



Wetblue hides—how many will be processed for use in footwear? CREDIT: WTP

Leather's mixed fortunes

Not long ago, few would have argued that anything other than leather was the best material for shoe uppers. That notion is now being increasingly challenged on technical, cost and environmental grounds, and footwear's share of global leather production has declined from around 65% in 2009 to nearer 55% today. Is this a temporary blip or are we witnessing a real shift in the relationship between the footwear industry and its traditional source of raw material?

Tanners have long assumed that shoe manufacturers would always need leather. It stood to reason that as people always needed shoes they would be made from leather. It therefore also stood to reason that there would always be willing buyers for their finished product. The relationship has of late begun to appear more fragile and, to a great extent, this is a result of this self same assumption.

High prices pushed some buyers away from leather in the period between 2009 and 2014 when the cost of hides reached record levels. Seasoned observers said the natural conflict along the value chain that links hide traders, tanners and footwear manufacturers has always gone in cycles, so if the price went up, it would eventually come down. On this occasion, however, by the time it did, a number of things had occurred that made it not just possible but even desirable for many footwear brands to resist a return to leather.

TIMES CHANGE

As raw material prices steadily rose to reach a peak of over \$110 per hide in 2014, many brands began to question whether they could any longer afford to use leather in their products. As a result, it is now no longer an essential component of the shoes that many of them sell. Other factors were also

moving in their favour. Several developments in alternative materials, including new woven and knitted textiles and water borne polyurethane coatings, came on to the footwear market at more or less the same time, and low oil prices have kept them cheap. While these materials may lack the durability of leather, products that need replacing after a few months represent good news for fashion-focused brands for whom the most important factor is continual quarterly financial growth.

All of this coincided with the rise of 'athleisure', a fashion trend where much of the clothing and footwear people wear to work out in the gym has become increasingly acceptable in almost every facet of everyday life. Morgan Stanley predicts that, by 2020, it will represent \$83 billion in sales, stealing market share from non-athletic apparel. According to research, innovation and advisory firm Stylus, athleisure is on course to become



Many brands have cashed in on the profitable athleisure trend and may be in no hurry to return to using leather.

CREDIT: MESSE DÜSSELDORF, CONSTANZE TILLMANN



High leather boots may be coming back, but for every woman wearing them there will be 10,000 people buying shoes with synthetic uppers.

CREDIT: MESSE DÜSSELDORF, CONSTANZE TILLMANN

one of the fastest growing global apparel product categories in the second half of this decade. An article in *Forbes* claims sneakers are also expanding into the luxury market, accounting for 25% of new arrivals in 2015, compared with 15% the year before. Athleisure footwear is also easier to make using synthetics.

The drift away from natural leather to alternative footwear materials is further explained by reviewing the financial performance of some of the big shoe brands. However, we need to separate them into two distinct market segments as they show a stark contrast in product offering and customer base. For example, the group including Nike, adidas (with Reebok), Skechers and Puma, all showed double-digit growth last year while Deckers, Wolverine, Rocky and Caleres reported decreased sales and VF Corporation (Timberland's parent) recorded a modest 1% gain.

So what caused this move away from leather? Quite simply, necessity. Cost effectiveness, supply chain management, ease of procurement and product usage all became reasons for not using leather compared to lower oil prices, abundant supply and increased

cutting efficiency when using synthetics. Not only were these practical considerations favouring a move away from leather, from a financial point of view they were even greater. The use of leather impacted the margin traditionally expected; with synthetics profitability increased.

NATURAL APPEAL

Another factor to consider is that human beings change and adapt, sometimes slowly, sometimes rapidly depending on external influences. For instance, it can be said that it is in our nature to connect to animal skins and that the correct material to wear on our feet is leather. The modern digital world has turned many previous attitudes on their heads and leather to a certain extent is one of them. As has been remarked previously in *World Footwear*, many younger people have lost any sensory connection with leather through shopping online and relying on the images sellers upload to form an impression of a product. Leather thus loses its natural tactile advantage when choosing footwear; now it is a case of 'if the image looks good, hit the enter key'.

A colleague from our sister publication *World Leather* attending the All China Leather Exhibition in Shanghai last September noted that, as he travelled into the city each morning, only some 5% to 10% of commuters were wearing shoes with a leather upper. He also heard that high leather boots are about to become fashionable again. However, someone else pointed out that for every woman wearing a pair of these boots there will be 10,000 people wearing synthetic shoes. Even in the USA and Western Europe, one need only walk down the street to see the huge numbers of sports/athleisure shoes being worn and that the majority have synthetic uppers.

STAR-STRUCK

Jon Hopper, VF Corporation Asia's director of leather since June 2015 and a long term holder of senior positions in the leather and footwear industry, feels we are indeed seeing a fundamental change. He thinks that footwear reflects society and that as society becomes increasingly more relaxed about dress, manners, the way we act and so forth, it is inevitable for

this to be reflected in footwear styles. The growth of sports-inspired shoes being worn and admired in non sports environments is merely a reflection of these more general changes.

"There's something else about the marketing of sports inspired footwear. If you look back 20 or 30 years we had sports stars, but sports stars now are celebrities in ways they have never been before." Many fans want to wear similar-looking shoes (usually with synthetic uppers) to those of their heroes and the impact of this on the wider footwear market is impossible to ignore. "It's not necessarily reversible either and I don't see us going back to a world in which most people in major economies wore shoes with leather uppers most days and sports shoes were for taking part in sports."

TECHNICAL CHALLENGE

Apart from the margins, there are other potential advantages for footwear manufacturers in shifting from leather to synthetics. Indeed, in some sectors, this is already well established. For instance, PUCFs (PU coated fabrics and non-wovens) have been extensively used for many years in the production of mass market ladies fashion shoes. They have proved perfectly adequate in what is inevitably a fast changing market where comfort and longevity are secondary to the right look at the right price. Microfibres have also performed well in sports shoes where their lightweight, flexibility and good foot comfort properties have made them in many instances superior to leather.

There are also new and more efficient manufacturing techniques such as developments in no-sew and in knitted constructions that are not possible to replicate with leather. Then there are the completely moulded types of shoe exemplified by Crocs which, whilst lacking any pretensions to style, are both practical and comfortable. The more recent Desma Quadwrap system takes advantage of the durability of polyurethane to produce a shoe which, while not exactly a fashion statement, is nevertheless quite practical for everyday wear. For those with a highly technical bent, the concept will be particularly attractive because it is so high-tech.

Another plus with all these synthetic options is that they lend themselves to automation and, with technology such

as Fly-knit or Quadwrap, shoes can be produced cheaply and with minimal labour. As a direct consequence of the greatly reduced manufacturing costs involved, they can be produced closer to market and even within a market itself. The big thing with all shoes made using synthetics, however, is that good looking products can be made more cheaply than with leather and sold at higher margins.

And yet, there are brands that are staying with leather in spite of all the complexities inherent in the leather supply chain, companies that continue to believe that using leather to make their shoes is part of their DNA. Jon Hopper says it is all about back-story and heritage, things that resonate with the consumer. For certain brands, leather is part of what resonates and they would be risking their brand equity if they changed from a shoe made from leather to one made from synthetics. The risk in the long term would outweigh any financial gain they could make in the short term by switching. The risk for sports footwear brands would however be lower as the public expects them to be at the forefront of developing and trying out new materials and constructions.

NICHE PRODUCT

Specialist leather chemicals manufacturer TFL has announced that it intends to expand its business into 'related industries'. It specifically said that leather and synthetic alternatives will need to co-exist in the future and hinted that providing solutions to help manufacturers of those alternative materials will be part of its expansion plan. It is hard to see how such a move can assist tanners of shoe leather. On the other hand, it could provide valuable input for manufacturers of synthetic upper materials and help them to produce evermore 'leathery' looking products. Dr Jürgen Christner, head of research at TFL, says that, in actual fact, he can see it working both ways.

For example, synthetics producers are already major users of polymers and he can envisage polymer developments that could be of use in leather production too. "Leather and the synthetic material that imitates it are both flexible substrates. Of course leather has a future, but its future is to be a niche product. We have population growth and there are simply not enough hides in the world to satisfy the needs of all the people in



Synthetics can have useful advantages. The leather adidas F-181a of 1958 weighed 352 gms; the new adizero 99g uses a polyester mesh and weighs just 99gms.

CREDIT: ADIDAS

the world, so we need synthetics too. There are market segments that leather cannot address, those at the cheap end of the market and fast fashion, when you throw away the product after one season. It's too much effort to make leather for that; it would be a sin to throw away leather in that way."

But there is also a market segment that will continue to want the uniqueness, the durability and the longevity of leather Jürgen Christner insists, just so long as the leather is produced in an ecologically sensitive way. "Synthetics cannot compete with this type of leather." As for leather produced in a less responsible way, he says its days are numbered. Not next year or even the year after perhaps, but he predicts tanning at this lower end of the environmental responsibility scale will not just decrease, but cease all together. The argument based on environmental responsibility could of course apply equally to the producers of synthetics.

Fashion is famously fickle and shoes with leather uppers may become overwhelmingly popular again in the seasons ahead. As always, however, price will be a determining factor and a consensus is building which, like Dr Christner, says that making leather as cheaply as possible, sometimes regardless of people's wellbeing or the environment at large, looks to have an uncertain future. This is the part of the leather industry that is struggling to compete with synthetic alternatives, which are even cheaper and probably always will be.

If cheap leather may not have a future at all, we can rest assured that high-quality, high-value leather footwear does. An ever growing global population and a continuing rise in living standards will make it so. At the lower end of the market leather may no longer feature in all the shoes footwear manufacturers produce and synthetics in whatever form will become the accepted norm. Indeed, in a world where free trade is becoming increasingly unpopular in many countries, on-shoring of footwear manufacture will be made far easier by the use of synthetics. Having said all this, there will still be enough people who want leather shoes and are willing to pay the price. 🍷



Desma's WrapNX developed from Quadwrap, is a good looking sports shoe made entirely of PU on one machine with minimal labour content.

CREDIT: DESMA

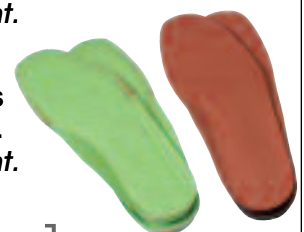
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