

Italy's long road to recovery

Following another difficult year for the Italian footwear industry domestically and overseas, the president of footwear manufacturers' association Assocalzaturifici, Annarita Pilotti, has warned that the country is at risk of losing its "craftsmanship, know-how and creativity" if action isn't taken.

Warning signs

The Italian footwear industry continued to struggle in 2016, with export volumes falling yet again. According to figures from Assocalzaturifici, the country exported 178 million pairs of shoes between January and October 2016, a drop of 1% year-on-year. Ms Pilotti, revealed that only in the first ten months of 2009, when the world was in the midst of a financial crisis, has Italy's footwear export volume been lower. She describes the unexpected delay in the recovery of the industry as the "most problematic aspect" of the situation.

Ms Pilotti says that Italian companies experienced "serious difficulties" in several geographical regions during 2016. This included a slowdown in growth in China, which is no longer showing double-digit improvement. During the first 10 months, there was a 3.6% reduction in the value of exports to the US, especially troubling following several years of consolidation. She adds that the "major setback" came in the Middle East, where exports fell 4.9% in value and more than 15% in volume.

It's not all bad news, though; the value of Italy's footwear exports increased 2.6% over the same period to €7.53 billion, their highest level for 15 years, even when inflation is taken into account. This is due to a shift towards higher priced products, a



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theory supported by the average price of each exported pair, which was €42. This is the highest it has ever been and an improvement of 2.7% compared to the previous year.

Luxury support

This shift was recognised by the organisers of the Micam footwear exhibition, which underwent a series of changes ahead of the February show. It saw a greater focus on the luxury segment and the attendance of several of Italy's leading luxury brands for the first time. Assocalzaturifici, which organises the event, described the presence of Fendi, Salvatore Ferragamo, Gucci, Prada and Tod's at Micam's expanded luxury zone as a "sensational new development". Paolo Borghini, managing director of Micam, said it provided an opportunity to "enhance Italian artisan heritage in the eyes of international buyers".

Ms Pilotti paid tribute to Tod's chief executive, Diego Della Valle, for making it possible. She explains that he acted on a request she had put to him to lend his support to the event. Not only did he heed her call, he also managed to convince his counterparts at other big-name Italian brands to do the same. They chose to attend as a show of support for Italian footwear manufacturing. She believes this contributed to it being a "historic edition" of Micam. The statistics certainly seem to back that up. The luxury brands were among a total of 1,405 exhibitors, of which nearly 800 came from Italy. Across the four days of the event, 44,610 visitors passed through the gates of the Rho exhibition site in Milan, an increase of 5% compared to the previous February. There was also a marked increase in visitors from overseas, with 8% more attending in 2017.

Concern for Russia

There was an 18% surge in Russian visitors to the show, a significant figure given that the country is considered a "strategic region" for the Made in Italy project, an initiative launched at the start of 2015 by Italy's deputy minister for economic development, Carlo Calenda. Among its objectives

The biannual Micam exhibition in Milan is a crucial platform for Italian footwear companies, with visitors coming from all over the world.

is the promotion of trade exhibitions such as Micam. Italian brands have seen their success in Russia curtailed in recent years; at the Obuv' Mir Kozhi exhibition in Moscow last October, there was a "significant drop" in orders. Prior to the March edition of the event, Ms Pilotti said exports to Russia and the CIS region (also known as the Russian Commonwealth) were down 40% in volume and 50% in value compared to three years ago.

The sanctions imposed on Russia by the European Union (EU) and the US government in the wake of its actions in Ukraine have been a factor in this downturn. "It is madness and comes at a huge cost for the European economy," Ms Pilotti expresses, adding that the castigatory measures could have "profound social consequences" for many Italian footwear manufacturing areas. She describes the current volumes of exports to Russia as "intolerable" for most small- and medium-sized companies and reaffirms that her organisation hopes that "normal conditions of political dialogue" can be re-established. For his part, Tommaso Cancellara, general manager of Assocalzaturifici, says the sanctions have "undoubtedly worsened an already precarious local economic situation". He believes the organisation must continue to put pressure on the Italian government, as well as the decision makers of the EU, to highlight how counterproductive it is to keep them in place.

There was better news at the most recent Obuv' Mir Kozhi event in March, which saw 130 Italian brands head to Moscow to present their Autumn/Winter 2017-18 collections. Arturo Venzano, Assocalzaturifici director and coordinator for the Russia and CIS region, said that there had been an "upswing in orders" to the area. He cautioned that there was still work to be done to return to the export levels of 2013, but said "better prospects are emerging for the months to come".



Opportunity knocks

Another key market for Italian footwear companies is Germany, the second most important destination for its exports after France. In 2015, Italy sold 34.3 million pairs of shoes to Germany, a 7% improvement on the previous year. The value of these exports was 1.9% higher at €949 million. This positive trend continued during the first 10 months of 2016, with exports increasing 0.8% in volume and 2.9% in value. Dr Siegfried Jacobs, president of the Federation of the German Footwear Retail Trade (BDSE), reveals that this growth came despite a drop in sales for German footwear retailers during that period; retailers specialising in footwear experienced a 3-4% decrease in revenue. The Moda Made in Italy tradeshow, which usually takes place in March in Munich, provides Italian companies access to customers from Southern Germany, as well as Austria and Switzerland.

A landmark trade deal between the EU and Canada has prompted optimism of greater opportunities for Italian companies in the Canadian market. The Canada-EU Comprehensive Economic and Trade Agreement (CETA) was signed in October; it removes 98% of tariffs on goods traded between the two parties. Following formal approval by the European Parliament in February this year, it now requires full ratification by all 28 EU member states before it can come into force. In the meantime, it is hoped that the tariff reductions will be applied provisionally by mid-2017. During 2015, the country imported 1.9 million pairs of shoes from Italy for a total value of €102.8 million. Although this represented a decrease of 13% in volume, it was a 9% rise in value compared to the previous year. During the first ten months of 2016, the volume of footwear exports to Canada fell 4.6% in volume but jumped 10% in value. CETA gives Italian companies the chance to grab a larger share of the footwear market in a country with a population of more than 35 million people.

"The 'Made in Italy' product is hugely popular in Canada," explains Hagop Artinan, president of Chaussures Bellini, a chain of retail stores based in Montreal. "It is very appealing and could

Several of Italy's leading luxury brands, including Gucci, attended the March 2017 Micam in a show of support for the country's footwear industry.

easily have a greater distribution in the country." He cautioned, however, that at a time when the Canadian retail market is struggling, one of Italy's direct competitors, Portugal, "is gaining terrain" due to its lower prices. "This is a shame because Italian footwear is still perceived as a top-quality product of unparalleled style," he adds. "With better promotion, it could recover lost quotas."

At the Micam exhibition in February, there was a 53% increase in visitors from another growing market for Italian footwear, South Korea. Exports to the country have been on the up since the signing of a free-trade agreement in 2010. This culminated in a record year in 2015, when exports rose 15.3% in volume and 26.6% in value. This growth continued, although to a lesser extent, in the first 10 months of 2016, as export volume rose 1.9% and value increased 14.4%. It is currently Italy's most dynamic market in the Far East (ahead of China, Hong Kong and Japan), in part due to a high percentage of the population being between the ages of 25 and 54, a key footwear demographic.

Call to action

There are also issues in Italy's domestic market, with shoe consumption down 0.1% in volume and 2.4% in value during the January-October 2016 period. Combined with the country's export difficulties, this resulted in a 2% fall in production levels. Imports of shoes are also up during this period, recording a 3.8% increase in value and a 2.8% rise in volume. According to the most recent issue of Italy's annual Shoe Report, which was released in November 2016, Italian footwear production fell 15% between 2008 and 2015.

Ms Pilotti is calling for the government to put into practice an industrial policy that supports the Italian footwear sector, highlighting that it accounts for more than a third of the shoes

manufactured in Europe. Competition from countries offering cheaper alternatives is a perennial concern; among the measures that Assocalzaturifici has campaigned for is the implementation of "label-of-origin policies" throughout the EU. It has lobbied the European Parliament on numerous occasions in recent years to encourage it to make it obligatory for all footwear sold in the EU to carry these labels. It feels this is crucial to safeguarding Europe's remaining footwear manufacturers, including those in Italy. "We want consumers to be informed about the geographical origins of products," she explains. "We have been trying to achieve this for years, but to no avail. This will not deter us, however, and we will not accept compromises like voluntary certificates of origin."

It also continues to fight domestic battles. Assocalzaturifici is convinced that manufacturing needs to become a "main focus of politics" in Italy once more. It also believes that the creation of a single federation to represent the distinct parts of the Italian fashion industry is "an urgent priority that can no longer be put off". This would give the industry greater negotiating power when it comes to discussing the issues that matter to it most. "I have always been convinced that remaining separate did not benefit anyone and seriously risks relegating Italy to a marginal role," Ms Pilotti insists. As an employer of 77,000 people, she feels that the footwear industry deserves more attention from the government. "The footwear manufacturing industry has been systematically overlooked in the expenditure items of the Italian budget laws unlike other traditional Italian manufacturing sectors," she insists; it must be recognised as a "strategic asset" of the economy before it is too late. 📌



Annarita Pilotti, president of footwear manufacturers' association Assocalzaturifici, has not held back in her criticism of the Italian government over their treatment of the footwear industry.

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