

The changing face of Chinese footwear

Anyone lucky enough to visit China regularly in recent years will have noticed the unrelenting pace of change there.

Hopes of growth in 100 sectors of the global economy are pinned on China at the moment, which is why groups as diverse as advertising agencies and rail transport equipment manufacturers are falling over themselves to establish a presence there.

In terms of retail in general, and footwear retail in particular, many experts believe boom times lie ahead. Seasoned observer Michael Duck, Hong Kong-based managing director of APLF Limited, the organiser of the All China Leather Exhibition in Shanghai (which incorporates the China International Footwear Fair), says that in spite of the arrival of the Guccis and Pradas at one end of the market, and Tesco and Wal-Mart at the other, the retail industry in China has, so far, “only scratched the surface”.

This is changing with every month that passes and, inevitably, the face of the Chinese footwear industry is changing with it. The opportunity is huge and there are those (the German Footwear Association, for example) who argue that European brands should forget about anti-dumping measures on imports into their home territories of leather shoes from China and concentrate instead on taking their product to the Chinese market and winning a share of it.

Most recent figures

The most recent figures available from the China Leather Industry Association (CLIA)—the state-run body that oversees the footwear and leather sectors in China—cover January to June 2008 and make interesting reading.

After years of increases, a trend that began in 2007 of a decrease in export volumes has continued, registering a drop this time, compared to the first six months of last year, of 4.8% for the entire footwear sector. In spite of this, the overall value of China's footwear exports grew by 11.4% compared to the same period in 2007.

These are not rosiest times for the global athletic footwear market, but this category must account for much of the surge in export value from China. The reason for making this assertion is that the drop in exports of Chinese-made leather shoes was much more serious, 15.9%. The value of these leather shoes—560 million pairs—was also down on the



The dragon gets ready to roar. China's domestic footwear market is one of the most attractive anywhere in the world.

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amount achieved in the first half of last year, but only slightly, by 0.3%, with the total export earnings for this kind of footwear reaching \$4.48 billion for the half-year.

These are compelling statistics. If the Chinese leather footwear industry brought in almost the same amount of export revenue with substantially fewer shoes, the leather footwear it is producing must be securing a more handsome price in the international marketplace. The average was \$6.91 per pair in the first six months of 2007, but rose to exactly \$8 per pair in the early part of this year.

Why has the volume fallen so starkly? Yes, the European Union's anti-dumping measures against imports of leather shoes from China is a factor—the original two-year action ends on October 7, although a decision from Brussels about extending it is imminent (there will be a full report in the November-December issue of World Footwear)—but it was a factor in 2007 too.

The comparative figures for the this year and last may suggest that loopholes that were available to exporters in 2007 are tighter now, as the recent experience of Macau shows. There has been a sharp drop in footwear exports from China to Macau this year compared to last, after the EU complained that China was using the Special Administrative Region as a trans-shipment hub to by-pass the extra tariffs, and eventually applied the anti-dumping measures to Macau itself.

At the situation's implausibly high peak, the territory, which has a population of 500,000 people, managed to import 5.1 million pairs of shoes from China. But, in China, the difference between the first-half totals of leather footwear exports in 2007 and 2008 is almost 90 million pairs of shoes, so unless there are many more Macau-like mysteries out there,



Bowie Lee of Guangzhou-based Red Dragonfly shows of some of her company's most recent designs.

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the anti-dumping measures fail to offer a complete explanation of what is going on.

It's also the case that "currency re-adjustments" have affected the attraction of the export market for Chinese manufacturers, and this has been intensified by a government decision to withdraw the rebate of export tax that Chinese manufacturers used to be able to look forward to.

Home improvements

Whatever the explanation, it's quite clear that a smaller proportion of the output of China's footwear sector is leaving the country, suggesting that demand from the domestic market is going up—a natural part of the broader economic development mentioned above. This must be good news for important domestic footwear brands such as Doublestar, Kangnai, Jierda, Spider King, Jinhou, Hengda and Dorkan, but also for overseas brands exporting into China. Something that strengthens this impression hugely is a look at China's footwear import figures for the first six months of 2008.

For a country of 1.3 billion people, the total volume of imports—7.82 million pairs—is small, but that represents an increase of 78.2% on the same period last year. CLIA has put the value of these imported shoes at \$212 million, an increase of 80.7% on the value of shoe imports in the first half of 2007. This makes the average value of a pair of imported shoes \$27.11, more than three times the value of a locally produced pair, which should give strong encouragement to footwear companies around the world who want to claim a share of this, probably the most attractive growth market in the world.

Desire for quality footwear is growing, and so are the willingness and the ability of the Chinese people to pay for it. 🌐



Chinese handmade leather shoes from a brand named Balun. Exports of leather shoes fell by 15.9% in the first six months of 2008. CREDIT: XXXXXXXXXX