

Italy holds firm in face of turbulence

The president of ANCI, the influential National Association of Italian Footwear Manufacturers, Vito Artioli, has begun to talk about an end to the "crisis" the industry there has gone through this decade. He feels that the sector as a whole has achieved a series of changes that make him more optimistic about 2008 than he might have expected to be at one time.

Companies have survived the time of crisis by deploying a variety of tools, with the most successful having moved their business models into new international markets, or into the higher segments of the footwear market. But this has not, and cannot, work for all of Italy's footwear producers, which makes the association president say: "Indicators for the medium term still show highs and lows that prevent us from announcing definitively that the crisis is over."

According to a survey that ANCI carried out among members at the end of 2007, production costs have risen by around 3%. Nevertheless, many Italian producers have been able to push their own prices higher, more than making up for the increases.

Mr Artioli puts the average price increase his members were able to achieve in 2007 at 6.6%, and makes a point of adding that this is only due in part to an increase in the 'list' price of Italian shoes in general; the reported price increases by many companies in the survey are a direct

result of offering more footwear at the higher end of the market. In other words, they're earning more money because the shoes they're offering are of higher quality.

Export markets—so important to the Italian footwear industry—continue to produce interesting results. In the first eight months of last year, the period the survey covers, ANCI members

Italy is still the country most synonymous with classy footwear.

exported 178.5 million pairs of shoes, 5 million more than in the same timeframe the previous year and achieving sales revenues for the sector of €4.8 billion. Mr Artioli points out that the increase in the value of leather footwear exports, "the traditional area of specialisation of Italian production", was 8.5%, while the rise in volumes shipped was much lower at just under 1%.

Rising revenues on fairly steady unit volumes would seem to reinforce the message that there is a strong market for top quality footwear products. Nevertheless, the association's president is also realistic enough to know that shoes with a 'Made in Italy' label have no divine right to sell.

For the time period under discussion, the first two-thirds of last year, volumes of sales to "critical markets" dropped, even if the price consumers were willing to pay for Italian shoes led to a positive result overall. Volumes of Italian shoes shipped to the US were down by 15.6%, and the results in the Japanese market were 2% lower in value and 2.9% lower in volume.

More positive performances came in Spain (value up by 12.8%, and this in a country that is itself expanding its presence in the upper echelons of the global footwear market in competition with Italy), the UK (up by 10.9%) and France (6.7%).



In spite of high-volume imports, high-value exports gave the Italian footwear sector a "trade surplus" of €2.5 billion for the first eight months of 2007.
PHOTO: GDS.



A new survey by ANCI shows that Italian footwear producers are earning more money in export markets because more of them than ever are making shoes of higher quality. PHOTO: GDS

At the same time, the domestic market is proving far from easy for Italian brands. "Italian families continue to put off making large purchases because of a feeling of uncertainty and slow growth in disposable income," Vito Artioli observes. "Footwear companies have proven their ability to understand how to leverage the rising trend on the international market, but there is little they can do if domestic demand slows."

The economic outlook for Italy in 2008, as with many of the world's big economies, is unsure. Mr Artioli feels there was optimism throughout the country in the third quarter of 2007, but that recent unemployment statistics "have not aligned with the good performance of the year", with the number of manufacturing companies active in Italy and the number of people they employ both showing declines at the end of December.

The domestic market also throws up the problem of footwear imports into Italy. There is mixed news here for

ANCI members. First, shoes with synthetic or fabric uppers increased substantially in volume (almost 12%), but the fierce competition in the consumer goods sector forced unit prices of these products down by an average of 6.9%. The volume of shoes with leather uppers coming into Italy from elsewhere, a category that is in much more direct competition with ANCI output, was 2.3% down.

Nevertheless, almost 300 million pairs of shoes entered Italy during those first eight months of the year and Italian consumers spent €2.3 billion on them, which represents an overall increase of 4.1% on the comparable 2006 figure.

Italy, the country most synonymous with classy shoes, achieved a footwear "trade surplus" of €2.5 billion over the period under scrutiny in the survey, which represents growth of 15.3% compared to the year before. And this is good news, as Vito Artioli acknowledges, even if it has fallen short of putting a smile back on the faces of most of the footwear executives he represents.

He says: "The figures from the survey confirm positive trends in the sector, but also a lack of confidence among companies because of major instability in the domestic and international markets. In terms of exports, Italian manufacturers are still wary of a possible slowdown in world demand, while the domestic market is still burdened by political uncertainty and the continuation of a less than ideal economic situation in Italian households. The fact that Spain has inched ahead of Italy in terms of per capita gross domestic product is mainly symbolic, but it is still worrying."

He concludes by saying that the Italian footwear industry began to show signs of recovery in 2006, even if, then, it was only that the pace of downward trends slowed markedly. Last year confirmed this trend, with negative results turning into positive ones for some of the most important measures at last. ANCI's hope is that its member companies will be able to take advantage of this upward trend in 2008 and keep it going. 