More than one choice

Opec, the oil producers' cartel, recently claimed that its battle with North American oil producers is going in its favour. Its policy of flooding the market with oil in order to drive out shale oil producers has sent the price of crude to below $30 per barrel, a level at which most American fracking operations are no longer viable. Opec has also said that 2016 will be a supply-driven market and one when a rebalancing process will begin. "After seven straight years of phenomenal non-Opec growth, 2016 is set to see output decline as the effects of deep capital expenditure cuts start to feed through."

A study by UK business analyst Wood Mackenzie has calculated that 68 'mega projects' representing $380 billion of investment have been either deferred or abandoned. It has nevertheless been more of a struggle than Opec anticipated as, although the number of US on-shore oil rigs has fallen by around 65% from its 2014 peak, improved efficiency has meant that output has remained relatively stable. However, output from shale wells tends to fall by up to two thirds during the second year of operation and, with investment so sharply reduced, there will not be enough new ones to compensate. So where does all this leave the footwear industry?

LEATHER ON THE BACK FOOT

The demand for leather in general is substantially lower than it has been for quite some time. The reasons are many and include a slowdown in the consumer market in China, financial problems in countries such as Brazil, sanctions against Russia and the consequences for many of their main trading partners. However, there are around 8 billion people around the globe whose spending power is increasing and, while they may not be buying products made from leather, they are buying them made from alternatives.

COPYRIGHT

CREDIT: PHILIP LANGE/SHUTTERSTOCK

COPYRIGHT

Most leather demand is dominated by mainstream fashion and a small number of retailers selling essentially the same style, just changing the brand and the label. Leather is now in competition with alternative products that are more competitive and only the high-end segment can escape this. The main reason that these alternatives have become so much more commonplace is due to the exaggerated price levels that previously existed in the leather market up to early 2015. The dramatic reduction in the price of oil over the past twelve months has only served to make synthetic alternatives ever more attractive in spite of a substantial drop in the cost of leather during the same period.

Fashion has not helped either. There have been plenty of leather 'look-alike' products, but not made from leather and no one seems unduly concerned about that any more. There no longer appears to be an image problem. Nobody looks down on someone for wearing a leather substitute and although most of the alternatives are oil-based materials, not even the environmental factor is mentioned. The most recent further falls in oil prices are only serving to exacerbate an already tough position for leather as a shoemaking material.

POSSIBLE CHOICES - SYNTHETICS

2016 promises to be a difficult year in many ways; it has certainly opened with great uncertainty on so many fronts. As far as footwear is concerned, people will nevertheless still require shoes as they have always done and, regardless of fashion, most will want them to be as cheap as possible. Nothing changes in this respect. To meet this demand, manufacturers have two options, the first of which is to ride the tide of cheap oil while it lasts and use alternatives. Using synthetic upper materials can be seductive as in many ways they are easier to use than leather. They have uniform known properties, require less skill in cutting and lend themselves perfectly to all forms of automation.

However, if used for any length of time, they can lead to a de-skilling of operatives such that it can create difficulties should it become necessary to revert to using leather for whatever reason. One instance would be if the price of oil returns to a level where leather was once more competitive. Some forecasters are already predicting that the price of oil could bounce back to $100 per barrel in the not too distant future on the back of a reduction in output. The main reason it is so low in the first place is due to deliberate overproduction by Opec and the resulting loss of revenue has hit many members without the huge cash reserves of Saudi Arabia. When the price of oil starts to rise – and it could well be sudden and dramatic – the cost of leather alternatives will rise quickly.

ANOTHER OPTION

The second option is to consider using 'split' leather. The split market has been in a weak state for a long time with some prices down two thirds from levels a year ago and, even at that price, demand is not getting any better. Indeed, it has been said that there are far more splits leaving the splitting machine than are sold. One must therefore assume that there is either a huge global inventory or that because splits are taken at the early liming stage in the tanning process, much of this material is going into biodigesters to produce energy which is neither an economic or worthwhile usage of a product that could have so much more potential value.

Split prices should now be so attractive, even when compared to many alternative synthetics, that they are a serious proposition as a means of achieving a lower price point while still producing shoes with leather uppers. Indeed, the enormous inventory of unfinished split leather that exists globally coupled to its low price would seem to be an opportunity not to be missed, especially as this low price level is likely to remain for some time to come. Splits can be coated with attractive polyurethane finishes that are both hard wearing, easy to clean and, to some degree, breathable.

One area where splits really score, however, is in producing suede leather, something that is difficult to do using synthetics. Whilst a very good nubuck effect can be produced using micro fibre, a sueded finish cannot be achieved using synthetics as they lack any surface fibres that can be raised.

Splits, on the other hand, have had the top grain layer of the skin removed leaving the fibres of the corium exposed. It is then a simple matter to raise the topmost fibres by roughing the surface to produce a suede leather. Naturally, the better the quality of the hide from which the split has been taken and tightness of the fibre structure, the better the quality of the final finish and the actual strength of the material itself.

The fashion industry could of course play an important role here if it really pushed suede as a major fashion trend. Consumers will generally adopt a fashion if it is sufficiently well promoted and especially so if given prominence by popular celebrities. There have been hopeful signs during the past year in the form of suede skirts and tops, plus a few boots. A really concerted push for suede footwear during 2016 would not only bring a major new look to fashion footwear but also help solve a major problem for the leather industry and all at a good price point.

More suede shoes would mean less wasted splits.

CREDIT: THE MICAM