

Athleisure is killing the US footwear market, according to industry expert Peter Mangione. If it's socially acceptable to wear casual shoes for every occasion, from a job interview to a wedding, women in particular suddenly have no need to buy shoes and boots to match their outfits.

Who needs shoes?



eing elected is one thing, but governing is a completely different container of shoes. This gives Washington DC-based footwear industry consultant Peter Mangione hope that all the recent talk of increased trade barriers and their potential effect on the shoe industry may come to little. "All presidents become free-traders in office," he says. He has faith that, if not President Trump himself, the cabinet he appointed at the start of 2017 is a "strongly trade-expansionist cabinet". There has been a high level of rhetoric about abrogating the North America Free Trade Agreement (NAFTA) and so on, but Mr Mangione points out that to address the US's trade deficit (more than \$500 billion in 2016 according to the US department of commerce) what's needed is an increase in exports and not "throwing bombs at our friends". For this reason, not only does he believe NAFTA will survive, but insists it will be better following a round of negotiations that the US government seems intent on embarking upon. On top of that, he feels sure of free trade agreements with Japan and Vietnam further down the road: the Trans-Pacific Partnership may have failed, but elements of the deal, which took years to negotiate, could come into these treaties.

The US will hope to export more cars, oil, passenger aircraft, pharmaceuticals and so on to its trading partners, but they, too, want to ship the goods they produce to the attractive US market. For a number of these trading partners, shoes are an important export product. The US remains a huge market for importers, but the picture is changing.

Mr Mangione's figures suggest that US importers brought in leather shoes worth \$11.3 billion in 2016, a decrease of almost 12% compared to the year before. Almost 50% of this total came from China, but if US shoe importers ploughed \$5.6 billion into the Chinese leather footwear sector in 2016, this represents a decline of 18.4% on the amount they spent on leather shoes from China in 2015.

The casualness and (some might say) irreverence of athleisure have made an enormous impact on the US shoe market. People no longer feel the need to combine formal shoes with formal outfits.

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Fundamental shift

These are important declines and owe much, according to Mr Mangione, to the phenomenon that is athleisure. He explains: "I took part in a recent event in Las Vegas and a fellow-speaker, representing research firm NPD Group, took us all to task for referring to athleisure as a trend. She said it isn't a trend, but a fundamental shift in US lifestyles. This is important because, in athleisure, shoes are all about bright colours and fabrics. Knitted uppers are also a big thing now. Most people in the US are now comfortable wearing these shoes with any outfit and this means you don't need to have shoes that match each outfit any more. You don't need lots of outfits any more and you certainly don't need lots of shoes." Even sales of sports shoes are slowing, he warns, with Under Armour's footwear sales growth easing and adidas "on thin ice", while it's many quarters now since growth at Nike has been more than single-digit.

The death of recreational shopping

Traditional shoe retailers are also suffering in the US, with one major group, Payless Shoesource, filing for bankruptcy protection as recently as this April. "Shopping malls," Peter Mangione says, "are dinosaurs. They are too big, it's too hard to park and the shops change from one month to the next, partly because the rents retailers have to pay are so high. People go to the mall in the evening to see a movie or go to a restaurant, but recreational shopping in the US is mostly gone."

Gone online, at least. Online is winning over shoe shoppers of all ages, he insists, and he points to DSW, a shoe retail group

he admires greatly, as an example. Of all the shoes DSW stocks, 95% are from “famous brands”, he says, and now, 25 years after the retailer’s launch, its status is such that even these brands are happy to produce discrete short lines of shoes specifically for this retail customer. “There is no mark-down money, and everyone gets paid,” Mr Mangione says. “The selection in the stores is fabulous, typically around 30,000 pairs per store. But online, its selection is even better.”

His explanation of the situation is that consumers have figured out that they simply do not need to go all the way to a mall or to a store to achieve a feeling of satisfaction; you can find just the right pair of shoes in the right shade and the right size from your own sofa. Online retailers offer quick delivery and high levels of customer service. Online only companies, such as Zappos, are entirely devoted to customer service, he says.

Impact on the global market

This combination of shoppers in the US buying fewer shoes and convincing themselves that they need fewer shoes is making a big impact on the global footwear industry. The reason is that, for decades, the US has been by far the biggest shoe consumption market, per capita, in the world. Peter Mangione’s analysis of full-year figures for 2015 leads him to conclude that the 15 most important shoe producing regions of the world (taking the European Union as a single source) had a combined output of 21 billion pairs of shoes that year.

According to the Mangione numbers for the top five countries (who together account for 90% of the global total), Vietnam increased its production by 20% year on year in 2015, producing more than 1.2 billion pairs, and Indonesia’s figures were up by 6.2% to just over one billion pairs. But India’s were flat at just over two billion pairs and Brazil’s were down by 3.1% to 850 million. The biggest producer of shoes by far in 2015 was, of course, China, with total production figures of 13.7 billion pairs. This represents a decline in shoe manufacturing of 5.5% compared to the previous year and the fall in the volume of shoes that China has exported in recent times is even steeper. Chinese footwear manufacturers exported almost 9.9 billion pairs during 2015, a decline of 8.1%.

“In the last two years, export markets have received 1.4 billion fewer pairs of shoes from China,” Mr Mangione continues, “and about 300 million of those pairs were leather shoes. The main thing is that not many of those missing shoes were picked up by anyone else and that is an earthquake in the global footwear market.”

Only China will do

One reason why there was a sharper fall in exports than in production is that more Chinese-made shoes are being bought and worn in China. China for China is, Mr Mangione says, “massive”. Nevertheless, he is convinced that, in the segments of the global footwear market for which short lead times are still of vital importance, China will continue to be the main source of product. Which segments are these? Principally those offering women’s fashion shoes and lower-cost footwear, both fiercely competitive markets that offer little room for error. Companies offering these types of shoes “need to get it right”, he argues, which means relying on shorter lead times. He comments: “Those lower-price shoe brands are still selling fashion, you know. And the quantities are huge. It’s a just-in-



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time business and the factories need to be close to the supply chain.” This is the only way the model can work: the factories that assemble to final product have to be close to their suppliers. As soon as customers (brands or retailers in the US, for example) decide what they want, the footwear factories they work with must be able to source quickly all the leather, heels, buckles and other components they need.

“It’s still China for that,” Peter Mangione concludes. “There’s only a little bit of this in Vietnam and I think Vietnam is already at full capacity, meaning it’s too late for new investment in the footwear sector there, too late for new projects. There are people who talk about setting up new factories in the jungle but it would be too hard to recruit workers. That’s why China’s exports are still five times higher in volume than Vietnam’s and 17 times higher than Indonesia’s. If you have a short lead time, you still need China. The advent of more automation in footwear production will not change that: China wants to win that battle, the battle to bring in automation, too.”

TOP FIVE SHOE PRODUCERS		
COUNTRY	TOTAL PRODUCTION (millions of pairs)	EXPORTS (millions of pairs)
China	13,700	9,874
India	2,065	130
Vietnam	1,242	1,104
Indonesia	1,012	240
Brazil	850	124.1

Estimated figures 2015