubber, plastic or synthetic leather, inner sole 24 cm or more, for women. | 7 | 3.5 |
| 64.04 | Footwear with textile uppers. | 17 | 11.9 |
| 64.05 | Footwear with synthetic leather uppers. | 3.5 | 0 |
| with exception of: | | | |
| 64.05.2091 | Footwear, upper of textile, outer sole of wood or cork. | 4 | 0 |
| 64.05.2099 | Other footwear, upper of textile, outer sole of other material. | 4 | 0 |
| 64.05.9010 | Other footwear upper of other material, outer sole of rubber, plastic or (synthetic) leather. | 17 | 11.9 |
| 64.05.9090 | Other footwear, upper and outer sole of other material. | 4 | 0 |

¹⁾ preferences are not valid for Brazil, China, Indonesia, Moldova and Thailand.

9.2.2 Quota

The EU maintains autonomous quantitative restrictions on a number of footwear articles of Chinese origin. The footwear sector remains highly vulnerable to imports from China because of their volume, the difference in price between Chinese and European footwear and the potential of the Chinese industry. All quota on footwear are set to be abolished. However, because of the

sensitivity of the European industry to imports from China, the total elimination of the quota is not planned until 2005, with annual growth rates during the transition between China's accession to the WTO and 31 December 2004.

Quota restrictions are valid for the following product categories:

| | |
|--------------------------|--|
| 6402.99 ¹ | Footwear not covering the ankle, outer sole and upper of rubber and /or plastic other than sports and indoor footwear. |
| 6403.51 | Footwear, covering the ankle, upper and outer sole of leather other than sports footwear. |
| 6403.59 | Footwear, not covering the ankle, upper and outer sole of leather other than sports footwear. |
| 6403.91 ¹ | Footwear, covering the ankle, upper of leather and outer sole of rubber, plastic or synthetic leather. |
| 6403.991 | Footwear not covering the ankle, upper of leather and outer sole of rubber, plastic or synthetic leather. |
| 6404.11.000 ² | Sports footwear, outer sole of rubber or plastic, upper of textile. |
| 6404.19.100 | Slippers and other indoor shoes, outer sole of rubber or plastic, upper of textile. |

¹ Excluding footwear involving special technology: shoes which have a CIF price per pair of not less than € 9 for use in sporting activities, with a single- or multi-layer moulded sole, not injected, manufactured from synthetic materials specially designed to absorb the impact of vertical or lateral movements and with technical features such as hermetic pads containing gas or fluid, mechanical components which absorb or neutralise impact or materials such as low-density polymers.

² Excluding: (a) footwear which is designed for a sporting activity and has, or has provision for the attachment of, spikes, sprigs, stops, clips, bats or the like, with a non-injected sole; and (b) footwear involving special technology: shoes which have a CIF price per pair of not less than € 9 for use in sporting activities, with a single- or multi-layer moulded sole, not injected, manufactured from synthetic materials specially designed to absorb the impact of vertical or lateral movements and with technical features such as hermetic pads containing gas or fluid, mechanical components which absorb or neutralise impact or materials such as low-density polymers.

9.2.3 Other barriers

Examples of barriers other than tariffs and quota are anti-dumping and anti-fraud measures.

- **Anti-dumping**

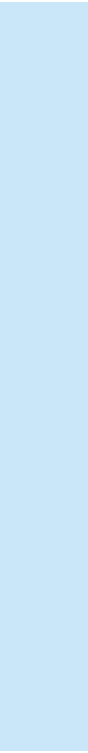
The application of the simplified and accelerated procedures set up in the Uruguay Round is helping to re-establish the conditions for fair competition on the market. Anti-dumping measures were adopted against footwear articles with leather uppers from China, Indonesia and Thailand and textile uppers from China and Indonesia. The anti-dumping measures resulted in higher prices for Chinese products. The intended result of these measures is that EU importers will reduce their orders when they cannot make them at dumping prices. In the case of footwear with textile uppers, EU importers are confronted with duties of maximum 49.2 percent, just as in the case of footwear with leather uppers.

Businesses making complaints about anti-dumping procedures are required to provide the investigators with highly confidential information relating to competition (price structure, profits, margins etc.). Anti-dumping procedures and other aspects of trade policy sometimes run up against different approaches on the part of the member states in their interpretation of the EU interest.

- **Anti-fraud policy**

The EU increased anti-fraud investigations and actions against fraud to:

- circumvent trade policy measures, such as quota or anti-dumping measures;
- benefit illegally from preferential treatment such as that under RGSP;
- cheat consumers (claiming EU origin for products produced elsewhere);
- abandon counterfeiting and piracy (copying exclusive designs and models without permission of the owner).

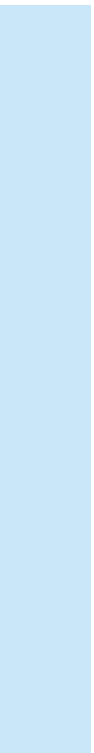




Part B

**Export marketing:
analysis and strategy**

B



After having read Part A, it is important for an exporter to analyse target markets, sales channels and potential customers in order to formulate marketing and product strategies. Part B subsequently aims to assist (potential) exporters in developing countries in their export-decision-making process.

Chapter 10 describes the analyses of the external environment resulting in opportunities and threats, while chapter 11 describes how to analyse the internal environment, which results in strength and weakness of exporter's company: the so-called SWOT analysis. The essence of the SWOT analysis is to find a market segment, where there is an opportunity that matches the strength and where the threats have a minimum impact on the vulnerable side, the weakness of the company. In fact, by matching external opportunities and internal capabilities, the exporter should be able to identify suitable target countries, market segments and target product(s) within these countries, as well as possible trade channels to export the selected products (chapter 12). Chapter 13 subsequently describes which marketing tools can be used to build up successful business relationships.

There are several reasons like growth, continuity and competitiveness which support the decision to export. In any case, the decision should always be taken after export market research has been carried out and if customers have been identified, who sufficiently appreciate some elements of a company's product to consider buying it.

The total value of footwear consists of material of soles, uppers, linings etc. (like leather, plastic, rubber, textiles etc.) including accessories + design + production + logistics + marketing. Profits can be obtained wherever value is added to the chain. So the position in that chain has to be observed. Finding out where the highest added value is, can be determined by answering questions like, does the company have:

- easy and economic access to materials and accessories?
- a design department?
- efficient production facilities and low labour costs?
- logistical advantages to reach markets?
- a brand identity?

Footwear producers can be classified in several ways, for instance as manufacturers of standardised mass product varieties and of fashion-sensitive, high-quality shoes (from production of simple footwear with textile uppers to complex production of high-tec sports shoes).

Another classification used for producers, besides producing own branded products is: low, medium and high service factories. These factories operate as contractor or sub-contractor.

Characteristics of these types of footwear producers can be described as follows:

Low service factories

- Often unable to produce more than a limited number of orders at one time;
- The capacity is filled by a limited number of customers;
- Customer supplies materials (parts) and accessories;
- Efficiency is high when producing a basic product;
- Cannot deal with changes in order (colour or size assortment) or design modifications;
- Little investment is made in capital equipment;
- Semi-skilled or unskilled workers;
- Situated at a long distance from the EU, the factory enjoys a direct-cost advantage only from labour cost.

Medium service factories

- Able to operate with short lead times;
- Operate best when specialising in simple products;
- Capable of producing a decent sample after the first or second attempt;
- Depending on the relative abilities of buyer and factory and the style's degree of difficulty, the buyer provides either a sample with pattern or a detailed sketch with a spec sheet (giving size measurements) and tech sheet (giving seam types, allowances etc.);
- As a rule, better organised importers will provide spec and tech sheets to less sophisticated factories.

High service factories

- Already have thorough technological expertise, production experience and the ability to access special machinery;
- The greatest scheduling advantage offered by this type of factory is flexibility: in lead times, in production (modular teams), in minimum orders (for important customers); the customer can ask for changes not only in size assortments, but even from one style to another;
- The number of orders produced is limited only by the size of the operation.

Producers of own design (brand trademarks)

In higher segments or selected parts of the footwear market brand trademarks represent an important sales argument. Branding promises a special design, quality and exclusivity and appeals to the consumer's personal style. Branding can also help differentiate products, establish consumer loyalty and secure a price premium for products. Producers who want to work with their own brand have to fulfil several requirements.

- Need a technological knowledge of designing, manufacturing, distribution and should be able to produce constantly high-quality footwear;
- Employ designers, sometimes they may work with free-lance designers;
- Need to be up-to-date on fashion developments;
- Need high level of marketing expertise, acquiring this expertise is essential for building and maintaining brands successfully.

Another classification used in footwear companies is OEM (Original Equipment Manufacturing). Then there is the more recent phenomenon ODM (Original Design Manufacturing), the capability to produce for leading brands and retailers and build up own brands, either or not with own retail sales network.

The following chapters will distinguish between the several types of exporting manufacturers in developing countries as classified above. Eventually, based on the internal analysis (chapter 11) exporters can recognize which type they represent. Unless otherwise mentioned, the information in the next chapters is valid for all kinds of manufacturers in sustaining their export activities. Of course, gathering information and knowledge is required for companies intending to develop themselves, for instance from low to medium, from medium to higher services activities or the last step to becoming a producer with an own brand or brands.

10 EXTERNAL ANALYSIS

Europe is a continent and not just one market, but a patchwork of markets with different characteristics. For that reason a selection has to be made, when planning your export strategy. The general way is to choose for two countries: a primary and a secondary target country. For footwear, a comparison has to be made based on the following factors:

- 1 Economic stability: developments in gross domestic product, trade, labour force and unemployment, wages, income, exchange rates etc.
- 2 Cultural and political climate, including language
- 3 Geographical factors and climate
- 4 Demographic developments (total, by age groups, by gender, number of households etc.)
- 5 Size and developments of the market for footwear, if possible divided into segments or product groups
- 6 Development in total imports per country, per product or product group, and area of origin. Import penetration of total market size
- 7 Consumer expenditure and characteristics of consumer demand
- 8 Local distribution and trade
- 9 Customer needs and desires
- 10 Type and extent of the competition, competitive offerings
- 11 Market access, limitations on trade

The market information described in part A of this market survey can be very useful as a starting point for your export market research. Where applicable, the sources for this market information are also mentioned in the specific chapters.

For more general information, the website of the EU statistics bureau Eurostat can be used (<http://www.europa.eu.int/comm/eurostat>). Other sites for general information are among many others: <http://www.odci.gov/cia> ; <http://www.tradeport.org> and <http://www.worldchambers.com> For a list of the European national trade statistics bureaus, please refer to the Eurostat site.

For more information about the footwear market in the EU, refer to websites mentioned in the following paragraphs and appendices.

10.1 Market developments and opportunities for footwear

The size of the market is generally measured on consumer level (retail prices including VAT) and on production level. An overview of footwear consumption in the EU countries and more detailed figures for the six major countries is given in chapter 3 of this survey. These figures have been derived from national statistics as far as available and from databanks supplied by research institutes like GfK, active in several EU

countries (<http://www.gfk.com>), Mintel (<http://www.mintel.co.uk>), Verdict (<http://www.verdict.co.uk>) and Key Note (<http://www.KeyNote.co.uk>) and publishers like Retail Intelligence (see appendix 3.5). These statistics and publications are rather expensive, but the availability and costs can be found on the referred sites. It has to be noted that official trade statistics can vary considerably in products or product groups, in volume denominators (weight and/or units), or absence of figures (secrecy) for competitive reasons.

Another means to obtain insights into a market is measuring on production level. The local market situation (apparent consumption) in a country is equal to production (at invoice value) plus imports minus exports and eventually plus or minus changes in stocks. The availability of production figures concerning products or product groups is very limited and varies considerably per country.

Another vital piece of information, besides knowing the size of the market, is the projected market development for the coming years. In general can be said that growing markets offer more possibilities and decreasing markets offer a limited profit potential. Much of the initial information about market size and developments can further be gathered by using websites of:

- Trade fair organisers, in particular the sites of the German CPD, the Italian Micam and the French Midec. For these and other sites: see appendix 3.4.
- Trade press; to gather information about production and trade in footwear or to obtain inspiration, in particular for design, styling and forecasting departments. References in appendix 3.5.
- Standards organisations (appendix 3.1) and trade organisations (appendix 3.3).
- Some providers of specific information about footwear, like <http://www.shoefinonet.com> and <http://www.worldshoe.com>
- Finally, limited information gathered from world-wide publications is delivered free by <http://www.just-style.com> while paid membership gives even more information.

Aspects to be considered for exporters of footwear to an EU country are:

- 1 Selecting a target country is primarily based on factors as mentioned above, of which special attention has to be given to differences in total population, area, language, business practices etc.
- 2 Size of the footwear market and developments in the sectors per country or region. In general can be said that women's footwear is the largest sector. Also, the women's footwear market has been subject to the severest price competition as the mass middle market becomes overcrowded. The growth will be modest

for the coming five years.

- 3 In the EU, two sizing systems can be distinguished: the English system used in the UK and Ireland, and the French or continental system used in the other EU countries. Both systems deviate from the American sizing system. A conversion table is given in appendix 5.
- 4 In all major EU countries, the market can be divided into high, middle and low market segments with their own specific distribution channels. However, environmental, health and safety aspects, just like other requirements for market access, are valid for all segments.
- 5 New developments in materials and techniques applied in footwear products and new production techniques, as well as fashion developments.

Opportunities

- The highest growth rates are in the UK and Spain, while France and The Netherlands showed a moderate growth. Germany is still the greatest consumer market for footwear in the EU, but consumer expenditure decreased just like in Italy.
- Demand for footwear in the EU will continue to increase slightly in the coming years. Pairs of footwear purchased per head of population will continue to rise but prices will not always follow this growth rate. In order to satisfy the requirements of importing European companies, the exporters in developing countries will be faced with increased demands for higher quality products.
- Imports from developing countries are important and still rising in almost all product groups. However, 35 percent of the total EU import volume came from two countries in 2001, namely China and Vietnam.
- Importers in the major EU countries have built up a comparative advantage by specialising themselves in design and other functions, like preparation of samples, logistics, marketing etc., while simple production operations take place increasingly in other countries. As times goes by, even the first mentioned functions, are leaving these EU countries too.
- Imports of leather footwear increased slightly, mainly shoes for women with vamps of straps or pieces cut out. The most important growth was shown by shoes for women with plastic uppers (other than vamps of straps) to the detriment of footwear with textile uppers. Sports and indoor footwear imports stabilised. It has to be noted that imports of the product categories vary per country.
- Import developments indicate that production is being moved from Europe to Asian countries (besides the two big suppliers China and Vietnam to Macao, Cambodia and India), to CEECs (Romania, Slovakia and Bulgaria) and to Mediterranean countries (Tunisia and Morocco), partly based on low prices and partly because relatively faster reactions

to new fashions and sudden changes in retailer demand can more easily be made.

- A start, which involves limited risks and is chosen by the majority of exporters in developing countries, is to try to acquire fixed orders for products specified by the client. The latter is at home in his market and knows all the “ins and outs” of his permanently changing market place.
- An advantage applies to exporters in economically and politically stable developing countries.

Threats

- Ten new nations join the EU in 2004, then two more by 2007. Several new members are net exporters of footwear, like Hungary, Slovakia, Poland and Slovenia. Romania, the third biggest footwear supplier to the EU, is likely to join the EU.
- The effect on the elimination of quotas per 01-01-2005 will be for prices to fall. Products likely to see the biggest price reductions are those manufactured in Asian countries which are currently subject to higher tariffs than those levied on products from the EU neighbours in the CEECs and the Mediterranean Rim. Tariffs and trade barriers other than quota will play a stronger role.

After desk research, like studying all CBI and other information on the subject, field research can be planned in the form of an orientation visit to Europe. This visit will have to include a leading trade fair, trade centres, shopping centres, and a number of appropriate prospective buyers (after making specific appointments in advance).

10.2 Competitive analysis

Opportunities for all types of exporters in developing countries still remain, in particular as long as increased attention is given to quality and reliability in deliveries. Effective competition by developing countries requires knowledge of the legal, technical, quality and fashion requirements. In addition, they must make resources available, not only to monitor and understand developments in the target countries, but also to call in test laboratories to ensure that quality requirements are strictly met.

In general, it can be said those companies, which are continually adapting new technologies and have the advantage of low production costs, have definite advantages. Another advantage applies to exporters in economically and politically stable developing countries.

The following aspects have to be considered, to learn more about your competitive environment.

1 Prepare a list of your key competitors

Prepare a list of all the competition and then highlight who the main competitors are. To learn more about competition, do a secondary research

study of your industry and ask customers and suppliers for their opinions.

2 Analyse the main competitors

Ask customers about your competitors. If possible, visit competitors' companies to learn how products are priced and distributed. Prepare a list of your main competitors' strengths and weaknesses.

3 Assess whether new competition is likely to enter your market

Despite the enormous competition, the footwear industry is open to new entrants encouraged by the low threshold caused by relatively low investments and quick-to-learn skills. Constantly check with customers, suppliers and your competition to see if

production and marketing entry strategies. The various forms of production strategies are described in chapter 4.2 of this survey. Marketing based entry strategies can be divided into contacts with foreign distributors, whether or not via agents and looking for co-operation with trade partners or organisations in your home country. Trade channels in the target country are discussed in chapter 7 of this survey, while the type of exporting manufacturers is described in the introduction of this part B.

The matrix below shows a selection of the most common choices of trading partners for each kind of (potential) exporting company:

| Possible trading partner: | Manufacturer | Wholesaler | Retailer | Agent |
|--------------------------------|--------------|------------|----------|-------|
| Exporting company: | | | | |
| Low service producer | X | - | - | - |
| Medium service producer | X | X | X | - |
| High service producer | - | X | X | - |
| Own design producer | - | - | X | X |

they have heard of any new businesses, which represent competition.

In particular, attention has to be given to the consequences of the elimination of quota in 2005 as described in chapter 9.2.

4 Discover where and how the competition is selling their products

You need to find out which trade channels are used by your competitors, and why.

5 Observe activities in the footwear branch

Of course, trade fairs, trade centres, congresses, seminars etc. can be helpful to get in contact with new customers and learn about market developments. It can, however, also be used to find out more about competition. If you sell footwear, take the time to attend trade fairs to see what your competition is like.

All five points above can be considered, varying from brief (for low-service producers) to extended (for own brand producers). However, information about competition on country level (as discussed in chapters 4, 5 and 9) as well as on company level (own research) is important for all types of companies.

10.3 Sales channel assessment

Having assessed the prospective markets and market segments, it is now also important to understand the trade structure and supply chains supplying these market segments. After the assessment of the exporter's capabilities, the exporter is able to determine the most suitable sales channel.

Foreign market entry strategies can be divided into

Intermediaries on the footwear market and their foreign policy:

- Importing manufacturers are looking for relocation of the most labour intensive piecework or are trying to relocate total production, including material purchasing or sourcing additional products.
- Importers/wholesalers import footwear, made according to their specifications, either or not provided with private labels, or buy ready-made garments. Cooperation with an established importer/wholesaler can ensure better contact with the distribution channels on the export market. The importer/wholesaler has a thorough knowledge of the market, follows the market closely and has, via his salesmen, close contact with the distribution channels. The capital requirements are limited because the wholesaler holds his own stock at his own risks. Disadvantages are the missing of direct contacts with the retailers (contacts go through the wholesaler) and possible lower margins for the exporter.
- Big retail organisations are, besides importers/wholesalers, the dominant force in the footwear business. Just like importers/wholesalers, retail organisations import footwear, made according to their specifications either or not provided with private labels or buy ready-made products. They control their own stocks daily, amongst others by using barcode systems; this means a tendency to integration of production, buying, distribution and selling. They want to diminish the time used in the footwear column, from production to selling. The retailers in fact reduce the number of distribution networks available to the producers. The remaining

networks have become specialised logistic service suppliers. The choice of an importing retailer for a specific supplier depends on: purchase price; technological capacity; distribution costs; reliability regarding just-in-time deliveries; service by the producer; quick response.

- Agents are intermediaries between manufacturer and retailer, receiving a commission from the former. Capital requirements are limited because this cooperation is based upon commission; however, agents mainly work with brand names and are therefore less interesting for most exporters in developing countries.

Exporters in the footwear sector are confronted with many aspects like sizing, packaging, environmental aspects, resulting in a lot of technical requirements, added to which are aspects of design, fashion, market developments etc. For that reason, co-operation in a variety of forms between importer and exporter can be necessary. The most important determining factors for exporters operating on this basis are the combination of price, product quality and reliability of deliveries and delivery times. More further-reaching forms of potential co-operation are joint ventures and co-makership agreements.

Small, inexperienced exporters, who merely manufacture as their core business may prefer to deal with a domestic partner for their exporting or to join other exporters. In any case, the advantages (e.g. lower risks, export experience) and disadvantages (e.g. dependency, lower profits) have to be considered carefully.

Opportunities

- There is a trend for retail organisations to bypass the local industry, by means of direct imports. The role of importers/wholesalers remains rather important, just like the role of footwear multiples and buying organisations. The role of department and variety stores, mail order-houses and sports shops will stabilise or slightly decrease.
- The buying policies of super- and hypermarkets vary from direct imports by the international operating chains to buying from wholesalers/importers.

10.4 Logistics

The logistic concepts aim at having the right goods at the right time, in the right volumes at the right place and all that with a minimum of costs. Particularly for fashion articles, that is of the utmost importance, just like regularity in deliveries and what is more: delays are not tolerated.

The footwear chain goes from hide or other basic material to manufacturing of the footwear components to footwear assembling to finishing and to distribution and selling.

The consequences of such a long cycle are:

- too many products and capital bound in stocks;
- the possibility of price decreases in the meantime; and
- the missing of sales because the right products are not available.

Footwear retailers are often confronted with variation in consumer behaviour and with rapidly changing trends in fashion. Therefore retailers demand ever-shorter delivery times from the footwear producers, so that especially for high-fashion products this is essential. In general, the retailers in the footwear branch try to shift the risks of market fluctuations to the producers by ordering small series. Because of the tendency to order smaller series, the order frequency is increasing and retailers tend to use more than one supplier. The retailers also tend to have a greater influence on production and transport and mostly have their own designers. The number of rush orders is also increasing. Any developing country factory entering the export market must not only estimate costs accurately before entering into a contract, but also ensure that the shipping facilities at its disposal can guarantee delivery within contractual time requirements. This tends to pose few problems for countries with access to ports which have well-established shipping channels to the EU.

However, it is a problem for many exporters in Africa, for example, who, in addition to needing to move goods overland to a port, must deal with shipping services that are often unreliable and infrequent. A reliable shipping agent is essential for these exporters.

Packaging poses an associated problem. While there is an increasing worldwide trend for consignments to be container-packed at the factory, this can be done only in countries equipped to handle container ships in the docks of embarkation. Again, few deep-water ports with such facilities currently exist in Africa.

Opportunities

The fast changing demand in the footwear market is an important factor. Because of the higher dynamics of the footwear market in terms of quicker changing consumer preferences, there is a general tendency to demand shorter delivery times and smaller volumes of series and orders. Shorter distribution lines mean saving of time in the logistics process, less problems with rush orders, better determination/fixing of order volumes, more possibilities for post-ordering, less danger of over-ordering, over-supply and big stocks. Because of the spreading of buying of footwear over the whole year and because of increasing product differentiation, there is a growing shift in power positions to the retail chains. These developments include opportunities for CEECs and Mediterranean supplying countries (opportunity) and tough competition for other countries (threat).

10.5 Price structure

Chapter 8 gives the price structure for three product/market combinations in an importer's country. In this chapter, the cost structure in the exporter's country will be analysed. According to a paper by R. Beeby, the cost breakdown for leather shoes (made in India) is roughly as follows:

| | |
|----------------------|------|
| Materials | 70% |
| Labour | 15% |
| Overheads and profit | 15% |
| | 100% |

Upper materials comprise about half the material costs, this being about a third of the total of making a shoe.

It is obvious from these figures that saving material offers the best chance for reducing costs.

The cost breakdown for footwear with other uppers shows another composition. The role of materials is less dominating and therefore labour plays a more important role.

Synthetics can be bonded but in the footwear industry, upper parts, particularly in leather, are usually stitched. The costs of stitching processes is influenced by several factors. Materials to be assembled may have differing values and characteristics. Leather differ in terms of quality and dimension, whereas synthetics are usually supplied in known widths and have uniform characteristics.

10.6 Product profiles

The profiles of a limited selection of products highly relevant for exporters in developing countries are elaborated in this section, namely sneakers and pumps. The product profiles summarise the main issues of interest to a (potential) exporter of the respective product. Besides the product requirements, the market structure and the main supplying countries are also briefly described. Moreover, the product profiles offer ideas on how to improve the quality of the product. These profiles are examples of how to set up a profile for a specific product and can be expanded by the exporter himself.

10.6.1 Sneakers (runners, trainers, jogging shoes etc.)

Naming: Already in the 1870s the word sneaker was defined by an American lexicographer as "shoes with canvas tops and India rubber soles". The term was previously used to refer to lowly sports shoes like gym shoes or tennis shoes of white canvas, then product developments led to simple modifications like ventilating eyelets on sneaker sides in the 1950s to wedge-heeled running shoes in the 1960, the "gel" shoe in the 1980s to increasingly complicated design and production techniques like the "pump" shoe and sneakers with glowing red lights in the rear in the 1990s.

There are many names for sneakers like (not exhaustive): aerobic shoes, basketball boots, cross-trainers, gym shoes, keds, les trainings (France), plimsolls (UK), trainers (USA), runners, jogging shoe, track shoes etc.

Market requirements: Just like for other consumer footwear articles, there are no general (EU) standards for sneakers. Most of the importers work with certain minimum requirements relating to materials and manufacturing, in practice most of the transactions are based on samples, eventually agreed upon and signed by both trading partners. Correct footwear sizes are very important.

Manufacturing requirements are among others: three techniques to attach the rest of the shoe to the last (the inside shape of the shoe): slip lasting, board lasting and partial or combination lasting. In slip lasting, the upper materials of the shoe are pulled over the last and glued or stitched directly to the mid-sole. In board lasting, however, the upper is attached to the bottom of a flexible board atop the mid-sole. Partial or combination lasting uses the board method in the heel and the slip method in the forefoot.

Styling requirements: Fashion trends are initiated by manufacturer's brands (Nike, Reebok, Puma, Adidas etc.). Colour, outsole and last are the determining factors and are often derived from the above-mentioned examples. It has to be noted that white uni-colours, are, nowadays, hardly offered other than at discounters.

Wearing properties: All the variety in sole designs, from simple to outrageously complex, must have a good grip. A soft mid-sole will compress and grow flat faster than a more rigid material. Along with good cushioning, the mid-sole should also provide good stability and adequate flexibility in the forefoot, around the balls of the feet. A soft mid-sole allows flexibility at the expense of stability. The key is to find the right balance. The board lasted shoe is a more rigid and stable shoe for runners who over-or under-pronate, or who wear orthotocs. Slip lasted shoes are good for those who have rigid feet and need more freedom of motion; it also makes for a lighter shoe. The combination last provides the benefits of both by providing stability in the heel and flexibility in the forefoot. Uppers of nylon or nylon mesh are lightweight and breathable.

Sizes: In general, American sizes are used for sneakers, like

Children sports shoes sizes:

| | | | |
|----------------------|------|------|------|
| French size (in cm): | 22.5 | 23.5 | 24.0 |
| American size: | 3.5y | 4.5y | 5.5y |

Sports shoes sizes:

| | | | | | | | | |
|---------------|-------|----|----|----|----|----|----|-------|
| French size: | 36/37 | 38 | 39 | 40 | 42 | 43 | 44 | 45/46 |
| English size: | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |

Labelling: The obligatory labelling concerns information about upper, lining and outer sole by means of pictograms (see 9.1.3) or textual, and must relate to the material (at least 80 % of the volume), otherwise to the two principal materials. One has to use at least the language or languages of the EU member state of consumption. Exporters should be aware that the labelling should involve affixing the required information to at least one article of footwear in each pair, either by printing, sticking, embossing or attaching a label. Moreover, the labelling must be sufficiently large, visible and understandable so as not to mislead the consumer.

Materials: The important features of the rubber outer sole are durability and traction. Harder soles tend to be heavier and have less cushion than softer ones. The mid-sole between the outer-sole and the foot bed is constructed of different kinds of foam, sometimes sharing space with capsules of air or gel to increase the cushioning. The top of the heel counter is usually a chunk of padding (ankle collar) which is intended to protect/cushion the ankle and the Achilles tendon. The uppers of sneakers are made of nylon or nylon mesh, leather or canvas. Sneakers are fastened with laces or Velcro.

Applications: Sneakers, just like the number of other names indicates, have many applications in sports, leisure and casual circumstances. Sneakers have become acceptable for virtually all non-work occasions and are now worn by every age group.

Market structure: Consumption and imports increased very strongly in the last decade. Competition is very strong, in particular between manufacturer's brands of which Nike is the market leader. The EU sneaker market is now considered mature. The biggest consumption markets are Germany, UK, France, Italy, Spain and The Netherlands. In 2002 consumption in Germany and Italy decreased, while consumption in the UK and The Netherlands stabilised; French consumption increased slightly and Spanish consumption showed the biggest increase.

Main suppliers from outside the EU in order of importance: The ten leading countries supplying EU imports (in terms of volume) were in 2001: China (40%); Vietnam (11%); Indonesia (7%); Thailand (4%); Taiwan (2%); Slovakia (1%), just like Romania, Morocco, Pakistan and South Korea.

Brand names: (not exhaustive): Nike, Reebok, Adidas, Fila, New Balance, Converse and LA Gear.

Packing: One pair in a carton, and 12-15 boxes in an outside carton. No inferior outside cartons should be used, even when outside cartons are placed in a

container. Don't put the shoes next to each other, but use tissue paper between both shoes. Desiccants can be used to absorb humidity.

Prices: Prices depend on the quality of the materials. An acceptable CIF price for a pair of brandless trainers of jogging shoes, low model, is € 5-7.

Environmental influences: These influences are increasing strongly due to the awareness of buyers, end consumers, company regulations and domestic legislation.

Make sure when your products are supplied to your importer, that they are accompanied by an "AZO safe" declaration. This means that the dyes used for the fabrics have been tested by an accredited test institute and that no hazardous substances according to the Commodity Acts in Germany, The Netherlands and France, were found in the dyes. The commodity acts apply only to the above three countries under national legislation. There is no European legislation as yet. Be aware that you should use the expression "AZO safe" and not "AZO free". The latter is not correct, because there are no "AZO free" colours. According to the criteria of EC Directives 67/548 and their updates, several dyestuffs are classified as carcinogenic, sensitive or allergy causing and are forbidden. Press buttons, zip fasteners etc., which come into contact with the human skin for a longer period must not release more than 0.5 µg nickel per cm² per week.

How to improve quality: Make sure the shoes meet the minimum requirements and/or are manufactured according to the agreed samples. You can increase the performance (and therefore the quality) of the shoe by putting the laces in the eyelets (use not only the first eyelets) and fill the shoes up (last up) with paper, through which crushing will be avoided.

10.6.2 Pumps

Naming: Pumps are slip-on shoes with low-cut, rounded or V-shaped throat, usually a medium to high heel sometimes covered with the same material as the upper. Toes vary from rounded to pointed according to current style. Sometimes made with open toe and/or open heel in slingback style. Court shoes is the British name for pumps.

Types of pumps are (not exhaustive): high heels (pumps that have a heel of 5 cm or more); ankle strap (with a strap around the ankle); one-strap shoe (a single strap straight across the top of the foot); open toe; cross strap; cutter or flat shoes (heel of around 2 cm) also named flatties or wedgies; side open (open shank) other name d'Orsay pump; open back, other names backless, back strap or back band; back and side open; gillie (lace-up shoe with the lace strung through pigeon-eye eyelets); one-point shoes (with ribbon or corsage type);

T-strap pumps; ballet pumps (with elastic band at the topline).

Market requirements: Just like for other consumer's footwear articles, there are no general (EU) standards for pumps. Most of the importers work with certain minimum requirements relating to materials and manufacturing; in practice, most of the transactions are based on samples, eventually signed by both trading partners. Correct fitting is very important, attention has to be given to footwear sizes.

Styling requirements: Trend for the coming years is the nostalgic feeling for the 50s, which means high-heeled pumps, slingbacks and sandals. Besides the basic colours black, navy, brown and white, there are soft colours. Elegance and chique are characteristics, made of soft leather and sometimes decorated with, for instance, small leather (removable) flowers.

Wearing properties: A slip-on with high heels combined with little space for the toes is for many persons not a comfortable shoe to wear, however, pumps in many varieties are now very popular. Properties to improve wearing circumstances can be found, besides a good fitting, in a soft quality of leather for the uppers.

Sizes: In general French (ladies') sizes are used for pumps. In the lower and middle segments full sizes are used 36-41, while in the higher segments (much more) half sizes are offered varying from 36^{1/2} to 41. More and more English sizes have been introduced in countries like Germany, The Netherlands etc. with corresponding sizes like 4-8.

Materials: For uppers, mainly leather and synthetic leather (with for instance croco-print) are used. The outer soles are made from thunit (synthetic leather).

Applications: Pumps are mainly used for more or less formal occasions. For special occasions (weddings, galas, theatre etc.) high heels are worn and during work-time lower heels (3-5 cm.).

Labelling: The obligatory labelling concerns information about upper, lining and outer sole by means of pictograms (see 9.1.3) or textual, and must relate to the material (at least 80 % of the volume), otherwise to the two principal materials. One has to use at least the language or languages of the EU member state of consumption.

Exporters should be aware that the labelling should involve affixing the required information to at least one article of footwear in each pair, either by printing, sticking, embossing or attaching a label. Moreover, the labelling must be sufficiently large, visible and

understandable so as not to mislead the consumer.

Market structure: Consumption as well as imports increased considerably in recent years. Because of the increasing popularity it is expected that growth in demand will continue for the coming years. Competition is very strong, in particular between manufacturer's brands and private labels. The biggest consumption markets are Germany, UK, France, Italy, Spain and The Netherlands.

Main suppliers to the EU (in order of importance): The six leading countries supplying EU imports (in terms of volume) were in 2001: Italy (35%); Portugal (11); Spain (8%); Vietnam (8%); Germany (5%); and Brazil (4%). Other important suppliers from outside the EU were: India (3%), Romania (3%); Ukraine (2%) and Macao (2%).

Brand names (not exhaustive): In the middle and high segments retailer's brands (private labels) as well as manufacturer's brands are used. Examples of manufacturer's brands are: Salamander, Garbor, Högel, Strange, Ras, Ravel, Carvela and many others. In the highest segments (exclusive) designer names are mainly applicable, like Kenneth Cole, DKNY, Gucci etc.

Packing: One pair in a carton, and 12-18 boxes in an outside carton. No inferior outside cartons should be used, even when outside cartons are placed in a container. Don't put the shoes next to each other, but use tissue paper between both shoes. Desiccants can be used to absorb humidity.

Prices: Prices depend on the quality of materials, fashionability and brand or designer name. Acceptable CIF price for pumps with leather uppers are € 9-12 and for synthetic leather uppers € 5-8.

Environmental influences: These influences are increasing strongly due to the awareness of buyers, end consumers, company regulations and domestic legislation.

Make sure, when your products are supplied to your importer, that they are accompanied by an "AZO safe" declaration. This means that the dyes used for the fabrics have been tested by an accredited test institute and that no hazardous substances according to the Commodity Acts in Germany, The Netherlands and France, were found in the dyes. The commodity acts apply only to the above three countries under national legislation. There is no European legislation as yet. Be aware that you should use the expression "AZO safe" and not "AZO free". The latter is not correct, because there are no "AZO free" colours. According to the criteria of EC Directives 67/548 and their updates, several dyestuffs are classified as carcinogenic, sensitive or allergy causing and are forbidden. Press

buttons, zip fasteners etc., which come into contact with the human skin for a longer period must not release more than 0.5 µg nickel per cm² per week.

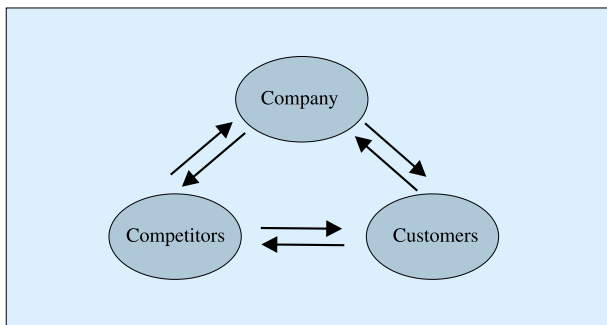
How to improve quality: Make sure the shoes meet the minimum requirements and/or are manufactured according to the agreed samples. You can increase the performance (and therefore the quality) by filling up the front of the shoe with paper, through which crushing will be avoided.

11 INTERNAL ANALYSIS: COMPANY ASSESSMENT

It is one thing to discover attractive opportunities in the EU; it is another to possess the necessary competencies to succeed in converting these opportunities into business.

A (potential) customer analysis, a competitor analysis and a (company) self analysis have to be made. The internal or self-analysis is an internally focused examination of a manufacturer's strengths and weaknesses.

These strengths and weaknesses indicate how well the company can seize opportunities and avoid harm from threats in the environment. The competitive strength of the company has to be measured in relation to the other suppliers on the market, just like customers' attitude to the company and to the other suppliers, as can be illustrated below. Competitors and customers (buyers) have to be considered in the internal analysis because a manufacturer's strengths and weaknesses are defined as its capabilities relative to them.



The most critical aspect of the internal analysis for a footwear manufacturer is to determine his unique capabilities. If it has a thorough understanding of its unique capabilities, the company can invest in opportunities that exploit its strength and avoid those that emphasize its weaknesses. These analyses are focused on the strategic direction that competitors and customers are likely to pursue and on their ability to successfully implement their strategy. By understanding competitors in depth, a manufacturer can develop a strategy to compete effectively against them now and improve his ability to anticipate competitors' future actions. Understanding of customer requirements derived from customer strategy is of great significance, not only with respect to the present order but also and more particularly to any future purchase.

Each (potential) exporting company needs to review its manufacturing, logistical, marketing, financial and organisational competencies. This assessment gives an overview of its strengths and weaknesses, from which a distinctive and, more important, a competitive advantage can be derived.

11.1 Manufacturing

Elements to be assessed include product characteristics, production facilities, production process, production capacity, production flexibility, quality and service. These aspects have to be compared with major competitors.

Production facilities

Significant differences in equipment exist for manufacturing footwear, while special equipment can sometimes be needed for specific products or treatments.

Sometimes, the customer will send a buyer or a representative to the supplier to visit the mill where the products in question are or may be manufactured, in order to undertake a supplier's audit and/or a quality control audit. In a supplier's audit, a description is given of the type of products, number, type and age of the cutting and sewing machines. A quality control audit implies a description of the control procedures including employees, laboratory, system, packing and storage.

Most buyers demand certain minimum standards, which also guarantee an acceptable quality level. Buyers in the leather footwear sector are more interested in the technical infrastructure of their suppliers than buyers in the other footwear sectors. In the latter case, buyers are more concerned about the continuity and durability of the process. It has to be noted that the latest high-tech equipment is not necessarily a guarantee for flexibility, quality or reducing production time. For instance: String lasted uppers and an injected-on sole construction would be better than a sophisticated lasting machine.

Production process

This process starts at the availability of leather and other materials or components (except when manufacturing is limited to low-service activities) and ends with special treatments after manufacturing. The production process consists of several operations. Sewing requires the most labour time, while cutting requires high skill.

Buying of materials abroad by producers, who are exporting on other than a low-service basis, can sometimes be confronted with long distances, minimum order sizes, the risk of delay in delivery times etc., while lead times are shrinking world-wide in the footwear market. Design and even colour changes are being made regularly. The majority of orders placed is urgent. This provides an opportunity for manufacturers who can meet market demands for short lead times, short runs, quick response and flexible manufacturing. Quick response capabilities also provide opportunities

further upstream. Footwear manufacturers able to offer quick response will themselves need a flexible and responsive service from their own suppliers and, eventually, finishers.

Production capacity

Selling a product internationally (as well as domestically) requires the capacity to produce or manufacture the product. The company has to possess the space and equipment needed to manufacture for the specific countries to which it is selling (they have their own product standards and regulations) and will eventually require a minimum order from the customer(s).

If the company is already selling domestically, it is necessary to investigate if the production capacity to handle and store additional orders is available.

Expanding into the international marketplace will result in a higher number of units to manufacture. The exporter has to ask himself if this increase in production will affect quality of output.

Companies, which are intending to make the step to introduce own brands into the market, have to consider the following issues: a minimum capacity of 2,000 pairs a day with a capability to increase strongly in one or two years; the ability to develop 50/75 styles per season with at least two new lasts and two new soles per season.

Quality

The buyers prescribe the functional and intrinsic quality of the products. Improving the quality can be achieved in a simple way, for instance by quality control procedures, like having insight into factory rejects and the record of why they were rejects, just like returns and the reasons for returns.

Quality control starts with suppliers and checking of incoming materials. Responsibility for the quality of each operation rests with the operatives who should be encouraged to identify problems and discuss how to solve them. A good structure for quality control is provided by ISO 9000 as it imposes a discipline on every part of the business. ISO 9000 norms or other quality standards of the specific countries need to be adopted by the manufacturer for long-term growth in the market. Quality is an essential prerequisite which is often taken for granted. However, without ensuring quality, there is no likelihood of entry or acceptance on the market(s).

Technology

An efficient information technology system is one of the important features for suppliers when the variety of products and the need for communication increase. The link between the design department and the production unit has become extremely important (Computer Aided Design systems). To achieve fast response to changing fashion, companies need access to a good CAD system

to keep them up-to-date on trends in the wider world. CAD enables designs and patterns to be circulated from suppliers in the EU or elsewhere. CAD/CAM is also valuable in reducing lead times. Samples and small orders can be cut using computer-controlled cutters, saving on knife costs and the time taken for making them.

A production plant, which is not properly equipped and does not have well-trained and skilled middle management, will be unacceptable in the future.

Service

To an importer, service aspects mean communication, reliability, product development support, business ethics, ease of dealing, quick settlement of claims and speed. Very often, a much valued service aspect consists of uninterrupted and factually correct information flows.

Strength

Companies in developing countries, which are continually adapting new appropriate technologies and have the advantage of low production costs, are at an advantage.

11.2 Logistics

Customers demand for increased flexibility and a well-organised logistic organisation from the side of the producers. Automatisation is one of the answers for production firms to fulfil the requirements of the logistic process. It especially takes place in activities with a relatively high know-how content (like designing, cutting, etc.). There is not so much automatisation in the more simple activities. Most of these activities concern sewing and the moving of materials/products. Introduction of new technologies in the footwear industry is a slow process and does not take place in a great number of companies. Besides, new technologies and working methods should be accomplished by new marketing concepts.

Usage of barcode systems by retail organisations gives quick sales information and is accompanied by electronic order systems, Just-In-Time (JIT) methods and direct product profitability (DPP). DPP means direct calculation of all retailing costs, amongst which are alternative costs (costs which are caused by untimely delivery of articles, costs because of marking down and sales bargains, etc.).

11.3 Design

Good design and product innovation can help differentiate products, establish consumer loyalty and trust and, in many cases, allow products to command a price premium. Design is the biggest element of value addition. Design cannot originate in a vacuum. Poor or inadequate designs in export policy can make or mar

the process of successful marketing. Lack of sufficient understanding of physiognomy, foot sizes, life styles, activities and climatic conditions result in incomplete design appreciation. Designers need considerable exposure to the target market before the design process can succeed. The customer-design interface is a matter of deep understanding of the country and the people. Another area is using the aspect of design capabilities and creativity to explore product development as an extra unique selling point (USP), which results in long-term relationships and differential advantage. There is a lot of brand and design imitation, especially in mass products. However, one of the results of the GATT Uruguay Round Agreement was the Trade Related Aspects of Intellectual Property Rights. The objectives of this agreement, called TRIPS, are to implement standards of protection for patents, trademarks, copyrights and trade secrets, including enforcement measures and dispute settlement provisions.

11.4 Marketing and sales

Perhaps the most exacting aspect of exporting, even for the established exporting company, is that of ensuring optimal exposure to, and communication with, decision-making personnel in a client company, often thousands of miles away.

- 1 The best method of achieving this objective is, unquestionably, to have an able company representative in the country or geographical area concerned. Such an individual must be proficient in the language of the target market. Ideally, he or she will have a profound technical knowledge of, and practical experience with, the various qualities of footwear items. He/she must also be conversant with the technical implications of provisions in trade contracts, and should also be able to negotiate confirmed contracts swiftly on behalf of the exporter and should have access to rapid communication facilities.
- 2 Exporters able to make firm contracts rapidly have an unquestioned advantage on the market. Alternatively, a number of manufacturers could share the services of a similarly qualified individual or a manufacturing company could hire a local agent on the market place. Although these alternatives would be cheaper, their impact on the market would be weaker.
- 3 Established exporters also find it productive to arrange visits to the market by a team, usually comprising a senior technical and a commercial executive. Whether the objective is to strengthen existing contacts with customers, or to seek new ones, careful research should be undertaken before the schedules for such visits are set; these schedules should be confirmed in advance with the contacts concerned.

- 4 Some developing countries use the commercial section of their embassies in the main importing countries to circulate lists of offers. While such activities are productive in many ways, they can be converted into sales only if an inquiry can be swiftly responded to. Furthermore, although containing some data on prices and quality aspects, these lists do not provide sufficient information, nor do they give a strong enough basis for an importer to confirm a contract unless successful business dealings with a listed company have already been established.
- 5 Leather and footwear fairs are held in many EU countries (see appendix 3.4), their role is limited in the case of booking direct orders, but more and more fairs are an excellent way to orient on material and fashion developments and to make contacts with potential buyers. Individual participation in international trade fairs may be a useful sales promotion tool, but besides a heavy financial involvement it is a complex operation.
- 6 Product/company press releases and direct mail are all used effectively in trade promotion by exporters. For the new market entrant, however, specialist advice is often necessary to ensure that the information to be circulated is complete, that the media chosen are the most cost effective means of reaching the target audience, and that the timing of the promotional effort is correct. Above all, it is essential that promotion induced inquiries be immediately dealt with locally by a representative. Refer to appendix 3.5 of this survey for a list of leading trade magazines in the footwear sector.
- 7 As an additional aid to marketing, documents sent by direct mail can be accompanied by samples. Mailing of this kind to prospective customers, well before a proposed visit from a senior selling team, can be highly effective. While not a complete guarantee of quality, the sample, if it is of good quality, will inspire confidence in prospective buyers. It can also be useful in weeding out merchants who are simply not in the market for those products or those qualities. In fact no personal sales visit should be attempted without an adequate sample on offer.

All the above points of advice can be considered, varying from brief (for low-service producers) to extended (for own brand producers). Implementation depends on internal aspects like size and structure of the organisation. However, information about potential sales channels on country level (as discussed in chapter 9) as well as on company level (own research) is important for all types of companies.

11.5 Financing

The following aspects can be considered when the financial capabilities of an exporting company can be analysed: capital investment, the stage of the production process and complementary activities, and the financial settlement of the contract.

Some parts of the footwear industry are capital intensive and regular investment in new equipment is required to ensure competitiveness. This is particularly the case in those parts of the industry, which are highly automated and produce long runs of relatively undifferentiated products.

Minimal investments are required for exporters in the case of low service producers, for instance OPT. In this case, financing is limited to the production process because the importer supplies the material to be processed. The next stage in the manufacturing company's production process is subcontracting, through which investment is extended because the importer instructs the subcontractor to source (and finance) the material itself.

The next stage can be reached when design and marketing at either end of the production process can be delegated to the subcontractor, while maximal investments are required in the case of exploiting and exporting a collection under an international brand name.

Penalties for late deliveries are likely to be included in the contracts for all types of exporting manufacturers.

11.6 Capabilities

Commitment to export

It is important to consider whether the company has staff who are able to sell and develop an international business. Having in-house staff with international experience can facilitate your entry into the international marketplace. If you do not have such a person, you can either hire one or train present staff to assume the responsibilities. The company should be able to generate the physical and administrative infrastructure to deal with increased activities generated by exporting - not only in dealing with orders but also with processing Customs and shipping documentation. If this type of infrastructure is limited, then it is a weakness in developing sustained export activities.

Export experiences

It is important to learn from past experiences. If the company has tried but failed to penetrate an export market previously, this can be analysed to determine where things went wrong.

Language skills

Besides knowing about export rules and regulations, it would help your company if your employees were also knowledgeable of your target market's language and

culture. Though English is accepted as the language of business, having the ability to communicate in a customer's native language will give you an advantage over your competitors. Although most trade partners of European companies will not be native speakers themselves, the vast majority speaks English fluently. In almost all cases, foreign language skills, particularly English, are essential when entering the European market.

On the few occasions when correspondence and documents in English do not suffice, exporters can usually find sources of translation capabilities for the more popular European languages. Language capability can be advantageous, since it facilitates cultural and social relationships.

Training

Human resources development of top and medium-management level can be necessary to optimise the export marketing policy of a company. The following aspects can be considered if additional training is desirable:

- Product development, product improvement, efficiency and/or effective measures in production and communication with buyers regarding all technical aspects, including quality control aspects;
- Know-how (including costs aspects) about the required Customs formalities, shipping facilities and packaging to guarantee delivery within contractual time requirements;
- Financial capabilities including contract parts like delivery and payment procedures;
- Export market orientation and export marketing know-how;
- Communication tools, including control of the language as desired by the buyer, by middle and top management.

11.7 Recapitulation of the internal analysis

The lowest mode in the added value chain is low service supplies. The client, often an EU manufacturer, provides parts of footwear and accessories to the manufacturer and, for a certain fee, the producer makes footwear according to the requirements. For that reason, the added value is rather limited. Producing an own collection with an own brand name is the highest mode in the added value chain. Other possibilities are to be only a sub-contractor to an importer/wholesaler or a retail organisation and to produce private labels. Other combinations are also possible.

Depending on the value that a company and product adds to the chain, the choice can be made for one of the market entry modes. Differences between each mode related to added value are given in the matrix below.

| | Low service producer | Medium service producer | High service producer | Own design producer |
|---------------------|-----------------------------|--------------------------------|------------------------------|----------------------------|
| Manufacturing | High | High | High | High |
| Materials | Low | Medium | High | High |
| Logistics | Low | Medium | High | High |
| Design | Low | Low | Medium | High |
| Marketing and sales | Low | Low | Medium | High |
| Financing | Low | Medium | Medium | High |
| Capabilities | Low | Medium | High | High |

This helps to determine which type of strategic alliance may be required. Look for partners who complement your company's core competence. For instance: if ample production capacity is available, then look for a partner with a good product to manufacture. If your company's added value in design is low, because there is no design capacity, look for a creative partner. If added value in logistics is low, look for a partner with a good distribution infrastructure. The process of decision making, based on external and internal analyses, will be discussed in the next chapter.

12 DECISION MAKING

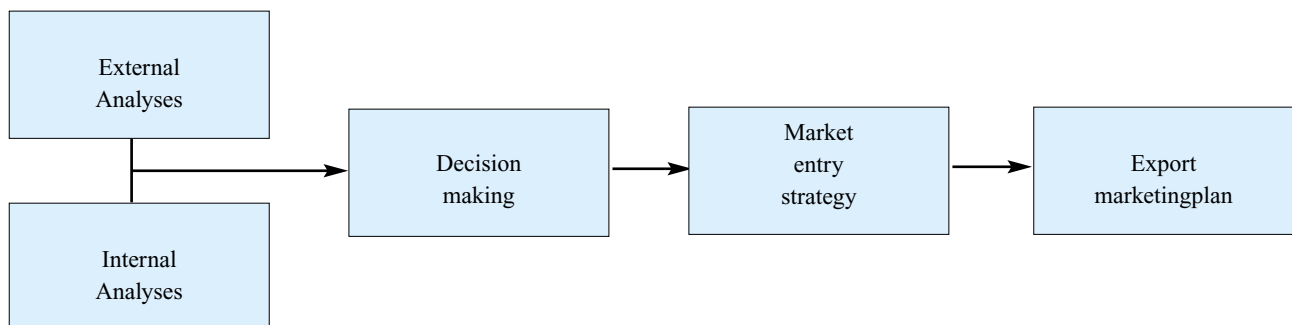
By means of conducting the external and internal analysis (Chapters 10 and 11), the company is now able to come to a decision on whether or not to export.

- Products suitable for export development are identified. Also known is what modifications, if any, must be made to adapt them to an overseas market.
- Countries and market segments are targeted for sales development and/or cooperation agreements.
- The best sales channel is identified.
- Which special challenges pertain to the selected markets (competition, cultural differences, import controls etc.) and what strategies will be used to address them.

Once a company has determined that it has exportable products, it must still consider whether or not the development of an export business adheres to the company objectives. In order to arrive at this conclusion the management should ask itself the following questions:

- What does the company want to gain from exporting?
- Is the goal of exporting consistent with other company goals?
- Are the benefits worth the costs, or would company resources be better spent developing new domestic business?

Companies can waste a lot of time and money attempting to enter markets which do not have potential or for which their product is not suitable. To be successful in export marketing, exporters need to focus on specific products and markets and be prepared for all the consequences.



If you have come to the decision to export, the next phase of the export marketing process is to draw up an Export Marketing Plan (EMP) which defines a marketing strategy stating how the company is going to penetrate the identified market. The marketing strategy is designed around the information collected in the internal and external analysis and the marketing tools will be described in the following chapter.

Formulating an export marketing strategy based upon sound information and its proper assessment increases the chances that the best options will be selected, resources will be utilised effectively, and efforts will consequently be carried through to completion. For assistance in writing an EMP, can be referred to CBI's "*Export Planner*", and for general information on conducting market research, reference should be made to CBI's new manual on market research.

A start, which involves limited risks and is chosen by the majority of starting exporters in developing countries, is to try to acquire fixed orders for products specified by the client. The latter is at home in his market and knows all the "ins and outs" of his permanently changing market place.

Exporters in the footwear sector are confronted with many aspects like sizing, packaging, environmental aspects, resulting in a lot of technical requirements, added to which are aspects of design, comfort, market developments etc. For that reason, co-operation in a variety of forms between importer and exporter can be necessary. The most important determining factors for exporters operating on this basis are the combination of price, product quality and reliability of deliveries and delivery times. Some experts are of the opinion that instead of concentrating on increasing volumes, developing countries should shift production profiles to higher-value footwear products. Another point of view, however, suggests to specialise based on experience and to try to obtain a higher degree of efficiency in production. It is evident that both production strategies have to be combined with the recommendations mentioned earlier.

13 MARKETING TOOLS

This chapter will discuss which marketing tools (product, price and promotion) can be used to build up successful business relationships, according to the following scheme.

- Matching products and the product range (specifying range, width and depth, specifying the product characteristics, packaging design and seasonal influences)
- Building up a relationship with a suitable trading partner
- Drawing up a general or a specific offer
- Handling the contract, divided into contract terms and contract fulfillment
- Sales promotion advertising and communication, sales organisation and participation in trade fairs.

13.1 Matching products and the product range

A product range of a private label or own brand producer consists of several product groups (range width), each with several different product items (range depth). One product can consist of several executions.

Example:

A women's sandal with upper and outer sole of leather (range width).

The product for sale has heels of several heights (range depth).

The executions consists of different colours, sizes and quality of the items.

A manufacturer/supplier can only select a suitable business partner if he/she is fully aware of exactly what range he/she can offer and the opposite is also valid: an importing business partner has to know which products or services are offered in order to select a business partner.

The product range of a medium service producer includes the services which can be derived from the available production facilities, production process, production capacity, production flexibility and the possibilities to buy materials etc. according to the requirements of the business partner.

Specifying the product characteristics

High service producers have to make a review of all the products they make, stating the minimum requirements to which they are related, production capacity and packaging method. The review must enable potential customers to make a brief appraisal of the complete product range and production capacity; it must include minimum order quantity and the possibility for

additional orders.

The reviews must always be kept up-to-date. The products and the range should be flexible so that adjustment and adaptation can be executed according to buyers' wishes.

Low and medium producers make a description of the type of products, number, the type and age of the machines, the number and skills level of employees etc.

Packaging design

The protective functions of packaging for shipment which require the packaging to ensure minimal environmental damage have been described briefly in chapter 9.1.3 (including the references to ITC) and are valid for all types of producers.

13.2 Building up a relationship with a suitable trading partner

Among the many potential customers, you must identify those who match your own company profile and product range and are therefore most suitable for building up a relationship. At the end of the identification phase, the supplier should have selected the names and addresses of suitable trading partners.

Sources of information to contact are in the producer's country:

- the country of destination's Chamber of Commerce for Foreign Trade, and/or
- the Economic Affairs departments of the country of destination's official representative (Embassy or Consulate).

Sources of information to contact in the country of destination are:

- Business Support Organisations (former Import Promotion Organisations)
- Trade Associations (see appendix 3.3)
- own country's public and private trade promotion bodies
- own country's diplomatic and consulate representatives
- Chambers of Commerce
- trade fair organisers, through printed catalogues or websites (see appendix 3.4)
- consulting trade press (see appendix 3.5)
- trade directories, like <http://www.kompass.com> or <http://www.europages.com> (see appendix 3.6)

It has to be noted that many sources of information only answer written inquiries, while a detailed inquiry improves the chances of precise identification.

Evaluate the received names and addresses, using the following criteria:

- Is the importer active in the country you have selected?
- Does the importer focus his activities on the corresponding, i.e. your, product groups?
- In which market segment is the importer active?
- Names of other suppliers to the importers?
- Enough sound information about the reliability of this partner?
- Check your potential buyers' financial status credibility if possible, for instance credit rating reports by Dunn and Bradstreet (<http://www.dnb.com>), otherwise always demand a LC (letter of credit).

Using these criteria, draw up a priority list of the contact addresses you have received.

13.3 Drawing up an offer

There are two kinds of offers: general and specific offers. The purpose of drawing up a general offer is to make the first contact with potential trading partners with whom you, the supplier, are not yet personally acquainted. A general offer consists of sending a short profile of your company and a summary of your product range. In some cases it might be helpful to send a reference list of existing customers (in countries other than the possible customer's one!). Write a personal letter, briefly introducing your company and what you have to offer.

A specific order is legally binding for a certain period of time. You must therefore be capable of fulfilling the terms of contract. A specific offer only should be made up when the business partner is known personally or after the initial contact has been made. A specific offer should consist of two parts: a written offer and/or product samples. The written offer includes:

- Name of the person responsible in your company
- Exact description of the goods offered (referring to requirements)
- Price of the goods in the agreed currency offered in accordance with Incoterms
- Possible delivery date and terms of delivery and the validity date of the offer.

A written offer can be accompanied by product samples, otherwise the offer is formed by sending product samples. While not a complete guarantee of quality, the sample, if it is of good quality, will inspire confidence in prospective buyers. It can also be useful in weeding out merchants who are simply not in the market for those products or those qualities.

- Product samples must correspond exactly to the goods available for delivery. If they do not, this may cause a lasting negative effect on business relations;
- State the treatment methods used, if possible provide

a copy of your internationally acknowledged inspection organisation.

Recommendable action for both kinds of offers:

- Send in advance a copy of the AWB # (Air Way Bill number) to the contact person.
- Make a telephone check (the human voice, if master of the language, is the best means of communication) to ask whether the offer (and the samples, if applicable) has/have arrived.
- Send samples free of charge, but it is common practice to ask for a reasonable amount for size ranges and/or salesmen's samples.
- An invitation to visit the company.
- A proposal could be made to visit the country of destination. In that case (if necessary) an interpreter can be hired and your own consulate or other intermediaries can be asked for assistance.

Communication by e-mail is an excellent tool, especially when a reaction will be executed within 24 hours. This is a very positive sustaining element towards buyers, making a reliable impression and instilling confidence.

The most exacting aspect of exporting footwear, even for the established exporting company, is that of ensuring optimal exposure to, and communication with, decision-making personnel in a client company. The best method of achieving this objective is to have an able company representative in the country concerned. Such an individual must be proficient in the language of the target market. Ideally, he or she will have thorough technical knowledge of the implications of provisions in trade contracts and should have access to rapid communication facilities. A personal sales visit should be attempted, accompanied by an adequate sample on offer.

13.4 Handling the contract

The contract is the starting point of trade, also for international business transactions. Around the contract revolves a series of connecting but distinct relationships, including transport arrangements, cargo insurance, Customs formalities and payment procedures. For a description of methods of delivery and payment, we refer to Incoterms 2000 (published by the World Chamber of Commerce) and CBI's Export Planner.

When handling the contract, you should consider the terms and the fulfilment:

Contract terms:

The delivery date of an order is always specified at the time of purchase. Suppliers should be aware that failure to meet the specified delivery will usually result in cancellation of the order or negotiations about claims for late delivery. The same procedure can be expected

in the case of products not meeting the standards of quality agreed upon in the contract and/or established by approved samples, just like in the case of exclusivity claims.

Letters of credit, which offer basic protection to a developing country exporter, and bills of lading, which serve as documents of title, a contract of carriage and a receipt of goods, are all universally used in the footwear trade. In other cases, it has to be noticed that terms of payment vary per country and are around 90 days or longer in Italy and Spain, which is much more lengthy than in other major EU countries. Methods and terms of payment are discussed in the CBI brochure 'Exporting to the European Union.

In many cases, the importation of footwear is carried out on a CFR (cost and freight) basis. Under these terms, the seller or exporter clears the goods for export, pays the freight charges and delivers the goods on board ship. The risk passes to the buyer when the goods cross the ship's rails in the port of departure. The seller undertakes to provide the buyer with a negotiable bill of lading that can be endorsed to transfer ownership of the goods or pledge them to a financing bank. The insurance component is handled by the importer in the EU, primarily to facilitate payment in the event of a claim. Other conditions in use for footwear are CIF (cost, insurance and freight) and FOB (free on board). The delivery terms are laid down in the so-called Incoterms 2000, established by the International Chamber of Commerce.

Contract fulfilment:

Besides the general details in a contract like contract parties etc. and specific aspects like prices agreed, there are six specific area of significance in the footwear contract itself:

- 1 Rules governing international trade in footwear: all contracts have to specify the country of origin, quota category, and commodity and product codes. These details will facilitate administrative procedures at

import destinations, in regard to controls established under the WTO on quantities admissible into the EU and for each product category.

- 2 Shipment date: it is imperative for the importer that availability dates are met, to ensure that the goods can be sold or delivered in the time for which they have been planned.
- 3 (Minimum) quality requirements: includes materials used and methods of making. Such an approach is necessary because of the direct correlation between material quality and the quality of end products.
- 4 Size: the size specifications are usually included in the contract.
- 5 Packaging: since it is vital for packing details to be closely adhered to.
- 6 Payment methods and delivery terms: as discussed above. If you cannot comply with any part of the agreement (e.g. delivery delays or quality problems), inform the customer clearly and in good time.

Fulfilling the contract should have a high priority, particularly when delivering for the first time, so procure the delivery documents on time; comply strictly with all parts of the supply agreement; co-operate on a partnership basis and seek a common solution, even if conflicts arise.

13.5 Sales organisation and promotion

The term "sales organisation" refers to the organisational system that carries out the sales of the company's products. A sales organisation consists of desk sales force (office staff) and a field force (front liners). The scheme below gives a rather extended overview, which is however not representative for low service producers and not even for SMEs, which offer more services to their customers.

Sales promotion measures develop and expand customer relations, which obligate the selling company to take good care of existing customers (continuity). This includes for example expressions of thanks to business partners, regular update on the product range;

Activities of the desk sales force include:

- selling;
- handling correspondence;
- handling offers and orders;
- issuing forwarding instructions;
- issuing and checking invoices;
- checking schedules;
- keeping customers records;
- expediting product samples;
- keeping sales statistics;
- evaluating markets;
- updating on standards, and
- intermediary for implementing.

Field force includes:

- selling;
- visiting customers;
- presenting new products;
- discussing and implementing campaigns;
- discussing listings;
- holding periodical reviews with customers;
- implementing selling prices, and
- checking competitor's edges.

supplying brochures of the product range may be useful for promoting sales just like keeping business partners up-to-date on recent product developments. The consequences for production capacity can be that, in some cases, the production capacity has to be increased for existing customers, or the product range should be guided by demand and changes to the product range may become necessary.

Advertising and communication

Advertising refers to communication measures with the aim of increasing the sales of your products. The prerequisites for successful communication measures are a clearly defined target group ("Who buys my product?") and a well-formulated message ("What do I want to tell my customer?")

The following parameters are used to measure the costs of any communication action:

Cost per contact

- > The costs to convey the message to one target person.

Total costs

- > The costs of the whole campaign.

Dispersion losses

- > The costs for messages that do not reach the right addressee (waste).

Standard printed matter

It is advisable to commence with communication methods, which require only a small amount of planning and co-ordination, such as revising the company's standard printed matter (letterheads, business cards, fax form, etc.). Prepare long-term sales documentation (company brochure, product range review, etc.) and product-specific sales folders.

Constant, prompt and reliable communication is a vital prerequisite for maintaining a long-term business relationship with a customer. The fast changing collections make it necessary to develop a flexible promo-kit: keep the costs low, ensure maximum flexibility of the promotional materials.

Telephone or mailing campaigns

Once the on-going business (continuity) with customers has been established, the business is concluded by the modern means of communication: phone, fax and e-mail. A well functioning desk sales force and excellent

communication skills are consequently an absolute prerequisite for successful market consolidation.

The essential tool used by the sales department is a detailed and up-to-date customer database. The customer database contains: basic data on the customer (e.g. long-term data such as name, address, telephone etc.); changing data resulting from contacts with the customer (such as phone calls, offers, sales statistics, etc.) and, the customer's specialisation in relation to his assortment.

The customer's database gives a desk sales person (or front liner) a quick review of the most important customer data when planning a telephone call, a direct mail (or a visit).

If possible, the customer database should be computerised, because this simplifies changes, updating, sorting and selection procedures, etc. If computerisation is not possible, the customer data should be kept on file cards.

Advertising in trade magazines

The number of important trade magazines with possibilities for advertising is rather limited. Only one or two magazines can be mentioned for each major EU country, like Schuh Kurier and Schuhmarkt in Germany, Schoenvisie in The Netherlands, Chausser magazine in France and Foto Shoe in Italy. Developing an original campaign is rather expensive and the effect of unrepeatable advertisements is limited. A list of trade magazines is given in appendix 3.5 of this survey.

Participation in trade fairs

Participation in national and international trade fairs can be a useful sales promotion tool in the footwear sector. A list of trade fairs is given in appendix 3.4 of this survey, of which the German GDS fair is the leading one and has visitors (and exhibitors) from many other countries. Other important fairs are the Italian Micam and the French Midec. Besides a heavy financial involvement (travelling, accommodation, sampling etc.), trade fair participation requires advance knowledge and a detailed survey because of its complex nature. A detailed description of the several stages from selection to preparation, to participation in EU trade fairs, including the follow-up can be found in CBI's 'Your Show Master'.

| Criteria | Target group | Cost per contact | Total costs | Dispersion losses |
|---------------------------------|---|------------------|-------------|-------------------|
| Standard printed matter | Existing customers | + | + | + |
| Telephone and mailing campaigns | Existing and potential customers (known by name) | ++ | ++ | ++ |
| Own website | Existing and potential customers (partly unknown) | + | ++ | + |
| Advertising in trade journal | Existing and potential customers (partly unknown) | ++ | ++ | ++ |
| Participating in trade fairs | Existing and potential customers (partly unknown) | +++ | +++ | + |

+++ = high ++ = medium + = low

Appendices

APPENDIX 1 DETAILED CLASSIFICATION OF FOOTWEAR, BY HARMONISED SYSTEM CODE

| HS Code | Product description |
|-------------|--|
| 6401.10.100 | Waterproof footwear with steel toe-cap, outer sole of rubber or plastic, upper of rubber, not stitched together. |
| 6401.10.900 | Waterproof footwear with steel toe-cap, outer sole of rubber or plastic, upper of plastic, not stitched together. |
| 6401.91.100 | Other waterproof footwear, covering the knee, outer sole of rubber or plastic, upper of rubber, not stitched together. |
| 6401.91.900 | Other waterproof footwear, covering the knee, outer sole of rubber or plastic, upper of plastic, not stitched together. |
| 6401.92.100 | Other waterproof footwear, not covering the ankle or knee, outer sole of rubber or plastic, upper of rubber, not stitched together. |
| 6401.92.900 | Other waterproof footwear, not covering the ankle or knee, outer sole of rubber or plastic, upper of plastic, not stitched together. |
| 6401.99.100 | Other waterproof footwear, outer sole of rubber or plastic, upper of rubber, not stitched together. |
| 6401.99.900 | Other waterproof footwear, outer sole of rubber or plastic, upper of plastic, not stitched together. |
| 6402.12.100 | Ski boots, outer sole and upper of rubber or plastic. |
| 6402.12.900 | Snowboard boots, outer sole and upper of rubber or plastic. |
| 6402.19.000 | Other sports footwear, outer sole and upper of rubber or plastic. |
| 6402.20.000 | Footwear, outer and upper of rubber or plastic, upper of straps attached to the sole with plugs. |
| 6402.30.000 | Footwear, incorporating a protective metal toe-cap with uppers of rubber, with outer soles of rubber or plastic. |
| 6402.91.000 | Other footwear, covering the ankle, outer sole of rubber or plastic, upper of rubber. |
| 6402.99.100 | Other footwear, not covering the ankle, outer sole of rubber or plastic, upper of rubber. |
| 6402.99.310 | Other footwear, not covering the ankle, outer sole of rubber or plastic, upper of plastic, with vamp of straps or with pieces cut out, heel including sole more than 3 cm. |
| 6402.99.390 | Other footwear, not covering the ankle, outer sole of rubber or plastic, upper of plastic, with vamp of straps or with pieces cut out, heel including sole 3 cm or less. |
| 6402.99.500 | Slippers and other indoor shoes, not covering the ankle, outer sole and upper of rubber or plastic. |
| 6402.99.910 | Other footwear, not covering the ankle, outer sole of rubber or plastic, plastic cover, inner sole less than 24 cm. |
| 6402.99.930 | Other footwear, not covering the ankle, outer sole of rubber or plastic, upper of plastic, inner sole 24 cm or more. |
| 6402.99.960 | Other footwear, not covering the ankle, upper of plastic, outer sole of rubber or plastic, inner sole 24 cm or more, for men. |
| 6402.99.980 | Other footwear, not covering the ankle, outer sole of rubber of plastic, upper of plastic, inner sole 24 cm or more, for women. |
| 6403.12.000 | Ski-footwear and snowboard boots, upper of leather, outer sole of rubber, plastic or (synthetic) leather. |
| 6403.19.000 | Other sports footwear, upper of leather, outer of rubber, plastic or (synthetic) leather. |
| 6403.20.000 | Footwear, upper of leather straps across the instep or around the big toe, outer sole of leather. |
| 6403.30.000 | Footwear, wooden basis, upper of leather, outer sole of rubber, plastic or (synthetic) leather, without inner sole or steel toe-cap. |
| 6403.40.000 | Footwear, upper of leather, outer sole of rubber, plastic or (synthetic) leather, with steel toecap |
| 6403.51.110 | Footwear, covering the ankle but under the calf, upper and outer sole of leather, inner sole less than 24 cm. |
| 6403.51.150 | Footwear, covering the ankle but under the calf, upper and outer sole of leather, inner sole 24 cm or more, for men. |
| 6403.51.190 | Footwear, covering the ankle but under the calf, upper and outer sole of leather, inner sole 24 cm or more, for women. |
| 6403.51.910 | Other footwear, covering the ankle, upper and outer sole of leather, inner sole less than 24 cm. |

- 6403.51.950 Other footwear, covering the ankle, upper and outer sole of leather, inner sole 24 cm or more, for men.
- 6403.51.990 Other footwear, covering the ankle, upper and outer sole of leather, inner sole 24 cm or more, for women.
- 6403.59.110 Footwear, not covering the ankle, upper and outer sole of leather, with vamp of straps or with pieces cut out, heel including soles more than 3 cm.
- 6403.59.310 Footwear, not covering the ankle, upper and outer sole of leather, with vamp of straps or with pieces cut out, inner sole less than 24 cm, heel including soles 3 cm or less.
- 6403.59.350 Footwear, not covering the ankle, upper and outer sole of leather, with vamp of straps or with pieces cut out, inner sole 24 cm or more, heel including soles 3 cm or less, for men.
- 6403.59.390 Footwear, not covering the ankle, upper and outer sole of leather, with vamp of straps or with pieces cut out, inner sole 24 cm or more, heel including soles 3 cm or less, for women.
- 6403.59.500 Slippers and other indoor shoes, not covering the ankle, upper and outer sole of leather.
- 6403.59.910 Other footwear, not covering the ankle, upper and outer sole of leather, inner sole less than 24 cm.
- 6403.59.950 Other footwear, not covering the ankle, upper and outer sole of leather, inner sole 24 cm or more, for men.
- 6403.59.990 Other footwear, not covering the ankle, upper and outer sole of leather, inner sole 24 cm or less, for women.
- 6403.91.110 Other footwear, covering the ankle but under the calf, upper of leather, outer sole of rubber, plastic or synthetic leather, inner sole less than 24 cm.
- 6403.91.130 Other footwear, with outer soles of rubber, plastic or synthetic leather, with uppers of leather, covering the ankle but under the calf, inner sole 24 cm or more.
- 6403.91.160 Other footwear, covering the ankle but under the calf, upper of leather, outer of rubber, plastic or synthetic leather, inner sole 24 cm or more, for men.
- 6403.91.180 Other footwear, covering the ankle but under the calf, upper of leather, outer sole of rubber, plastic or synthetic leather, inner sole 24 cm or more, for women.
- 6403.91.910 Other footwear, covering the ankle, upper of leather, outer sole of rubber, plastic or synthetic leather, inner sole less than 24 cm.
- 6403.91.930 Other footwear, covering the ankle, outer sole of rubber, plastic or synthetic leather, upper of leather, inner sole 24 cm or more
- 6403.91.960 Other footwear, covering the ankle, outer sole of rubber, plastic or synthetic leather, upper of leather, inner sole 24 cm or more, for men.
- 6403.91.980 Other footwear, covering the ankle, outer sole of rubber, plastic or synthetic leather, upper of leather, inner sole 24 cm or more, for women.
- 6403.99.110 Other footwear, not covering the ankle, upper of leather, outer sole of rubber, plastic or synthetic leather, with vamp of straps or pieces cut out, heel including soles more than 3 cm.
- 6403.99.310 Other footwear, not covering the ankle, upper of leather, outer sole of rubber, plastic or synthetic leather, with vamp of straps or pieces cut out, inner sole less than 24 cm, heel including soles 3 cm or less.
- 6403.99.330 Other footwear, not covering the ankle, upper of leather, outer sole of rubber, plastic or synthetic leather, with vamp of straps or pieces cut out, inner sole 24 cm or more, heel including soles 3 cm or less.
- 6403.99.360 Other footwear, not covering the ankle, upper of leather, outer sole of rubber, plastic or synthetic leather, with vamp of straps or pieces cut out, inner sole 24 cm or more, heel including soles 3 cm or less, for men.
- 6403.99.380 Other footwear, not covering the ankle, upper of leather, outer sole of rubber, plastic or synthetic leather, with vamp of straps or pieces cut out, inner sole 24 cm or more, heel including soles 3 cm or less, for women.
- 6403.99.500 Slippers and other indoor shoes, not covering the ankle, upper of leather, outer sole of rubber, plastic or synthetic leather.
- 6403.99.910 Other footwear, not covering the ankle, upper of leather, outer sole of rubber, plastic or synthetic leather, inner sole less than 24 cm.
- 6403.99.930 Other footwear, not covering the ankle, upper of leather, outer sole of rubber, plastic or synthetic leather, inner sole 24 cm or more.
- 6403.99.960 Other footwear, not covering the ankle, upper of leather, outer sole of rubber, plastic or synthetic leather, inner sole 24 cm or more, for men.
- 6403.99.980 Other footwear, not covering the ankle, upper of leather, outer sole of rubber, plastic or synthetic leather, inner sole 24 cm or more, for women.

6404.11.000 Sports footwear, outer sole of rubber or plastic, upper of textile.
 6404.19.100 Slippers and other indoor shoes, outer sole of rubber or plastic, upper of textile.
 6404.19.900 Other footwear, outer sole of rubber or plastic, upper of textile.
 6404.20.100 Slippers and other indoor shoes, outer sole of (synthetic) leather, upper of textile.
 6404.20.900 Other footwear, outer sole of (synthetic) leather, upper of textile.

6405.10.100 Footwear, upper of (synthetic) leather, outer sole of wood or cork.
 6405.10.900 Footwear, upper of (synthetic) leather, outer sole of other material.
 6405.20.100 Footwear, upper of textile, outer sole of wood or cork.
 6405.20.910 Slippers and other indoor shoes, upper of textile, outer sole of other material.
 6405.20.990 Other footwear, upper of textile, outer sole of other material.
 6405.90.100 Other footwear upper of other material, outer sole of rubber, plastic or (synthetic) leather.
 6405.90.900 Other footwear, upper and outer sole of other material.

6406.10.110 Leather uppers, whether or not attached to soles other than outer soles.
 6406.10.190 Parts of leather uppers (excl. stiffeners).
 6406.10.900 Uppers, whether or not attached to soles other than outer soles and parts thereof.
 6406.20.100 Outer soles and heels of rubber.
 6406.20.900 Outer soles and heels of plastic.
 6406.91.000 Parts of footwear, of wood.
 6406.99.100 Gaiters, leggings and similar articles and parts thereof.
 6406.99.300 Assemblies of uppers affixed to inner soles or to other sole components.
 6406.99.500 Removable in-soles, heel cushions and other removable accessories.
 6406.99.600 Outer soles of shoes, of leather or composition leather.
 6406.99.800 Other parts of footwear.

APPENDIX 2 DETAILED IMPORT AND EXPORT STATISTICS OF FOOTWEAR BY PRODUCT TYPE AND AREA OF ORIGIN INTO THE EU(15), 1999-2001

Table 2.1 Imports of footwear into EU in volume and value, 1999-2001

| | 1999 | | 2000 | | 2001 | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| | mln pairs | mln euro € | mln pairs | mln euro € | mln pairs | mln euro € |
| Waterproof footwear: | | | | | | |
| - Safety | 2.7 | 29 | 2.7 | 29 | 3.0 | 30 |
| - Outdoor | 25.4 | 138 | 24.7 | 128 | 25.4 | 136 |
| | 28.1 | 167 | 27.4 | 157 | 28.4 | 166 |
| Footwear with outer sole and uppers of plastic or rubber: | | | | | | |
| - Sports | 42.2 | 488 | 46.2 | 565 | 46.4 | 538 |
| - Safety | 0.2 | 4 | 0.4 | 7 | 0.5 | 8 |
| - Slippers/indoor | 12.7 | 41 | 12.9 | 42 | 12.6 | 43 |
| - Outdoor | 287.4 | 1,601 | 317.9 | 2,113 | 356.2 | 2,692 |
| | 342.5 | 2,134 | 377.4 | 2,727 | 415.7 | 3,282 |
| Footwear with uppers of leather: | | | | | | |
| - Sports | 36.1 | 599 | 40.4 | 694 | 43.2 | 748 |
| - Safety | 19.7 | 344 | 25.3 | 421 | 27.4 | 442 |
| - Slippers/indoor, outer soles of: | .0 | 0 | 0 | 00 | .0 | 0 |
| - Leather | 3.5 | 20 | 3.1 | 18 | 3.0 | 19 |
| - Rubber or plastic | 11.9 | 85 | 13.1 | 105 | 13.9 | 110 |
| Outdoor footwear, outer soles of: | | | | | | |
| - Leather | 77.6 | 1,540 | 72.1 | 1,646 | 70.9 | 1,738 |
| - Rubber, plastic, synth. leather | 534.5 | 7,863 | 541.5 | 8,808 | 549.4 | 8,979 |
| - Other | 19.9 | 172 | 15.8 | 148 | 15.0 | 163 |
| | 703.2 | 10,623 | 711.3 | 11,840 | 722.8 | 12,199 |
| Footwear with uppers of textiles: | | | | | | |
| - Sports | 113.8 | 1,334 | 113.6 | 1,529 | 110.1 | 1,704 |
| - Slippers/indoor, outer soles of: | | | | | | |
| - Leather | 3.0 | 11 | 2.5 | 11 | 3.0 | 13 |
| - Rubber or plastic | 79.8 | 224 | 89.9 | 251 | 94.7 | 260 |
| - Other outer soles | 93.9 | 156 | 94.6 | 180 | 88.8 | 155 |
| Outdoor footwear, outer soles of: | | | | | | |
| - Rubber or plastic | 0 | 0 | 0 | 0 | .0 | 0 |
| - Leather | 157.7 | 792 | 157.0 | 882 | 123.3 | 687 |
| - Leather | 5.3 | 79 | 4.4 | 72 | 5.5 | 81 |
| - Other | 23.6 | 57 | 13.1 | 51 | 9.5 | 37 |
| | 477.1 | 2,653 | 475.1 | 2,976 | 434.9 | 2,937 |
| Footwear with other uppers | 30.2 | 124 | 24.2 | 115 | 23.0 | 109 |
| Parts of footwear | 6.8 | 1,929 | 7.5 | 2,093 | 9.3 | 2,294 |
| Total imports of footwear | 1587.9 | 17,631 | 1622.9 | 19,908 | 1634.1 | 20,986 |
| Of which from: | | | | | | |
| Extra-EU | 916.9 | 7,826 | 972.9 | 9,405 | 1017.5 | 10,242 |
| Developing countries | 731.1 | 5,523 | 785.0 | 6,732 | 831.2 | 7,421 |

Source: Eurostat 2002

Table 2.2 Imports of total footwear into EU by area of origin, 1999-2001

| | 1999 | | 2000 | | 2001 | |
|-------------------------------------|--------------|---------------|--------------|---------------|--------------|---------------|
| | mln pairs | mln euro € | mln pairs | mln euro € | mln pairs | mln euro € |
| From other EU countries: | | | | | | |
| - Italy | 244 | 3,291 | 240 | 3,215 | 201 | 3,323 |
| - Portugal | 81 | 1,357 | 76 | 1,336 | 76 | 1,390 |
| - Spain | 103 | 1,145 | 93 | 1,108 | 92 | 1,166 |
| - The Netherlands | 56 | 697 | 67 | 939 | 61 | 996 |
| - Belgium | 61 | 1,060 | 62 | 1,254 | 69 | 1,565 |
| - Germany | 40 | 755 | 44 | 812 | 45 | 862 |
| - Other EU countries | 86 | 1,496 | 74 | 2,031 | 71 | 1,445 |
| Total intra-EU | 671 | 9,801 | 656 | 10,695 | 615 | 10,747 |
| From developing countries: | | | | | | |
| <i>Asia</i> | | | | | | |
| - China | 304 | 1,380 | 324 | 1,802 | 341 | 1,960 |
| - Vietnam | 178 | 1,283 | 190 | 1,637 | 210 | 1,856 |
| - Indonesia | 65 | 577 | 63 | 668 | 61 | 697 |
| - India | 29 | 428 | 30 | 481 | 33 | 585 |
| - Thailand | 34 | 297 | 34 | 310 | 33 | 355 |
| - Macao | 9 | 84 | 15 | 144 | 16 | 168 |
| - Cambodia | 6 | 35 | 11 | 68 | 13 | 84 |
| - Other | 41 | 326 | 44 | 355 | 42 | 293 |
| <i>Mediterranean</i> | | | | | | |
| - Tunisia | 11 | 263 | 14 | 320 | 16 | 355 |
| - Morocco | 12 | 161 | 13 | 175 | 15 | 199 |
| - Croatia | 7 | 145 | 7 | 164 | 9 | 181 |
| - Albania | 1 | 67 | 1 | 75 | 2 | 99 |
| - Bosnia/Herzegovina | 3 | 46 | 4 | 69 | 4 | 73 |
| - Slovenia | 3 | 61 | 2 | 57 | 2 | 60 |
| - Other | 13 | 107 | 18 | 125 | 18 | 186 |
| <i>Central & South America</i> | | | | | | |
| - Brazil | 13 | 197 | 13 | 227 | 12 | 222 |
| - Other | 1 | 24 | 1 | 20 | 1 | 16 |
| - Other | 4 | 42 | 5 | 35 | 3 | 32 |
| Total developing countries | 731 | 5,523 | 785 | 6,732 | 831 | 7,421 |
| From other countries: | | | | | | |
| <i>Western Europe</i> | | | | | | |
| - Switzerland | 2 | 60 | 3 | 75 | 2 | 109 |
| - Other | 0 | 5 | 0 | 9 | 1 | 8 |
| <i>Central & Eastern Europe</i> | | | | | | |
| - Romania | 45 | 661 | 53 | 862 | 63 | 1,155 |
| - Hungary | 14 | 293 | 15 | 317 | 16 | 336 |
| - Poland | 17 | 159 | 15 | 156 | 18 | 163 |
| - Slovakia | 10 | 175 | 13 | 228 | 14 | 259 |
| - Bulgaria | 7 | 103 | 7 | 123 | 10 | 176 |
| - Other | 17 | 266 | 16 | 229 | 17 | 260 |
| <i>North America</i> | | | | | | |
| - USA | 5 | 88 | 4 | 89 | 3 | 86 |
| - Other | 1 | 10 | 0 | 8 | 0 | 8 |
| <i>Asia</i> | | | | | | |
| - Taiwan | 44 | 232 | 43 | 221 | 21 | 118 |
| - Hong Kong | 19 | 216 | 11 | 131 | 9 | 99 |
| - Other | 5 | 35 | 2 | 28 | 2 | 36 |
| - Other | 0 | 4 | 0 | 5 | 10 | 5 |
| Total other countries | 186 | 2,307 | 182 | 2,481 | 188 | 2,818 |
| Total | 1,588 | 17,631 | 1,623 | 19,908 | 1,634 | 20,986 |

Table 2.3 Exports of footwear by EU in volume and value, 1999-2001

| | 1999 | | 2000 | | 2001 | |
|--|--------------|---------------|--------------|---------------|---------------|---------------|
| | mln pairs | mln euro € | mln pairs | mln euro € | mln pairs | mln euro € |
| Waterproof footwear: | | | | | | |
| - Safety | 2.1 | 28 | 2.6 | 33 | 3.1 | 40 |
| - Outdoor | 23.2 | 128 | 21.9 | 128 | 22.1 | 130 |
| | 25.3 | 156 | 24.5 | 161 | 25.2 | 170 |
| Footwear with outer sole and uppers of plastic or rubber: | | | | | | |
| - Sports | 22.8 | 496 | 21.3 | 549 | 21.1 | 545 |
| - Safety | 0.3 | 5 | 0.4 | 5 | 0.6 | 8 |
| - Slippers/indoor | 10.0 | 43 | 10.8 | 43 | 8.1 | 35 |
| - Outdoor | 104.2 | 863 | 113.1 | 1120 | 119.6 | 1,517 |
| | 137.3 | 1,407 | 145.6 | 1717 | 149.4 | 2,105 |
| Footwear with uppers of leather: | | | | | | |
| - Sports | 23.2 | 525 | 25.5 | 603 | 23.8 | 624 |
| - Safety | 15.7 | 320 | 18.4 | 370 | 20.1 | 399 |
| - Slippers/indoor, outer soles of: | | | | | | |
| - Leather | 4.1 | 25 | 4.7 | 26 | 3.8 | 28 |
| - Rubber or plastic | 8.5 | 72 | 8.9 | 81 | 8.2 | 107 |
| Outdoor footwear, outer soles of: | | | | | | |
| - Leather | 139.0 | 3,494 | 141.7 | 3,989 | 136.9 | 4,303 |
| - Rubber, plastic, synth. leather | 379.0 | 7,017 | 371.8 | 7,653 | 356.0 | 7,949 |
| - Other | 10.9 | 144 | 9.6 | 132 | 8.8 | 144 |
| | 580.4 | 11,597 | 580.6 | 12,854 | 557.6 | 13,554 |
| Footwear with uppers of textiles: | | | | | | |
| - Sports | 47.0 | 803 | 43.7 | 830 | 113.5 | 1,092 |
| - Slippers/indoor, outer soles of: | | | | | | |
| - Leather | 2.1 | 13 | 1.3 | 12 | 1.2 | 12 |
| - Rubber or plastic | 40.4 | 148 | 41.4 | 155 | 39.4 | 166 |
| - Other outer soles | 16.7 | 46 | 20.1 | 54 | 22.4 | 48 |
| Outdoor footwear, outer soles of: | | | | | | |
| - Rubber or plastic | 57.5 | 464 | 56.6 | 482 | 46.1 | 384 |
| - Leather | 9.6 | 187 | 8.6 | 170 | 7.2 | 148 |
| - Other | 10.9 | 52 | 8.7 | 60 | 8.4 | 57 |
| | 184.2 | 1,713 | 180.4 | 1,763 | 238.2 | 1,907 |
| Footwear with other uppers | 29.2 | 189 | 26.4 | 194 | 41.4 | 188 |
| Parts of footwear | 2.2 | 1,505 | 1.4 | 1,705 | 2.7 | 1,862 |
| Total exports of footwear | 958.6 | 16,567 | 958.8 | 18,394 | 1014.5 | 19,786 |
| Of which: | | | | | | |
| Outside the EU | 238.9 | 5,457 | 246.7 | 6,485 | 322.7 | 7,064 |

APPENDIX 3 USEFUL ADDRESSES

3.1 Standards organisation

ISO (International Standard Organisation)

E-mail: central@iso.org
Internet: <http://www.iso.org>

CEN (Comité Européen de Normalisation)

E-mail: infodesk@cenorm.be
Internet: <http://www.cenorm.be>

3.2 Sources of price information

An overview of consumer prices can be obtained by:

- Window-shopping in the prospective market place, at several retail shops is another good way of obtaining information about prices at retail or consumer level, but also about fashion, colours and qualities
- Browsing through the catalogues of mail-order houses on Internet, for instance sites in The Netherlands: <http://www.neckerman.nl> ; <http://www.wehkamp.nl>
Germany: <http://www.neckermann.de> ; <http://www.quelle.de> ; <http://www.otto.de>
France: <http://www.redoute.fr>
UK: <http://www.gusplc.co.uk> (with links to <http://www.argos.uk>, <http://www.choiceshopping.com> and others) ; <http://www.littlewoods.co.uk> ; <http://www.lookagain.co.uk> ; <http://www.empirestores.co.uk>
- Comparisons can also be found in the prices given in catalogues of large department stores or on company web sites.

Prices charged by competitors can be found by browsing their Internet sites or looking for general sites like: <http://www.globalsources.com> or <http://www.alibaba.com>

3.3 Trade associations

Associations in the footwear industry

EU:

CEC

E-mail: cec@videc.be
Website: <http://www.cecshoe.be>

FRANCE:

FFC

E-mail: info@chaussuredefrance.com
Website: <http://www.chaussuredefrance.com>

GERMANY:

HDS

E-mail: hds-schuh@t-online.de
Website: <http://www.hds-schuh.de>

ITALY:

ANCI

E-mail: info@anci-calzature.com
Website: <http://www.micamonline.com>

THE NETHERLANDS:

FNS

E-mail: fns@wispa.nl

SPAIN:

FICE

E-mail: fice@inescop.es
Website: <http://www.fice.es>

UK:

BFA

E-mail: bfa@easynet.co.uk
Website: <http://www.britfoot.com>

Associations of wholesalers

THE NETHERLANDS:

Vimagro (wholesalers organisation)

E-mail: vimagro@wispa.nl

Associations of retailers

EU:

CEDDEC (European Confederation Shoe Retailers Associations)

E-mail: info@ceddec.at
Website: <http://www.ceddec.at>

FRANCE:

Fédération Nationale des Détaillants en Chaussures de France

E-mail: fdc@chaussure.org
Website: <http://www.chaussure.org>

GERMANY:

Bundesverband des Deutschen Schuheinzelhandels e.V.

E-mail: bvb-verband@net.cologne.de
Website: <http://www.>

ITALY:

Federalzature

E-mail: federalzature@confcommerio.it

THE NETHERLANDS:

Mitex-Schoenen

E-mail: p.feenstra@mitex.nl

UK:

Independent Footwear Retailers Association

E-mail: Sba@net.comuk.co.uk

3.4 Trade fair organisers

FRANCE:

MIDEC (International Shoe Fashion Fair)

Segments: Footwear for men, women, juniors and children
Frequency: Twice a year (March and September)
E-mail: org@midec-paris.tm.fr
Website: <http://www.midec-paris.tm.fr>

GERMANY:

GDS (International Shoe Fair)

Segments: The entire range of footwear and leather accessories
Frequency: Twice a year (March and September)
In February and August, presentation of new trends in Salon Schuh Aktuell
E-mail: info@messe-duesseldorf.de
Website: <http://www.gds-shoe-fair.com>

ISPO (International trade fair for sports equipment and fashion)

Segments: Active sportswear, fashion sport and sporting goods, including footwear
Frequency: Twice a year (February and July/August)
Internet: <http://www.messe-muenchen.de>
E-mail: weber@messe-muenchen.de

ITALY:

MICAM (Micam/Modacalzatura – International Footwear Exhibition)

Segments: broad range of footwear
Frequency: Twice a year (March and September)
E-mail: segretaria@micamonline.com
Website: <http://www.micamonline.com>

Expo Riva Shoe

Segments: high fashion footwear
Frequency: Twice a year (January and June)
E-mail: info@palacongressi.it
Website: <http://www.palacongressi.it>

Fashion Shoe

Segments: Mid market, mid-upper and top range footwear
Frequency: Twice a year (January and June)
E-mail: dir.gen@bolognafiere.it
Website: <http://www.bolognafiere.it>

SPAIN:

Expocalzado (International Footwear Fair)

Segments: Footwear and leather goods
Frequency: Twice a year (March and September)
E-mail: ifa@feria-alicante.com
Website: <http://www.feria-alicante.com>

Modacalzado (Footwear and Leather Fashion Trade Fair)

Segments: Footwear and leather goods
Frequency: Twice a year (April and September/October)
E-mail: infoferna@ifema.es
Website: <http://www.ifema.es>

3.5 Trade press

International fashion magazines for design, styling and forecasting

Il Mondo della Calzatura (Shoe World)

Publisher: Giardano Emporio SrL
Via Einandi 206 Civitanova Marche, Italy
Phone: +39 (0) 733 829 651
E-mail: infogiordane@doriaf.com
Frequency: 10 issues/year
Languages: Italian and English
Content: (forecasting) fashion information

ARS/Arpel

Publisher: ARS Arpel Group srl
Via I. Nievo 33, 20145 Milan, Italy
Phone: +39 2 319121
Fax: +39 2 33611.619
E-mail: arsarpel@arsapel.it
Frequency: 4 issues/year
Languages: English, French, Spanish, German, Italian
Content: Magazine for the international leather goods fashion. Information and fashion trends in leather goods and accessories.

Vogue Pelle

Publisher: Edizione Conde Nast S.p.A.
Piazza Castello 27, 20121 Milan, Italy
Phone: +39 2 85611
Fax: +39 2 8055716
Frequency: 2 issues/year
Language: Italian
Content: Fashion information on leather goods, including footwear.

Sportswear International

Publisher: Deutscher Fachverlag GmbH
Mainzer Landstrasse 251, D-60326 Frankfurt
am Main, Germany
Phone: +49 (0) 69 7595 1987
Fax: +49 (0) 69 7595 12200
Frequency: 6 times a year
Language: English
Content: International fashion trends in jeanswear, leisurewear, accessories etc.

International magazines with information about production and trade in footwear

World Footwear

E-mail: wl@worldtrades.co.uk
Website: <http://www.worldleather.co.uk>
Frequency: 12 issues/year
Language: English
Content: Global magazine, especially interesting for manufacturers

Schuhmarkt

E-mail: i.schuergers@broenner-umschau.de
Frequency: 12 issues/year
Language: German
Content: Official magazine for German retail association (Bundesverband des Deutschen Schuheinzelhandels). Developments in production and trade, fashion information etc., mainly focused on the German market.

Schoenvisie

E-mail: e.faber@bp.vnu.com
Website: <http://www.schoenvisie.nl>
Frequency: 11 issues/year
Language: Dutch
Content: Developments in production and trade, fashion information etc., mainly focused on the Netherlands market.

Chausser Magazine

E-mail: contact@chaussermagazine.com
Website: <http://www.chaussermagazine.com>
Frequency: 10 issues/year
Languages: French
Content: Developments in production and trade, fashion information etc., mainly focused on the French market.

3.6 Other useful addresses

Quota, import duties, import licences

The following organisations can supply useful information on quota, import duties, import licences and other trade regulations.

Chamber of Commerce & Industries for Rotterdam and the Lower-Meuse

E-mail: post@rotterdam.kvk.nl
Internet: <http://www.kvk.nl>

Chamber of Commerce & Industries for Amsterdam

E-mail: post@amsterdam.kvk.nl
Internet: <http://www.amsterdam.kvk.nl>

Import duties

Netherlands Customs Directorate

E-mail: info@douane.nl
Internet: <http://www.douane.nl>

Import duties, tariffs, taxes and regulations

Ministry of Finance, Department for Tariffs and Quota

E-mail: minfin@minfin.nl
Internet: <http://www.minfin.nl>

Import licences, certificates, procedures:

Central Services for Import & Export

Internet: <http://www.belastingdienst.nl>

More information about the market and other general information can be obtained from the following addresses:

Netherlands Foreign Trade Agency

Part of the Ministry of Economic Affairs

E-mail: infoservice@evd.nl
Internet: <http://www.hollandtrade.com>

Labour conditions:

ILO (International Labour Organisation)

Internet: <http://www.ilo.org>

The following trade directories for various European countries are free and available in different languages.

Kompass

E-mail: info@kompass.nl
Internet: <http://www.kompass.nl>

ABC of trade and industry

E-mail: info@abc-d.nl
Internet: <http://www.abc-d.nl>

Europages

E-mail: comments@europages.com
Internet: <http://www.europages.com>

General information:

AccessGuide

CBI's database on European non-tariff trade barriers

E-mail: accessguide@cbi.nl

Internet: <http://www.cbi.nl/accessguide>

Contact point EU ECO-label:

Commission of the European Communities, DG XI-A-2

E-mail: dgxiweb@dg11,cec.be

Internet: <http://www.europa.eu.int/comm/dg11>

The Netherlands competent body for the Milieukeur environmental label:

Stichting Milieukeur (Environmental Review Organisation)

E-mail: ecomarkt@ecomarkt.nl

Internet: <http://www.milieukeur.nl>

Contact points for the Öko-Tex hallmark:

Zertifizierungsstelle

Address: Frankfurter Straße 10-14, D-65760 Eschborn,
Germany

Phone: +49 (0) 6196 966230

Fax: +49 (0) 6196 966226

Forschungsinstitut Hohenstein

E-mail: info@hohenstein.de

Internet: <http://www.hohenstein.de>

Contact points for the SG (Schadstoffgeprüft Zeichen) hallmark:

TÜV Rheinland Sicherheit und Umweltschutz GmbH

Internet: <http://www.tuev-rheinland.de>

Institut Fresenius Gruppe

Internet: <http://www.institut-fresenius.de>

Prüf- und Forschungsinstitut Pirmasens

Address: Hans-Sachs-Straße 2, D-66955 Pirmasens,
Germany

Phone: +49 (0) 6331 74016

Fax: +49 (0) 6331 74507

APPENDIX 4 LIST OF DEVELOPING COUNTRIES

Please note that the OECD list of developing countries, as applied in this market survey, may include countries that are usually not considered as developing countries (e.g. South Korea).

| | | |
|----------------------|-------------------------|----------------------------|
| Afghanistan | Guatemala | Pakistan |
| Albania | Guinea | Palau Islands |
| Algeria | Guinea-Bissau | Palestinian Admin. Areas |
| Angola | Guyana | Panama |
| Anguilla | Haiti | Papua New Guinea |
| Antigua and Barbuda | Honduras | Paraguay |
| Argentina | India | Peru |
| Armenia | Indonesia | Philippines |
| Aruba | Iran | Rwanda |
| Azerbaijan | Iraq | São Tomé & Príncipe |
| Bahrain | Jamaica | Saudi Arabia |
| Bangladesh | Jordan | Senegal |
| Barbados | Kazakhstan | Seychelles |
| Belize | Kenya | Sierra Leone |
| Benin | Kiribati | Slovenia |
| Bhutan | Korea, Rep. of | Solomon Islands |
| Bolivia | Korea, South | Somalia |
| Bosnia & Herzegovina | Kyrgyz Rep. | South Africa |
| Botswana | Laos | Sri Lanka |
| Brazil | Lebanon | St. Helena |
| Burkina Faso | Lesotho | St. Kitts-Nevis |
| Burundi | Liberia | St. Lucia |
| Cambodia | Libya | St. Vincent and Grenadines |
| Cameroon | Macao | Sudan |
| Cape Verde | Macedonia | Surinam |
| Central African rep. | Madagascar | Swaziland |
| Chad | Malawi | Syria |
| Chile | Malaysia | Tajikistan |
| China | Maldives | Tanzania |
| Colombia | Mali | Thailand |
| Comoros | Malta | Timor |
| Congo | Marshall Islands | Togo |
| Cook Islands | Mauritania | Tokelau |
| Costa Rica | Mauritius | Tonga |
| Côte d'Ivoire | Mayotte | Trinidad & Tobago |
| Croatia | Mexico | Tunisia |
| Cuba | Micronesia, Fed. States | Turkey |
| Djibouti | Moldova | Turkmenistan |
| Dominica | Mongolia | Turks & Caicos Islands |
| Dominican republic | Montserrat | Tuvalu |
| Ecuador | Morocco | Uganda |
| Egypt | Mozambique | Uruguay |
| El Salvador | Myanmar | Uzbekistan |
| Equatorial Guinea | Namibia | Vanuatu |
| Eritrea | Nauru | Venezuela |
| Ethiopia | Nepal | Vietnam |
| Fiji | Netherlands Antilles | Virgin Islands (UK) |
| French Polynesia | New Caledonia | Wallis & Futuna |
| Gabon | Nicaragua | Western Samoa |
| Gambia | Niger | Yemen |
| Georgia | Nigeria | Yugoslavia, Fed. Rep. |
| Ghana | Niue | Zaire |
| Gibraltar | Northern Marianas | Zambia |
| Grenada | Oman | Zimbabwe |

APPENDIX 5 SHOE SIZE EQUIVALENTS

Based on the measurement of the foot length (see illustration below) the following approximate sizes can be derived. It has to be noted that it is very difficult to find a conversion between the different shoe-size systems. Manufacturers as well as retail organisations (mail-order companies!) use several size systems with specific characteristics.

| Children | | | |
|-------------------------|--------------------|---------------------|----------------------|
| Metric Size (mm) | French Size | English Size | American Size |
| 110 | - | 1 | 1½ |
| 114 | 17 | 1½ | 2 |
| 118 | 18 | 2 | 2½ |
| 122 | - | 2½ | 3 |
| 127 | 19 | 3 | 3½ |
| 131 | 20 | 3½ | 4 |
| 135 | - | 4 | 4½ |
| 140 | 21 | 4½ | 5 |
| 144 | 22 | 5 | 5½ |
| 148 | - | 5½ | 6 |
| 153 | 23 | 6 | 6½ |
| 157 | 24 | 6½ | 7 |
| 161 | - | 7 | 7½ |
| 165 | 25 | 7½ | 8 |
| 169 | 26 | 8 | 8½ |
| 173 | - | 8½ | 9 |

| Youth | | | |
|-------------------------|--------------------|---------------------|----------------------|
| Metric Size (mm) | French Size | English Size | American Size |
| 177 | 27 | 9 | 9½ |
| 182 | - | 9½ | 10 |
| 186 | 28 | 10 | 10½ |
| 190 | - | 10½ | 11 |
| 194 | 29 | 11 | 11½ |
| 198 | 30 | 11½ | 12 |
| 202 | - | 12 | 12½ |
| 207 | 31 | 12½ | 13 |
| 211 | - | 13 | 13½ |
| 215 | 32 | 13½ | 1 |
| 219 | 33 | 1 | 1½ |

Boys

| Metric Size (mm) | French Size | English Size | American Size |
|------------------|-------------|-----------------|-----------------|
| 223 | - | 1 $\frac{1}{2}$ | 2 |
| 227 | 34 | 2 | 2 $\frac{1}{2}$ |
| 231 | 35 | 2 $\frac{1}{2}$ | 3 |
| 235 | - | 3 | 3 $\frac{1}{2}$ |
| 239 | 36 | 3 $\frac{1}{2}$ | 4 |
| 244 | 37 | 4 | 4 $\frac{1}{2}$ |
| 248 | - | 4 $\frac{1}{2}$ | 5 |
| 252 | 38 | 5 | 5 $\frac{1}{2}$ |
| 257 | - | 5 $\frac{1}{2}$ | 6 |
| 262 | 39 | 6 | 6 $\frac{1}{2}$ |

Women

| Metric Size (mm) | French Size | English Size | American Size |
|------------------|-------------|-----------------|-----------------|
| 223 | - | 1 $\frac{1}{2}$ | 3 |
| 227 | 34 | 2 | 3 $\frac{1}{2}$ |
| 231 | 35 | 2 $\frac{1}{2}$ | 4 |
| 236 | - | 3 | 4 $\frac{1}{2}$ |
| 240 | 36 | 3 $\frac{1}{2}$ | 5 |
| 244 | 37 | 4 | 5 $\frac{1}{2}$ |
| 249 | - | 4 $\frac{1}{2}$ | 6 |
| 253 | 38 | 5 | 6 $\frac{1}{2}$ |
| 257 | 39 | 5 $\frac{1}{2}$ | 7 |
| 262 | - | 6 | 7 $\frac{1}{2}$ |
| 266 | 40 | 6 $\frac{1}{2}$ | 8 |
| 271 | - | 7 | 8 $\frac{1}{2}$ |
| 275 | 41 | 7 $\frac{1}{2}$ | 9 |

Men

| Metric Size (mm) | French Size | English Size | American Size |
|------------------|-------------|------------------|------------------|
| 257 | - | 5 $\frac{1}{2}$ | 6 |
| 262 | 39 | 6 | 6 $\frac{1}{2}$ |
| 266 | 40 | 6 $\frac{1}{2}$ | 7 |
| 270 | - | 7 | 7 $\frac{1}{2}$ |
| 275 | 41 | 7 $\frac{1}{2}$ | 8 |
| 279 | 42 | 8 | 8 $\frac{1}{2}$ |
| 283 | - | 8 $\frac{1}{2}$ | 9 |
| 288 | 43 | 9 | 9 $\frac{1}{2}$ |
| 292 | 44 | 9 $\frac{1}{2}$ | 10 |
| 296 | - | 10 | 10 $\frac{1}{2}$ |
| 301 | 45 | 10 $\frac{1}{2}$ | 11 |
| 305 | 46 | 11 | 11 $\frac{1}{2}$ |
| 309 | - | 11 $\frac{1}{2}$ | 12 |
| 313 | 47 | 12 | 12 $\frac{1}{2}$ |
| 317 | - | 12 $\frac{1}{2}$ | 13 |
| 322 | 48 | 13 | 13 $\frac{1}{2}$ |

APPENDIX 6 USEFUL INTERNET SITES

<http://www.shoefonet.com>

Shoe Info Net is a worldwide information centre, supplying news and information about all aspects of shoe production, leather, production techniques, trade fairs and other events, footwear fashion trends. This rather complete and very interesting site for all partners in the footwear business also gives links to home pages of many organisations.

<http://www.cecshoe.be>

CEC is the official representative body of the European Confederation of the Footwear Industry. CEC represents 14 national footwear federations of the EU and also the observer CEECs, as well as Tunisia and Morocco. An overview is given of the EU Research Institutes for Shoes, information for consumers, external trade and social aspects. The target group of this site is primarily the European footwear industry, but there is plenty of interesting information for exporters to the EU, other than the so-called observer countries. There are 14 links to interesting footwear websites.

<http://www.shoelinks.com>

This website shows a collection of more than a hundred homepages of footwear brands, classified in several categories (men, women, athletes, unisex etc). The site gives a good idea of the latest collections of a large numbers of manufacturers, mainly in Europe and the USA.

<http://www.worldshoe.com>

In two languages (Spanish and English) a large number of articles about the latest developments in the footwear industry, country profiles specified as to footwear and leather, events (trade fairs etc.) etc. It is possible, once in two weeks, to receive the latest news from the shoe industry by E-mail (for free); E-commerce (business to business) is also possible.

<http://www.satrap.co.uk>

Satrap is a leading international research and technology organisation for consumer goods industries covering footwear, clothing, leather, etc.; besides an overview of publications, events etc. an overview is given of the test equipment. However, many of the services offered (laboratory tests, comfort and fitting services, technical arbitration), specific publications and magazines are offered exclusively to Satrap members.

<http://www.worldchambers.com>

World Chambers of Commerce Network, giving an index of chambers of commerce world-wide (national, regional and local). The feature 'International Trade Opportunities' is a business match-making platform and has a search engine. Each feature can be searched by continent and gives a country list in alphabetical order.

CBI's EU market survey 'Footwear' includes a detailed list of addresses of major buyers in The Netherlands and a short list of buyers in other EU countries including (if available) websites and E-mail addresses. More information and more addresses can be found on several websites, for instance, the following trade directories are available (without charge) for various European countries in different languages: Kompass: <http://www.kompass.nl>; ABC of trade and industry: <http://www.abc-d.nl>; Europages: <http://www.europages.com>.

CBI: YOUR EUROPEAN PARTNER FOR THE EUROPEAN MARKET

The CBI (Centre for the Promotion of Imports from developing countries) is an agency of the Dutch Ministry of Foreign Affairs. The CBI was established in 1971. The CBI's mission is to contribute to the economic development of developing countries by strengthening the competitiveness of companies from these countries on the EU market. The CBI considers social values and compliance with the most relevant environmental requirements to be an integral part of its policy and activities.

CBI offers various programmes and services to its target groups:

Market information

A wide variety of tools to keep exporters and Business Support Organisations (BSOs) in developing countries in step with the very latest development on the EU market.

These include market surveys and strategic marketing guides for more than 40 product groups, manuals on export planning and other topics, fashion and interior forecasts and the CBI News Bulletin, a bi-monthly magazine. This information can also be obtained from our website at www.cbi.nl For all information on non-tariff trade barriers in the EU CBI has a special database, AccessGuide, at www.cbi.nl/accessguide

And finally CBI's Business Centre is offering free office facilities, including telephones, computers, internet and copiers for eligible exporters and BSOs. Market reports, international trade magazines, cd-roms and much more can be consulted in the information section of the business centre.

Company matching

The company matching programme links well-versed suppliers in developing countries to reliable importing companies in the EU and vice versa. The online matching database contains profiles of hundreds of CBI-audited and assisted exporters in developing countries that are ready to enter into various forms of business relationships with companies in the EU, as well as many EU companies interested in importing or other forms of partnerships such as subcontracting or private labelling.

Export development programmes (EDPs)

EDPs are designed to assist entrepreneurs in developing countries in entering and succeeding on the EU market and/or in consolidating or expanding their existing market share. Selected participants receive individual support over a number of years by means of on site consultancy, training schemes, trade fair participation,

business-to-business activities and general export market entry support. Key elements usually include technical assistance in fields such as product adaptation, improving production, implementing regulations and standards and export marketing and management assistance.

Training programmes

Training programmes for exporters and BSOs on, among others, general export marketing and management; trade promotion; management of international trade fair participations and developing client-oriented market information systems. The duration of the training programmes vary between two days and two weeks and are organized in Rotterdam or on location in developing countries.

BSO development programme

Institutional support for capacity building for selected business support organisations.

The programme is tailored to the specific needs of participating BSOs and can include train-the-trainer assistance, market information systems support and staff training. CBI's role is advisory and facilitative.

Please write to us in English, the working language of the CBI.

Centre for the Promotion of Imports from developing countries
Centrum tot Bevordering van de Import uit de ontwikkelingslanden

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