

**IN-DEPTH ASSESSMENT OF THE SITUATION
OF THE EUROPEAN FOOTWEAR SECTOR
AND PROSPECTS FOR ITS FUTURE DEVELOPMENT**

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**Task 1: Survey on the Situation of the
European Footwear Sector and
Prospects for its Future Development**

Final Report

prepared for

DG Enterprise & Industry

RPA

November 2011

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prepared for

DG Enterprise & Industry, European Commission

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EXECUTIVE SUMMARY

Introduction

The footwear sector is an important part of the European manufacturing industry and it plays a crucial role on the economy and social well-being in numerous localised regions within the EU27. The footwear market has annual sales of around 2.1 billion pairs and a value of around €49 billion; the EU alone accounts for about 5% of global production. The industry is dominated by small and medium sized enterprises (SMEs) and is particularly exposed to international competition. The main objective of this Task 1 report was to undertake a qualitative survey to assess the development of the footwear industry and highlight any trends.

This report therefore presents the key findings from the survey, along with the results of a literature review to provide a context for the survey results.

Market Structure

The footwear industry is a labour intensive industry heavily dominated by SMEs and most footwear companies comprise around 10-15 employees. The EU footwear industry has recorded large reductions in employment, following the closure of factories. Employment in the footwear industry fell by about 17% between 2004 and 2007 and the number of firms declined by around 10%.

Challenges faced by industry

One of the main challenges faced by the footwear industry is the increasing costs of production, which have led EU firms to relocate and outsource their products and processes to developing countries as a cost-reducing strategy. As a result, the remaining producers within the EU face increasing international competition from Asian economies such as China, India and Vietnam.

In the future, companies will continue to face challenges from high costs of production and competition from developing economies. However, evidence suggests that EU producers are also discovering they can find markets for (branded) luxury footwear in emerging economies such as Russia, China, Brazil, India and the Middle East. In China and India, the growing wealth implies half a billion consumers that will have a similar disposable income to consumers in the EU and USA, leading to increased consumption of luxury footwear.

Costs and Financing

Footwear manufacturers have a range of costs to manage with a particular focus on raw material and production costs (labour and machinery). Other important costs include regulatory compliance costs, logistics costs, general overheads (such as utilities) and marketing. Costs of production continue to be a challenge for companies and a large proportion of footwear manufacturers have outsourced their production totally or partially to subcontractors.

SMEs have also found it increasingly difficult to access finance. Micro-sized and small companies have found it more difficult to access finance than larger companies, due to the impacts of the global financial crisis and the resultant tightening of credit requirements by banks.

Competition

The European footwear industry is highly competitive, both within the EU market and in global markets, mostly due to its high quality, design and fashion attributes. However, the trade deficit in the footwear sector has more than doubled in five years, to €7.0 billion. Reasons contributing to the large trade deficit are the growing difficulties of EU industry to compete with countries with low labour costs and less regulation and the strength of the Euro. The main suppliers of footwear to the EU are China and Vietnam, which together account for more than 60% of footwear imports into the EU (by value).

Innovation

European footwear manufacturers have started to shift their focus to targeting niche markets and upgrading to higher value footwear. More and more firms pursue innovation strategies based on creativity, quality and differentiation of footwear products in order to succeed in the market place. Examples of key directions of innovation include focusing on comfort, design, niches and technology. Improvements in technology such as design software, logistics, marketing, new materials and new technology in cutting, all provide an innovative edge to footwear products and processes.

Employment and Training

The economic crisis of 2008/09, coupled with the increased competition and subsequent restructuring and modernisation processes has forced European footwear manufacturers to introduce cost cutting measures, which have included a significant reduction in employment within the footwear sector.

Training was identified as an important facet of employment, particularly in light of the finding that companies were experiencing skill shortages. In fact, some key footwear manufacturing skills appear to be endangered and training and development has become more of a priority. This is an area where research institutes and education centres have played an important role in recent years.

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1. INTRODUCTION

1.1 Background

The western European footwear industry has been subject to an elongated period of transition since the early 1990s, following increasing competition from China, Brazil, Indonesia and central and eastern Europe. During these years western European manufacturers have maintained their competitiveness by outsourcing the most costly production processes to Asia or to eastern European countries, as well as through a number of bilateral trade restrictions on imports of footwear (essentially protecting French and Italian products). Nonetheless, industries in the Far East have gained a competitive advantage and European manufacturers have been forced to introduce cost cutting measures, which have included a reduction in employment within the sector.

The economic crisis of recent years, coupled with the increased competition and subsequent restructuring and modernisation processes, has caused not only significant drops in production and employment but also a sharp reduction in consumer spending. Meanwhile, the credit crunch has negatively affected the access of small and medium enterprises (SMEs) and micro enterprises to finance.

1.2 Objectives of the Study

In response to the challenges the footwear industry is facing, the European Commission has contracted an assessment of the situation of the footwear sector in the EU and prospects for its future development.

The assessment focuses on the current trends in research and innovation, restructuring, education and training and on small and medium-sized enterprises (SMEs), with specific focus on selected EU regions.

The main goal of the study is to better equip stakeholders, including national/regional authorities as well as social partners and the business community, to respond to a potential crisis and minimise its socio-economic consequences, particularly in the less-favoured regions which are heavily dependent on footwear manufacturing.

As indicated in the Specifications, Task 1 of the study was to undertake a ***survey on the situation of the European footwear sector and prospects for its future development*** where this was envisaged to be in the form of a questionnaire.

The Specifications required the contractor to “*carry out a qualitative questionnaire/survey at EU level on the situation of the footwear sector. The questionnaire shall be addressed to enterprises, European national/regional footwear business associations, trade unions, research centres, educational centres, financial institutions, etc*”.

1.3 Structure of this Report

This report is the first of three free-standing reports prepared during the first stage of the study and aims to present a thorough picture on the state of the footwear manufacturing sector within the EU.

The other two reports focus on *Research and Innovation Centres* and *Small and Medium Enterprises*; these represent the results of Tasks 2 and 3 respectively of the first stage of the study.

Section 2 of this report provides an overview of the structure of the EU footwear industry including data on trends in production and consumption on a country by country basis. Consideration is also given to the importance of research and training as well as the role of SMEs.

Section 3 provides an analysis of the EU-wide survey undertaken as part of this study. Although the number of responses was not as quite as high as had been hoped for, many of the issues raised have been (or will be) explored in more detail during the country case studies for other tasks undertaken for this study.

Section 4 discusses some of the key findings from the study.

2. AN OVERVIEW OF THE EUROPEAN FOOTWEAR INDUSTRY

2.1 Introduction

A considerable amount of information is available on the EU footwear industry. This includes a range of statistical data, from EUROSTAT, Eurobarometer 2009 and other sources, surveys, research reports, evaluations and impact assessment documents. This section of the report summarises information gathered from these sources to provide a background to the results of the survey.

The remainder of this section provides:

- a review of footwear markets;
- a description of the size and structure of the EU footwear sector;
- an examination of the challenges facing the sector and the industry’s responses;
- cost and financing issues;
- an evaluation of competition in the footwear sector;
- innovation in the footwear sector; and
- employment and training.

2.2 Footwear Markets

2.2.1 Definition of Footwear

The European Commission defines the term footwear as:

“all articles designed to protect or cover the foot, with a fixed outer sole, which comes into contact with the ground¹”.

For the purposes of this study, we have identified a number of market segments, which are listed in Table 2.1 (please note that the categories are independent and should not be read horizontally).

End user	Type of footwear	Price	Material
Women	Casual	Super Premium Segment (Luxury)	Leather
	Formal		Textile
Men	Evening	Medium Segment (Medium)	Plastic/rubber
Children	Sport	Lower Segment (Economical)	
	Safety/protective		

¹ EC (2002): **Decision establishing revised ecological criteria for the award of the Community eco-label to footwear and amending Decision 1999/179/EC**, Brussels (<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2002D0231:20080119:EN:PDF>)

With regard to the price segments presented in the above there appear to be no clear-cut definitions of the various price segments, even in the academic literature. Everyone talks about price segments, and the terms seem to be well understood in the industry, but without further explanation. Price segments seem to be part of the unwritten practice of the sector; as such, many believe that they are stable over time, in orientating the company's strategy, but rather fluid at certain moments in time. The definition is also tied to national markets; thus what is meant by 'low' and 'medium' price varies between Member States depending on domestic purchasing power, consumer behaviour, competition in domestic markets and even currency exchange rates. Therefore, price segments cannot be determined in terms of Euro ranges at the EU level.

2.2.2 Global Markets

China is the leading shoe producing and exporting country in the world, with annual production of over 10 billion pairs of footwear, representing over 60% of the world's shoe production. India is the second largest manufacturer of footwear, with an annual output of over two billion pairs, equivalent to about 15% of global production, while the EU accounts for about 5% of global production (CBI, 2010; IBIS, 2010).

The majority of footwear products are sold in the EU (€ 49 billion, 2.1 billion pairs), USA (€ 47 billion, 1.5 billion pairs), China (€ 19 billion, 2.4 billion pairs), Japan (€ 14 billion, 321 million pairs) and Latin America (€ 16 billion, 877 million pairs).

In the USA, people spent on average € 140 (4.7 pairs) per capita in 2008 on shoes; in contrast per capita consumption in the EU is € 100 (4.2 pairs)². Consumption is much lower in the main producing countries, at € 16 (1.8 pairs) in China and in India € 1.0 (0.16 pairs) per person

2.2.3 EU Consumption

Table 2.2 (over page) shows that in 2008, EU consumption by value was dominated by five EU countries, which accounted for 71% of the total. These were Germany (17.4%), France (17.0%), the UK (16.1%), Italy (12.6%) and Spain (8.3%). Consumption in Poland exceeded that of Spain by number of pairs purchased but, because of lower prices, the value of consumption was significantly less.

Table 2.2 indicates that the overall EU footwear market grew slightly (1.6% by value) between 2004 and 2006 but the economic recession in 2008 caused the EU market to contract by 0.5% between 2006 and 2008. The highest annual average growth by value over the period was in Sweden, Poland and Romania, while Germany, the UK, Italy, the Netherlands and Austria all showed a net annual reduction in value. The highest per capita expenditure was in Luxembourg and France, while expenditure was considerably lower in the newer Member States.

² CBI Market Survey, *The Footwear Market In The EU, May 2010*
(http://www.cbi.eu/marketinfo/cbi/docs/the_footwear_market_in_the_eu)

2.2.4 Market Outlook

Although some eastern European regions, such as Romania, are growing, most manufacturers in western and southern Europe have struggled to compete against the increasing level of import penetration from Asia (IBIS, 2010).

According to the Eurobarometer 2009 survey, finding customers was identified as the most serious concern (29%) for companies, which might reflect the fall in demand for products and services. The second most pressing problem for managers of EU companies was access to finance (indicated by 16% of respondents). 13% of managers were most concerned about competition and less than a tenth mentioned the availability of skilled staff (8%), costs of production or labour (8%) or regulatory issues (7%).

	2004		2006		2008		Annual Avg. % change in value	Consumption per capita	
	Value	Volume	Value	Volume	Value	Volume		€	Pairs
Germany	8,715	322	8,455	323	8,569	330	-0.5	104	4.0
France	8,277	350	8,381	349	8,356	352	0.2	134	5.7
UK	7,993	329	7,986	333	7,946	331	-0.2	129	5.4
Italy	6,203	248	6,321	295	6,195	279	-0.1	126	5.2
Spain	3,907	137	4,224	142	4,110	140	1.2	101	4.5
Netherl.	2,369	65	2,387	67	2,224	68	-1.6	121	4.7
Poland	1,678	134	1,713	139	1,899	156	3.1	52	3.0
Belgium	1,208	39	1,256	38	1,247	38	0.7	115	3.9
Greece	1,193	33	1,248	35	1,232	37	0.8	118	3.9
Austria	1,095	29	1,129	32	1,022	30	-1.8	130	3.8
Portugal	948	43	963	49	954	48	0	90	4.3
Sweden	858	33	994	41	1,013	41	4.2	113	4.4
Denmark	694	20	699	23	718	24	0.9	129	4.4
Romania	691	45	762	49	759	50	2.4	36	2.4
Finland	618	17	624	18	631	20	0.5	119	3.8
Czech R.	458	32	479	37	477	39	1.0	46	3.8
Ireland	442	20	458	22	457	22	0.8	104	5.0
Hungary	301	23	313	25	312	25	0.9	31	2.5
Slovakia	241	13	243	14	249	16	0.8	46	3.0
Bulgaria	217	11	232	14	229	17	1.4	30	2.2
Slovenia	176	7	181	7	184	8	1.1	92	3.4
Lithuania	158	7	165	8	163	9	0.8	48	2.9
Latvia	89	5	94	6	92	7	0.8	40	2.8
Luxemb.	63	2	66	2	68	2	1.9	136	4.0
Cyprus	49	3	50	3	49	3	0	86	3.8
Estonia	49	3	55	3	53	4	2	41	3.0
Malta	23	2	24	2	23	2	0	94	4.1
Total EU	48,713	1,972	49,502	2,076	49,231	2,098	0.3	100	4.2

Source: CBI Market Survey (2010)

The footwear market is subject to highly unstable demand, with fashion-related and seasonal fluctuations. Customers are also seeking more variety in styling and price. The main features of the market are extreme fragmentation and diversification of purchase, strong price-sensitivity and low loyalty, request for differentiation and, relative to traditional retail, an increasing importance of new distribution channels (specialised stores, single-brand shops and outlets) (CBI 2010).

2.3 Size and Structure of the EU Footwear Industry

2.3.1 Introduction

The European Union is a major producer and exporter of footwear and footwear related products, particularly in the luxury footwear segment. In 2010, the EU was the second largest global exporter of footwear after China, exporting €4.9 billion worth of shoes worldwide³.

The European footwear industry generates over €25 billion annually in turnover. Around two thirds of the total EU footwear production is concentrated in three key countries: Italy, Spain and Portugal, with Italy accounting for around 50% of total EU footwear production. The footwear sector is an important part of the European manufacturing industry and plays a crucial role on the economy and social well-being in numerous regions within the EU27.

As shown in Table 2.3, detailed information for 2007 indicates that around 26,100 footwear enterprises were operating in the EU27 employing 388,000 people⁴ directly. The data suggests that the footwear industry is characterised by a predominance of small and medium-sized enterprises (SMEs), employing on average around 10-15 workers. Such a business structure can create challenges for the sector when it comes to innovation, technological advances and expansion.

Table 2.3: EU-27 Footwear Sector Structural Data					
	2004	2005	2006	2007	2008 (est)
Number of firms	28 941	27 125	26 624	26 100	24 000
Turnover (€m)	26 389	25 921	26 233	30 296	26 615
Employment	443 900	404 500	388 100	368 600	325 700

*Source: Eurostat data as presented on DG Enterprise website:
http://ec.europa.eu/enterprise/sectors/footwear/statistics/index_en.htm with estimated figures for 2008 from Eurostat structural business statistics (sbs_na_ind_r2-2)*

³ DG Enterprise and Industry (2009): *Industrial goods, Textiles and footwear Sector* (http://ec.europa.eu/trade/creating-opportunities/economic-sectors/industrial-goods/textiles-and-footwear/#_statistics)

⁴ DG Enterprise and Industry (2009): *Overview of the Footwear Industrial Sector* (http://ec.europa.eu/enterprise/sectors/footwear/index_en.htm)

However, Table 2.3 also indicates that employment in the footwear industry fell by more than 25% between 2004 and 2008 and the number of firms has declined by more than 15%. Figure 2.1 shows the continuous reduction in the number of footwear firms in the EU between 1999 and 2008.

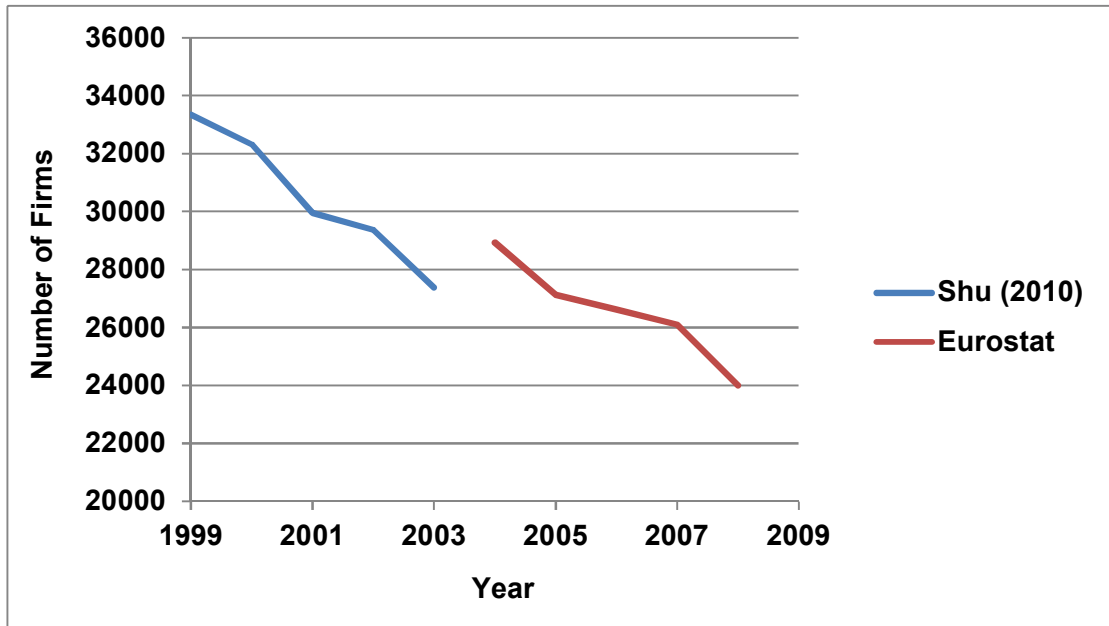


Figure 2.1: Number of Footwear Firms in Europe (based on the data from Eurostat and, for pre-2004 data, Shu M (2010): *Dealing with an Emerging Economic Power: The EU's Trade Policy towards China*, Waseda University, see http://www.psa.ac.uk/journals/pdf/5/2010/797_578.pdf)

Although more recent comprehensive data are not available from Eurostat, there are indications from some countries that turnover declined sharply in 2009 but that there was some recovery in 2010 as shown in Table 2.4.

Country	2007	2008	2009	2010
Germany	105.52	103.14	72.44	84.98
Greece	107.39	108.76	95.81	62.82
Italy	112.02	113.90	97.52	111.07

Note: Index = 100 for 2005

The footwear sector is part of a complex supply chain consisting of suppliers of raw materials, tanneries, components, accessories, machinery manufacturers, model makers and designers. Figure 2.2 illustrates the supply chain process in the footwear manufacturing sector⁵.

⁵ Based on Venkatraman (2010): *A Report on Footwear Sector Analysis*, downloaded from the scribd website (<http://www.scribd.com/doc/20962237/Footwear-Sector-Analysis>)

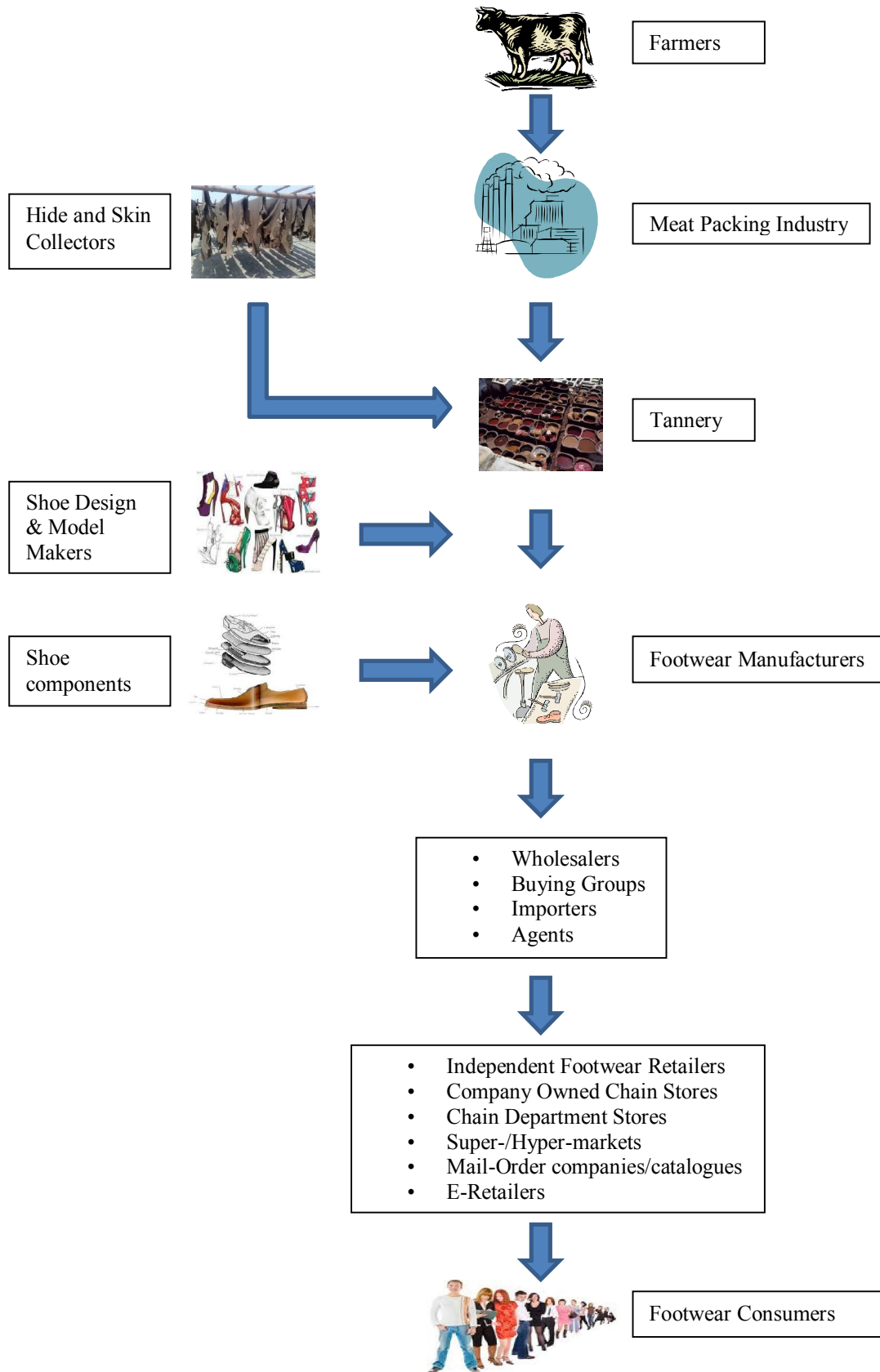


Figure 2.2: Supply Chain Process for the Footwear Industry

Figure 2.2 illustrates a vertically non-integrated supply chain model which was found to be characteristic of small and medium size manufacturers in the EU. Of note is that on the retail side, it is easier to find examples of horizontally integrated supply chain models. For example, a retail store may manufacture and sell footwear and textile products along with other accessories (such as sunglasses, handbags and jewellery).

2.3.2 EU Production

The EU has traditionally been an important supplier of high quality footwear to the world market. However, production of high volume items has increasingly been outsourced, mainly to Asia. In 2010, six out of ten shoes in the world were produced in China (IBIS, 2010; CBI, 2010). In recent years, the general trend in Europe has been for manufacturers to focus on reducing volume but improving quality and innovation. Hence, the EU has increasingly focussed on producing designer footwear and has become home to some of the world's largest and most prestigious footwear brands. Table 2.5 shows EU production of footwear between 2004 and 2008.

	2004		2006		2008		Annual Avg. % change in value
	Value	Volume	Value	Volume	Value	Volume	
Italy	7866	278	7643	257	7214	221	-2.2
Germany	3959	219	3711	196	3749	193	-1.4
Spain	2135	147	2059	118	1765	109	-4.7
Romania	1302	83	1486	91	1455	89	2.8
Portugal	1471	85	1339	72	1212	61	-4.7
France	1317	54	1135	44	980	31	-7.2
Austria	331	11	301	9	291	8	-3.2
Poland	286	52	247	41	253	44	-4
Slovakia	229	15	252	17	241	17	1.3
UK	269	14	241	12	217	11	-6.3
Finland	159	3	144	3	142	3	-2.8
Bulgaria	92	8	107	10	123	14	7.5
Greece	147	6	142	6	121	5	-4.8
Hungary	151	17	105	13	97	9	-10.5
Netherl.	89	3	83	3	79	3	-3
Denmark	48	5	53	5	51	5	1.5
Slovenia	41	2	30	2	28	2	-9.1
Czech	32	6	27	5	25	5	-6
Ireland	26	1	26	1	25	1	-1
Belgium	23	1	24	1	21	1	-2.3
Estonia	19	1	16	1	16	1	-4.3
Lithuania	8	1	10	1	9	1	2.9
Cyprus	12	1	10	1	9	1	-7
Latvia	9	1	9	1	8	1	-3
Malta	6	0	5	0	5	0	-4.5
Total EU	20,261	1,015	19,236	911	18,162	863	-2.7

Source: CBI Market Survey (2010) *Data are not available for Luxembourg and Sweden

In 2008, total EU footwear production was valued at €18 billion and 863 million pairs. Between 2004 and 2008, the annual average production of EU footwear fell by 2.7% in value and 4.0% in volume.

More recent statistics from some EU27 countries indicate that production declined sharply in 2009 but that there was some recovery in 2010 (except for Greece) as shown in Table 2.6.

Country	2007	2008	2009	2010
Germany	93.95	88.50	82.53	90.95
Greece	96.35	93.53	82.49	49.91
Spain	83.05	74.98	58.04	61.08
France	83.49	71.50	61.32	61.20
Italy	87.62	78.99	62.14	59.67
United Kingdom	107.76	102.17	96.15	90.02

Source: Eurostat Data
**Only limited data for the EU27 countries were available from the Eurostat website.*

2.3.3 Key Manufacturing Locations

The complexity of the supply chain has resulted in a concentration of companies and the formation of footwear producing districts, such as the Marche and Emilia Romagna in Italy, Elda and Elche in Spain and Norte in Portugal. This geographic concentration is one of the strengths of the footwear industry, driving the spread of knowledge and the formation of networks of companies, both formal and informal.

Within eastern Europe, Romania, Poland, Slovakia and Bulgaria are the largest footwear producers. Relationships between these two sets of countries also exist, through outsourcing parts of the manufacturing process. For instance, Romania is the preferred outsourcing location of footwear firms in Veneto, as relocation to Romania and other eastern European countries with lower wages is increasingly used to reduce costs⁶.

The main footwear manufacturing regions in the EU are situated within Italy, Germany, France, Poland, Portugal, Romania and Spain:

- **Italy** is the largest footwear producer in the EU and the eighth largest in the world. Italy has a long tradition within the sector, with around 6,000 businesses and over 80,000 employees (ANCI, 2011), which makes the footwear industry highly significant for the country's economy. Production is concentrated in seven

⁶ Amighinia A & Rabellotti R (2006): *How Do Italian Footwear Industrial Districts Face Globalisation?* Department of Economics and Quantitative Methods, Università del Piemonte Orientale, Italy.
(http://www2.dse.unibo.it/prin/prin2003/workshop/wp3/WORKING_PAPERS/Amighini%20_Rabellotti).

key regions: Marche, Tuscany, Veneto, Lombardy, Campania, Puglia and Emilia Romagna. According to ANCI (The National Association of Italian Footwear Manufacturers), 51% of Italian production is targeted at the medium and upper end of the market. Italy is particularly known for its high quality fashionable footwear.

- **Germany** is the second largest EU producer; however, between 1999 and 2003, German production decreased by 34 per cent⁷ and by a further 12 per cent between 2004 and 2008. Increased competition forced many German producers to close their factories in Germany and to shift production to eastern Europe and Asia. In addition to the shift in production, the German footwear industry also experienced a series of significant acquisition deals over the period. For example in 2003, Salamander AG was purchased by Garant Schuh + Mode AG⁸.
- **Spain** is the third largest footwear manufacturer in the EU and produces approximately 100 million pairs of shoes annually. According to FICE (Federation of Spanish Footwear Industries), more than €1.6 billion worth of footwear was exported in 2009, indicating a 2% drop in volume and a 5.8% drop in value compared to the previous year. Production of Spanish footwear is concentrated in the regions of Valencia, Castile-La Mancha, La Rioja and Zaragoza and employs around 30,000 workers in 1,700 enterprises (FICE, 2009).
- **Romania** is the fourth largest producer of footwear amongst the EU27 Member States and Romanian footwear production has been expanding during the last five years. The country has benefited from its close trading links with Italy and lower labour costs compared to other footwear manufacturing countries in the EU. The majority of Romanian production is exported, but the home market is growing. However, since 2005, the Romanian industry has suffered from growing competition from China and Vietnam.
- **Portugal** also has a significant presence in the footwear market. According to the Portuguese Footwear Association (APICCAPS), Portugal's shoe industry comprises approximately 1,400 firms and around 35,000 employees. The industry exported €1.2 billion worth of footwear products in 2008; EU Member States were the primary destination of exports.
- **Poland's** footwear production volume has been rising since 2006, due to increased demand in the domestic footwear market. Currently there are 1,230 footwear manufacturing companies⁹ in the country producing 31 million pairs of shoes.

⁷ CBI *EU Market Survey Database*, Footwear, December 2004.

⁸ In 2003, the board of directors of Garant Schuh + Mode AG jointly decided to take over some parts of the shoe division of Salamander AG. This amounts to 230 retail stores in nine European countries, the rights to the Salamander brand and licence for the children's shoe brand Lurchi as well as a production facility in Martfu Hungary.

⁹ Polish leather Association (PIPS), http://www.pips.pl/en/trade_companies/producers_of_shoes/1.html

- **France** is the sixth largest EU producer of footwear by volume and fifth largest in terms of value. The majority of the French footwear industry consists of small artisans, which mainly specialise in the high-end market. Eram and Vivarte¹⁰ are the two largest producers and retailers of footwear in France and dominate the French retail market. Footwear production was valued at € 2.2 billion in 1995, compared to € 861m (26 million pairs) in 2009, a decline of around 60%. In 1995, the industry employed 29,480¹¹ people, compared to 7,050¹² in 2009, indicating a reduction of around 75%.

Table 2.7 shows key footwear statistics for these countries.

Country	Production (million pairs)	Production Value (€m)	No. of Companies	Key Regions
Italy*	198	6468	6028	Marche, Tuscany, Veneto, Lombardy, Campania, Puglia and Emilia Romagna
Germany	193	3749	1132	Rhineland-Palatinate, North Rhine-Westphalia
Spain*	109	1646	1729	Valencia (Alicante, Vall de Uxó), Castile-La Mancha, La Rioja, Zaragoza (Brea de Aragon and Illueca)
Romania	89	1455	1286	Timis/Timisoara, Bihor
Portugal*	67	1398	1418	Northern Region (Felgueiras, Barcelos, Oliveira de Azameis, Santa Maria de Feria)
Poland	44	253	1230**	Silesia, Malopolska
France*	26	861	110	Aquitaine, Pays de la Loire, Rhône-Alpes

Sources : CBI 2010 Report and Eurofound
 * 2009 Data
 ** Sourced from Polish Chamber of Shoe and Leather Industry (PIPS)
 (http://www.pips.pl/en/trade_companies/producers_of_shoes/25.html)

Interestingly, the data presented at a national level (as illustrated in Table 2.7) appear to suggest a lower overall number of enterprises (and associated employees) than the data from Eurostat (see Table 2.3).

¹⁰ Vivarte and Eram target primarily the low to medium end of the French consumer market. Eram is one of France's largest producers of footwear and second largest retailer, producing more than 11 million pairs of shoes per year. Vivarte produces and sells more than 60 million pairs of shoes per year. (<http://www.eram.fr> and <http://www.fundinguniverse.com/company-histories/Vivarte-SA-Company-History.html>)

¹¹ CBI (2010e): *Market Survey, The Footwear Market In France*, May 2010 (http://www.coexport.com.sv/web/attachments/219_France.pdf)

¹² FFC (2009): *Le Monde de la Chaussure*, French Footwear Association (http://www.chaussuredefrance.com/sites/fr/le_monde_de_la_chaussure/chiffres_cles.html)

It is probable that national data are more specifically focused on footwear manufacturing, whereas the Eurostat data include additional footwear-related activities within the general NACE classification system¹³. In any event, although there may be a divergence in absolute values, the various data sources indicate similar trends in recent years.

2.3.4 Stakeholder Organisations

The footwear industry in the EU benefits from a strong support structure in the form of industry associations, research institutes and trade unions.

Industry Associations

Footwear industry associations' activities focus on promoting the economic growth and sustainable development of the European footwear industry. This includes work in non-EU markets in order to maintain the reputation, image and the presence of EU footwear manufacturers, as well as emphasizing the benefits of EU brands in their home markets. Associations also support companies in their day to day activities by providing advice on development strategies and assistance to enter new markets as well as providing services such as training, regulatory and legal advice.

The key European footwear associations are:

- **European Confederation of the Footwear Industry (CEC)** which represents the interests of the European footwear industry. Its members are the national federations in the European Union and associated eastern European countries. Currently, the CEC represents employees in over 13,500 footwear-manufacturing companies in 15 EU countries and four associate federations. CEC is promoting the CEC Made Shoe integrated innovation project, in which 54 European companies are taking part, alongside technology centres and machinery and IT solutions providers. The project focuses on creating new footwear concepts based on the consumer and the environment, developing new materials, new processes and new uses;
- **European Confederation of National Associations of Tanners and Dressers (COTANCE)** which is the representative body of the European Leather Industry. It is a non-profit organization established in order to promote the interests of the European tanning industry at international level;
- **European Confederation of Shoe Retail Trade Associations (CEDDEC)** which represents the major national footwear retail federations in the European Union, and in a number of other south and eastern Europe countries. At present CEDDEC represents 13 footwear retail Federations, with more than 80,000 footwear shops in the EU, and 6 observer Federations; and

¹³ 'Manufacture of footwear' is code C15.2 (previously C19.3) under the *Statistical Classification of Economic Activities in the European Community, Rev. 2* (2008).

- **European Association of Fashion Retailers (AEDT)** which is the association representing European retail enterprises specialising in fashion and footwear. AEDT represents around 530,000 independent retailers and its members are the national associations representing such retailers.

These EU-wide associations work closely with organisations at the national level. Some of the main EU national footwear associations by country are listed in Table 2.8.

Country	Acronym	Organisation
Austria	VS	Association of the Austrian Footwear Industry
Belgium	FEBIC	Belgian Federation of the Footwear Industry
Czech Republic	ATOK	Association of Textile, Clothing and Leather Industry
Finland	FLIA	Finnish Leather Industry Association
France	FFC	French Federation of the Footwear Industry
Germany	HDS	Federal Association of the Footwear Industry
Greece	FFMG	Federation of Footwear Manufacturers in Greece
Hungary	BSC	Association of the Leather and Shoe Industry
Italy	ANCI	The National Association of Italian Footwear Manufacturers
Netherlands	FNLS	Federation for Leather Products and Shoes
Poland	PIPS	Polish Chamber of Shoe and Leather Industry
Portugal	APICCAPS	Portuguese Footwear, Components and Leather Goods Manufacturers' Association
Romania	PINC	Leather and Footwear Employers' Association
Slovenia	STU	Section for the Textile and Leather Industry
Spain	FICE	Spanish Federation of the Footwear Industry
Sweden	SSF	Swedish Shoemakers Association
UK	BFA	British Footwear Association

Source: Eurofound http://www.eurofound.europa.eu/eiro/studies/tn0907017s/tn0907017s_7.htm

Trade Unions

The European footwear industry is a small sector that has shrunk markedly in size over the last couple of decades. This decline is as a direct result of low-cost competition in less developed economies, in particular the Far East, as well as the tendency of EU companies to ‘offshore’ their operations to cheaper locations. Such a development is likely to have also reduced the number of trade union members within the sector – as is reported, for instance, in the UK. In turn, declining trade union members may have caused the trade unions to dedicate fewer resources to the sector, given the small level of employment in the footwear industry¹⁴.

The relevant national and supranational social partner organisations in the field of industrial relations in the footwear sector are:

¹⁴ Eurofound : *Representativeness of the European social partner organisations: Footwear industry*, 19 April 2010 (http://www.eurofound.europa.eu/eiro/studies/tn0907017s/tn0907017s_5.htm)

- The **European Trade Union Federation of Textiles, Clothing and Leather (ETUF:TCL)**¹⁵ was officially set up on 24 March 1975 in Brussels under the name European Trade Union Committee of Textiles, Clothing and Leather. The ETUF:TCL brings together 70 free and democratic trade union federations stemming from 40 European countries (mainly the European Union, the European Economic Area, accession countries as well as EU candidate countries, but also from the Balkans and a number of other eastern European countries). As a result, the ETUF:TCL represents more than one million workers, in other terms one in three in TCL sectors within the area delimited by the Council of Europe;
- The **European Confederation of Executives and Managerial Staff (CEC)**¹⁶ is one of the six European social partners representing employers in industry and participating in the cross-industry social dialogue with the Committee on the employees' side. CEC federates a growing number of national organisations (trade-unions, employees associations, professional federations) representing executives and managers operating in the industry, services and public sector. Their membership numbers have been increasing constantly during the last years and thus their weight in the European economy is important; and
- The **European Trade Union Confederation (ETUC)**¹⁷ was set up in 1973 to promote the interests of working people at European level and to represent them in the EU institutions. The ETUC has in membership 83 National Trade Union Confederations from 36 European countries, as well as 12 European industry federations, making a total of 60 million members. The ETUC is one of the European social partners and is recognised by the European Union, by the Council of Europe and by EFTA as the only representative cross-sectoral trade union organisation at European level.

Pressure from low labour cost countries has prompted the European sector-related social partners to seek joint strategies to cope with the sector's challenges of increasing imports from the Far East and the need to successfully compete on quality, without diminishing existing employment standards. Therefore, the sector's social partners at European level – that is, CEC on the employers' side and ETUF:TCL on the employees' side – have launched some joint initiatives in the framework of social dialogue. A series of joint programmes and guidelines, including a code of conduct, have been drawn up since 2000. Against this background, CEC and ETUF:TCL are regarded as important for the footwear industry's employers and employees.

¹⁵ ETUF:TCL Website: <http://www.etuf-tcl.org/index.php?s=1&rs=home&lg=en>

¹⁶ CEC Website: <http://www.cec-managers.org/>

¹⁷ ETUC Website: <http://www.etuc.org/r/5>

2.4 Challenges Faced by the Footwear Industry and Responses

2.4.1 Introduction

Across the literature surveyed, there is a considerable degree of consensus on the most important issues that are facing the EU footwear manufacturing industry:

- *Increasing international competition* involving the emergence of new competitors and the further integration of global markets. This issue is discussed in detail in Section 2.6;
- *Increasing relocation and outsourcing* which introduce fragmentation of production processes, i.e. the splitting of the production cycle over production sites located in different countries, as a cost-reducing strategy, is one of the effects of globalisation in the footwear industry;
- *Increasing pace of fashion related changes* leading to shorter product cycles and the need to produce multiple collections per year, forcing firms to continuously innovate and design, but also enabling new organizational forms and processes;
- *Socio-demographic drivers* including growth of the emerging economies offering new market opportunities;
- *Environmental drivers* such as climate change, the depletion of natural resources and pollution caused by industrial activity, impacting on how footwear is manufactured;
- *Growing emphasis on high quality products* i.e. those with a greater added value, which manufacturers are increasingly producing to differentiate their products and processes to gain competitive advantage over cheaper imports from developing countries; and
- Continuing issues with *counterfeiting and piracy* resulting in significant financial losses.

This section discusses these challenges, and the response of the EU footwear industry to them.

2.4.2 Increasing International Competition

The footwear industry is highly globalised and competition from low labour cost countries has forced footwear production in EU into a process of extensive restructuring over the past two to three decades. The industry is subject to high competitive pressure both from overseas competition and from distribution (discussed further in Section 2.6).

Despite the global economic downturn and competition from Asia, however, new trends continue to evolve to move the European footwear market forward. Some trends reflect changes in behaviour, which force changes to footwear designs, styles, quality, whereas others are new footwear trends that manufacturers introduce to differentiate their products and processes to gain competitive advantage

2.4.3 Increasing Relocation and Outsourcing

International fragmentation of production processes, the splitting of the production cycle over sites in different countries to reduce costs, is one of the most pervasive and disruptive effects of globalisation in the footwear industry.

Outsourcing has been an on-going trend for several years. Many of the leading footwear brands that originate in the EU have production facilities throughout the world, depending on the location of their main markets¹⁸. The majority of larger production facilities have been outsourced to China, Vietnam and India in particular.

Table 2.9 shows there are two distinct strategies that encourage manufacturers to move their production abroad, these are either market oriented or supply/cost oriented¹⁹ or both. For example, outsourcing is a functional upgrading strategy for Brenta footwear firms in Italy, which specialise in the high-end footwear market for major fashion houses²⁰. Such companies are moving low value added activities and products to low wage countries such as Romania and focusing on production for the luxury market at home²¹.

Strategy	Reasons for Relocation	Host countries	Export Impacts
Supply or cost oriented	lower labour cost difficulty to find workers congestion and saturation of the territory proximity to raw materials sourcing environmental constraints	low wage countries	no export substitution
Market oriented	proximity to consumer markets custom duties barriers transportation costs exchange rate risk	high income consumer countries	export substitution

Source: Crestanello P & Dalla Libera P (2003): International Delocalisation of Production: The Case of the Fashion Industry in Vicenza, 25th August 2003

Industrial restructuring entails substantial changes in terms of employment (layoffs, retraining) and location of production facilities. The European footwear industry over the last few decades has become sufficiently flexible to cope with these structural

¹⁸ Large athletic shoes companies like Nike and Adidas often utilise contractors in Asia and other developing countries to produce their athletic shoes. IBIS World Industry Report, Global Footwear Manufacturing, 4 May 2010.

¹⁹ For some industries, the attraction of the competencies of workers, not their costs, is the reason for the production delocalisation towards foreign countries.

²⁰ Amighinia A & Rabellotti R (2006): *How Do Italian Footwear Industrial Districts Face Globalisation?* Department of Economics and Quantitative Methods, Università del Piemonte Orientale, Italy.
(http://www2.dse.unibo.it/prin/prin2003/workshop/wp3/WORKING_PAPERS/Amighini%20_Rabellotti)

²¹ Anon (undated), *Footwear clustering efforts in Montebelluna and Timisoara*, (www.competitiveness.com)

changes. The EU footwear industry is now a mature sector and the rate of decline in production volumes has started to slow as the restructuring process has enabled the industry to adapt more effectively to the global trading environment.

At the same time as restructuring in production, there is an on-going restructuring of the footwear distribution system. This has given greater bargaining power to the distributors and puts intense pressure on prices. Major distribution chains tend to concentrate and to internationalise orders but they also tend to be more demanding in terms of quality and service. The increased power of large retailers' requires manufacturers to develop strong service-based collaborative relationships and to adhere strictly to retailer compliance requirements. Over the years, the processing activities to prepare footwear for sale (previously done by the retail stores), has shifted over to the manufacturer. This can include activities such as pricing, product identification bar code tickets, security tags and packing.

Modern footwear makers are producing and distributing through a wider sales network, such as hypermarkets and fashion retailers²² in their own country and in other EU countries. Compared to Asian suppliers, EU manufacturers have a competitive advantage by being closer to their clients, by being more responsive to fashion changes and by being able to deliver fast. E-commerce is also a growing sales channel and consumers are better informed about online sales of footwear.

2.4.4 Increasing Pace of Fashion-Related Change

Traditionally, the footwear market makes a distinction between two seasons: summer and winter. However, the influence of media and celebrities on footwear styles has meant that EU producers have had to adapt to a more rapid turnover in footwear styles, whereby lead times are greatly reduced. Some producers market more than two collections per year; in some cases, the market requires four or even six collections per year, leading to extreme fragmentation of production batches. Indeed, some retail chains are demanding extremely rapid changes in collections (fast fashion); an example of such company is presented in Box 2.1.

This development makes product life-cycles increasingly short, making it more difficult for producers as well as retailers to keep up with new developments and at the same time trying to get rid of their old stock.

One response has been to increase outsourcing to nearby countries or even keep manufacturing processes within the country, in order to supply smaller quantities and guarantee a time-to-market of 2 to 3 weeks. Suppliers are also affected by these changes; for example, many tanneries have become more flexible and can adapt to the rapid changes in demand.

²² Examples of major retailers shaping the footwear market are retailers such as Zara retail stores in Europe.

Box 2.1: Fast Fashion: the Example of Zara

Zara is the flagship chain store of Inditex Group. Since its launch at La Coruña in Spain during 1975, Zara has become Europe's fastest-growing fashion retailer, with over 1,000 branches worldwide. The company's headquarters are near Elche in Spain. Over 500 members of staff are employed at the Elche site, and some 20 million pairs of shoes are retailed²³. Zara has experienced considerable success in the last few years and the key elements for its success are connected to a quick and constant offer of fashion products at a reasonable price, carried out with a combination of vertical and territorial integration. Zara manufactures most of its footwear in factories concentrated in Spain, adopting a strategy of "quick response", with delivery times of about 10 days. The example of fully integrated chains like Zara shows the way towards continuous creation and production of new designs in companies.

Source: Crestanello P & Dalla Libera P (2003): International Delocalisation of Production: The Case of the Fashion Industry in Vicenza, 25th August 2003

2.4.5 Socio-Demographic Drivers

The most noticeable trend across the major footwear producers in the EU is a focus on exports. This is discussed further in Section 2.6.

While many domestic markets are dominated by low cost imports, EU producers are discovering that they can find markets for (branded) luxury footwear in emerging economies such as Russia (consumption in 2007 was € 4.4 billion), China (€ 17 billion), Brazil (€ 8.6 billion), India (€ 1.0 billion) and the Middle East (€ 1.9 billion). In China and India, the growing wealth implies that half a billion consumers will have a similar disposable income as consumers in the EU and USA (CBI 2010), leading to increased consumption of luxury footwear.

In order to compete on a global level and share some of their costs, smaller producers have been joining with other companies, designers and trade associations to compete with Asian suppliers.

2.4.6 Environmental Drivers

Environmental concerns continue to move up the priority list for footwear producers in Europe. EU legislation is increasing the requirements for footwear manufacturers and their suppliers to take account of environmental issues, which can require investment in new technologies.

For example REACH, the new chemicals regulation, will impact the sector by introducing downstream user obligations. The use of large volumes of water by the leather industry in the tanning process is an increasingly important issue. Pollution of the water supply, as well as shortages of water in some countries such as Spain, is forcing major changes to working practices.

²³ DG Enterprise and Industry (2007): *Study on the competitiveness, economic situation and location of production in the textiles and clothing, footwear, leather and furniture industries*, May 15th 2007

Nevertheless, EU producers²⁴ also see environmental issues as a business opportunity, as Box 2.2 illustrates. A number of companies are manufacturing eco-friendly footwear to gain a competitive advantage against Asian producers. Vegetable tanning²⁵ is now widely used, particularly for luxury goods, where clients are more environmentally aware.

Box 2.2: Ferragamo's Eco-friendly Footwear

Salvatore Ferragamo is an Italian manufacturer of luxury shoes and accessories made from high-quality leather and skins. Ferragamo has produced an eco-friendly range of shoes using sustainable and bio-friendly materials. For example the sole of the shoe is made of a bio-friendly rubber material. The manufacturing process is eco-friendly because the skins are finished using a new water-tanning process, as opposed to chemical dyes, and water-soluble adhesives, in place of glues, to eliminate the harmful waste typically associated with the shoe-making process.

Source: Kissel W: Ferragamo's Eco-friendly Footwear, Rob Report, 2010
(<http://robbreport.com/Fashion/Ferragamos-Eco-friendly-Footwear>)

2.4.7 Counterfeiting and Piracy

Brand and product piracy is a major threat to EU industry. European clothing and footwear companies lose an estimated €7.5 billion per year to counterfeiting²⁶. Many SMEs in particular lack the resources necessary to protect themselves against counterfeiting through legal action, thereby risking loss of their intellectual property.

In 2010, EU custom officials intercepted over 79,000 cases of counterfeit and pirate products – a dramatic increase from 43,500 in 2009, due in part to a greater use of the internet for consumer purchases.

The main intercepted categories were clothing, footwear and electrical items. Table 2.10 shows the top five counterfeit goods seized by customs at a global level and at the EU level. It is apparent that footwear is of considerable importance at the EU level.

²⁴ Kissel W (2010): *Ferragamo's Eco-friendly Footwear*, downloaded from the Rob Report website, 10 November 2010, (<http://robbreport.com/Fashion/Ferragamos-Eco-friendly-Footwear>)

²⁵ Ellis L: *What It Costs For Eco-Friendly Shoes*, article downloaded from the **gogreen** website (<http://gogreen.whatitcosts.com/green-shoes-pg2.htm>).

²⁶ ICC Counterfeiting Intelligence Bureau (2005): *The International Anti-Counterfeiting Directory*, 2005, Counterfeiting Intelligence Bureau (<http://bcboman.com/english/Articles/InternationalAnticonterfetingdirectory.pdf>)

Category of Products (HS code)	Seizure ¹ (%)	EU Cases ² (%)
Articles of apparel and clothing accessories (61, 62)	30.6	38.2
Electrical machinery and equipment, telecom, equipment, sound and TV recorders (85)	26.8	20.5
Articles of leather, saddlery and harness, handbags, articles of gut (42)	7.9	5.1
Footwear, gaiters, etc. (64)	5.4	23.4
Tobacco and manufactured tobacco substitutes (24)	5.4	0.1

Sources:

1. *Piotr Strykowski The Economic Impacts of Counterfeiting and Piracy, 2008, World Commerce Review*
2. *EC Taxation and Customs Union (2011): Report on EU Customs Enforcement of Intellectual Property Rights, Results at the Border 2010*

For 2010, Table 2.11 shows that footwear accounts for nearly one quarter of the reported cases in 2010 with 2.5 million pairs of shoes seized with an associated retail value of over €166 million²⁷. Similarly, a recent U.S. Customs and Border Protection (2011) report²⁸ indicates that footwear was the top commodity seized (for the fifth year in a row) in 2010, accounting for more than 24% of the total IPR seizure value (around \$46m in domestic value).

	Number of Cases	% of Total	Number of articles*	% of Total
Sport Footwear	3,631	4.6%	1,444,230	1.3%
Other Footwear	14,919	18.8%	1,160,589	1.1%

* One pair is counted as one article.
Source: EC Taxation and Customs Union (2011): Report on EU Customs Enforcement of Intellectual Property Rights, Results at the Border 2010

With regard to the place of origin of the EU confiscated footwear products, in the case of both sports and other types of shoes the vast majority - 95% and 83% respectively - comes from China.

²⁷ European Commission Taxation and Customs Unit (2011): Report on EU customs enforcement of intellectual property rights

²⁸ U.S. Customs and Border Protection & U.S. Immigration and Customs Enforcement (2011): *Intellectual Property Rights Fiscal Year 2010 Seizure Statistics — Final Report*, January 2011

2.5 Costs and Financing

2.5.1 Overview

Footwear manufacturers have a range of costs to manage with a particular focus on raw material costs and production costs (labour and machinery costs). Other important costs include regulatory compliance costs, logistics costs, general overheads (such as utilities) and marketing.

2.5.2 Cost Reduction and Supply Chain Efficiency

Cost management within the footwear industry has been crucial for footwear manufacturers to remain competitive in the global industry. Manufacturers are focusing on supply-chain management initiatives in order to improve profitability. In addition to cost savings, more efficient supply chains help to reduce cycle times and meet customers' demands. The most innovative companies use technological investments to partially automate formerly manual processes, streamline operations, improve customers' service and knowledge, enable new imaginative ways of innovating products, speed up distribution.

For example, Italian footwear companies have outsourced their production totally or partially to subcontractors, while continuing to carry out product design and marketing activities in house. These stages are closely related, since designing a successful sample collection requires constant monitoring of the market (taste, demand trend, fashion etc.) and keeping close relationships with the retailing system²⁹.

Fashion and brand influenced consumer products present unique supply chain challenges for manufacturers, particularly given the increasing pace of change (see Section 2.4.4). In addition, style, colour, and size combinations must be balanced against global sourcing, outsourced manufacturing, long lead times, and complex distribution channels. Footwear manufacturers are beginning to develop processes for customisation of footwear, to differentiate them from the competition and to meet increasing consumer demands for customized products.

2.5.3 Financing

Sufficient access to finance is crucial for the growth of companies in the EU – it helps to foster entrepreneurship, competition and innovation. A Flash Eurobarometer, conducted in 2009³⁰, showed that 16% of companies identified access to finance as

²⁹ Amighinia A & Rabellotti R (2006): *How Do Italian Footwear Industrial Districts Face Globalisation?* Department of Economics and Quantitative Methods, Università del Piemonte Orientale, Italy (http://www2.dse.unibo.it/prin/prin2003/workshop/wp3/WORKING_PAPERS/Amighini%20_Rabellotti)

³⁰ Flash Eurobarometer Access to Finance report was commissioned by the European Commission's DG Enterprise and Industry, in cooperation with the European Central Bank (ECB). It was set up to measure EU companies' use of various sources of finance, to assess the extent to which companies face

their second most pressing problem but almost twice as many companies expressed greater concern about finding customers (29%). A considerable proportion of SMEs did not have sufficient finance to enable them to complete their projects.

According to the Flash Barometer, three in ten companies considered that there had been a reduction in the willingness of banks to provide loans in the past six months; however, 8% reported that banks were now more willing to provide loans. A similar picture emerged when looking at access to public financial support instruments. Financing is crucial for footwear SMEs in particular to set up or expand their operations, especially within deteriorating market conditions. As SMEs are vulnerable to changing market conditions they often find it more difficult to obtain finance than larger companies, which negatively impacts their ability to innovate, train employees or simply restructure their operation. Therefore the potential to break out of a bad economic cycle becomes limited.

2.6 Competition

2.6.1 Imports

The footwear sector has faced a series of challenges connected with the liberalisation of world trade. Increased outsourcing has made the footwear industry highly globalised and has created strong competition between producers in the EU and in Asia. In 2010, Chinese producers supplied 60% of all global footwear production³¹.

European policy makers have sought to protect the interest of EU manufacturers. The Multi Fibre Agreement (MFA³²) focused on protecting trade in textiles and garments, which also included footwear. Until its expiry in 1994, the agreement imposed an upper limit on the amount of products and materials that developing countries could export to developed countries. The MFA was followed by the WTO Agreement on Textiles and Clothing (ATC), which was in place from 1995 to 2004 and covered footwear with textile components (three lines of Chapter 64 of the Combined Nomenclature codes).

After 2005 restrictions continued; the European Union introduced anti-dumping duties in 2006³³ to protect EU footwear manufacturers from import surges, imposing duties of up to 16.5% on Chinese and 10% on Vietnamese leather footwear; the European Union imposed 89 new trade barriers in 2009. On 22 December 2009 the EC took the decision to extend the duties for a further 15 months. On 4 February

difficulties when it comes to accessing finance and to study companies' expectations in terms of financing their future projects and developments.

³¹ IBIS (2010): **IBIS World Industry Report, Global Footwear Manufacturing**, IBIS, 4 May 2010.

³² The Multi-Fibre Arrangement (MFA) governed the world trade in textiles and garments from 1974 through to 1994, imposing quotas on the amount developing countries could export to developed countries.

³³ EC (2009): **Antidumping**, (EC) No 384/96, Brussels, 16 December 2009 (<http://register.consilium.europa.eu/pdf/en/09/st16/st16851.en09.pdf>).

2010, China filed a complaint against the European Union’s duties on the import of Chinese footwear at the World Trade Organization, alleging unfair trade. The anti-dumping duties were phased out on 1 April 2011. Table 2.12 sets out the timeline for tariffs and quotas.

Year	Trade Agreement
1974-1994	Multi-fibre Arrangement (MFA) - The MFA governed the world trade in textiles and garments from 1974 through to the end of 1994, imposing quotas on the amount developing countries could export to developed countries
1995-2004	Agreement on Textiles and Clothing (ATC) – the WTO Agreement on Textiles and Clothing, negotiated in the Uruguay Round, became operational on 1 January 1995
2006-2009	The EC placed anti-dumping duties in 2006 to protect the EU footwear manufacturers from import surges. The EC imposed duties of up to 16.5% on Chinese and 10% on Vietnamese leather footwear for two years in 2006
2010-2011	The anti-dumping duties were due to be lifted on 1 January 2010 but on 22 December 2009 the EC took the decision to extend the duties for a further 15 months until the end of March
2011	The anti-dumping duties were phased out on 1 April 2011

Many European footwear companies that had invested in cost-cutting production chains around the world opposed the anti-dumping tariffs, claiming they were limiting economic growth and economic recovery as well as harming the EU’s own companies and consumers through increased prices. Table 2.13 shows that EU imports in 2008 were valued at almost €27 billion, or 3.1 billion pairs. Table 2.13 indicates that imports increased by 17% in volume (numbers of pairs) and 28% in value over the period 2004-2008. These two key figures illustrate the increasing role that imports are playing in the EU market.

Source of Imports	2004		2006		2008	
	Value	Volume	Value	Volume	Value	Volume
Intra-EU	11,905	717	13,563	756	14,670	868
Extra-EU ex. DC*	2,556	212	2,046	116	472	29
Developing Countries	8,289	1,521	11,101	2,022	11,443	2,232
Total	22,750	2,450	26,710	2,894	26,585	3,129

**DC – Developing Countries*
Source: CBI Market Survey (2010)

As shown in Tables 2.14 and 2.15, the role of developing countries in supplying footwear to the EU continues to be important. China and Vietnam are the largest exporters of footwear into the EU market and in 2010; they accounted for 63% in value and nearly 85% in volume of all imports into the EU. Cambodia is also becoming a significant exporter of footwear products and the value of its exports of footwear to the EU exceeded €200 million in 2010.

Table 2.14: Top 10 Sources of Footwear Imports by Value into the EU-27 (€ million)								
	2006	2007	2008	2009	2010	Share of 2010 imports	% growth 2009-2010	% growth 2006-2010
Extra-EU Total	12204	12757	13055	12559	14288	100%	14%	17%
China	5579	5797	5924	6031	7149	50%	19%	28%
Vietnam	2132	2101	2287	1873	1884	13%	1%	-12%
India	862	960	971	950	1138	8%	20%	32%
Indonesia	624	645	702	770	865	6%	12%	39%
Tunisia	385	434	459	416	485	3%	17%	26%
Brazil	442	468	507	410	394	3%	-4%	-11%
Morocco	221	240	241	247	281	2%	14%	27%
Thailand	279	295	252	230	245	2%	6%	-12%
Bosnia and Herz.	157	188	202	194	224	2%	16%	43%
Cambodia	74	106	113	144	206	1%	43%	179%

Table 2.15: Top 10 Sources of Footwear Imports by Volume into the EU-27 (million pairs)								
	2006	2007	2008	2009	2010	Share of 2010 imports	% growth 2009-2010	% growth 2006-2010
Extra-EU Total	2111	2512	2430	2235	2465	100%	10%	17%
China	1492	1845	1761	1665	1868	76%	12%	25%
Vietnam	259	278	292	217	207	8.4%	-5%	-20%
India	61	66	67	71	80	3.3%	13%	33%
Indonesia	56	64	76	76	80	3.2%	6%	42%
Brazil	33	36	35	26	27	1.1%	4%	-16%
Tunisia	20	23	24	22	26	1.0%	17%	25%
Cambodia	9	14	14	16	22	0.9%	35%	129%
Turkey	28	31	24	19	20	0.8%	3%	-27%
Thailand	29	29	23	20	20	0.8%	-1%	-31%
Morocco	15	17	15	14	15	0.6%	12%	-1%

Source: Eurostat data as presented on DG Enterprise website: http://ec.europa.eu/enterprise/sectors/footwear/files/statistics/footwear_en.pdf

Benefits for Consumers

The trend of sourcing footwear from low labour cost countries, together with price pressure on EU manufacturers, has enabled customers in the EU to benefit financially. Over the period 1997 to 2005, the average retail price of footwear sold in the EU increased by an average of only 1% (see Table 2.16). Since these price changes were significantly less than the prevailing rate of inflation, there was a fall in real terms.

Year	EU
1997	1.9
1998	1.7
1999	1.4
2000	0.9
2001	1.1
2002	2.3
2003	0.8
2004	0.2
2005	-0.6
Average Annual Change in Price	1.0

Source: Information provided by SATRA

However, there is now little likelihood of average footwear retail prices continuing to rise at below the rate of inflation, given the rising costs of materials and components, of energy, etc. as well as increasing labour costs in China. Thus, it seems inevitable that the EU consumer can expect to see price increases in the short term. Some companies have responded to increased costs in China by moving their production to countries such as India; however, few if any other countries have the infrastructure to produce footwear consistently in the quantities required by the major brands as China. So, if China is to continue to supply the majority of footwear into the EU, it is likely that the producers will come under serious price pressures.

2.6.2 Exports

Exports from the EU in 2010 consisted of 177 million pairs of shoes valued at € 4776 million (see Tables 2.17 and 2.18). Despite a sharp downturn in 2009, the overall figures (for both volume and value) show a slight increase over the period 2006-2010, although the pattern varies by export market. For example, some European footwear manufacturers are shifting their strategies to produce high end luxury shoes at a higher cost but at lower volumes, for sale to emerging economies such as Russia and India (as discussed in Section 2.4.5).

Table 2.17: Top 10 Export Countries for Footwear by Value for the EU-27 (€ million)

	2006	2007	2008	2009	2010	Share of 2010 exports	% growth 2009-2010	% growth 2006-2010
USA	1313	1256	1024	773	943	17%	22%	-28%
Switzerland	667	700	767	725	808	15%	11%	21%
Russia	690	878	1016	673	753	14%	12%	9%
Japan	362	332	300	278	295	5%	6%	-19%
Turkey	130	134	230	262	261	5%	0%	100%
Hong Kong	151	162	190	173	235	4%	36%	56%
Norway	198	210	216	184	202	4%	10%	2%
Ukraine	177	219	209	136	154	3%	13%	-13%
Canada	165	161	152	119	145	3%	22%	-12%
Croatia	139	144	146	128	123	2%	-4%	-12%
Totals	5347	5722	5813	4853	5471	100%	13%	2%

Table 2.18: Top 10 Export Countries for Footwear by Volume for the EU-27 (millions of pairs)

	2006	2007	2008	2009	2010	Share of 2010 exports	% growth 2009-2010	% growth 2006-2010
Switzerland	22.2	22.2	23.5	21.4	23.6	13%	10%	6%
USA	38.9	32.6	25.2	17.9	21.5	12%	20%	-45%
Russia	14.4	18.2	20.7	15.7	18.5	10%	18%	28%
Turkey	7.9	7.2	9.5	9.5	12.5	7%	32%	58%
Norway	7.7	8.0	7.2	6.3	6.5	4%	3%	-16%
Japan	7.4	6.6	5.8	5.9	6.4	4%	10%	-12%
Ukraine	6.2	7.8	7.1	5.8	6.3	4%	8%	1%
Croatia	5.6	6.5	6.0	5.6	5.7	3%	3%	1%
Hong Kong	2.6	2.6	2.6	2.2	4.8	3%	114%	83%
U.A.Emirates	3.2	4.2	4.7	3.8	4.8	3%	27%	48%
Totals	170	175	178	154	177	100%	15%	4%

Over the four-year period, the largest reduction in exports has been to the USA, falling by 28% in value and 45% in volume. The largest increase in exports has been to Turkey, with 100% increase in value and 58% increase in volume over the four-year period.

2.7 Innovation

2.7.1 Directions of Innovation

The European footwear industry is a mature sector where companies find it difficult to sustain a significant level of growth. This means that footwear companies have to pursue innovation strategies based on creativity, quality and differentiation of products.

The CBI 2010 report indicates that European footwear manufacturers have started to shift their focus to targeting niche markets and upgrading to higher value footwear. Examples of key directions of innovation include:

- **Comfort:** for the growing group of older people, casual footwear³⁴ has become increasingly popular, for example softer leathers, improved fit, warmth, inner soles with linings made from a single piece of leather, fabrics protecting against moisture, membranes, breathable footwear or rubber soles. There is also a trend towards more comfort in evening footwear by using different forms of high heels allowing easier walking;
- **Design:** the increased role of fashion and design is making footwear production more and more complex; effective links between conception, production, distribution, marketing and sales channels are crucial;
- **Technology:** developments such as mixing different materials to obtain different properties in soles and uppers³⁵, use of computer aided design to develop new types of footwear such as waterproof footwear³⁶ and software systems to enable a degree of customisation for the consumer (see Box 2.3); and
- **Niches:** focus on high-quality market niches like luxury, safety or orthopaedic footwear, which are more diversified and offer greater added value. This may also include bespoke 'made to measure' footwear³⁷ (also see Box 2.3), recycled footwear, ethical footwear and urban footwear and in outsized or specialised shoes.

³⁴ *Geox Shoes Are the Shoes That Breathe*, article from the **comfortablefoot** website (<http://www.comfortablefoot.com/geox-shoes/>)

³⁵ Mephisto Manufacturer Website: <http://www.mephistoshoes.com/store/home.php>

³⁶ SATRA (2009): *'Nextec Research leads to award winning technology'*, SATRA Bulletin, May 2009

³⁷ Qi Zhai (2010): *'Best of best' footwear from Italy*, downloaded from QriousLife website, April 2010 (<http://qriouslife.com/?m=201004>)

Innovation in the sector comes not only from footwear manufacturers but also from their suppliers. Improvements in technology such as design software, logistics, marketing, new materials (particularly important in the sports shoe industry) and new technology in cutting may provide an innovative edge.

Box 2.3: Adidas' Mass Customisation (MC) Programme

The athletic shoe segment is highly competitive in nature with the major players such as Nike, Adidas, Reebok and New Balance striving to retain their market share and the smaller players such as Puma trying to gain market share. Consumers with increasing purchasing power are increasingly searching for individual specialised products. As a result, Adidas created a technology to produce shoes with an increasing number of variants.

Adidas realised that implementing made-to-order manufacturing, instead of made-to-stock variant production, could become a promising option to manage the costs of variant explosion and broad product assortments. Adidas' decided to head towards mass customisation (MC). The software programme development started in the mid- 1990s, resulting in the mass customisation product range. It was launched in test markets in 2001, and introduced, on a wider scale, in 2002.

The software programme provides consumers with the opportunity to create unique footwear to their exact personal specifications in terms of fit, function and design in specialised retail stores or at selected events. MC can be seen as an approach to improve both its operational performance and its competitive position by providing higher customer value. Market research studies and customer surveys were undertaken and this showed that consumers liked the system, and were proactive in making appointments to buy shoes to use this new innovative service.

Source: Adidas-Reebok Merger, article from the adidasbackpack website (<http://adidasbackpack.com/2011/02/23/adidas-reebok-merger/>)

However, the focus is not just on developing new products but finding ways to maximise opportunities to sell these goods while improving service to the market and minimising production costs. In this respect, a study by e-business W@tch in 2006 found that the footwear industry has the lowest overall use of ICT and e-business. There was a relatively low level of e-business activity among the larger footwear companies and the installed base of ERP (enterprise resource planning) systems was low in the sector.

Consequently, online procurement activity is much less developed than in the other nine sectors examined in the report. One reason for this lies in the traditional nature of footwear manufacturing; production processes in this industry are still largely labour intensive and can only be partially automated.

Another reason may be the high number of small and medium sized companies; while SMEs might generally be more flexible when it comes to innovation, they are also more likely to lack access to investment capacity. Some traditionally run family businesses may lack confidence in the innovation opportunities as well as having limited financing capacity many operate in isolation. In such companies, the use of ICT equipment and access to the internet are often limited. One further factor is the lack of 'pull'-potential from distribution chains and business partners as in this

industry neither large firms nor distribution appear to be a driving force for the adoption of e-business in the same manner as in other industries.

2.7.2 Research, Development and Innovation Centres

Innovation in the footwear sector may arise not only from manufacturers, but also from suppliers and from research institutes. Some of the leading research institutes on material and process innovation within the footwear sector can be found in Europe. The footwear industry in Europe benefits from an extensive network of research, development and innovation centres that work with industry to introduce new products and processes. 35 research institutes were identified and approached in respect of the questionnaire (as discussed further in Section 3). Some of the more active centres are listed in Table 2.19.

Country	Centre	Name
France	CTC	Centre Technique du Cuir Chaussure Maroquinerie (Lyon)
Germany	PFI	Prüf-und Forschungsinstitut (Pirmasens)
Greece	ELKEDE	Technology & Design Centre (Athens)
Hungary	BIMEO	Hungarian Test and Research Institute (Budapest)
Italy	CIMAC	The Italian Centre for Footwear Application Materials (Vigevano)
Poland	CLPO	Centalne Laboratorium Przemysu Obuwniczego (Krakow)
Portugal	CTCP	Centro Tecnológico do Calçado de Portugal (São João de Madeira)
Romania	ICPI	Leather and Footwear Research Institute
Spain	INESCOP	Spanish Footwear Research Center (Elda (Alicante))
UK	SATRA	Shoe and Allied Trade Research Association Technology Centre (Northampton)

Note : A full listing can be found in the Task 2 Report on Research and Innovation Centres

Task 2 reported that the research institutes all have different structures and models of financing. The fact that they have evolved similar ways of working with industry despite their differences indicates that this is probably the most efficient approach. All of the research centres work very closely with industry partners at regional, national and, in some cases, international level. This close collaboration results in the rapid uptake of research results by companies.

2.8 Employment and Training

2.8.1 Employment

As discussed in Section 2.3, over the last 10 to 15 years, the footwear industry has recorded steady reductions in employment. Table 2.20 shows total employment (based on nationally derived data) in the footwear industry between 1996 and 2007. There was a further decline following the financial and economic crisis of 2008 and 2009. These job losses are partly attributable to investment in modernisation but also

to the transfer of production sites to non-EU countries with lower labour costs (as discussed in Section 2.4.3).

Table 2.20: Total Employment in the Footwear Industry between 1996 and 2007*				
	Number of employers		Total employment	
	1996	2007	1996	2007
Austria	-	103 ^{a,b} (>350) ^c	-	1761 ^{a,c} (>2500)
Belgium	30	19	-	-
Bulgaria	304 ^d	389	-	-
Cyprus	42	44 ^a	1130	210 ^a
Czech Rep.	634	739	23900	12400
Germany	-	569 ^a	-	-
Denmark	64 ^f	34	312	256
Estonia	20 ^d	22	1558 ^d	965 ^g
Greece	-	920 ^e	-	3491 ^e
Spain	3153 ^h	2167 ^e	66493 ^h	40795 ^e
Finland	99	76	2176	1580
France	-	240	-	9264
Hungary	242	158	-	-
Italy	8467	6450	122186	88688
Lithuania	-	<65 ^e	-	-
Latvia	-	31 (~5) ^c	-	-
Netherlands	200	75 ^a	-	-
Poland	-	-	-	-
Portugal	>1609 ^j	>1450 ⁱ	68610k (>54622 ^j)	64159 ^h (>46560 ⁱ)
Romania	-	1625 ^a	-	86970 ^a
Sweden	96	52	640	289
Slovenia	188	88	6363	2028
Slovakia	141	2.551	17320	12459
UK	-	292	26266	4652

Notes: a = 2006; b = figure refers to companies; c = contradictory information due to different sources; d = 2000; e = 2008; f = 1999; g = 2000 and 2007 data are not directly comparable due to changes in mode of count; h = 2001; i = 2003; j = 1998; k = 1991; l = figure includes small subcontractors. - = not available

* Please note that data was not available for Luxembourg, Malta and Ireland

Source: European Foundation for the Improvement of Living and Working Conditions (2010)

Employment in most parts of Europe has contracted severely, as most manufacturers have struggled to compete against the increasing level of import penetration. For example, manufacturers in Italy have changed their business models and shifted production to lower-cost areas - some to eastern Europe, others to China and some to India.

The IBIS 2010 report states that total footwear industry wages have declined at an estimated 1.5% a year on average during the past five years, from \$22.6 billion in 2005 to a forecast \$21 billion in 2010 (constant 2010 dollars). Wage levels have declined as a percentage of revenue over the last few years; from 18.3% in 2006 to 16.5% in 2010. This is mainly due to a greater proportion of shoes being manufactured in lower-wage areas of Asia and South America.

2.8.2 Training

From the footwear manufacturing perspective, training and development of footwear employees is essential for effective operation and innovation. From an employee perspective, the same factors are critical for skill development. The past few years have seen a growing emphasis on high-quality products, i.e. those with a greater added value, as well as increased use of technology. Consequently, businesses are faced with the need for new and improved skills and techniques. A major contributory factor to the lack of trained employees is the historically low wages that are paid in the industry and the resulting failure to attract workers from other industry sectors.

Historically it has been the larger employers who have led in training and development activities, as smaller companies have found it difficult to finance the training of employees. Small companies have relied on "trickling down" as trained employees move on, bringing their experience and training to the wider market. However, as the number of larger employers contracts and training budgets are cut in response to tough market conditions, smaller employers can no longer rely on the trickle-down effect and must look to develop skills within their own businesses³⁸.

Some key footwear manufacturing skills appear to be at risk and the importance of training and development is becoming more of a priority. This is an area where research institutes can play a key role; Box 2.4 provides an example of this.

Box 2.4: Staff Training Provided by INESCOP
INESCOP, the Spanish Footwear Research Centre, is a centre of training resources where different types of technologies are available for footwear manufacturers. INESCOP offers flexible courses where the pupils themselves decide the speed of learning. The training programs are developed with the financial support of regional, national and European initiatives and are generally free for associated footwear companies.
<i>Source: INESCOP: Training, article from INESCOP website (http://www.inescop.es/0servidor0/ingles/inescop/formacion/index.htm)</i>

³⁸

Skillfast-UK (2008): *SECTOR QUALIFICATIONS STRATEGY*, Version 2.9, 19th July 2008
(<http://www.ukces.org.uk/assets/bispartners/ukces/docs/publications/sector-qualifications-strategy-skillfast-uk.pdf>)

3. EU SURVEY

3.1 Methodology

3.1.1 Developing the Questionnaires

A survey of enterprises, industry associations, research and education institutes and trade unions was undertaken using a structured questionnaire. The aim was to obtain quantitative and qualitative information regarding the state of the European footwear manufacturing industry. First, a draft questionnaire and associated contact lists were developed and discussed with the Commission. Following acceptance of the questionnaire by the Commission, it was translated into an on-line format, including different languages, links to which were then sent to respondents.

The questionnaires were developed to explore the following aspects of the European footwear industry:

- market structure;
- challenges for the industry;
- costs and financing;
- competition;
- innovation and research;
- collaboration; and
- employment and training.

Not all respondents were asked questions about all the aspects under consideration. Rather, five separate questionnaires were prepared, each adapted for the following groups of respondents:

- companies;
- industry associations;
- education centres;
- research centres; and
- trade unions.

All the questionnaires were prepared initially in English and copies of the questionnaires are presented in Annex 1. Given the diversity of companies involved in the European footwear sector, the questionnaires for companies were also translated into French, German, Italian and Spanish.

3.1.2 Distribution of the Questionnaires

The questionnaires, together with a supporting letter from the Commission, were hosted on RPA's website. Links to the website page (see Figure 3.1) were then distributed by email to over 550 organisations.

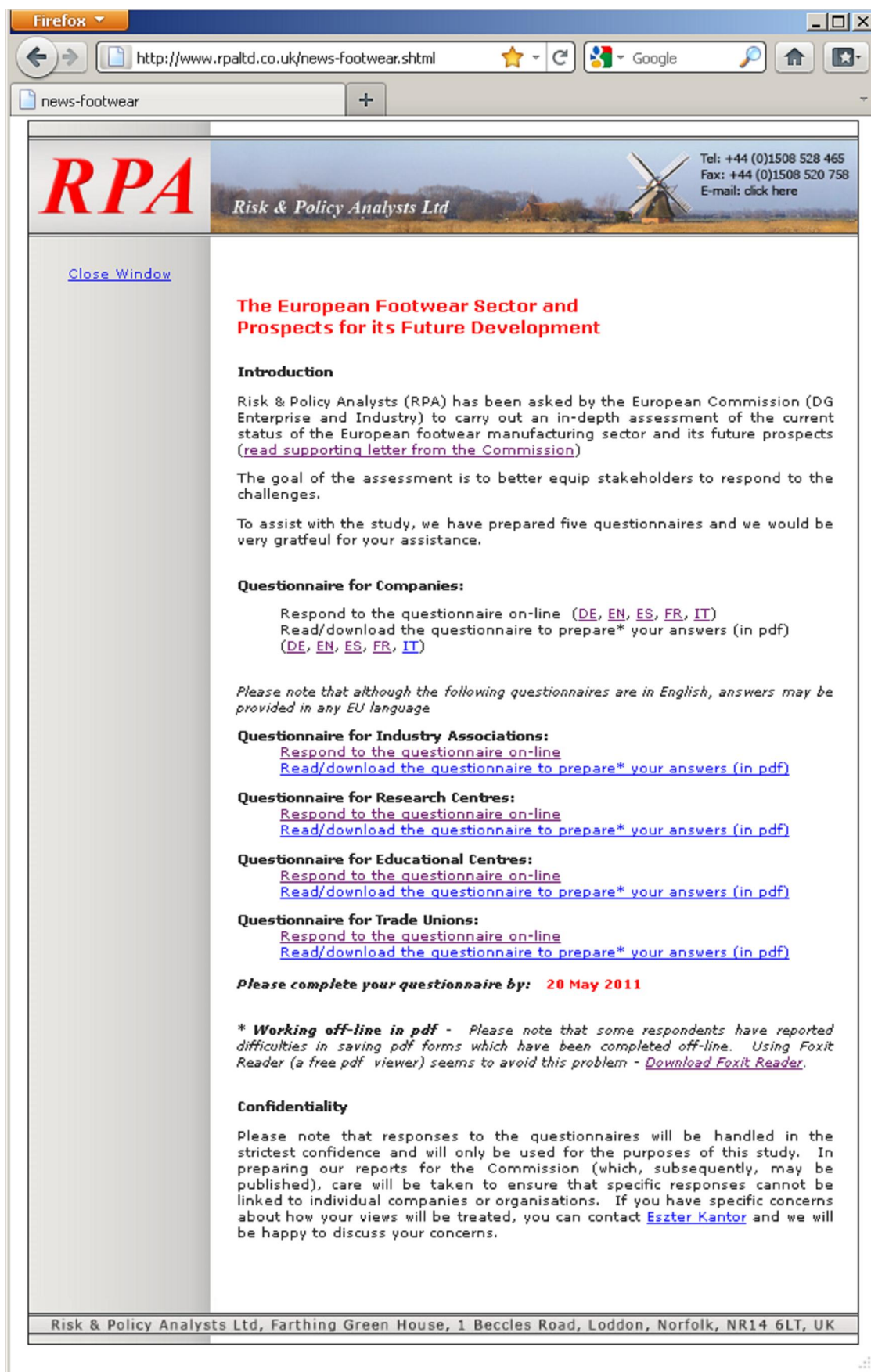


Figure 3.1: Access Webpage to Questionnaires

The questionnaires could be read and/or downloaded in pdf format to assist in preparing responses. They could also be completed on-line. In the event, most respondents completed the questionnaire on-line.

The distribution of invitations to the questionnaire was influenced by the importance of the footwear industry at a national level. Furthermore, particular attention was given to the need to send invitations to the countries being used as case studies for other tasks under this study.

Table 3.1 provides a summary of the organisations invited by e-mail to take part in the survey together with some comments.

Table 3.1: Invitations for the EU Survey		
Target Group	Number and Type of Invitation	Comment
Companies	Invitations were sent to 320 companies (both large and small) in 20 EU Member States.	In 65% of cases, e-mails were sent to named individuals. Particular attention was given to those countries selected for country case studies (France, Spain, Germany, Italy, Romania, Portugal and Poland).
Industry Associations	Invitations were sent to 7 European associations and to 65 national associations in 21 EU Member States.	In nearly all cases, e-mails were sent to named individuals. All associations were asked to disseminate information to their members. No Associations were identified in Malta, Luxembourg, Ireland, Latvia, Lithuania and Slovakia
Education Centres	Invitations were sent to 44 educational centres in 17 EU Member States with specific courses in shoe design and/or manufacture.	In most cases, e-mails were sent to named individuals.
Research Centres	Invitations were sent to 35 research centres in 14 EU Member States with specific interests in the footwear sector.	In 65% of cases, e-mails were sent to named individuals.
Trade Unions.	Invitations were sent to 8 European union organisations and 77 national trade unions in 24 EU Member States.	In nearly all cases, e-mails were sent to named individuals. Suitable organisations were not identified in Malta, Luxembourg, and Ireland.

The invitations were distributed on 11th April 2011 and the formal closing date for receipt of responses was 20th May 2011 (although in practice some responses were received up to four weeks later). After the initial invitation, there were reminder e-mails and, in some cases (in particular the national industry associations), follow-up telephone calls to encourage participation.

At least one organisation was contacted directly in 25 EU Member States. No suitable stakeholders were identified in Malta and Luxembourg.

3.2 Responses

The response rate to the questionnaires was lower than expected, with 35 usable responses. Nevertheless, the respondents represented the traditional and significant footwear manufacturing regions of the EU. In addition, responses from companies in Romania and the UK ensure that there is a diversity of opinions in relation to the market environment and challenges.

In relation to trade unions, it is not uncommon to find unions that cover workers of the leather, textile and fashion sectors as well as footwear. This may be one reason for the lack of responses from unions representing workers on the footwear industry.

A summary of the responses by target group and location of respondent is presented in Table 3.2.

Table 3.2: Summary of Responses		
Target Group	Number of (usable) Responses	Locations of Respondents
Companies	25	Spain (9), Italy (6), Portugal (6), Romania (2) and UK (2)
Industry Associations	4	Germany, the Netherlands, Italy and UK
Education Centres	1	Romania
Research Centres	4	France, Spain, Poland and Hungary
Trade Unions.	1	Italy
All	35	

A similarly low response rate has been observed in other studies and, in part, this may be due to ‘consultation fatigue’. In other words, some organisations (and industry associations in particular) are receiving many requests for information from authorities (and their consultants) as well as from market researchers and academics.

Nevertheless, the responses received provided an interesting insight into the issues facing the European footwear sector.

3.3 Market Structure

3.3.1 Information on Company Sizes

The 25 companies which responded to the questionnaire comprised a representative range of company sizes by size of workforce and turnover – as illustrated in Figure 3.2 and Figure 3.3.

The four national/regional industry associations which responded collectively represent over 2,500 designers, manufacturers and suppliers, the vast majority of which are micro or small companies with fewer than 10 and 50 staff respectively.

The national union which responded represents over 130,000 workers in the Italian footwear industry, mainly in manufacturing companies (over 60%), suppliers (over 20%), retailers (less than 20%) and designers (perhaps 1%). Nearly half of the members worked in small companies (11-50 employees) followed by members in medium (less than 30%), micro (over 15%) and large companies (less than 10%).

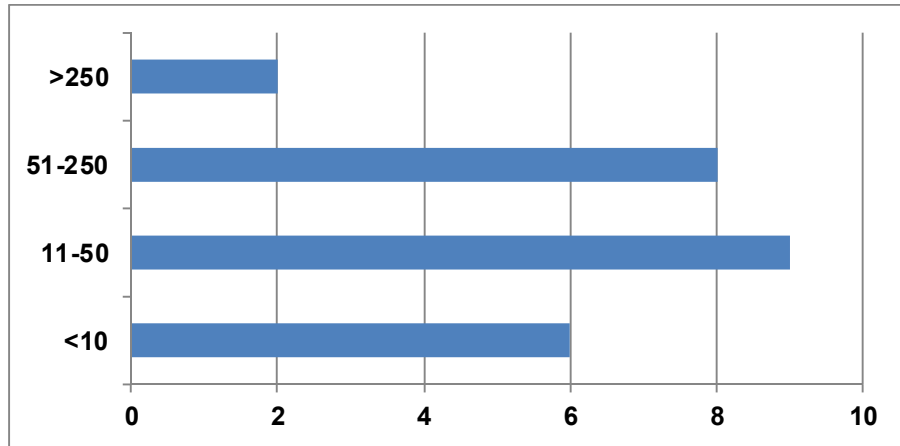


Figure 3.2: Responses from 25 Companies to: *How many employees does your company have?*

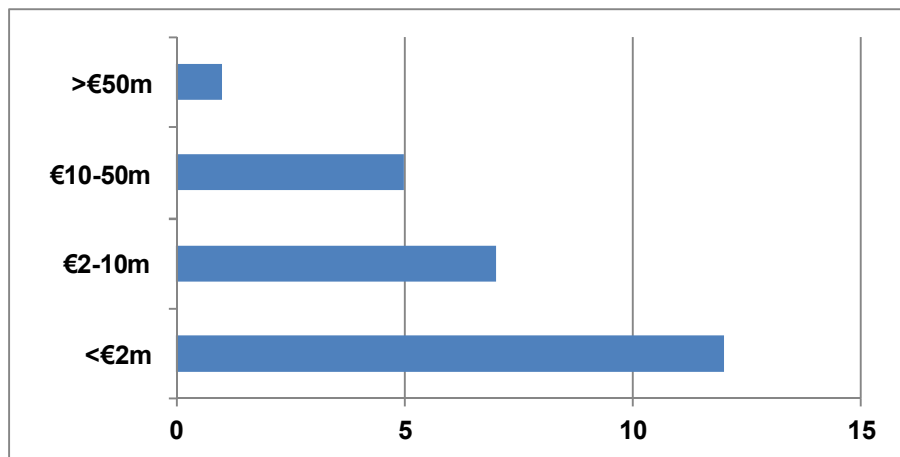


Figure 3.3: Responses from 25 Companies to: *What is the approximate turnover of your company?*

In recent years, the company respondents had experienced mixed fortunes, with some companies increasing their turnover by over 25% while others suffered a decrease of more than 25% as shown in Figure 3.4 (next page).

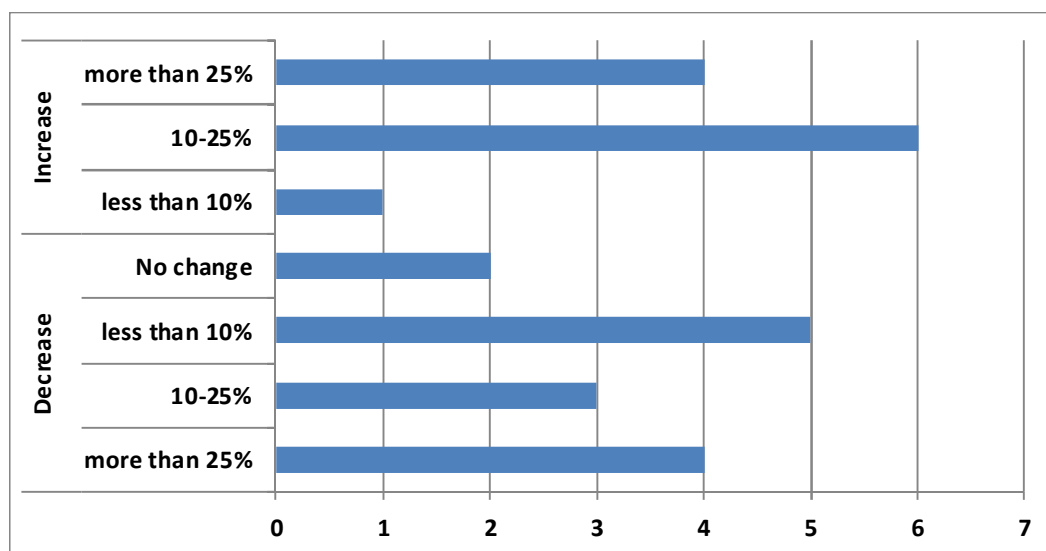


Figure 3.4: Responses from 25 Companies to: *How did your turnover in 2009 compare with that for 2007?*

The industry associations were asked about how many of their (footwear) member companies had closed down and started up over the past five years. The number of closures appeared to be of the order of 2-5% of members per year with slightly lower rate of new start-ups.

These statistics from the industry associations are broadly in line with some of the finding within Section 2. Table 2.3 indicates that employment in the footwear industry fell by 25% between 2004 and 2008 and the number of firms declined by more than 15%. Figure 2.1 in Section 2.3 shows the continuous reduction in the number of footwear firms in the EU between 1999 and 2008.

3.3.2 Market Segments

Most companies were focused on the premium or medium segments of the market (see Figure 3.5). It is worth noting that over 75% of the companies responding were focused on just one segment of the market. Two of the industry associations were involved with all segments of the market while two were not involved with the 'lower segment' of the market.

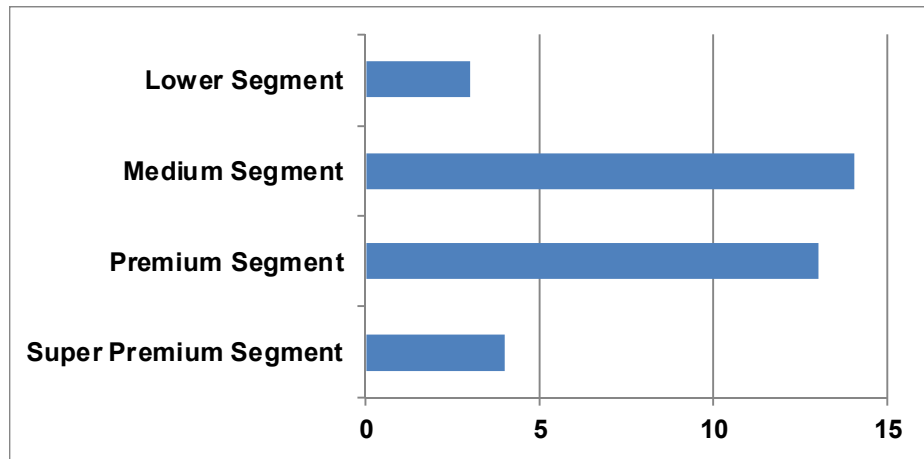


Figure 3.5: Responses from 25 Companies to: *What types of footwear product is your company involved with by PRICE CATEGORY?*

Over 80% of the companies were involved with women’s shoes, half with men’s shoes and one third with children’s shoes, while the four associations were involved with all types of shoe. Over half of the companies focused on just one sector.

Most companies were focused on the casual or formal segments of the market (see Figure 3.6). Nearly half of the companies responding were focused on just one segment of the market while a quarter focused on two segments.

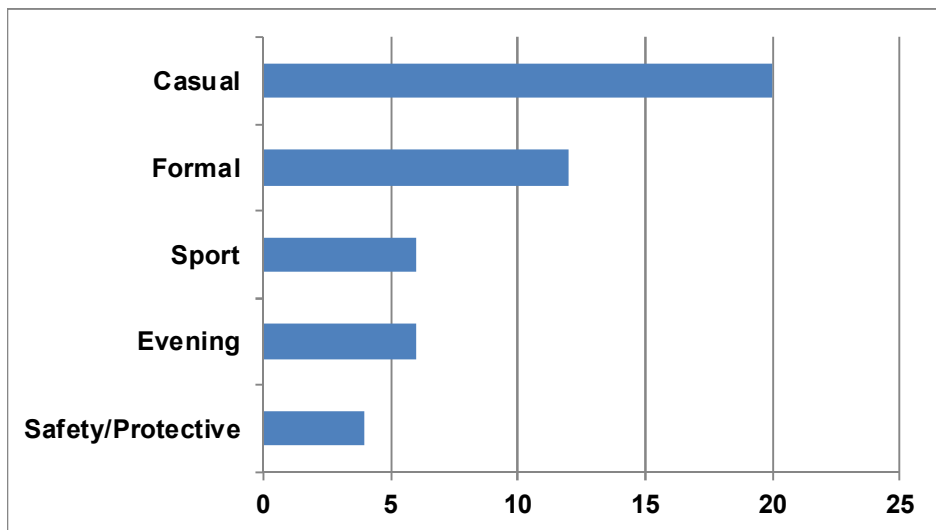


Figure 3.6: Responses from 25 Companies to: *What types of footwear product is your company involved with by TYPE OF FOOTWEAR?*

3.3.3 The Importance of Leather

Leather remains the most important shoe material, and all four associations were involved with leather. Over 80% of the companies responding use leather (see Figure 3.7) which is mainly sourced from the EU (see Figure 3.8). Interestingly, three of the four industry associations identified both the EU and Central/South America as the most important sources of leather.

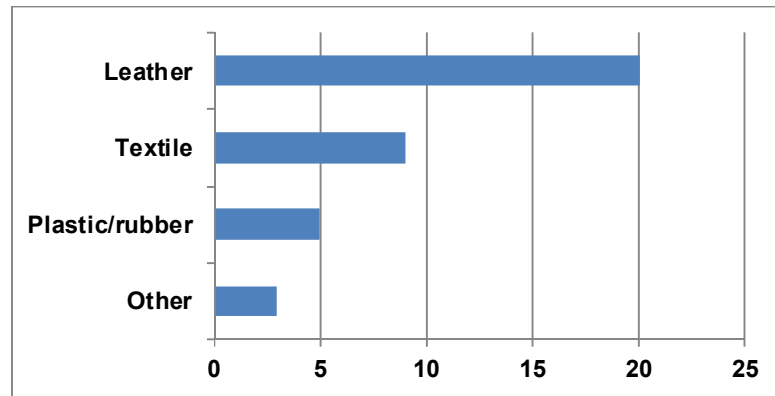


Figure 3.7: Responses from 24 Companies to: *What types of footwear product is your company involved with by MATERIAL?*

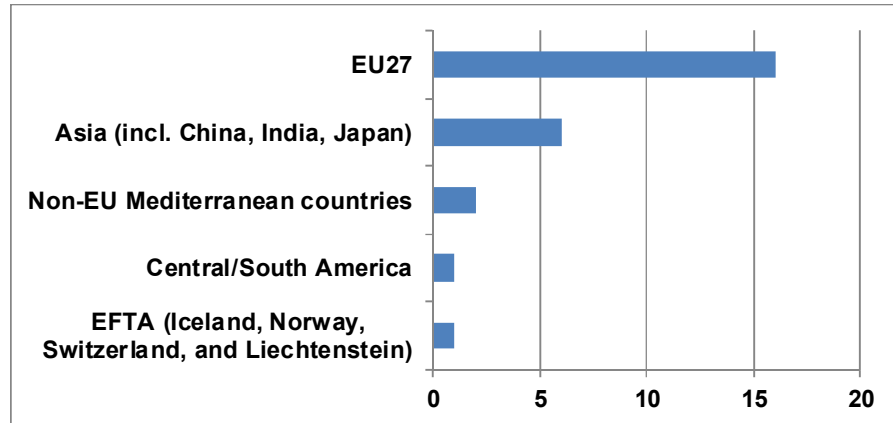


Figure 3.8: Responses from 19 Companies to: *What are the most important geographical sources of leather for your company?*

Over the past decade, there appears to have been a significant move away from sourcing leather from North America, EFTA and Russia to that sourced from Asia and other EU27 countries (see Figure 3.9).

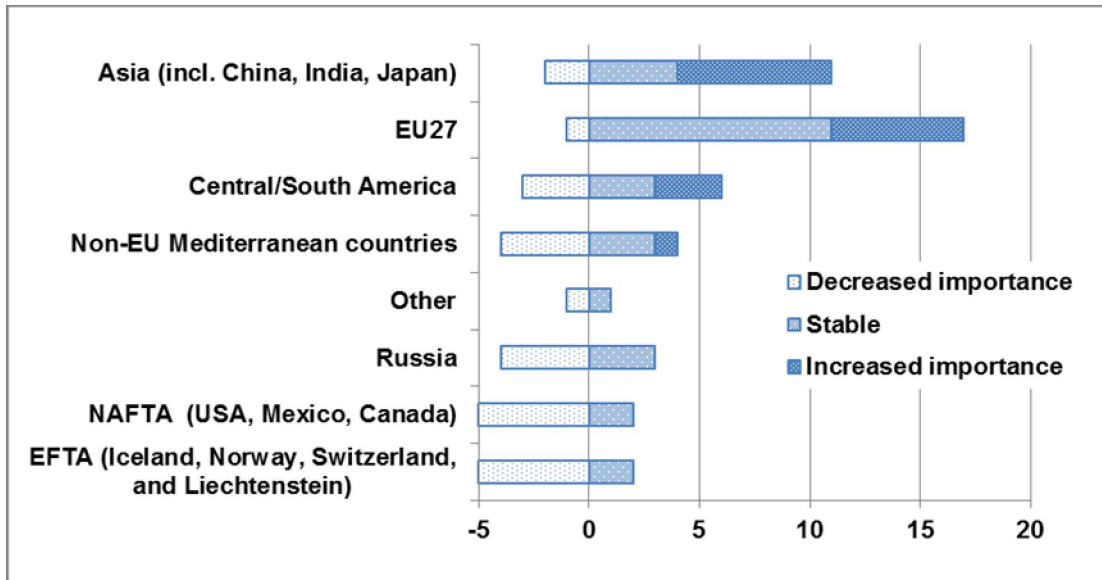


Figure 3.9: Responses from 19 Companies to: *If your company uses leather, how have your geographical sources of leather changed over the period 2000 to 2010?*

The views from the industry associations on the changing importance of leather sources (see Figure 3.10) were broadly similar, with increasing importance assigned to Central/South America and Asia but not to the EU-27.

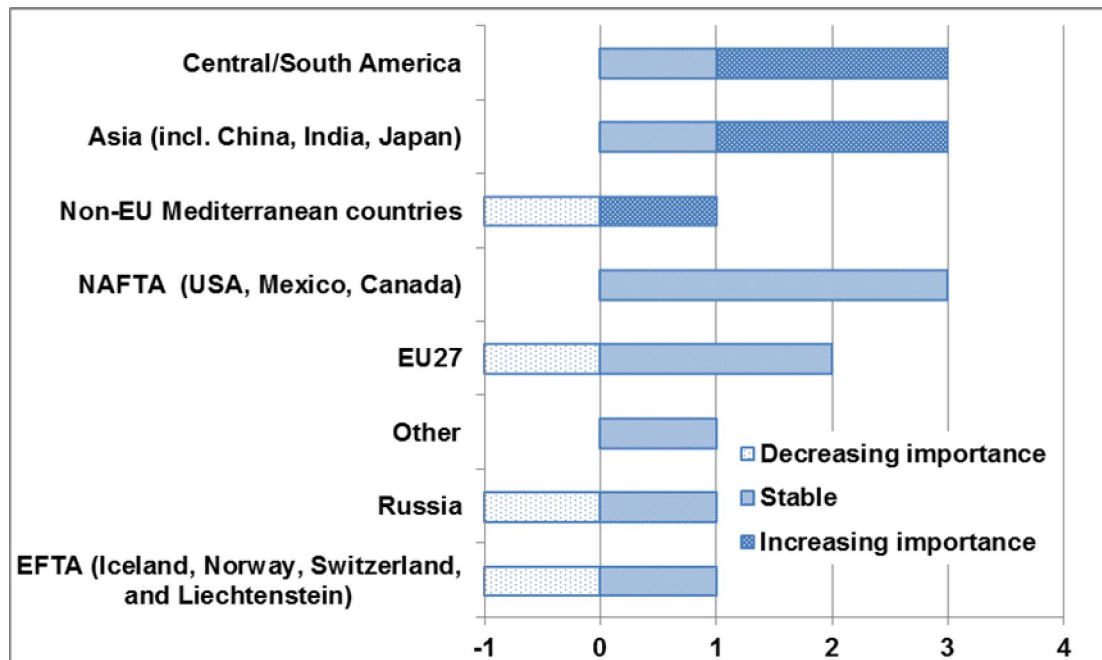


Figure 3.10: Responses from Four Industry Associations to: *How have the geographical sources of leather changed over the period 2000 to 2010?*

3.3.4 Activities

Most company respondents manufacture and assemble their own shoes (see Figure 3.11) which tend to be sold through multi-brand shoe shops (see Figure 3.12).

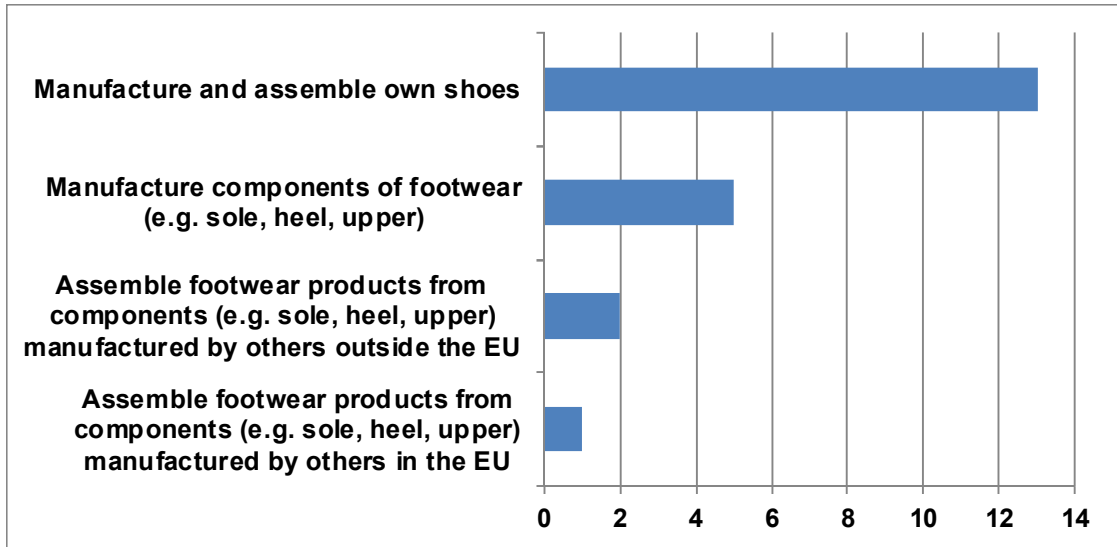


Figure 3.11: Responses from 17 (Manufacturing) Companies to: *What footwear manufacturing activities do you carry out in the EU?*

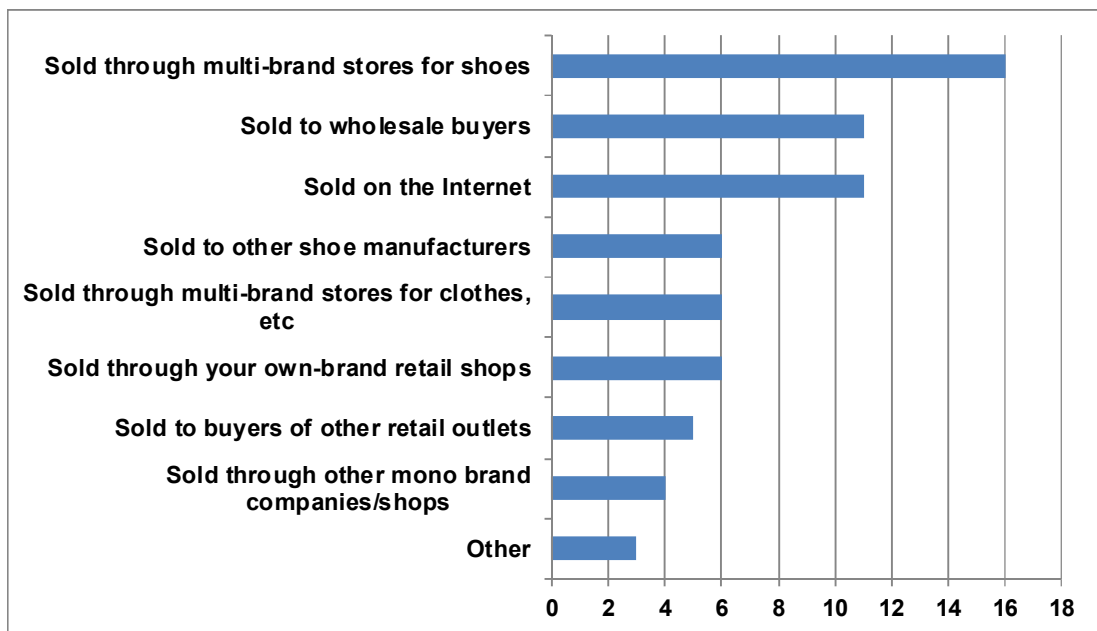


Figure 3.12: Responses from 25 Companies to: *Please identify how your products are sold*

3.3.5 Markets

Nearly all responding companies sell products not only in their own country, but also to countries inside and outside the EU (see Figure 3.13)

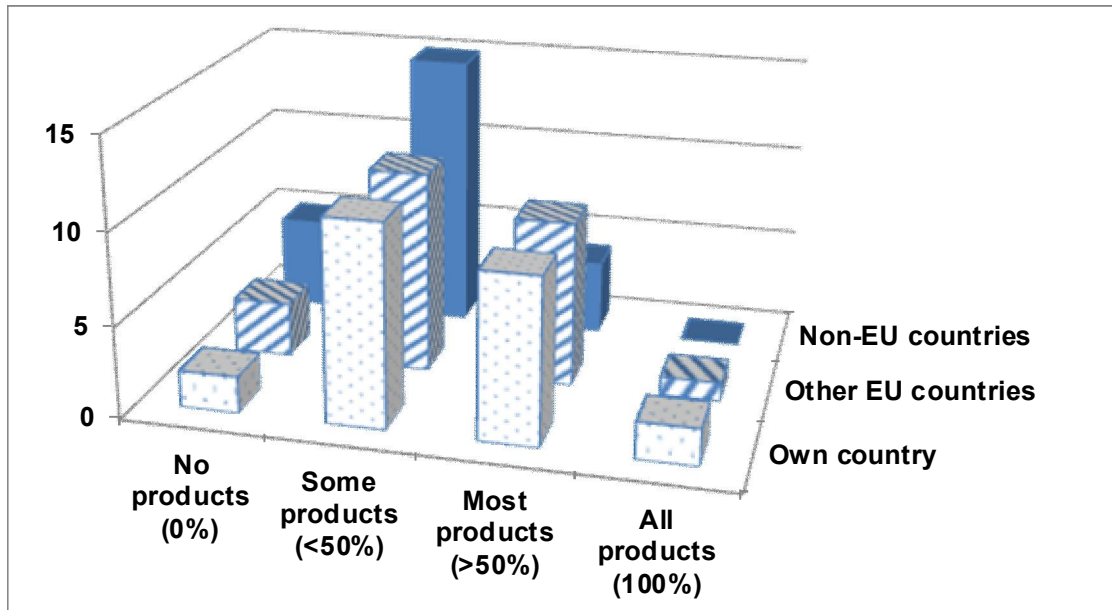


Figure 3.13: Responses from 24 Companies to: *Where are the main markets for your products?*

As can be seen from Figure 3.13, very few respondents sell all their products in one market. Although several respondents do not sell their products to non-EU countries, the majority of respondents sell some products (less than 50%) to non-EU countries. However, 80% of the respondents sell some/most of their products within their own country or within the EU.

3.4 Challenges for the Industry

3.4.1 Past Challenges

All groups of respondents were asked to identify their most significant challenges over the past five years. There were 23 responses to this question from companies. As can be seen from Figure 3.14 (next page), quite a number of challenges were considered to be ‘moderately challenging’ or ‘very challenging’ across all sizes of company. The highest rated challenges were:

- costs of production;
- competition;
- finding customers;
- access to new markets; and
- availability of skilled staff.

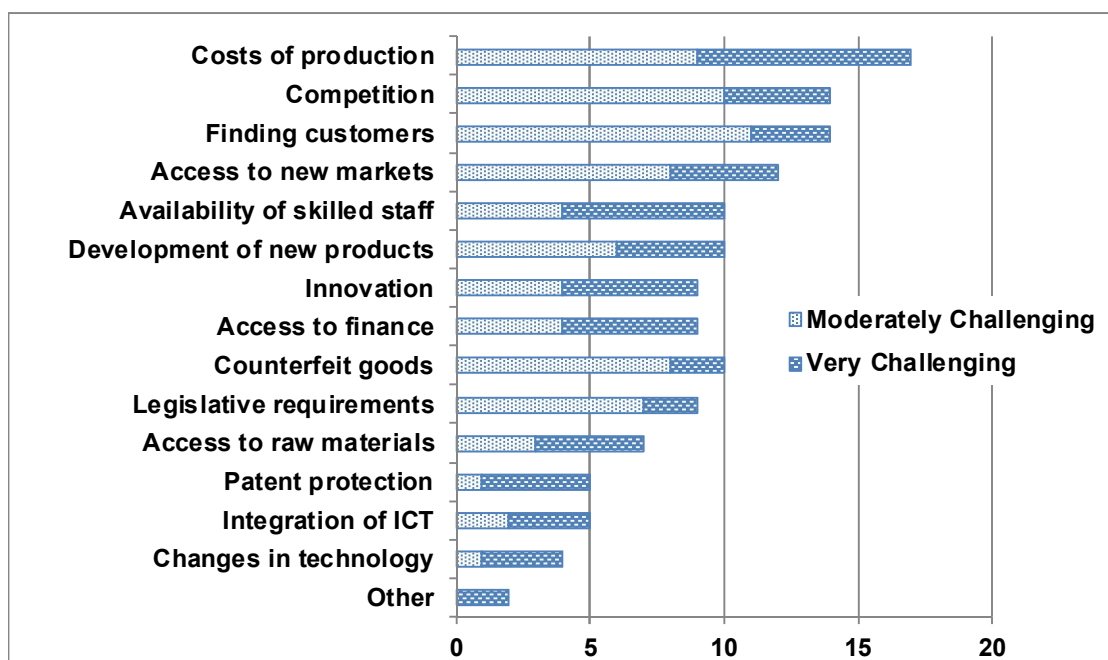


Figure 3.14: Responses from 23 Companies to: *What have been the most significant challenges for your company in the last 5 years?*

For the four industry associations, the main challenges were seen as ‘access to new markets’, ‘availability of skilled staff’ and ‘access to finance’ which were ranked fourth, fifth and eighth respectively by the responding companies (see Figure 3.14).

For the responding trade union ‘competition’ and ‘access to new markets’ were seen as ‘very challenging’. Most of the six challenges identified as ‘moderately challenging’ were also in the top eight of those identified by companies. Furthermore, according to the union, these challenges had led (and would continue to lead) to job losses, pressure on pay and reduced training.

Overall, the key challenges faced by respondents surveyed were broadly consistent (albeit in a different order) with those identified in the general survey for the Eurobarometer ‘Access to Finance’ report³⁹ as:

- finding customers (29%);
- access to finance (16%);
- competition (13%);
- availability of skilled staff (8%) ; and
- costs of production or labour (8%).

³⁹ Flash Eurobarometer (2009): **Access to Finance** (No 271), commissioned by DG Enterprise and Industry, in cooperation with the European Central Bank (ECB). In total 9,063 companies representing all sectors were interviewed across the EU, Croatia, Iceland and Norway.

3.4.2 Measures Taken to Address Challenges

Of the 23 companies which responded to the question: *Does your company have a strategy in place to address these challenges?*, most (16) had a ‘medium term strategy’ in place.

To explore in more detail which elements were likely to form part of such a strategy, respondents were asked to mention which actions had been taken in recent years. As can be seen from Figure 3.15, the emphasis was very much on improving the production and selling of existing products through improved product design/quality, improved image/communication/service and product customisation.

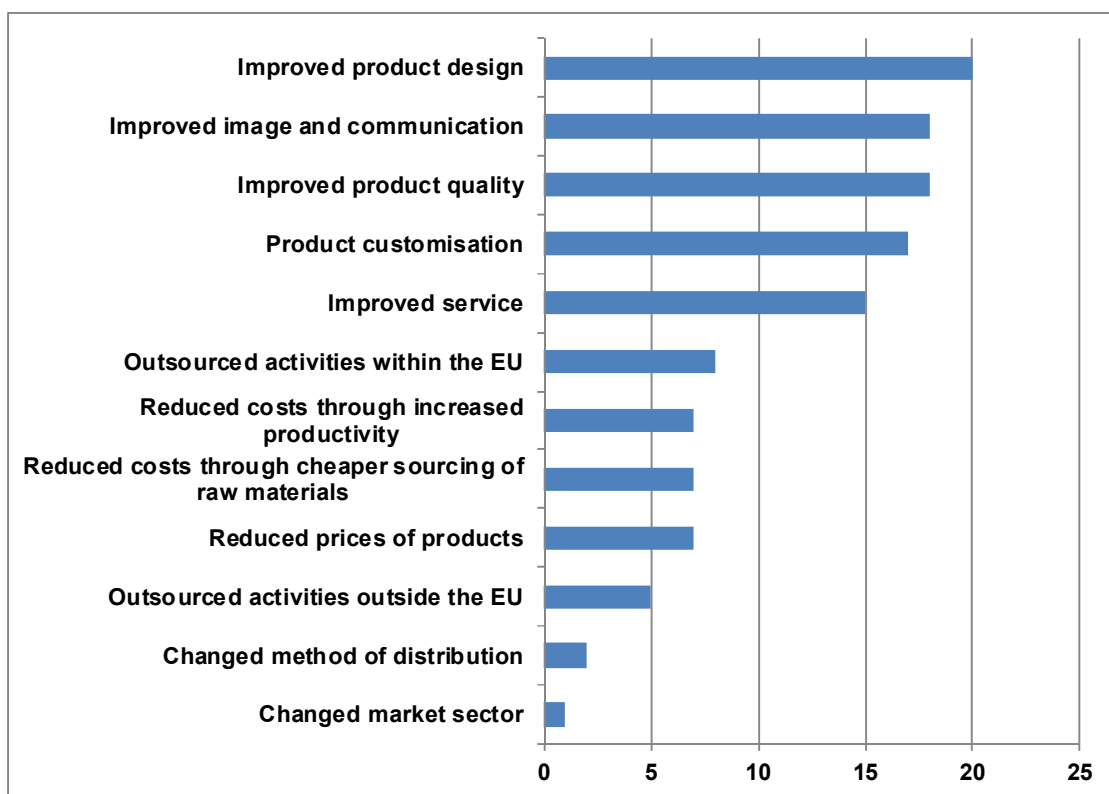


Figure 3.15: Responses from 24 Companies to: *What actions have you taken in the past 5 years in response to the challenges facing the footwear industry in Europe?*

These findings were very similar to those from the associations, all of which indicated that their members had ‘improved product design’, ‘improved product quality’ and ‘improved service’, which were in the top five actions mentioned by the responding companies.

The other two actions mentioned by companies in the top five were ‘improved image and communication’ and ‘product customisation’ and these actions were identified by three of the four responding associations.

3.4.3 Future Challenges

Respondents were asked to identify the challenges for the next five years. Company respondents essentially identified the same challenges (across all company sizes) as had been faced in the past five years – with costs of production once again identified as the biggest challenge (see Figure 3.16). The next most identified challenges were ‘availability of skilled labour’, ‘competition’, ‘finding customers’, ‘development of new products’ and ‘access to new markets’, which are the same as those identified over the past five years (albeit in a different order).

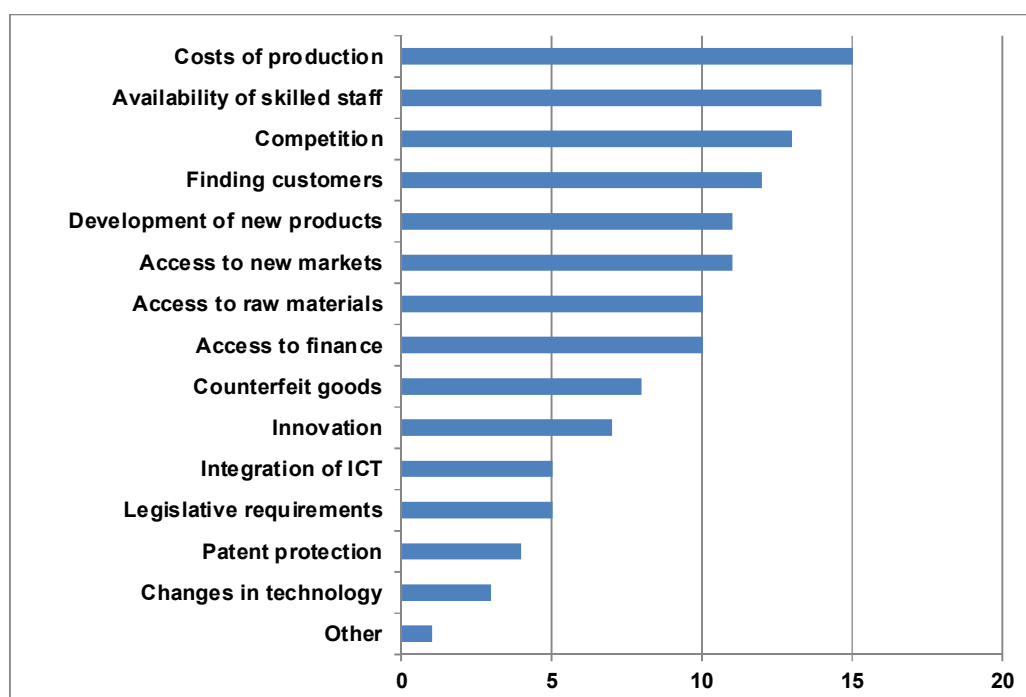


Figure 3.16: Responses from 24 Companies to: *Which challenges will your company face in the next 5 years?*

3.4.4 Assistance to Fight Challenges

Most company respondents (14 out of 24) indicated that they were using professional support services including business consulting, training, technological support, etc. Industry respondents were also asked to identify ways in which they could be (further) helped address the challenges they face. There were 24 responses to this question from companies and four from industry associations. As can be seen from Figure 3.17, there was little consensus as to the ‘best’ measure and all options attracted considerable support as most respondents considered them to be ‘important’ or ‘very important’; this picture was repeated for the industry associations. The highest rated measure was ‘reduce employment (e.g. welfare) costs’.

Interestingly, none of the associations were able to identify any national/regional strategies to support the footwear industry in their countries of membership.

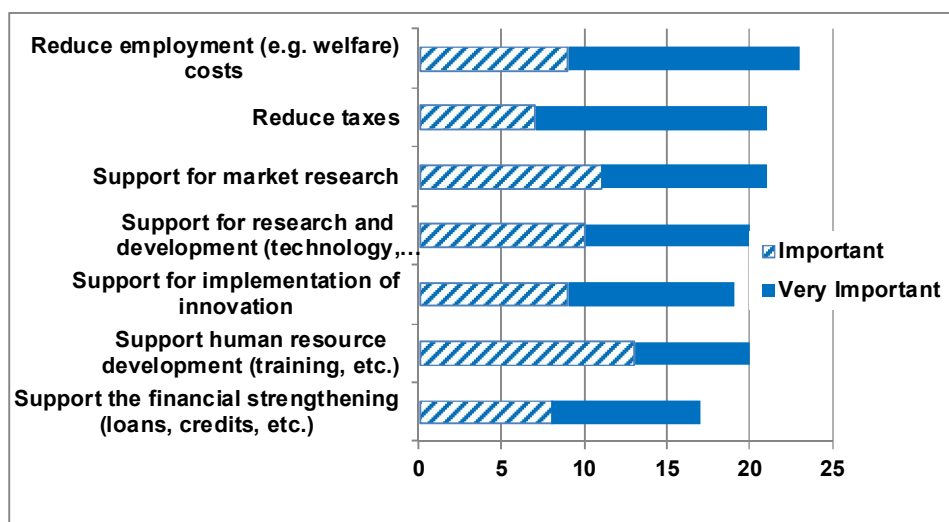


Figure 3.17: Responses from 24 Companies to: *Please rate the importance of the following ways in which your company could be helped to address the challenges it faces?*

3.5 Costs and Financing

3.5.1 Production Costs

As discussed in Section 3.4.1, responding companies indicated that ‘costs of production’ had been the greatest challenge over the past five years and, furthermore, this was also considered to be the greatest challenge for the next five years (see Section 3.4.3).

To explore this aspect in more detail, the industry respondents were asked to comment on the increases in ‘costs of production’ and the key factors involved. Most companies indicated that production costs had increased by 25-50% over the past five years (see Figure 3.18, next page), which is also consistent with the responses from the industry associations (two indicated increases of 25-50% and two indicated increases of less than 25%). Such increases were mostly associated with increases in raw material costs and labour costs as indicated by Figure 3.19 (next page).

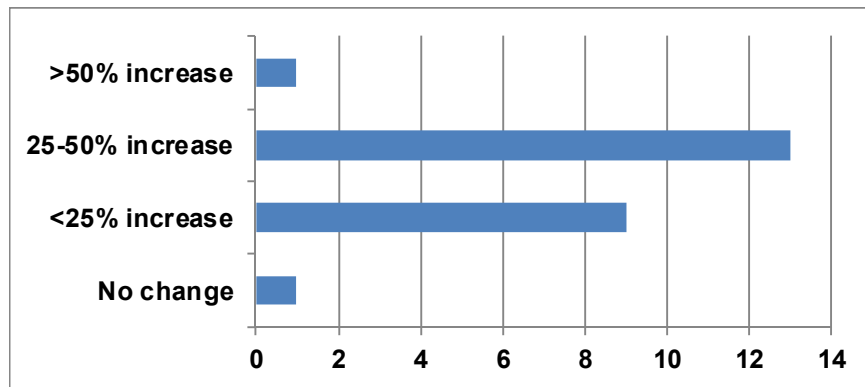


Figure 3.18: Responses from 24 Companies to: *Have the costs of production changed significantly over the last 5 years?*

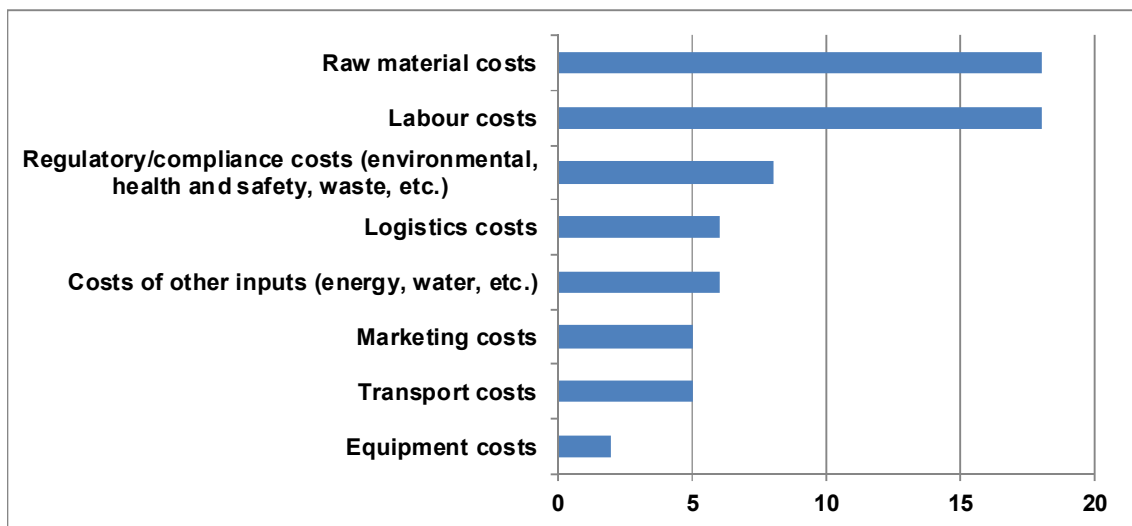


Figure 3.19: Responses from 24 Companies to: *Among the different costs faced by your company, which one(s) do you believe are the most challenging?*

How companies are tackling these challenges is being examined in more detail in the other Task reports being prepared during the course of this study. However, it is important to stress at this stage that simply reducing the costs is not the only option to companies. By way of example, some companies are moving towards sourcing leather from within the EU (as discussed in Section 3.3.3) and this may reflect a move towards the more premium end of the shoe market. This is just one example of the type of restructuring of the EU footwear industry which will be explored in the Task 4 report on *Restructuring and Modernisation*.

3.5.2 Investments

As has already been discussed, the top five challenges (see Section 3.4) were identified as:

- costs of production;
- competition;
- finding customers;
- access to new markets; and
- availability of skilled staff.

In response to these challenges, companies had (see Figure 3.15):

- improved product design;
- improved image and communication;
- improved product quality;
- product customisation; and
- improved service.

Of course in most cases, such measures require a degree of investment. As can be seen from (see Figure 3.20), the areas of investment closely follow those listed above with the largest financial investments being made into production equipment and marketing.

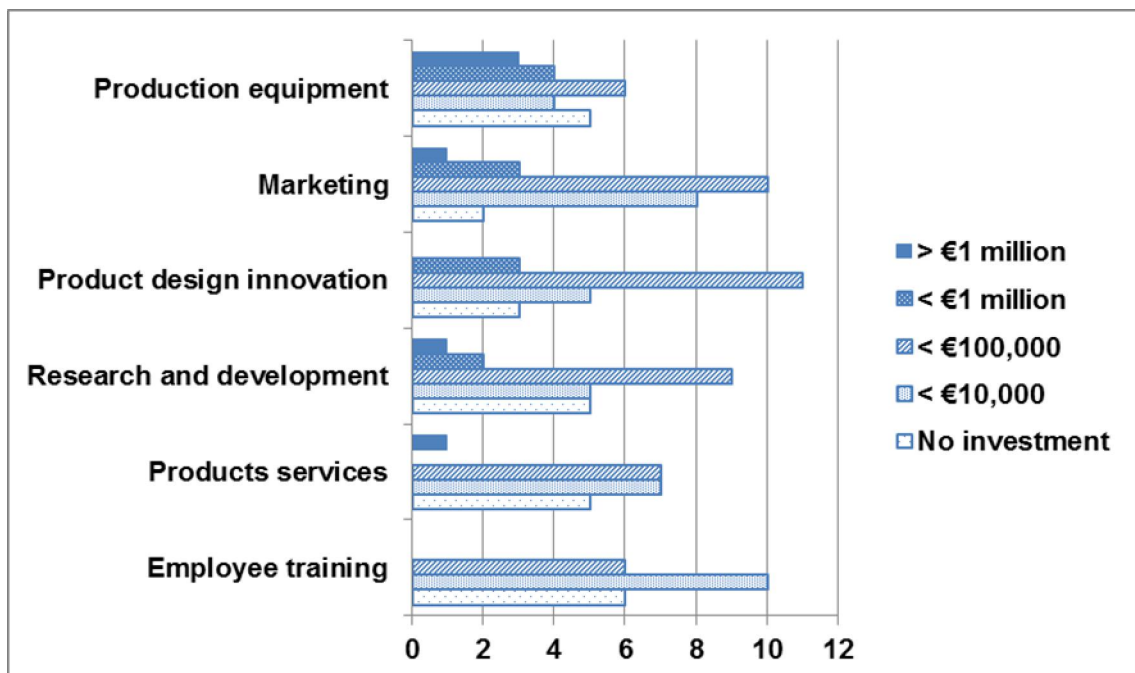


Figure 3.20: Responses from 24 Companies to: *What are the approximate total values of the investments you have made over the past 5 years?*

As would be expected, the scale of investments can be very large (over €1m) when investing in new machinery or major marketing campaigns. At the other end of the scale, most investments in employee training are relatively small, at less than €10k.

After equipment and marketing, ‘product design innovation’ and ‘research and development’ were identified as important areas for investment and these are explored in more detail in the report on *Research and Innovation Centres* (which represents the results of Task 2 of the first stage of the study).

3.5.3 Sources of Financing

The 24 companies which had reported making investments had used self-financing and banks as ‘private’ sources of financing (see Figure 3.21). Of these, 14 had also used ‘public’ sources of funding including regional/national government funding as well as the EU Social Fund (see Figure 3.22).

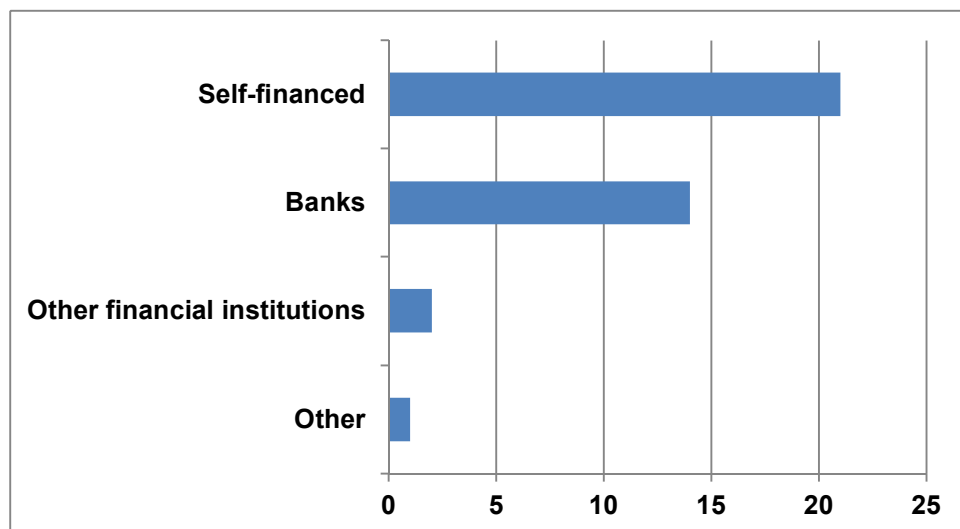


Figure 3.21: Responses from 24 Companies to: *How were these investments funded? Please tick all the 'private' finance sources that you have used*

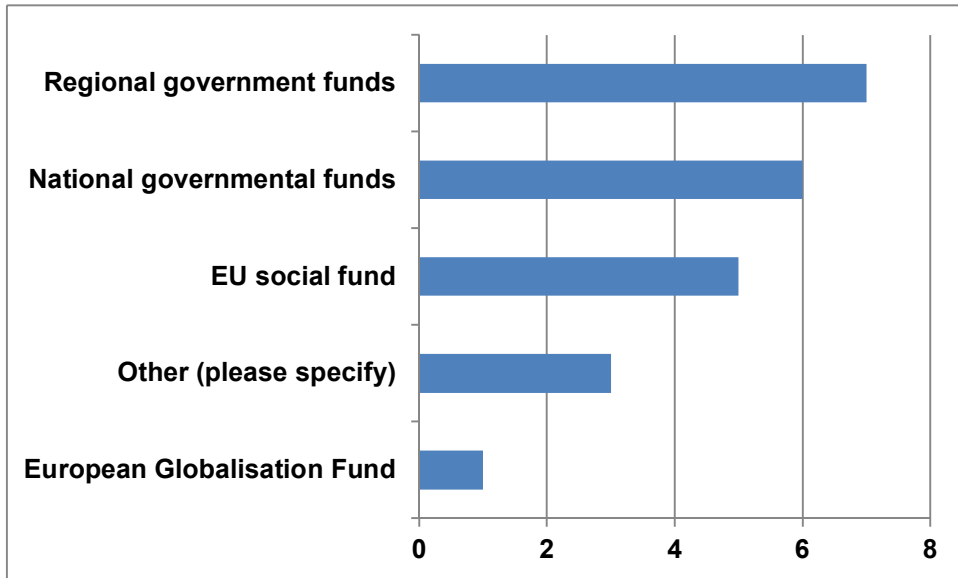


Figure 3.22: Responses from 14 Companies to: *How were these investments funded? Please tick all the 'public' finance sources that you have used*

3.5.4 Access to Finance

Although 60% of company respondents (and three of the four industry associations) have found that access to finance has become more difficult in recent years, nearly half of the company respondents still find that access to finance is 'very easy' or 'quite easy' as shown in Figure 3.23. By contrast, all four industry associations indicated that access to finance was quite/very difficult.

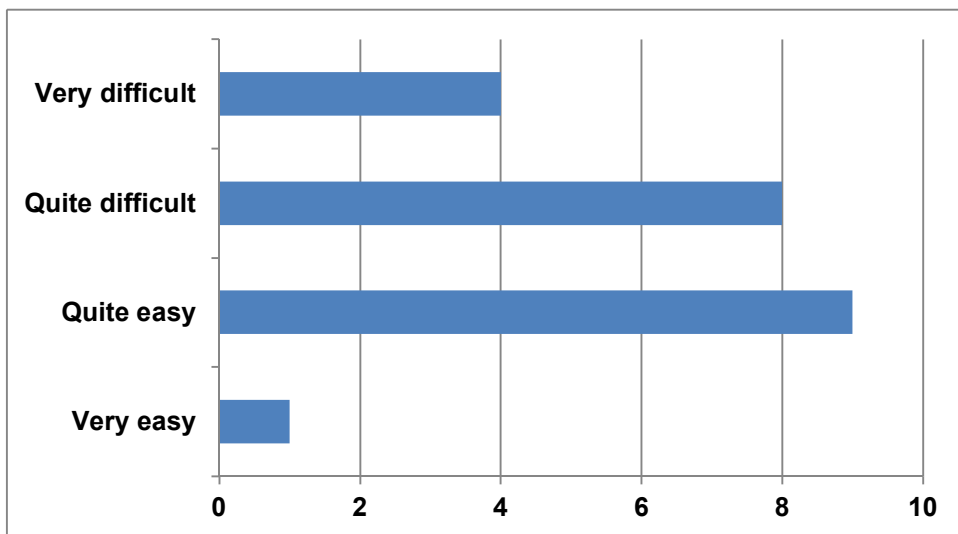


Figure 3.23: Responses from 22 Companies to: *How difficult is it for your company to gain access to finance?*

However, further analysis of the responses from companies indicates that the ease of access to finance appears to be influenced by company size. In other words, very small companies find it more difficult to access finance than larger companies, as illustrated in Table 3.3. From Table 3.3, it can be seen that eight out of eleven respondents from companies with less than €2m turnover find it quite or very difficult to access finance, while this only applies to one out of five respondents from companies with more than €10m turnover.

Company Turnover	Very Easy	Quite Easy	Quite Difficult	Very Difficult
Less than €2m	1	2	4	4
€2m to €10m	-	3	3	-
More than €10m	-	4	1	-

The impacts of the global financial crisis and the resultant tightening of credit requirements by banks was clearly demonstrated by the 17 companies which had been denied credit as shown in Figure 3.24.

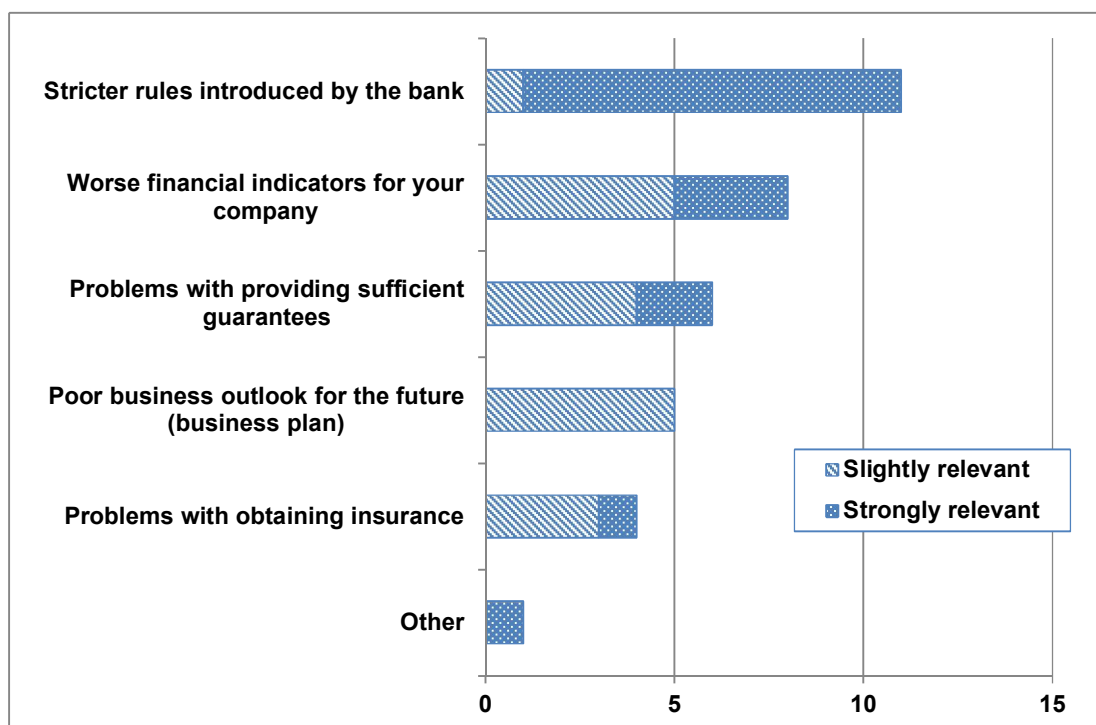


Figure 3.24: Responses from 17 Companies to: *If you have been refused a loan or prolongation of a credit line by a bank in the last five years, what was the main reason given?*

3.6 Competition

3.6.1 Changing Markets

Most companies sell at national, EU and international levels (as previously discussed in Section 3.3.5). Furthermore, most companies have seen increases in sales and this was also reflected in the views of the industry associations. There is also a positive outlook, with over 70% of companies considering that their market position will become stronger over the next five years; this optimism is shared by two of the four industry associations.

To explore this in more detail, respondents were asked to identify growing export markets. As can be seen from Figure 3.25, the picture is mixed with predictions of both growth and reduction in all geographical areas. On balance, it would appear that the greatest hopes lie with the markets of the EU-27 and Russia, with Asia also of increasing importance.

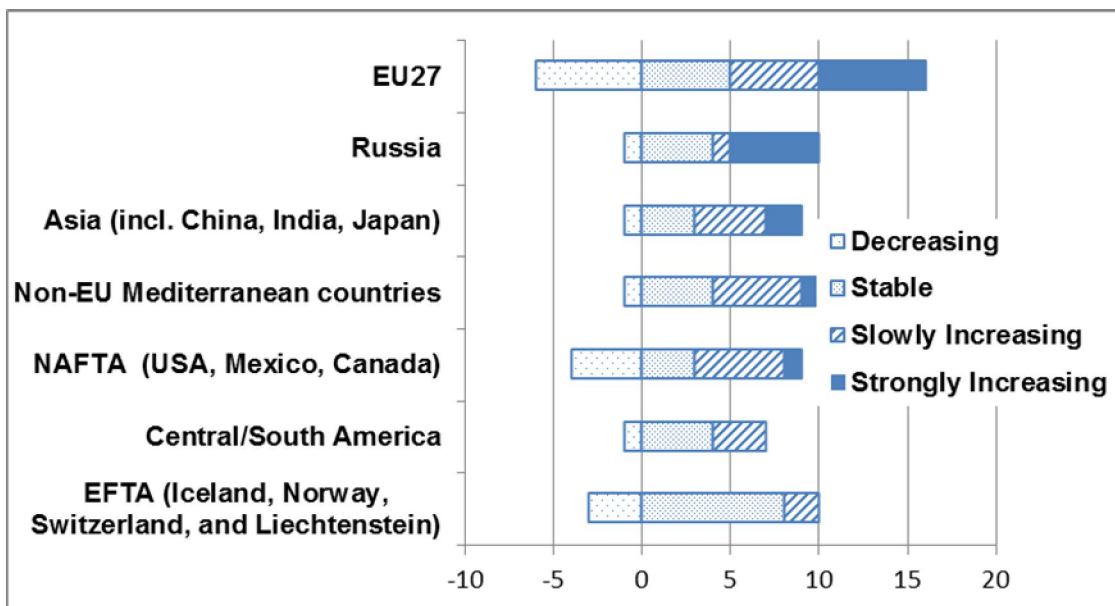


Figure 3.25: Responses from 24 Companies to: *If your company has exported products in the last 5 years (2006 to 2010), how would you describe your position with respect to the key export markets?*

3.6.2 Competitive Factors

The EU footwear market is the largest market in the world with annual sales of around €50bn from over two billion pairs of shoes. The proximity to this valuable market offers EU footwear manufacture (and others in the supply chain) potential advantages in maintaining their competitive position.

The specific advantages identified by industry associations were ‘cooperation within the supply chain’, ‘innovation’ and ‘proximity to market’ as shown in Figure 3.26.

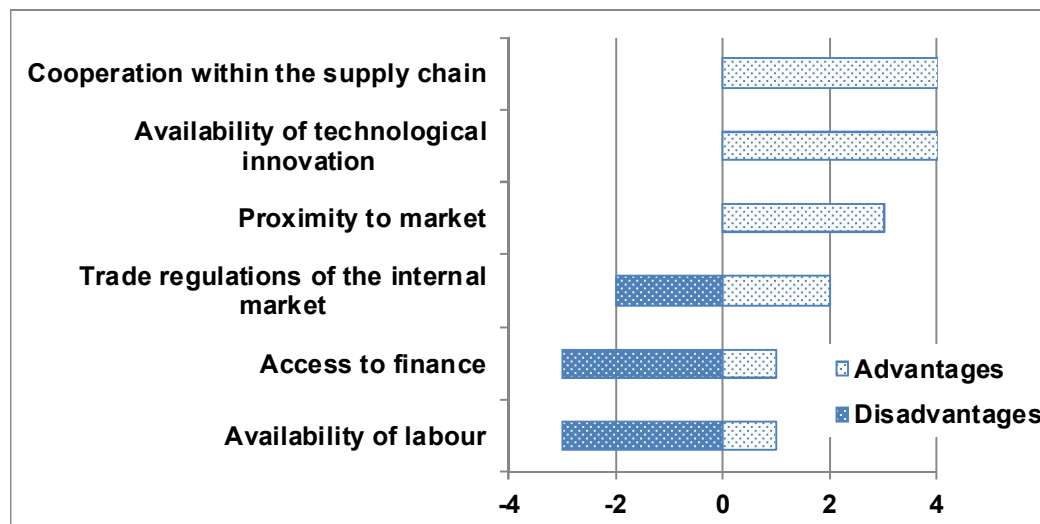


Figure 3.26: Responses from 4 Industry Associations to: *In your view, what are the key advantages and disadvantages of the EU footwear industry in comparison to its competitors?*

The associations also identified disadvantages with particular reference to access to finance (as discussed above in Section 3.5.4) and ‘availability of labour’. The latter is likely to cover both skilled and unskilled labour and is being explored in the reports on *Small and Medium Enterprises, Restructuring and Modernisation* and *Training* which represent the results of Tasks 3, 4 and 5 respectively

3.6.3 Competitors

Not surprisingly, most company respondents (24 companies) indicated that competition from non-EU countries had increased over the past five years and was likely to become stronger over the next five years, a view shared by most of the industry associations. The greatest threat was considered to be from companies based in China and India (see Figure 3.27, next page). Although the four associations also rated the greatest threat to be from China and Vietnam, the third greatest threat was identified by the associations to be Brazil.

Industry associations were asked to indicate whether various measures had improved the competitive position of the European footwear sector. The associations were generally agreed that most of the measures had had a negative impact as shown in Figure 3.28 (next page).

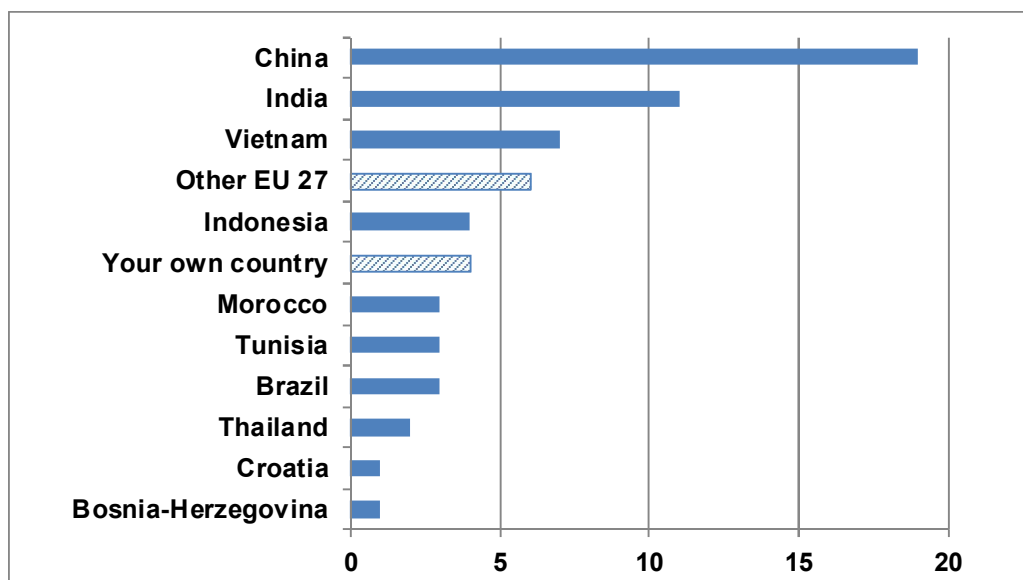


Figure 3.27: Responses from 23 Companies to: *Which competitor countries pose the greatest threat to your company?*

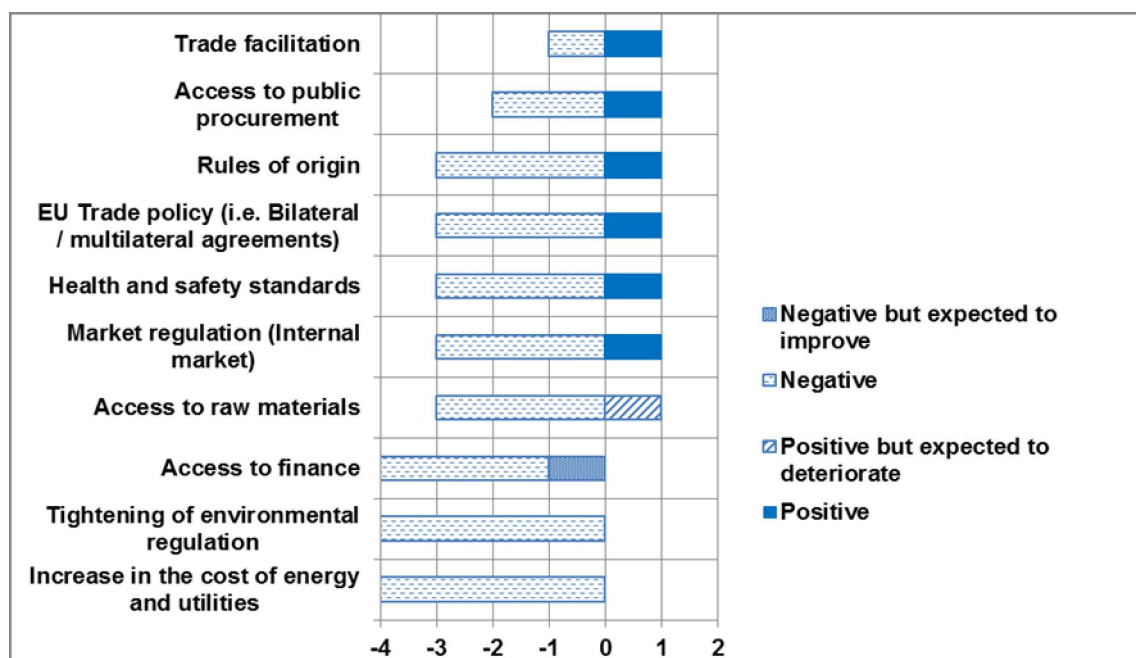


Figure 3.28: Responses from 4 Industry Associations to: *What has been the impact of the following competitive elements on the footwear sector in your region within the period 2006 to 2010?*

Although many of the issues listed in Figure 3.28 (such as access to finance) have already been discussed, there are several new elements, with particular reference to trade facilitation, public procurement, rules of origin and EU trade policy. Although

these new elements have not been identified as key challenges (see Section 3.4), they cover issues over which the European Commission and the European Parliament could exert some influence and these will be explored in more detail in the reports on *Small and Medium Enterprises* and *Restructuring and Modernisation* (which represent the results of Tasks 3 and 4).

3.7 Innovation and Research

3.7.1 Areas of Innovation

Respondents were asked to identify the key areas of innovation. Company respondents were clearly focused on their products and the associated production processes (as shown in Figure 3.29). By comparison, all four industry associations identified service innovation as a key area of innovation for their members while three identified products and the associated production processes.

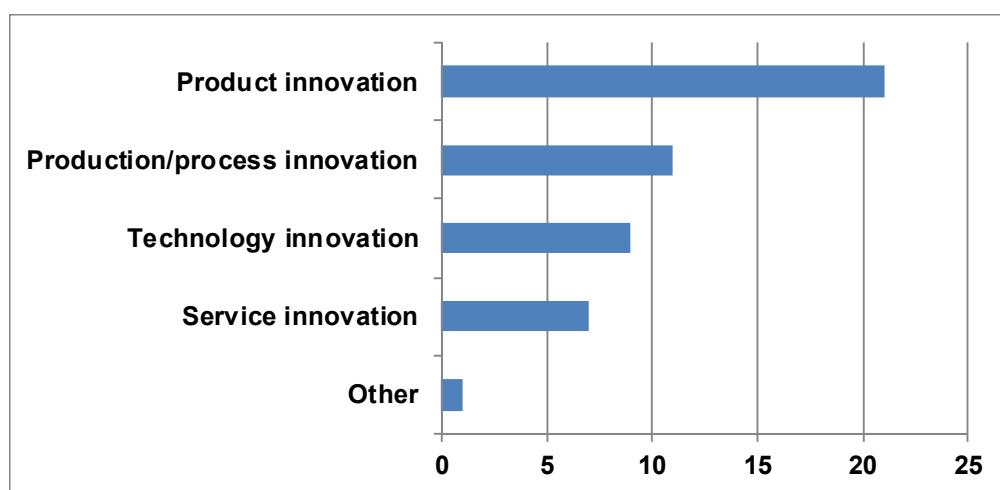


Figure 3.29: Responses from 24 Companies to: *What types of innovation you are currently undertaking?*

Against the background of increasing competition from Asia (as discussed in Section 3.6.3 above), it is vital that the EU footwear sector finds ways by which to take advantage of its proximity to the valuable EU market (as discussed in Section 3.6.2 above). This need for constant innovation forms an important strand to the other reports being undertaken in this study. As highlighted in the Task 2 report *Research and Innovation Centres*, innovation is not restricted to improvements in materials and production but also covers finding ways to maximise opportunities to sell products and improving service to the market. These aspects will also be explored in more detail in the reports on *Restructuring and Modernisation* and *Research, Development and Innovation in the Footwear Sector* (which represent the results of Tasks 4 and 6 respectively).

3.7.2 Research Centres

The four responding research centres indicated that they undertook technical services, training and research in the footwear sector and provided consulting services to the industry. As would be expected, the areas of interaction between research centres and the industry varied but in all cases, industry was involved with the development of research programmes while all the centres provided consultancy services to the industry (see Figure 3.30). There was a diversity of research areas (see Figure 3.31).

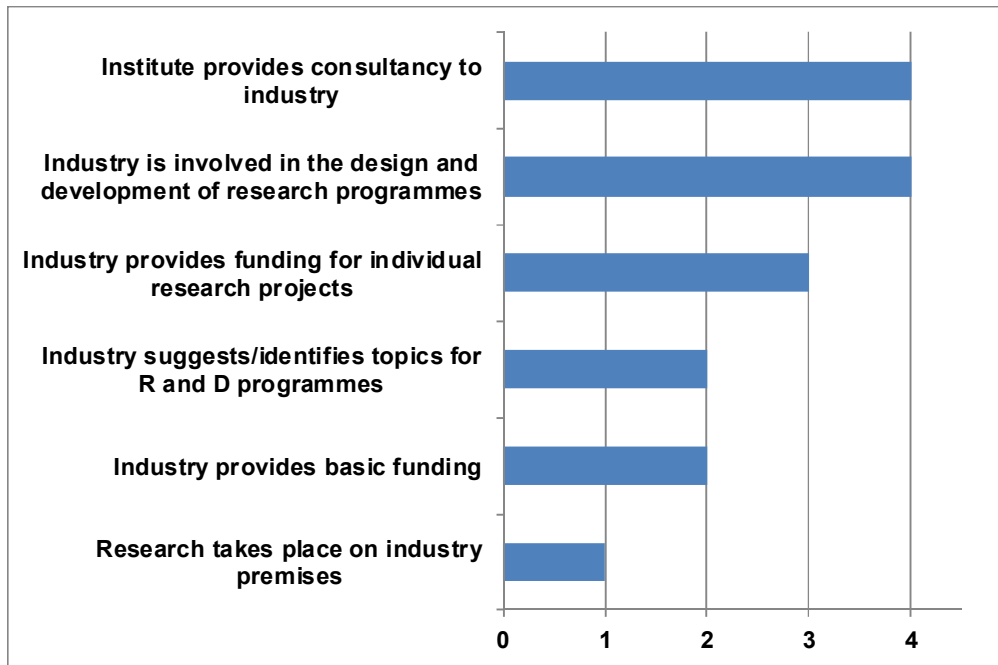


Figure 3.30: Responses from Four Research Centres to: *How closely does your institute work with the footwear manufacturing industry?*

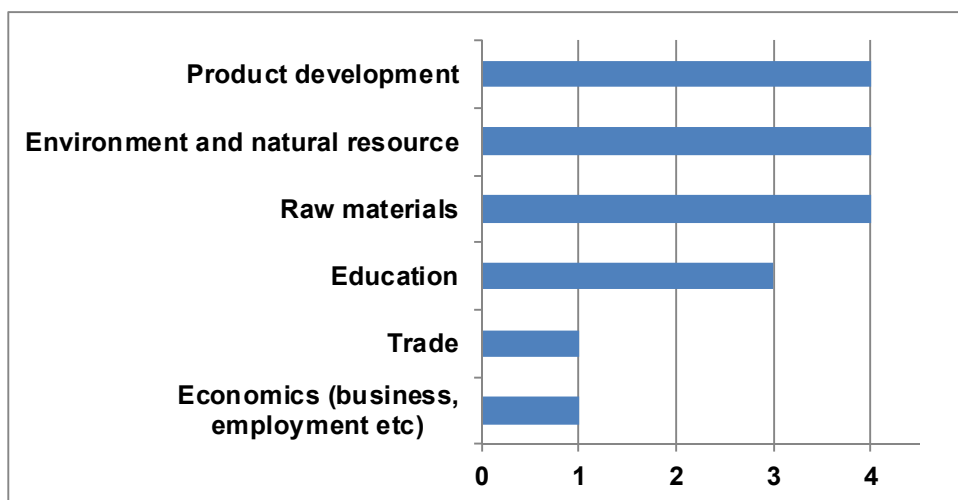


Figure 3.31: Responses from Four Research Centres to: *What types of research do you undertake in relation to footwear manufacturing?*

As would be expected, research findings were disseminated through a variety of publications as shown in Figure 3.32.

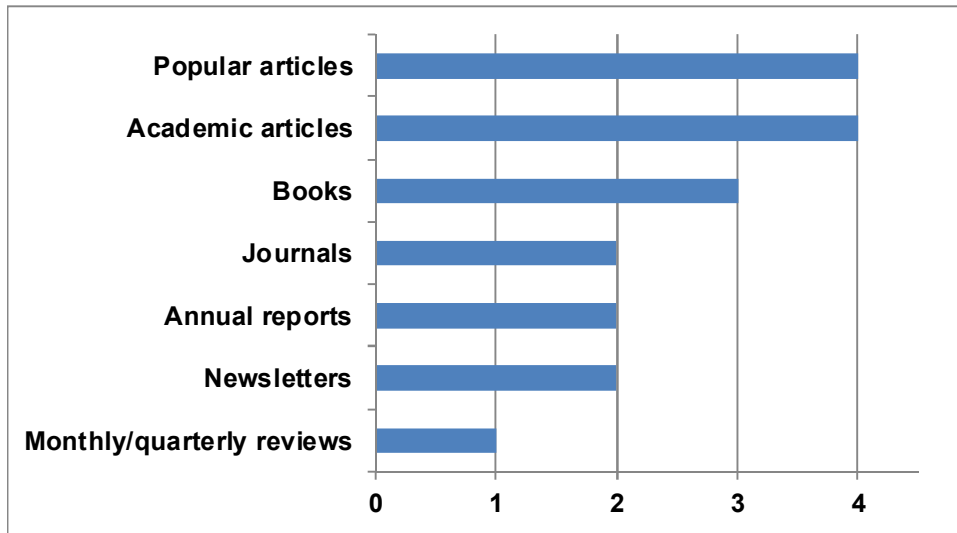


Figure 3.32: Responses from Four Research Centres to: *What types of publications does your institute produce?*

3.7.3 Collaboration

Respondents were asked to identify the importance of collaboration for innovation. All forms of collaboration were considered important with particular prominence given to cooperation of international and national business networks (see Figure 3.33). Despite the limited sample size, the views from the four industry associations were nearly identical.

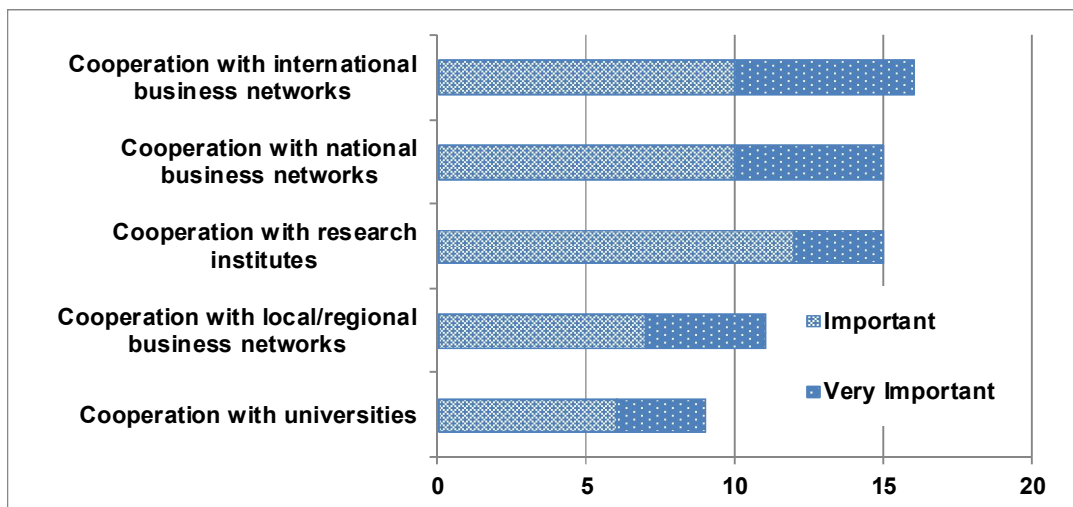


Figure 3.33: Responses from 22 Companies to: *How important are the following activities for innovation in your company?*

For their part, the four research (and one educational) centres indicated that they enjoyed generally good levels of cooperation with partners – particularly with the footwear industry as shown in Figure 3.34.

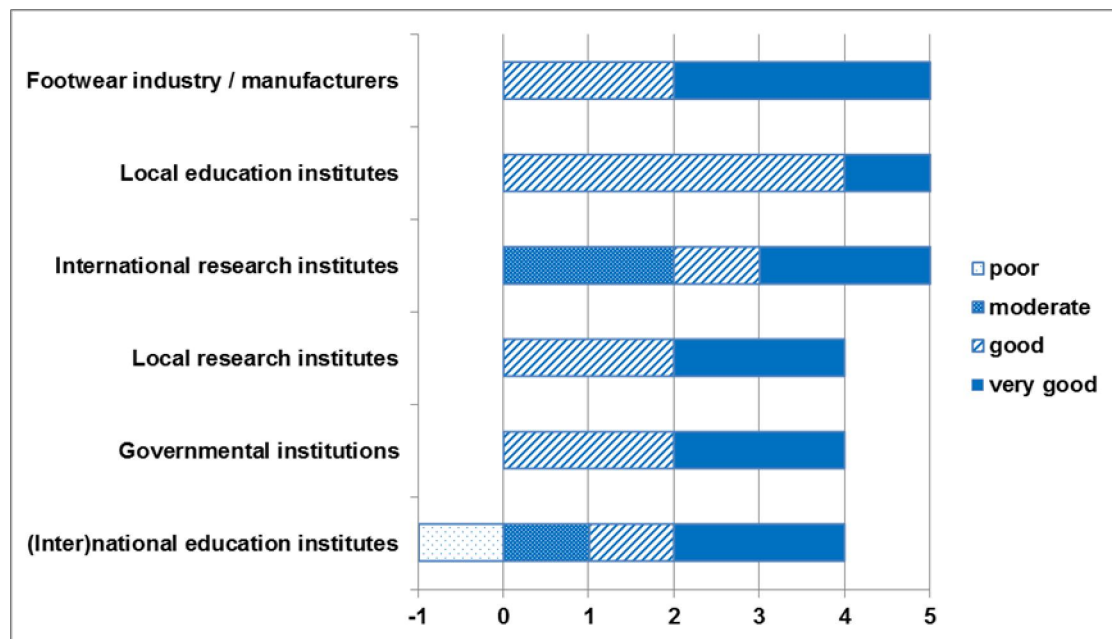


Figure 3.34: Responses from One Educational and Four Research Centres to: *How good is your level of cooperation with the following types of partners?*

3.7.4 Patents & Intellectual Property Rights (IPR)

Respondents were asked about patents. Of the 23 companies which responded to this question, five had taken out a patent over the last five years. The four industry associations did not have specific information on patents granted to their members but noted that the patents could be generated by companies themselves or by local technology institutes.

Apart from patents, the industry associations indicated that their members sought protection through trademarks and, to a lesser extent, through registration of designs and/or models. Such protection would generally be taken out in the originating country, in the EU and in third countries.

3.7.5 Implementation

Research centres were asked to indicate whether research results were being implemented in the footwear manufacturing companies in their country. The responses were evenly split between ‘partially implemented’ and ‘fully implemented’.

3.8 Employment and Training

3.8.1 Changes in Employment

Respondents were asked about how levels of employment had changed in recent years. As for financial performance (see Section 3.3.1), there was a mixed picture from company respondents with some companies increasing staff (particularly administrative staff and skilled workers) while others were reducing (particularly unskilled workers) and some were staying the same (see Figure 3.35 and Figure 3.36).

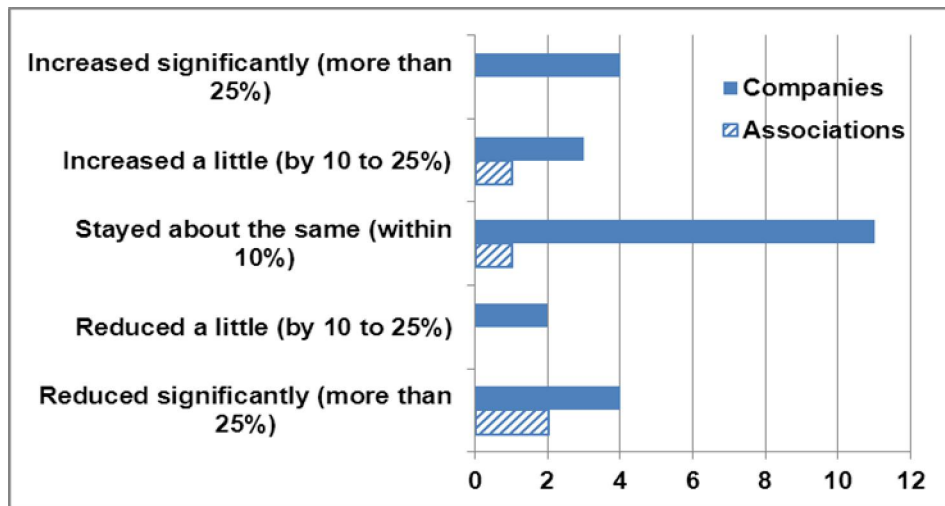


Figure 3.35: Responses from 24 Companies and Four industry Associations to: *Has the number of people you (your members) employ changed in the last 5 years?*



Figure 3.36: Responses from 24 Companies to: *If possible, please indicate how the numbers of different types of staff have changed over the last 5 years?*

The picture from the four industry associations was not quite so positive, with two of the associations reporting employment numbers decreasing by more than 25%. However, both companies and associations believed that employment levels were most likely to stay about the same in the next few years, although several company respondents were more optimistic.

For its part, the responding union indicated that employment had fallen by 10-25% over the past five years (particularly amongst administrative and unskilled staff) and the further reductions are likely.

3.8.2 Training

Training is an important facet of employment, particularly in light of the finding that 40% of responding companies were experiencing skill shortages and all four industry associations agreed that their members were experiencing skill shortages.

Respondents were asked what sort of training was available. All but one of the responding companies provided training. Full-time training in-house and/or apprenticeships were provided by nearly half of the responding companies as shown in Figure 3.37.

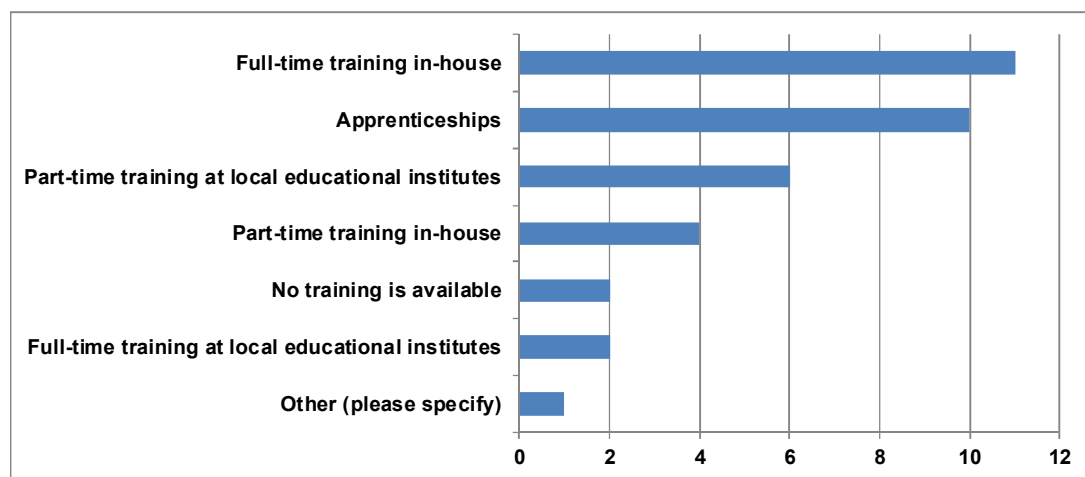


Figure 3.37: Responses from 25 Companies to: *What sort of training do you provide?*

Respondents were also asked about the changes in availability of courses in their countries. As can be seen from Figure 3.38, the overall availability has remained broadly the same with some increases (particularly in vocational courses) being offset by some decreases (particularly in apprenticeships). For their part, the industry associations agreed that overall availability had remained the same or had increased (particularly for specialist courses). Although from the union viewpoint there had been an increase in the availability of specialist courses, there had been a decrease in other the other forms of training identified.

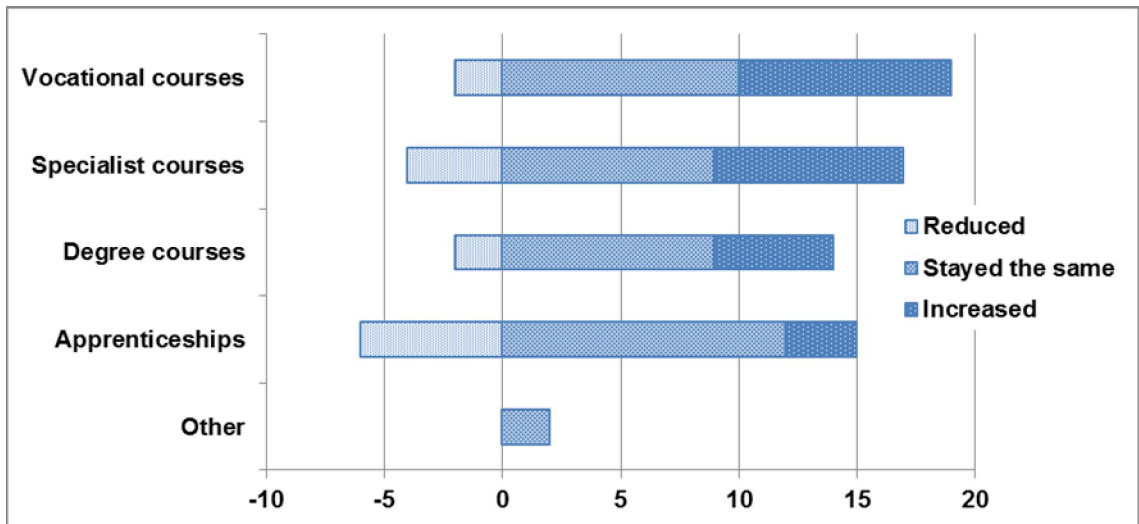


Figure 3.38: Responses from 24 Companies to: *Has the availability of training in your country for those who wish to be employed in the footwear sector changed in the last 5 years?*

Research centres provide an important resource for training as illustrated by the capacity building activities of the responding centres (see Figure 3.39).

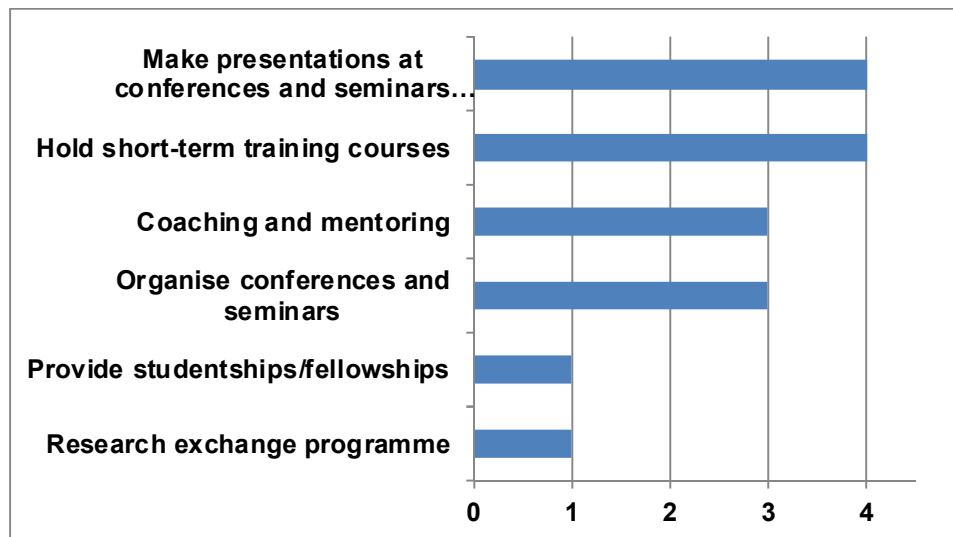


Figure 3.39: Responses from One Educational and Four Research Centres to: *Please provide details on what type of capacity building you participate in:*

Similarly, it would be expected that there would be inter-linkages the footwear industry and the providers of educational courses. Although there were too few respondents to draw any meaningful conclusions, the sole respondent indicated that:

- industry identifies/recommends course topics;
- industry provides funding for individual students;
- industry provides work placements for students; and
- students work on particular industry problems as part of their course.

Sadly, this particular educational centre had seen a decline in student numbers in recent years and concluded their response with the following:

At EU level there are very few educational providers at tertiary level for footwear design and technology related study programs. Without European coordination and a clear policy regarding education in footwear sector at tertiary level, probably the existing courses in our country will be closed in the next years. The national and institutional efforts for keeping the actual programs are not enough.

4. KEY FINDINGS

4.1 Market Structure

4.1.1 Company Sizes

The footwear industry is a labour intensive industry heavily dominated by small and medium sized enterprises (SMEs). Section 2 confirmed that most footwear companies comprise around 10-15 employees (see Table 2.3). From the 25 companies surveyed in Section 3, six companies had fewer than ten employees, nine companies had between 11 and 50 employees and only two companies had greater than 250, illustrating that most footwear companies are SMEs.

Section 2 demonstrates the EU footwear industry has recorded large reductions in employment, following the closure of factories over the last decade. In Section 2, Table 2.3 indicates that employment in the footwear industry fell by more than 25% between 2004 and 2008 and the number of firms declined by more than 15%. There are also indications in some countries that turnover declined sharply in 2009 but that there was some recovery in 2010 (see Table 2.4). In the survey (as discussed in Section 3), the industry associations were asked about how many of their (footwear) member companies had closed down and started up over the past five years. The number of closures appeared to be of the order of 2-5% of members per year with a slightly lower rate of new start-ups.

4.1.2 Market Segments

In Section 2, the literature indicates that in the EU there is a growing emphasis on producing luxury products with greater added value. Therefore, EU manufacturers are increasingly differentiating their products and processes to gain competitive advantage over cheaper imports from developing countries. This coincides with the results from organisations surveyed in Section 3. In the survey, most companies specified that they were focused on the premium or medium segments of the market. This trend was further supported by the two industry associations which were not involved with the 'lower segment' of the footwear market.

4.2 Challenges Faced by Industry

One of the main challenges identified in Section 2 is the increasing costs of production, which have led EU firms to relocate and outsource their production and processes to developing countries as a cost-reducing strategy. Another challenge faced by footwear manufacturers is the increasing international competition from Asian economies such as China, India and Vietnam.

The views from the surveys in Section 3 were broadly similar to those from Section 2 on the challenges faced by the footwear sector. From the 23 responses from companies, there were quite a number of challenges which were considered to be

‘moderately challenging’ or ‘very challenging’. Of these, the highest rated challenges were:

- costs of production;
- competition;
- finding customers;
- access to new markets; and
- availability of skilled staff.

4.2.1 Measures Taken to Address Challenges

In Section 2, the literature suggested that companies were increasingly placing emphasis on high quality products and improving their image to emerging economies. In addition, it appears that companies are also increasingly placing importance on product customisation⁴⁰ e.g. the Adidas’ mass customisation (MC) programme.

In Section 3, the responses from the questionnaire identified that footwear companies are placing emphasis on refining the production and selling of existing products through improved product design/quality, improved image/communication/service and product customisation. These findings were comparable to those of Section 2.

4.2.2 Future Challenges

In Section 2, the literature indicated that companies continue to face challenges from high costs of production and competition from developing economies. However, evidence suggests that EU producers are discovering that they can find markets for (branded) luxury footwear in emerging economies such as Russia (consumption in 2007 was € 4.4 billion), China (€ 17 billion), Brazil (€ 8.6 billion), India (€ 1.0 billion) and the Middle East (€ 1.9 billion). In China and India, the growing wealth, implies half a billion consumers that will have a similar disposable income as consumers in the EU and USA (CBI 2010), leading to increased consumption of luxury footwear.

In Section 3, respondents were asked to identify the challenges for the next five years. Company respondents essentially identified the same challenges (across all company sizes) as had been faced in the past five years – with costs of production once again identified as the biggest challenge and ‘availability of skilled labour’, ‘competition’, ‘finding customers’, ‘development of new products’ and ‘access to new markets’ as the other challenges. They also indicated that the greatest hopes for increasing exports lie within the markets of other EU-27 countries and Russia, with Asia also of increasing importance.

⁴⁰

Note that this theme is explored further in the *Task 2 Report on Research and Innovation Centres*.

4.3 Costs and Financing

4.3.1 Production Costs

Footwear manufacturers have a range of costs to manage with a particular focus on raw material costs and production costs (through labour and machinery costs). Other important costs include regulatory compliance costs, logistics costs, general overheads (such as utilities) and marketing.

In Section 2, evidence suggests that costs of production continue to be a challenge for companies and a large proportion of footwear industries have outsourced their production totally or partially to subcontractors. A general trend is that manufacturers of less expensive footwear and athletic shoes have relocated to the developing countries, while designers of high end footwear are predominantly located in Europe.

This coincides with the responses to the questionnaires in Section 3, where most companies indicated that production costs had increased by 25-50% over the past five years. This is also consistent with the responses from the industry associations (two indicated increases of 25-50% and two indicated increases of less than 25%). Such increases were mostly associated with increases in raw material costs and labour costs.

4.3.2 Access to Finance

In Section 2, the literature suggests that SMEs find it more difficult to access finance. Similarly in Section 3, 60% of company respondents (and three of the four industry associations) have found that access to finance has become more difficult in recent years. Micro-sized companies have found it especially more difficult to access finance than larger companies. From Table 3.3, it can be seen that eight out of eleven respondents from companies with less than €2m turnover find it quite or very difficult to access finance while this only applies to one out of five respondents from companies with more than €10m turnover. The impacts of the global financial crisis and the resultant tightening of credit requirements by banks were clearly confirmed by the 17 companies which had been denied credit.

4.4 Competition

The European footwear industry is highly competitive, both in the EU market and in global markets, mostly due to its high quality, design and fashion attributes. However, the trade deficit in the footwear sector more than doubled in five years to €7.0 billion⁴¹. Reasons contributing to the large trade deficit are the growing difficulties of EU industry to compete with countries with low labour costs, less regulation and the strength of the Euro.

⁴¹ EC (2010a): *External dimension of the footwear sector*, available from the **Europa** Internet site, http://ec.europa.eu/enterprise/sectors/footwear/external-dimension/index_en.htm, accessed on 27th July 2010

In Section 2, Eurostat data indicated that the main suppliers of footwear to the EU are China and Vietnam, which together account for more than 60% of the footwear imports into the EU. The main markets for EU footwear are USA, Russia and Switzerland. Against this background, increased market access to emerging economies that have a growing middle class is of strategic importance to EU manufacturers, as these represent a quality-conscious market where the EU has the highest competitive advantage.

Not surprisingly, the findings in Section 3 were analogous to that of Section 2. Most company respondents (24 companies) indicated that competition from non-EU countries had increased over the past five years and were likely to become stronger over the next five years – a view shared by most of the industry associations. The greatest threat was considered to be from companies based in China and India. Similarly the four associations which responded to the survey rated the greatest threat to be from China, Vietnam, and Brazil.

4.5 Innovation

4.5.1 Areas of Innovation

In Section 2, the CBI 2010 report indicates that European footwear manufacturers have started to shift their focus to targeting niche markets and upgrading to higher value footwear. More and more firms pursue innovation strategies based on creativity, quality and differentiation of footwear products in order to succeed in the market place. Examples of key directions of innovation include focusing on comfort, design, niches and technology. Improvements in technology such as design software, logistics, marketing, new materials and new technology in cutting provides an innovative edge to manufacturers.

Section 2 suggested that a high number of SMEs are less likely to have access to investment capacity. Some traditionally run family businesses may lack confidence in the innovation opportunities as well as having limited financing capacity, many operate in isolation. In such companies, the use of ICT equipment and access to the internet are also often limited.

In Section 3, respondents were asked to identify the key areas of innovation. Company respondents were clearly focused on their products and the associated production processes (as shown in Figure 3.29). By comparison, all four industry associations identified service innovation as a key area of innovation for their members, while three identified products and the associated production processes.

Innovation in the sector may arise not only from manufacturers, but also from suppliers and from research institutes. Research centres were also asked to indicate whether research results were being implemented in the footwear manufacturing companies in their country. The responses were evenly split between ‘partially implemented’ and ‘fully implemented’.

Despite the apparent successes in transferring the results of R&D into marketable products, the industry continues to face significant challenges. The research institutes all agreed that more needs to be done to ensure the uptake of innovation by the European footwear industry, to help to ensure its long term competitiveness.

4.6 Employment and Training

4.6.1 Changes in Employment

Section 2 demonstrated that the economic crisis of 2008/09, coupled with the increased competition and subsequent restructuring and modernisation processes, has forced European footwear manufacturers to introduce cost cutting measures, which have included a significant reduction in employment within the footwear sector.

In Section 3, respondents were asked about how levels of employment had changed in recent years. There was a mixed picture from company respondents with some companies increasing staff (particularly amongst administrative staff and skilled workers) while others were reducing (particularly amongst unskilled workers) and some were staying the same.

The picture from the four industry associations was not quite so positive, with two of the associations reporting employment numbers decreasing by more than 25%. However both companies and associations believed that employment levels were most likely to stay about the same in the next few years – although several company respondents were more optimistic. The responding union indicated that employment had fallen by 10-25% over the past five years (particularly amongst administrative and unskilled staff) and the further reductions are likely.

4.6.2 Training

In Section 2 evidence shows that some key footwear manufacturing skills appear to be at risk and of training and development are becoming more of a priority. This is an area where research institutes have played an important role.

Similarly in Section 3, respondents identified training as an important facet of employment, particularly in light of the finding that 40% of responding companies were experiencing skill shortages and all four industry associations agreed that their members were experiencing skill shortages. Respondents were asked what sort of training was available. All responding companies (bar one) provided training. Full-time training in-house and/or apprenticeships were provided by nearly half of the responding companies.

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ANNEX 1
QUESTIONNAIRES

1. Introduction

The European footwear industry has faced many challenges recently, such as increased competition leading to restructuring and modernisation. Risk & Policy Analysts (RPA) has been asked by the European Commission (DG Enterprise and Industry – contact entr-textiles-fashion-and-forest-ind@ec.europa.eu) to carry out an in-depth assessment of the current status of the sector and its future prospects. The goal of the assessment is to better equip stakeholders, as well as regional, national and European authorities, to respond to the challenges.

We set out some questions below which will help us to analyse the current state of the industry. While some questions may be difficult to answer precisely; please provide your best estimate where possible. Please note that responses to this questionnaire will be handled in the strictest confidence and will only be used for the purposes of this study. In preparing our reports for the Commission (which may subsequently be published), care will be taken to ensure that specific responses cannot be linked to individual companies. If you have specific concerns about how your views will be treated, you can contact Eszter Kantor (see email below) and we will be happy to discuss your concerns.

We would be very grateful if you could answer the following questions by **3 June 2011**.

If you have difficulties with this on-line questionnaire, you may complete a version off-line and return to eszter.kantor@rpald.co.uk or by fax to +44 1508 520758.

Thank you very much for your assistance.

2. About Your Company

1. Please provide the following details:

Contact Name:

Company:

Location (Country):

Telephone:

E-mail Address:

2. Please classify your company as:

Manufacturer Importer/Supplier/Distributor

Other (please specify)

3. How many employees does your company have?

fewer than 10 11-50 51-250 more than 250

4. How many of your employees are full-time employees?

fewer than 10% 11-20% 20-50% more than 50%

5. What is the approximate turnover of your company?

less than €2m €2 to €10m €10 to €50m more than €50m

6. How did your turnover in 2009 compare with that for 2007? Please tick ONE box:

	has not changed	by less than 10%	by 10-25%	by more than 25%
Increased	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Decreased	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

7. What types of footwear product is your company involved with by PRICE CATEGORY? Please tick all that apply

- Super premium segment
- Premium segment
- Medium Segment
- Lower Segment

8. What types of footwear product is your company involved with by TYPE OF FOOTWEAR? Please tick all that apply

- Casual
- Formal
- Evening
- Sport
- Safety/protective

9. What types of footwear product is your company involved with by END USER? Please tick all that apply

- Women's
- Men's
- Children's

10. What types of footwear product is your company involved with by MATERIAL? Please tick all that apply

- Leather
- Textile
- Plastic/rubber
- Other

11. For MANUFACTURERS ONLY: What footwear manufacturing activities do you carry out in the EU? Please tick all that apply

- Manufacture components of footwear (e.g. sole, heel, upper)
- Assemble footwear products from components (e.g. sole, heel, upper) manufactured by others in the EU
- Assemble footwear products from components (e.g. sole, heel, upper) manufactured by others outside the EU
- Manufacture and assemble own shoes

12. Please identify how your products are sold? Please tick all that apply

- Sold through your own-brand retail shops
- Sold through other mono brand companies/shops
- Sold through multi-brand stores for shoes
- Sold through multi-brand stores for clothes, etc
- Other (please specify)
- Sold on the Internet
- Sold to other shoe manufacturers
- Sold to buyers of other retail outlets
- Sold to wholesale buyers

3. Challenges for the European footwear industry

1. What have been the most significant challenges for your company in the last 5 years?

	Not applicable	Not challenging	Slightly challenging	Moderately challenging	Very challenging
Access to finance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Finding customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Competition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Availability of skilled staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Costs of production	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Legislative requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Counterfeit goods	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Patent protection	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Access to new markets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Access to raw materials	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Development of new products	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Changes in technology	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Integration of ICT	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Innovation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If Other, please specify

5

6

2. Does your company have a strategy in place to address these challenges? Please tick all that apply

- No formal strategy currently in place
 Medium term strategy in place
 Short term strategy in place
 Long term strategy in place

Please provide more details

5

6

3. What actions have you taken in the past 5 years in response to the challenges facing the footwear industry in Europe? Please tick all that apply

- Reduced prices of products
- Improved product design
- Reduced costs through cheaper sourcing of raw materials
- Improved service
- Reduced costs through increased productivity
- Product customisation
- Outsourced activities within the EU
- Improved image and communication
- Outsourced activities outside the EU
- Changed method of distribution
- Improved product quality
- Changed market sector

Other, please specify

4. Please indicate whether your company is using any support services (e.g. business consulting, training, technological support, etc.)

NO

YES, details:

5. Please rate the importance of the following ways in which your company could be helped to address the challenges it faces?

	Not Important at all	Slightly important	Important	Very Important	Do not know
Support for research and development (technology, design, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Support the financial strengthening (loans, credits, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Support human resource development (training, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reduce taxes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reduce employment (e.g. welfare) costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Support for market research	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Support for implementation of innovation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If Other, please specify

6. Which challenges will your company face in the next 5 years? Please tick the appropriate box(es)

- | | |
|--|--|
| <input type="checkbox"/> Access to finance | <input type="checkbox"/> Patent protection |
| <input type="checkbox"/> Finding customers | <input type="checkbox"/> Access to new markets |
| <input type="checkbox"/> Competition | <input type="checkbox"/> Access to raw materials |
| <input type="checkbox"/> Availability of skilled staff | <input type="checkbox"/> Development of new products |
| <input type="checkbox"/> Costs of production | <input type="checkbox"/> Changes in technology |
| <input type="checkbox"/> Legislative requirements | <input type="checkbox"/> Integration of ICT |
| <input type="checkbox"/> Counterfeit goods | <input type="checkbox"/> Innovation |
| <input type="checkbox"/> Other, please specify | |

	5
	6

4. Costs and Financing

1. Among the different costs faced by your company, which one(s) do you believe are the most challenging? Please elaborate your answer.

- Labour costs
- Raw material costs
- Costs of other inputs (energy, water, etc.)
- Equipment costs
- Regulatory/compliance costs (environmental, health and safety, waste, etc.)
- Transport costs
- Logistics costs
- Marketing costs
- Other

Please provide more details

2. Have the costs of production changed significantly over the last 5 years?

- Costs have increased by over 50%
- Costs have increased by 25-50%
- Costs have increased by less than 25%
- No change
- Costs have reduced

3. What types of investments have you made in the past 5 years? Please tick all that apply.

- Investments in production equipment
- Investments in marketing
- Investments in employee training
- Other (please specify)
- Investments in product design
- Investments in Research & Development

4. What are the approximate total values of the investments you have made over the past 5 years?

	No investment	Less than €10000	Less than €100000	Less than €1 million	More than €1 million
Investments in product design innovation	jñ	jñ	jñ	jñ	jñ
Investment in research and development	jñ	jñ	jñ	jñ	jñ
Investment in products services	jñ	jñ	jñ	jñ	jñ
Investments in employee training	jñ	jñ	jñ	jñ	jñ
Investments in production equipment	jñ	jñ	jñ	jñ	jñ
Investments in marketing	jñ	jñ	jñ	jñ	jñ

5. How were these investments funded? Please tick all the 'private' finance sources that you have used

- Self-financed
- Banks
- Other financial institutions
- Private investors
- Corporate investors
- Mergers and acquisitions
- Other (please specify)

6. How were these investments funded? Please tick all the 'public' finance sources that you have used

- Regional government funds
- National governmental funds
- EU social fund
- ADAPT initiative
- European Globalisation Fund
- Other (please specify)

7. How difficult is it for your company to gain access to finance?

- Very difficult
 Quite difficult
 Quite easy
 Very easy

8. Has gaining access to finance become easier or more difficult over the last 5 years?

More difficult

About the same

Easier

9. If you have been refused a loan or prolongation of a credit line by a bank in the last five years, what was the main reason given?

	Strongly relevant	Slightly relevant	Not relevant
Worse financial indicators for your company	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Stricter rules introduced by the bank	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Problems with providing sufficient guarantees	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Problems with obtaining insurance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Poor business outlook for the future (business plan)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

If Other, please specify

5. Competition within the Footwear Sector

1. Where are the main markets for your products?

	All products (100%)	Most products (more than 50%)	Some products (less than 50%)	No products (0%)
In your own country	jn	jn	jn	jn
Other countries within the EU	jn	jn	jn	jn
Outside the EU	jn	jn	jn	jn

2. How has your company's market position changed during the past 5 years?

	Increased	Unchanged	Reduced
Market share	jn	jn	jn
Number of new products launched	jn	jn	jn
Number of products sold	jn	jn	jn
Value of products sold	jn	jn	jn

3. How do you expect your company's market position to change in the next 5 years?

jn Become stronger

jn Stay the same

jn Become weaker

4. If your company has exported products in the last 5 years (2006 to 2010), how would you describe your position with respect to the key export markets?

	Strongly Increasing	Slowly Increasing	Stable	Decreasing	No Exports
EU27	jn	jn	jn	jn	jn
EFTA (Iceland, Norway, Switzerland, and Liechtenstein)	jn	jn	jn	jn	jn
Non-EU Mediterranean countries	jn	jn	jn	jn	jn
Russia	jn	jn	jn	jn	jn
NAFTA (USA, Mexico, Canada)	jn	jn	jn	jn	jn
Asia (incl. China, India, Japan)	jn	jn	jn	jn	jn
Central/South America	jn	jn	jn	jn	jn

5. Please indicate the competitive factors of your business:

	Not Important at all	Slightly Important	Important	Very Important	Do not know
Quality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Price	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Price/quality ratio	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Customisation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Flexibility to adapt to changing conditions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Product range	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

If Other, please specify

6. Which competitor countries pose the greatest threat to your company? Please tick all that apply

- | | |
|---|---|
| <input type="checkbox"/> Your own country | <input type="checkbox"/> Brazil |
| <input type="checkbox"/> Other EU 27 | <input type="checkbox"/> Tunisia |
| <input type="checkbox"/> China | <input type="checkbox"/> Thailand |
| <input type="checkbox"/> Vietnam | <input type="checkbox"/> Morocco |
| <input type="checkbox"/> India | <input type="checkbox"/> Bosnia-Herzegovina |
| <input type="checkbox"/> Indonesia | <input type="checkbox"/> Croatia |
| <input type="checkbox"/> Other (please specify) | |

7. Has the extent of competition you face from non-EU companies changed over the last 5 years?

- Increased
 Stayed the same
 Reduced

8. How do you expect the extent of competition from non-EU companies to change over the next 5 years?

- Become stronger
 Stay the same
 Become weaker

9. What are the most important geographical sources of leather for your company?

- Our company does not use leather
- EU27
- EFTA (Iceland, Norway, Switzerland, and Liechtenstein)
- Non-EU Mediterranean countries
- Russia
- NAFTA (USA, Mexico, Canada)
- Asia (incl. China, India, Japan)
- Central/South America

Other (please specify)

10. If your company uses leather, how has/have your geographical source(s) of leather changed over the period 2000-2010?

	Increasing importance	Stable	Decreasing importance
EU27	jñ	jñ	jñ
EFTA (Iceland, Norway, Switzerland, and Liechtenstein)	jñ	jñ	jñ
Non-EU Mediterranean countries	jñ	jñ	jñ
Russia	jñ	jñ	jñ
NAFTA (USA, Mexico, Canada)	jñ	jñ	jñ
Asia (incl. China, India, Japan)	jñ	jñ	jñ
Central/South America	jñ	jñ	jñ

Other (please specify)

6. Innovation within the European Footwear Sector

1. What types of innovation you are currently undertaking? Please tick all that apply

- Technology innovation
 Service innovation
 Product innovation
 None
 Production/process innovation
 Other (please specify)

2. How important are the following activities for innovation in your company?

	Not Important at all	Slightly Important	Important	Very Important
Cooperation with local/regional business networks	jn	jn	jn	jn
Cooperation with national business networks	jn	jn	jn	jn
Cooperation with international business networks	jn	jn	jn	jn
Cooperation with research institutes	jn	jn	jn	jn
Cooperation with universities	jn	jn	jn	jn

3. Has your company been granted patents in the past 5 years?

No

Yes (please specify)

7. Employment and Training in the European Footwear Sector

1. Has the number of people you employ changed in the last 5 years?

- Reduced significantly (more than 25%)
 Increased a little (by 10 to 25%)
- Reduced a little (by 10 to 25%)
 Increased significantly (more than 25%)
- Stayed about the same (within 10%)

2. If possible, please indicate how the numbers of different types of staff have changed over the last 5 years?

	Reduced	Stayed the same	Increased
Managers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Administrative staff	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Researchers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Skilled workers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Unskilled workers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

If Other, please specify

3. How do you expect the number of people you employ to change in the next 5 years?

- Reduce
 Stay the same
 Increase

4. What sort of training do you provide? Please tick all that apply

- Apprenticeships
 Full-time training at local educational institutes
 Part-time training in-house
- Part-time training at local educational institutes
 Full-time training in-house
 No training is available
- Other (please specify)

5. Has the availability of training in your country for those who wish to be employed in the footwear sector changed in the last 5 years?

	Reduced	Stayed the same	Increased	Do not know
Apprenticeships	jn	jn	jn	jn
Vocational courses	jn	jn	jn	jn
Degree courses	jn	jn	jn	jn
Specialist courses	jn	jn	jn	jn
Other	jn	jn	jn	jn

If Other, please specify

6. Are you experiencing skill shortages at your company?

jn No

jn Yes (please specify)

8. Conclusion

Thank you very much for completing this questionnaire and finally:

1. We would like to hold interviews with a small number of companies to assist us in evaluating the current situation and prospects of the EU footwear industry in more detail. If you would be willing for us to contact you, please indicate below

Yes, I would be happy to take part in follow-up interviews

No, I do not wish to take part in follow-up interviews

Footwear-Associations

1. Introduction

The European footwear industry has faced many challenges recently, such as increased competition leading to restructuring and modernisation. Risk & Policy Analysts (RPA) has been asked by the European Commission (DG Enterprise and Industry – contact entr-textiles-fashion-and-forest-ind@ec.europa.eu) to carry out an in-depth assessment of the current status of the sector and its future prospects. The goal of the assessment is to better equip stakeholders, as well as regional, national and European authorities, to respond to the challenges.

We set out some questions below which will help us to analyse the current state of the industry. While some questions may be difficult to answer precisely; please provide your best estimate where possible. Please note that responses to this questionnaire will be handled in the strictest confidence and will only be used for the purposes of this study. In preparing our reports for the Commission (which may subsequently be published), care will be taken to ensure that specific responses cannot be linked to individual companies. If you have specific concerns about how your views will be treated, you can contact Eszter Kantor (see email below) and we will be happy to discuss your concerns.

We would be very grateful if you could answer the following questions by **20 May 2011**.

If you have difficulties with this on-line questionnaire, you may complete a version off-line and return to eszter.kantor@rpald.co.uk or by fax to +44 1508 520758.

Thank you very much for your assistance.

2. About Your Association

1. Please provide the following details:

Association's Name:

Contact person:

Location (Country):

Telephone:

E-mail Address:

2. How many members do you have in the following categories:

Designers

Manufacturer

Suppliers

Retailers

Total

3. How many of your members are of the following sizes?

Micro (less than 10 staff)

Small (11 to 50 staff)

Medium (51 to 250 staff)

Large (more than 250 staff)

4. In which European countries are your member companies located

- | | | |
|---|--------------------------------------|--|
| <input type="checkbox"/> All EU-27 Countries | <input type="checkbox"/> Germany | <input type="checkbox"/> Poland |
| <input type="checkbox"/> Austria | <input type="checkbox"/> Greece | <input type="checkbox"/> Portugal |
| <input type="checkbox"/> Belgium | <input type="checkbox"/> Hungary | <input type="checkbox"/> Romania |
| <input type="checkbox"/> Bulgaria | <input type="checkbox"/> Ireland | <input type="checkbox"/> Spain |
| <input type="checkbox"/> Cyprus | <input type="checkbox"/> Italy | <input type="checkbox"/> Slovakia |
| <input type="checkbox"/> Czech Republic | <input type="checkbox"/> Latvia | <input type="checkbox"/> Slovenia |
| <input type="checkbox"/> Denmark | <input type="checkbox"/> Lithuania | <input type="checkbox"/> Sweden |
| <input type="checkbox"/> Estonia | <input type="checkbox"/> Luxembourg | <input type="checkbox"/> United Kingdom |
| <input type="checkbox"/> Finland | <input type="checkbox"/> Malta | <input type="checkbox"/> EEA (Iceland, Norway and Liechtenstein) |
| <input type="checkbox"/> France | <input type="checkbox"/> Netherlands | <input type="checkbox"/> EU Candidate Countries (Croatia, Macedonia, Turkey) |
| <input type="checkbox"/> Other (please specify) | | |
-

Footwear-Associations

5. What types of footwear products are your members involved with by PRICE CATEGORY? Please tick all that apply

- Super premium segment
- Premium segment
- Medium Segment
- Lower Segment

6. What types of footwear products are your members involved with by TYPE OF FOOTWEAR? Please tick all that apply

- Casual
- Formal
- Evening
- Sport
- Safety/protective

7. What types of footwear products are your members involved with by END USER? Please tick all that apply

- Women's
- Men's
- Children's

8. What types of footwear products are your members involved with by MATERIAL? Please tick all that apply

- Leather
- Textile
- Plastic/rubber
- Other

3. Challenges for the European footwear industry

1. How significant have the following challenges been for your members been in the last five years?

	Not applicable	Not challenging	Slightly challenging	Moderately challenging	Very challenging
Access to finance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Finding customers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Competition	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Availability of skilled staff	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Costs of production	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Legislative requirements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Counterfeit goods	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Patent protection	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Access to new markets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Access to raw materials	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Development of new products	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Changes in technology	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Integration of ICT	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Innovation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

If Other, please specify

2. What actions have your members taken in the past 5 years in response to the challenges facing the footwear industry in Europe? Please tick all that apply

- Reduced prices of products
- Improved product design
- Reduced costs through cheaper sourcing of raw materials
- Improved service
- Reduced costs through increased productivity
- Product customisation
- Outsourced activities within the EU
- Improved image and communication
- Outsourced of activities outside the EU
- Changed method of distribution
- Improved product quality
- Changed market sector
- Other, please specify

Footwear-Associations

3. Which challenges will your member companies face in the next 5 years? Please tick the appropriate box(es):

- Access to finance
- Finding customers
- Competition
- Availability of skilled staff
- Costs of production
- Other (please specify)
- Legislative requirements
- Counterfeit goods
- Patent protection
- Access to new markets
- Access to raw materials
- Development of new products
- Changes in technology
- Integration of ICT
- Innovation

5
6

4. Are you aware of the support services available to the footwear industry? Please tick all that you are aware of

- Technology centres
- IPR support centres
- Training centres
- Other, please specify
- Financial advisory centres
- Market access networks
- Export promotional services

5
6

5. Please rate the importance of the following ways in which European footwear manufacturers could be helped to address the challenges they face.

	Not Important at all	Slightly important	Important	Very Important	Do not know
Support for research and development (technology, design, etc.)	jñ	jñ	jñ	jñ	jñ
Support the financial strengthening (loans, credits, etc.)	jñ	jñ	jñ	jñ	jñ
Support human resource development (training, etc.)	jñ	jñ	jñ	jñ	jñ
Reduce taxes	jñ	jñ	jñ	jñ	jñ
Reduce employment (e.g. welfare) costs	jñ	jñ	jñ	jñ	jñ
Support for market research	jñ	jñ	jñ	jñ	jñ
Support for implementation of innovation	jñ	jñ	jñ	jñ	jñ
Other	jñ	jñ	jñ	jñ	jñ

If Other, please specify

5
6

Footwear-Associations

6. For national/regional associations only. Are you aware of any regional or national strategies or programmes to support the footwear industry in your country? If yes, please list these below.

No

Yes, please specify:

	5
	6

7. Do these strategies or programmes make special provisions for SMEs in the footwear sector? If yes, please indicate which.

No

Yes, please specify:

	5
	6

8. Have these national strategies and programmes been helpful in assisting the footwear sector to deal with the challenges it faces?

No

Yes, please specify:

	5
	6

9. What has been the impact of the following competitive elements on the footwear sector in your region within the period 2006 to 2010?

	Positive	Positive but expected to deteriorate	Negative	Negative but expected to improve
Increase in the cost of energy and utilities	jñ	jñ	jñ	jñ
Access to finance	jñ	jñ	jñ	jñ
Tightening of environmental regulation	jñ	jñ	jñ	jñ
Access to public procurement	jñ	jñ	jñ	jñ
Access to raw materials	jñ	jñ	jñ	jñ
Market regulation (Internal market)	jñ	jñ	jñ	jñ
Health and safety standards	jñ	jñ	jñ	jñ
EU Trade policy (i.e. Bilateral / multilateral agreements)	jñ	jñ	jñ	jñ
Rules of origin	jñ	jñ	jñ	jñ
Trade facilitation	jñ	jñ	jñ	jñ
Other	jñ	jñ	jñ	jñ

If Other (please specify)

4. Costs and Financing

1. Have your members' costs of production changed significantly over the last 5 years?

Costs have increased by over 50%

No change

Costs have increased by 25-50%

Costs have reduced

Costs have increased by less than 25%

2. How difficult is it for your members to gain access to finance?

Very difficult

Quite difficult

Quite easy

Very easy

3. Has gaining access to finance become easier or more difficult over the last 5 years?

More difficult

About the same

Easier

5. Competition within the Footwear Sector

1. How has your members' market position changed during the past 5 years?

	Increased	Unchanged	Reduced	Do not know
Market share	jn	jn	jn	jn
Number of new products launched	jn	jn	jn	jn
Number of products sold	jn	jn	jn	jn
Value of products sold	jn	jn	jn	jn

2. How do you expect your members' market position to change in the next 5 years?

Become stronger
 Stay the same
 Become weaker

3. For national associations only! How many footwear companies have closed and how many new companies have been established in your country in the past 5 years?

	Less than 5	6-10	11-20	More than 20
Number of companies closed	jn	jn	jn	jn
Number of new companies established	jn	jn	jn	jn

Please elaborate:

4. Please indicate how important the following competitive factors are to your members:

	Not Important at all	Slightly important	Important	Very Important	Do not know
Quality	jn	jn	jn	jn	jn
Price	jn	jn	jn	jn	jn
Price/quality ratio	jn	jn	jn	jn	jn
Customisation	jn	jn	jn	jn	jn
Flexibility to adapt to changing conditions	jn	jn	jn	jn	jn
Product range	jn	jn	jn	jn	jn
Services	jn	jn	jn	jn	jn
Other	jn	jn	jn	jn	jn

If Other, please specify

5. Has the extent of competition from non-EU companies changed over the last 5 years?

Increased
 Stayed the same
 Reduced

Footwear-Associations

6. How do you expect the extent of competition from non-EU companies to change over the next 5 years?

Become stronger

Stay the same

Become weaker

7. In your view, what are the key advantages and disadvantages of the EU footwear industry in comparison to its competitors?

	Advantages	Disadvantages
Availability of labour	<input type="radio"/>	<input type="radio"/>
Access to finance	<input type="radio"/>	<input type="radio"/>
Availability of technological innovation	<input type="radio"/>	<input type="radio"/>
Cooperation within the supply chain	<input type="radio"/>	<input type="radio"/>
Trade regulations of the internal market	<input type="radio"/>	<input type="radio"/>
Proximity to market	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>

If Other, please specify

8. What are the most important geographical sources of leather for footwear manufacturing?

Do not know

Russia

EU27

NAFTA (USA, Mexico, Canada)

EFTA (Iceland, Norway, Switzerland, and Liechtenstein)

Asia (incl. China, India, Japan)

Non-EU Mediterranean countries

Central/South America

Other (please specify)

9. How have the geographical sources of leather changed over the period 2000 to 2010?

	Increasing importance	Stable	Decreasing importance
EU27	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
EFTA (Iceland, Norway, Switzerland, and Liechtenstein)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Non-EU Mediterranean countries	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Russia	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
NAFTA (USA, Mexico, Canada)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Asia (incl. China, India, Japan)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Central/South America	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

If Other (please specify)

Footwear-Associations

10. Which competitor countries pose the greatest threat to companies in your region? Please tick all that apply.

- | | | |
|---|-----------------------------------|---|
| <input type="checkbox"/> Your own country | <input type="checkbox"/> China | <input type="checkbox"/> India |
| <input type="checkbox"/> Brazil | <input type="checkbox"/> Thailand | <input type="checkbox"/> Bosnia-Herzegovina |
| <input type="checkbox"/> Other EU 27 | <input type="checkbox"/> Vietnam | <input type="checkbox"/> Indonesia |
| <input type="checkbox"/> Tunisia | <input type="checkbox"/> Morocco | <input type="checkbox"/> Croatia |
| <input type="checkbox"/> Other (please specify) | | |

6. Innovation within the European Footwear Sector

1. What types of innovation are your members currently undertaking? Please tick all that apply

- Technology innovation
- Service innovation
- Product innovation
- None
- Production/process innovation
- Other (please specify)

5

6

2. How important are the following activities for innovation in your member companies?

	Not important at all	Slightly important	Important	Very important	Do not know
Cooperation with local/regional business networks	jn	jn	jn	jn	jn
Cooperation with national business networks	jn	jn	jn	jn	jn
Cooperation with international business networks	jn	jn	jn	jn	jn
Cooperation with research institutes	jn	jn	jn	jn	jn
Cooperation with universities	jn	jn	jn	jn	jn

3. Have your member companies been granted patents in the past 5 years?

- No
- Do not know
- Yes (please specify)

5

6

Footwear-Associations

4. What types of patents are used by your member companies? Please tick all that apply.

- Own patents
- Patents developed by local technology institutes
- Patents developed by others within your country
- Patents developed elsewhere in EU
- Patents developed outside the EU
- Other, please specify

5. How do your member companies protect their Intellectual Property? Please tick all that apply

	In your country	In the EU	In 3rd countries	No protection
Trade marks registration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Designs/models registration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Patents granted	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

7. Employment and Training in the European Footwear Sector

1. Has the number of people your members employ changed in the last 5 years?

- Reduced significantly (more than 25%)
 Increased a little (by 10 to 25%)
- Reduced a little (by 10 to 25%)
 Increased significantly (more than 25%)
- Stayed about the same (within 10%)

2. How do you expect the number of people your members employ to change in the next 5 years?

- Reduce
 Stay the same
 Increase

3. What sort of training is available in your country for those who wish to be employed in the footwear sector? Please tick all that apply

- Apprenticeships
 Degree courses
- Vocational courses
 Specialist training courses
- Other (please specify)

4. Has the availability of training in your country for those who wish to be employed in the footwear sector changed in the last 5 years?

	Reduced	Stayed the same	Increased	Do not know
Apprenticeships	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Vocational courses	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Degree courses	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Specialist courses	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

If Other, please specify

5. Are your members experiencing skill shortages?

- No
- Yes (please specify)

8. Conclusion

Thank you very much for completing this questionnaire and finally:

1. Have we missed any important aspects of your members' position or future prospects? Please let us know in the box below.

2. We would like to hold interviews with a small number of associations to assist us in evaluating the current situation and prospects of the EU footwear industry in more detail. If you would be willing for us to contact you, please indicate below.

Yes, I would be happy to take part in follow-up interviews

No, I do not wish to take part in follow-up interviews

1. Introduction

The European footwear industry has faced many challenges recently, such as increased competition leading to restructuring and modernisation. Risk & Policy Analysts (RPA) has been asked by the European Commission (DG Enterprise and Industry – contact entr-textiles-fashion-and-forest-ind@ec.europa.eu) to carry out an in-depth assessment of the current status of the sector and its future prospects. The goal of the assessment is to better equip stakeholders, as well as regional, national and European authorities, to respond to the challenges.

We set out some questions below which will help us to analyse the current state of the industry. While some questions may be difficult to answer precisely; please provide your best estimate where possible. Please note that responses to this questionnaire will be handled in the strictest confidence and will only be used for the purposes of this study. In preparing our reports for the Commission (which may subsequently be published), care will be taken to ensure that specific responses cannot be linked to individual companies. If you have specific concerns about how your views will be treated, you can contact Eszter Kantor (see email below) and we will be happy to discuss your concerns.

We would be very grateful if you could answer the following questions by **20 May 2011**.

If you have difficulties with this on-line questionnaire, you may complete a version off-line and return to eszter.kantor@rpald.co.uk or by fax to +44 1508 520758. Thank you very much for your assistance.

2. About Your Institute

1. Please provide the following details:

Institute name:

Name of contact person:

Location (country):

Telephone number:

E-mail address:

2. Please indicate the type of your institute by ticking the appropriate box

Independent institute or centre

Industry-affiliated institute or centre

Governmental institute or centre

Part of university/technical college

Other (please specify)

3. Cooperation

1. How good is your level of cooperation with the following types of partners?

	very poor	poor	moderate	good	very good	not applicable
Footwear manufacturers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Local research institutes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
International research institutes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Industry associations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Local education institutes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
International education institutes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Trade unions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Other (please specify)

2. How closely does your institute work with the footwear manufacturing industry?

Please tick all that apply.

- Industry is involved in design and development of courses
- Industry provides funding for courses
- Industry provides funding for individual students
- Industry provides lecturers for course
- Other (please specify)
- Industry provides work placements for students
- Students work on particular industry problems as part of their course
- Industry identifies/recommends course topics

4. Training

1. What types of training do you offer on skills related to footwear manufacturing?

Please tick all that apply.

	Short courses	Degree/diploma course	Distance learning	Part time course	Full time course
Training related to management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Training related to design	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Training related to other aspects of manufacturing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Other (please specify)

2. Please indicate the change (%) in the number of students receiving different types of training in 2011 compared to 2006.

	Increased by more than 50%	Increased by 20% - 50%	About the same	Decreased by 20% - 50%	Decreased by more than 50%
Training related to management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Training related to design	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Training related to other aspects of manufacturing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If Other (please specify)

3. Please indicate how many of your students are successful in finding jobs in the footwear industry within one year of finishing their training (excluding short courses)?

	Less than 25%	25-50%	50-70%	70-90%	More than 90%
% of students successful in finding jobs in the footwear industry within one year of finishing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4. Has the footwear manufacturing related curriculum changed significantly over the past 5 years?

Yes

No

5. Issues

1. What are some of the major issues in footwear related courses currently being implemented in the education institutions in your region?

	5
	6

2. Do you think that research results are being implemented in the footwear related education institutes in your country?

	1- Ignored	2	3 - Partially implemented	4	5 - Fully implemented
Extent to which results of innovation are being implemented in education	jq	jq	jq	jq	jq

3. Thank you very much for completing this questionnaire and finally:

Have we missed any important aspects of your organisation's position or future prospects? Please let us know in the box below.

	5
	6

Footwear - Research Institutes

1. Introduction

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We would be very grateful if you could answer the following questions by **20 May 2011**.

If you have difficulties with this on-line questionnaire, you may complete a version off-line and return to eszter.kantor@rpald.co.uk or by fax to +44 1508 520758.

Thank you very much for your assistance.

2. About your institute

1. Please provide the following information

Institute name:

Name of contact person:

Location (country):

Telephone number:

E-mail address:

2. Number of employees:

Less than 50

50-250

More than 250

3. Please indicate the type of your institute by ticking the appropriate box:

Independent institute or centre

Governmental institute or centre

University-affiliated institute or centre

Other (please specify)

4. Please indicate the types of activities your institute undertakes

Research

Technical services

Consulting services

Organising conferences

Training

Other (please specify)

3. Cooperation

1. How good is your level of cooperation with the following types of partners?

	very poor	poor	moderate	good	very good	not applicable
Footwear industry	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Governmental institutions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Local research institutes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
International research institutes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Local education institutes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(Inter)national education institutes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

If Other, please specify

2. How closely does your institute work with the footwear manufacturing industry? (please tick all that apply)

- Industry suggests/identifies topics for R and D programmes
- Industry is involved in the design and development of research programmes
- Industry provides basic funding
- Industry provides funding for individual research projects
- Research takes place on industry premises
- Institute provides consultancy to industry
- Other (please specify)

4. Research

1. What types of research do you undertake in relation to footwear manufacturing?

Please tick all that apply.

- | | |
|---|---|
| <input type="checkbox"/> Economics (business, employment etc) | <input type="checkbox"/> Environment and natural resource |
| <input type="checkbox"/> Raw materials | <input type="checkbox"/> Product development |
| <input type="checkbox"/> Trade | <input type="checkbox"/> Education |
| <input type="checkbox"/> Other (please specify) | |

2. What types of publications does your institute produce?

- | | |
|---|--|
| <input type="checkbox"/> Books | <input type="checkbox"/> Popular articles |
| <input type="checkbox"/> Newsletters | <input type="checkbox"/> Monthly/quarterly reviews |
| <input type="checkbox"/> Academic articles | <input type="checkbox"/> Journals |
| <input type="checkbox"/> Annual reports | |
| <input type="checkbox"/> Other (please specify) | |

3. Does your institute assist with capacity building for stakeholders of the footwear industry?

Yes

No

5. Details of Capacity Building

1. If yes, please provide details on what type of capacity building you participate in:

- Hold short-term training courses
- Provide studentships/fellowships
- Research exchange programme
- Make presentations at conferences and seminars organised by others
- Organise conferences and seminars
- Coaching and mentoring

Other (please specify)

	5
	6

6. Final Questions

Thank you very much for completing this questionnaire and finally:

1. Do you think that research results are being implemented in the footwear manufacturing companies in your country?

	1 - Ignored	2	3 - Partially implemented	4	5 - Fully implemented
Extent to which results of innovation are being implemented in manufacturing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

2. Have we missed any important aspects of your organisation's position or future prospects? Please let us know in the box below.

<input type="text"/>	<input type="text" value="5"/>
<input type="text"/>	<input type="text" value="6"/>

1. Introduction

The European footwear industry has faced many challenges recently, such as increased competition leading to restructuring and modernisation. Risk & Policy Analysts (RPA) has been asked by the European Commission (DG Enterprise and Industry – contact entr-textiles-fashion-and-forest-ind@ec.europa.eu) to carry out an in-depth assessment of the current status of the sector and its future prospects. The goal of the assessment is to better equip stakeholders, as well as regional, national and European authorities, to respond to the challenges.

We set out some questions below which will help us to analyse the current state of the industry. While some questions may be difficult to answer precisely; please provide your best estimate where possible. Please note that responses to this questionnaire will be handled in the strictest confidence and will only be used for the purposes of this study. In preparing our reports for the Commission (which may subsequently be published), care will be taken to ensure that specific responses cannot be linked to individual companies. If you have specific concerns about how your views will be treated, you can contact Eszter Kantor (see email below) and we will be happy to discuss your concerns.

We would be very grateful if you could answer the following questions by **20 May 2011**.

If you have difficulties with this on-line questionnaire, you may complete a version off-line and return to eszter.kantor@rpald.co.uk or by fax to +44 1508 520758.

Thank you very much for your assistance.

2. About Your Organisation

1. Please provide the following information:

Contact name:	<input type="text"/>
Organisation:	<input type="text"/>
Location (country):	<input type="text"/>
Telephone number:	<input type="text"/>
E-mail address:	<input type="text"/>

2. How many members do you have working in the following categories of footwear enterprises?

Designers	<input type="text"/>
Manufacturers	<input type="text"/>
Suppliers	<input type="text"/>
Retailers	<input type="text"/>
Total	<input type="text"/>

3. How many of your members work in companies of the following sizes?

Micro (fewer than 10 staff)	<input type="text"/>
Small (11 – 50 staff)	<input type="text"/>
Medium (51 – 250 staff)	<input type="text"/>
Large (over 250 staff)	<input type="text"/>

Footwear - Trade Unions

3. Challenges

1. How important are the following challenges that the European footwear industry has faced in the last 5 years?

	Not applicable	Not challenging	Slightly challenging	Moderately challenging	Very challenging
Access to finance	jn	jn	jn	jn	jn
Finding customers	jn	jn	jn	jn	jn
Competition	jn	jn	jn	jn	jn
Availability of skilled staff	jn	jn	jn	jn	jn
Costs of production	jn	jn	jn	jn	jn
Legislative requirements	jn	jn	jn	jn	jn
Counterfeit goods	jn	jn	jn	jn	jn
Patent protection	jn	jn	jn	jn	jn
Access to new markets	jn	jn	jn	jn	jn
Access to raw materials	jn	jn	jn	jn	jn
Development of new products	jn	jn	jn	jn	jn
Changes in technology	jn	jn	jn	jn	jn
Integration of ICT	jn	jn	jn	jn	jn
Innovation	jn	jn	jn	jn	jn
Other	jn	jn	jn	jn	jn

If Other (please specify)

2. How important have the following problems been to your members in the footwear sector in the last 5 years?

	Not applicable	Not challenging	Slightly challenging	Moderately challenging	Very challenging
Loss of jobs	jn	jn	jn	jn	jn
Pressure on pay	jn	jn	jn	jn	jn
Reduced training	jn	jn	jn	jn	jn
Longer hours	jn	jn	jn	jn	jn
De-skilling of jobs	jn	jn	jn	jn	jn
Other	jn	jn	jn	jn	jn

If Other (please specify)

Footwear - Trade Unions

3. How do you expect the following challenges for your members from the footwear companies to change in the next 5 years?

	Not applicable	Not challenging	Slightly challenging	Moderately challenging	Very challenging
Loss of jobs	jn	jn	jn	jn	jn
Pressure on pay	jn	jn	jn	jn	jn
Reduced training	jn	jn	jn	jn	jn
Longer hours	jn	jn	jn	jn	jn
De-skilling of jobs	jn	jn	jn	jn	jn
Other	jn	jn	jn	jn	jn

If Other (please specify)

4. National/Regional Involvement

1. For national/regional unions only! Are you aware of any regional or national strategies or programmes to support the footwear industry in your country?

No

Yes, please specify:

2. For national/regional unions only! Do these strategies or programmes make special provisions for SMEs in the footwear sector?

No

Yes, please specify:

3. For national/regional unions only! Have these national strategies and programmes been helpful in assisting the footwear sector to deal with the challenges it faces?

No

Yes, please specify:

4. Has your organisation been involved in the negotiations relating to national policies on wages, education or working conditions in the footwear industry?

No

Yes, please specify:

5. Workplace Environment and Training

1. Has the number of your members employed in the footwear industry changed in the last 5 years?

Reduced by more than 25%

About the same (less than 10% change)

Reduced by 10 to 25%

Increased by more than 10%

2. Do you expect the number of your members employed in the footwear industry to change in the next five years?

Reduce

Stay the same

Increase

3. How has the number of people employed in the following employment categories changed over the past 5 years?

	Reduced	Stayed the same	Increased
Managers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Administrative staff	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Researchers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Skilled workers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Unskilled workers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

If Other, please specify

4. For national/regional unions only! Is specific training is available in your country for those who wish to be employed in the footwear sector? Please tick all types that are available

Apprenticeships

Degree courses

Vocational courses

Specialist training courses

Other (please specify)

Footwear - Trade Unions

5. For national/regional unions only! Has the availability of training in your country for those who wish to be employed in the footwear sector changed in the last five years?

	Increased	Stayed the same	Reduced
Apprenticeships	jn	jn	jn
Vocational courses	jn	jn	jn
Degree courses	jn	jn	jn
Specialist training courses	jn	jn	jn
Other	jn	jn	jn

If Other, please specify

6. Have you been involved in the development or promotion of training for those who wish to be employed in the footwear sector?

	Yes	No
Involved in the development of training	jn	jn
Involved in the promotion of training	jn	jn

IF Yes, please provide details:

6. Final Comments

Thank you very much for completing this questionnaire and finally:

1. Have we missed any important aspects of your members' position or future prospects? Please let us know in the box below.