

There has been a great deal of talk about labour costs in China becoming so high that companies are sourcing elsewhere. Nike, for example, is said to have moved production of shoes from China to Vietnam. *World Footwear* talked to several manufacturers, brands, and suppliers at the most recent Expo RivaSchuh and found that the responses were far more nuanced than expected.



Rohde - made in Europe
from Italian leather.

CREDIT: WTP

More to China than money

There were more Chinese companies showing at the most recent exhibition in Riva del Garda than in previous seasons. With regard to how Chinese suppliers are handling increasing labour prices, Sky Studio said that what is important is to service the customer and to make good products, and deliver on time. A representative of the company said that if the factory and the retailer or wholesaler can make money, everyone is happy.

Jacinthe Wong, who has a factory in Xiamen, but also several years of sourcing behind her in both China and Vietnam, said labour costs are not the only factor that matters. "You also need to look at the volumes and the raw material and component sourcing," she said. "In Vietnam you need to ship everything, such as buckles, shiny PU and decorations, unless you are making simple vulcanised shoes in canvas."

Large streamlined organisations such as Dutch group Eegim still tend to source mostly from China, but it is "always looking" for new possibilities, a spokesperson at the fair said.

Design is becoming a more important factor; factories can no longer compete on price alone just by showing cheaper versions of Western fashion. Some would say men's shoes designed by Xiao Lei from Guangzhou can compete with the best Italian shoes when it comes to design. When asked about prices he said that this wasn't important, since his shoes were selling because of their innovative designs. Most of his leather

comes from Italy and he only uses leather linings and soft insoles. "Just because my shoes come from China it doesn't mean that they have to be cheap," he says. "My shoes are just as good as the Italian shoes. I often use Italian leather. My prices match Italian prices and they sell on the design."

Politics can also be involved in sourcing decisions. Factories in Vietnam, Cambodia and Myanmar are often run by firms from Taiwan, South Korea or China. Relations between the Vietnamese workers and the Chinese factory-owners can be tense. There have been several stories of Chinese factory-owners being attacked. Strikes are also more common in countries such as Vietnam and Cambodia, causing disruption to production. There is also a perception among some manufacturers in China that when giant western companies start moving production from China to countries including Vietnam, Bangladesh or India, it is not just an economic, but also a political decision: they want to invest less in China so as not to become too dependent on its partners there.

Asian alternatives

India and Pakistan are alternative sourcing countries that are doing better; especially in men's shoes where leather uppers and linings are important. But moving business there does not always go smoothly. Portuguese company Norberto Costa has looked at both Brazil and India in the past, but has now come back home



Opera women's shoe in leather and brocade
CREDIT: WTP

to Portugal for greater quality control and better raw materials.

Indian companies such as Liberty Shoes, from near New Delhi, are optimistic after the Russian crisis. Sunil Bansai, its executive director, points out that, since the crisis, Russians are looking outside the EU to buy shoes and that his company has high hopes for its fusion sneaker range in all-leather uppers and linings. He claims these can compete well on price and quality with Italy, especially now that there is a wide range of lightweight PU outsoles made in India.

Krishna Beads from Mumbai has been making bags, scarves, and other accessories for almost 40 years in both India and China. The company uses Spanish bag designers, and has had offices in China for 13 years. At the Garma fair the company launched its shoe collection as an additional accessory, featuring beading and pom-poms. Pratul Maheshwari explained that, although his company is able to source the same shoes more cheaply in China, most customers want "a better-quality product" from India. "Indian quality has improved very much recently," he explained. "We sell a full leather fashion shoe or sandal with leather lining and sole, for a little bit more than it would cost to make in China, but the shoes are not synthetic at all."

European options

What about European production? This used to mean shoes made in Italy or Spain, for example. Today, for most people, it means made anywhere in Europe. Many Italian factories in the north use Albania or Romania. But in these cases all design, quality control, components and inspection are Italian-run. Italian technicians make the patterns and check the quality. Opera from Brescia makes high-fashion women's shoes in beautiful Italian leathers and brocades in Albania. All components are sent to the factory from Italy. Every shoe is not only inspected during production but the shoes are sent back to Italy to be checked again before shipping.

Mis G from Bulgaria makes fashion shoes with full-grain leather uppers and full leather lining. And labour costs in the previous Eastern Bloc are much cheaper than in countries such as Italy and Spain. They are taking much of the business today. These countries are no longer just cheaper manufacturing countries, they can produce own brands rather than private label. Italian children's shoe brand Melania is celebrating 50

years this year, and has always manufactured in Europe. Its shoes are made 100% in Italy and Romania using materials and components sourced in Italy. Italian technicians make sure the shoes made in Romania meet specification. The company has no intention of moving away from Europe and business is good.

Rohde is another company that still makes almost all of its shoes in Europe, in countries such as Portugal and Slovenia. Since it is a brand focused on comfort, it needs to control quality and deliver fast to market. However, since it is strong in home slippers, it has added hand-felted wool slippers on suede soles from Nepal, and will be giving €5 per pair sold to earthquake victims or to women's projects there. This project is starting began in autumn this year.

Giant US companies cannot just move production of maybe 100,000 pairs to Europe as the factories there are no longer geared up for huge volumes.

Naot still produces shoes 100% in Israel, but the Dafnia collection is direct-injected, which can keep the staff costs down. The company is keeping production in Israel and has no intention of moving abroad. Naot feels it is competitive because its is closer to Europe, and generally has a lower MOQ (minimum order quantity) than rivals in China.

For footwear technology developer Manfred Everz, being close to the target market is the attraction of working with the footwear factories in different parts of the world. He has designed and patented a system that allows shoes to offer a kind of foot massage to help prevent the onset of diabetes. His system is licensed for production worldwide with several different factories, from high-heeled shoes made in Dongguan to footbed sandals made in the Middle East as well as European-made leather comfort sandals. He envisages a move towards more European production. When a worker in China can get €700 a month, one in Serbia €300, and Romania €300-400 (very approximately) the facts are clear. European production means that shoes can reach customers in Germany in two or three days, whereas shoes from China can take at least four weeks to get to Europe. It is not just a matter of keeping customers happy, it is also that orders placed in China mean that the buyer's money is tied up for longer.

The sourcing roundabout shows no hint of stopping, and the next country on the list is Ethiopia, where even Chinese companies are investing to reduce labour costs, as well as to be closer major markets. 📍



Children's shoe brand Melania remains committed to European production. CREDIT: WTP