PISIE

10-003 Pvnm-FO_it

SCHEDA PROGETTO

Codice	**10-003**	**Formazione**
Titolo	*IN_TRADE: Innovation and Trademark as a tool to successfully compete in the global market*	
Data inizio	Marzo 2010	
Data fine	Maggio 2010	
Area Geografica coinvolta	Asia	
Paese coinvolto	Vietnam	
Area-Località di svolgimento	Ho Chi Min City	
Settore	Calzatura	
Tipo di Progetto	Formazione breve nel campo del marketing	
Idea Progetto	Formazione da parte di esperti europei a beneficio del settore industriale del Vietnam	
Obiettivi generali	Aumentare le capacità delle agenzie intermedie ed i manager vietnamiti della calzatura di dialogare con tutto il mondo	
Obiettivi specifici	Formazione sul tema del confronto tra i più importanti mercati mondiali	
Tipo di attività svolte	4 giorni di formazione marketing	
Valore del progetto	€.5.000,00	
Finanziatori	Programma INTRADE, Toscana promozione, LEFASO (Associazione del settore pelle del Vietnam)	
Esecutori	PISIE	
Partner	LEFASO	
Beneficiari	Operatori delle agenzie intermedie e dirigenti del settore marketing	
Risorse umane	1 esperto	

Vietnam Leather and Footwear Association (LEFASO)

IN TRADE

THE FOOTWEAR MARKET IN THE EU

PISIE

POLITECNICO INTERNAZIONALE PER LO SVILUPPO INDUSTRIALE ED ECONOMICO

Carlo Milone

19/04/2010

Introduction

- The Footwear Market In The EU:
- Benchmark Countries
- Footwear Pipeline,
- The Eu Mkt of Sport Footwear
- Guidelines To Export To The EU.)

Growth of the EU Footwear Mkt

- Of the EU countries, the UK, Spain, Greece, Belgium, Italy, Portugal and Luxembourg showed the highest growth rates.
  - And two thirds of the total EU footwear production is actually concentrated in three countries: Italy, Spain and Portugal with Italy producing around 50% of EU production.

EU-27 Production, consumption and external trade

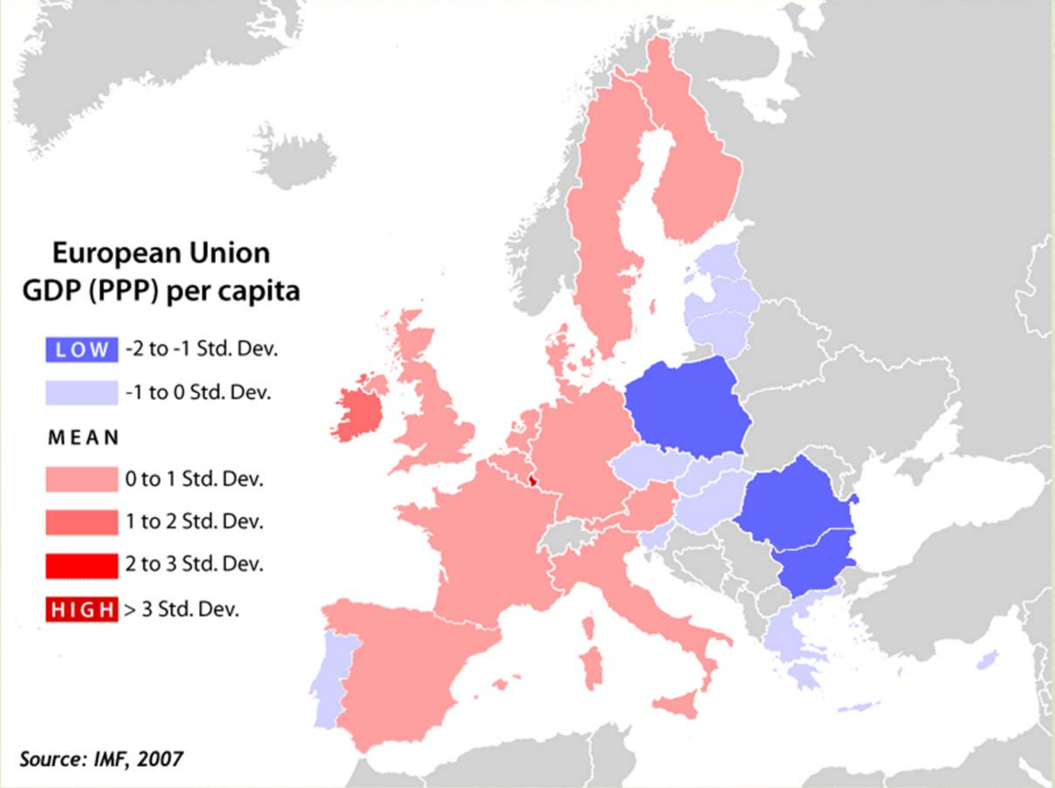
1000 pairs	2005	2006	2007	2008	% growth 2005-2008
Production	706 704	684 639	642 386	NA	
Exports	161 914	168 495	175 154	177 691	9.7
Imports	1 932 645	2 102 748	2 508 834	2 433 522	25.9
Apparent consumption	2 477 435	2 618 892	2 976 066	NA	

Growth of the EU Footwear Mkt

- The main sellers in EU countries were boots, including shoe boots, coloured ballerinas, sneakers and (heeled) evening footwear.

Growth of the EU Footwear Mkt

The growth rates in the Baltic States were extremely high, while Poland, Czech Republic, Hungary, Romania and Bulgaria also grew very strongly. This was mainly due to a growing middle class, more women at work and a rapid expansion of shopping centres.



Growth of the EU Footwear Mkt

- Changing patterns of distribution have helped the market grow more in volume than in value.

  - Increasing number of discount retailers and hypermarkets have made footwear more affordable for more consumers

Country	Market share of international retailers
Czech Republic	54.3%
Austria	44.0%
Hungary	32 .9%
Denmark	27.7%
Luxembourg	24.6%
Belgium	21.3%
Spain	17.6%
Portugal	15.8%
Poland	15.5%
United Kingdom	12.6%
Ireland	12.6%
Netherlands	9.7%
Italy	9.7%
Germany	8.3%
France	7.7%
Finland	6.7%
Sweden	6.0%

Growth of the EU Footwear Mkt

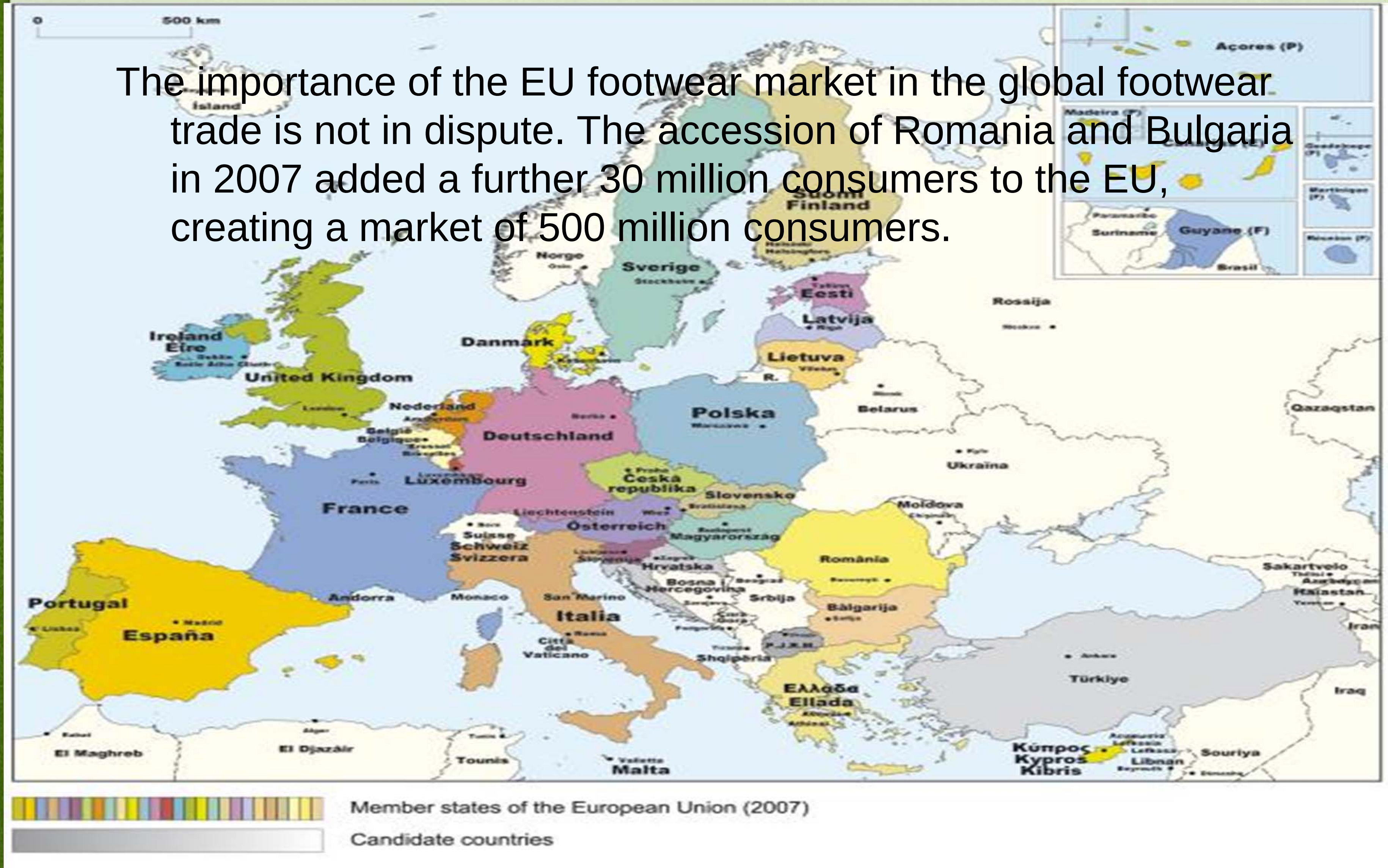
- On the other hand, in some countries, particularly France, the Netherlands, Slovakia, Ireland and the Scandinavian countries, the value of consumption did not grow by much.

Growth of the EU Footwear Mkt

The minor increase in market value was compensated by growth in market volume of cheap imported footwear sold by a wide retail network. Cheap imported items refer here mainly to mass produced leather footwear mainly from China and Vietnam and footwear with much variety in non-leather materials such as nylon, PVC, fibre and textile.

Growth of the EU Footwear Mkt

The importance of the EU footwear market in the global footwear trade is not in dispute. The accession of Romania and Bulgaria in 2007 added a further 30 million consumers to the EU, creating a market of 500 million consumers.



Growth of the EU Footwear Mkt

- Levels of affluence enjoyed by western EU countries is increasingly being spread to new member states, and more fashionable, quality footwear is being purchased in those countries.
- Most EU consumers now purchase footwear for reasons beyond basic necessity.

Growth of the EU Footwear Mkt

- Despite the economic downturn, global consumption growth continues by an average annual 2.4% reqaching € 173 billion in 2011.
- Value growth will be mainly in fashionable footwear in the fine (+3%) and luxury (+6%) segments.
- Asia, Middle East, Brazil, Russia and the Eastern EU countries become fast growing areas.
- In 2009, EU footwear sales fell or has slowed significantly as consumer cannot afford to change footwear as regular as retailers would like to, even if it are cheap imports from Asia.

Growth of the EU Footwear Mkt

- Consumers in most EU countries now prefer buy quality footwear that is fashionable, lasts longer and fits well within their personal style.

- In this respect, clothing retailers have changed the way they buy shoes, presenting them as a part of a total look.

Footwear Market Segmentation

- Even if the EU is not expected to grow as fast as the emerging markets, *there will be a grading up to higher value footwear in the coming years. This takes place in:*

Comfort

Design,

Technology

Niches

Media coverage niches

Footwear Market Segmentation

Comfort

Comfort in casual footwear for the growing group of older people for example in terms of soft leathers, perfect fit, warmth, inner soles with linings made from a single piece of leather, fabrics against moisture, membranes, breathable footwear or rubber soles.

Also, in evening footwear there will be more comfort by different forms of high heels allowing easier walking.

Footwear Market Segmentation

Design

Design, which plays an increasingly important role, also among older people. Particularly

in Italian, French and Spanish designs, the shapes in footwear are rounded, refined and sometimes ultra feminine.

Also, sneakers and trekking footwear designs are mixing of a sporty or solid look with refined shapes.

Footwear Market Segmentation

Technology

Innovative footwear development mixing different materials in soles such as leather, Gore-Tex, nubuck and canvas for example developed by the new brand MBT (http://www.mbt.com).

Computer aided design will continue to generate demand for new types of footwear.

Footwear Market Segmentation

Niches

For example, more variety in evening footwear, recycled footwear, ethical footwear.

Media

Media coverage of celebrity lifestyles and the outfits, including footwear they are wearing

- *for special events (work, leisure, dance parties, holidays etc..). A continued attention to their looks by TV and the Internet (blogs) drive consumers to copy their look themselves.*

Segmentation by Users

	Women		Men		Children	
	Value	Volume	Value	Volume	Value	Volume
Germany	62.2%	59.4%	22.1%	22.5%	15.7%	18.1%
France	50.4%	45.2%	31.1%	34.5%	18.5%	20.3%
United Kingdom	57.7%	54.4%	26.5%	26.5%	15.8%	19.1%
Italy	55.7%	61.3%	27.6%	23.1%	16.7%	15.6%
Spain	56.5%	51.0%	26.2%	23.4%	17.3%	25.6%
Netherlands	57.1%	62.0%	26.3%	20.0%	16.6%	18.0%
Belgium	64.3%	66.0%	20.1%	17.5%	15.5%	16.5%

Segmentation by Footwear Types

	Sports footwear	Casual footwear	Formal footwear	Evening footwear
Germany	21.0%	60.5%	14.5%	4.0%
France	19.0%	52.5%	21.8%	6.7%
United Kingdom	23.5%	42.7%	26.8%	7.0%
Italy	24.5%	44.5%	23.2%	7.8%
Spain	21.5%	57.0%	16.0%	5.5%
Netherlands	21.5%	49.0%	24.5%	5.0%
Belgium	20.0%	na	na	na

Segmentation by Price & Quality

	Market share	Price range	Characteristics
Luxury	€ 8.9 billion 18%	€ > 300	• Excellent quality, perfect finish and fit • Trendsetting • Exclusive collections (handmade) • Designer brands: Sergio Rossi, Jimmy Choo, Dolce & Gabanna, Prada, Gucci.
Fine	€ 9.4 billion 19%	€ 100 - 300	• Very good quality and fit • Trendfollowing and attention to styling • Variety in colections, but limited production • Brands: Bally, Burberry, MiuMiu, Boss, Chloé etc. Local brands, clothing brands, non-branded.
Medium	€ 19.7 billion 40%	€ 25 - 100	• Good quality and fit • Trendfollowing, stylish, comfortable and functional • Large variety and high volume production • Brands: Kickers, Clarks, Converse, Dr Martin, Uggs, Nike, Adidas, clothing brands, private brands and non-branded.
Economical	€ 11.3 billion 23%	€ < 25	• Low to medium quality • Popular models and variations for a wide audience • High volume production at the lowest price • Imitations of sucessful brands, private brands and non-branded.

Short Terms Trends

These trends tend to be seasonal or short-lived, and often refer to changing footwear fashion styles and designs. Some of these trends are cyclical. However, there are some examples of footwear trends that have become established footwear category in their own right:

- ***Converse*** (http://www.converse.com) and direct competitors like:
  - **Hungaria, Levi's, Shulong, Adidas** and **Coq Sportif,**
- ***Breathable shoes*** **Geox** (http://www.geox.com)
- ***Crocs*** (http://www.crocs.com)
- ***Uggs*** (http://www.uggaustralia.com)

Short Terms Trends

Converse

This refers to canvas retro-style basket ball shoes which are worn as sneakers. Converse has a long reputation and were first sold in 1917 in the USA. They were once a feature of the 'grunge look' of the early 1990s. Since 2002, Converse, which also has a line under the 'All Star' brand, has moved steadily from subculture to mainstream. Converse, now owned by Nike, is available at most retailers in the EU.

Short Terms Trends

Breathable shoes

- Geox footwear has become a sector in itself, and other companies have introduced similar styles. This is essentially footwear that can breathe. The Geox , from Italy, initially developed the technology for footwear, in particular for sports footwear, to overcome the problem of sweating feet, which causes foot odour. Geox footwear can be found in 68 countries, is sold at 10,000 retailers and operates 700 single-brand shops.

Short Terms Trends

Crocs

"Crocs"started off as a non-slip boating shoe. They are lightweight, comfortable, slip-resistant and functional shoes that can be produced quickly. Originating in the USA in 2003, they have grown to a global footwear phenomenon and achieved worldwide sales of € 576 million in 2007. But their success has become fatal. In order to comply with the enormous demand, large investments were made in production facilities with borrowed money. As demand has dropped substantially in 2008 and 2009, the company is heading to bankruptcy in 2009.

Short Terms Trends

Uggs

Uggs are sheepskin boots, originating from the 1st world war, which were popular with aviators to keep the feet warm even in below-zero temperatures. The name comes from the Australian slang ‘UGH’ for ugly. They were were popularized by Hollywood into the American mainstream and later the worldwide market and have been identified as a fashion trend in the EU since 2006/2007. Young people, particularly teens and pre-teens wear Uggs with jeans, dresses, shorts and long shirts or sweaters.

EU Production Trend

The EU footwear industry is now fairly mature and the downward fall in the size of the EU production industry is expected to continue. However, the rate of decline is likely to slow down as the EU industry recognised the need to restructure and to adapt more effectively to the global trading environment.

EU Production Trend

Outsourcing in China, Vietnam and India

- Outsourcing has been a trend for a number of years now. Many of the leading (sports) footwear brands that originate in the EU have production facilities throughout the world, depending on the location of their main markets. The majority of larger production facilities have been outsourced to China, Vietnam and India in particular.

EU Production 2005-2008

	value	volume	value	volume	value	volume	change in value
Total EU	**17,108**	**849**	**16,142**	**698**	**15,527**	**639**	**-2.4**
Italy	7,907	330	7,248	260	7,284	242	-2.1
Spain	2,186	171	2,152	126	2,006	108	-2.2
Germany	1,483	27	1,522	25	1,432	23	-0.9
Portugal	1,585	91	1,485	86	1,369	79	-3.6
France	1,203	52	1,180	39	1,090	36	-2.4
Romania	674	33	761	35	624	29	-2.0
Austria	310	10	290	7	272	6	-3.3
Poland	275	43	262	45	241	41	-3.2
United Kingdom	341	20	247	12	239	11	-8.5
Slovakia	156	13	151	13	184	16	4.2
Finland	193	5	152	3	141	3	-7.6
Greece	145	7	143	7	132	6	-2.4
Bulgaria	91	7	108	7	122	9	7.6
Hungary	151	17	112	13	110	12	-7.7
The Netherlands	106	4	92	4	72	3	-9.3
Denmark	68	3	47	2	46	2	-9.4
Slovenia	57	2	40	2	34	2	-12.2
Sweden	39	1	33	1	31	1	-5.6
Czech Republic	38	8	31	6	26	5	-9.1
Belgium	28	1	23	1	19	1	-9.3
Ireland	26	1	24	1	18	1	-8.8
Estonia	16	1	12	1	11	1	-8.5
Lithuania	9	1	10	1	9	1	0.0
Latvia	9	0.4	9	0.5	8	0.4	-3.0
Cyprus	12	1	8	0.5	7	0.4	-12.7

Benchmarking Vietnam

Cost Structure

Product Average		*Egypt*	*Spain*	*Tunisia*	*Turkey**	*Romania*	*Vietnam*
Shoes Leather Goods Garments	Material	60%	33%	57%	52%	55%	60%
	Workmanship	23%	32%	17%	20%	15%	10%
	Overheads/ Profit	17%	35%	26%	28%	30%	30%

Benchmarking Vietnam

Average Trade Price

	Unit	*Egypt*	*Spain*	*Tunisia*	*Turkey*	*Romania*	*Vietnam*
Leather shoes	**$/Pairs**	**16 $**	**22,55 $**	**15,49 $**	**25,94 $**	**18,41 $**	**14,64 $**
All type of shoes	**$/Pairs**	**6.60 $**	**21,66 $**	**14,53 $**	**7,5 $**	**13,56 $**	**8,21 $**
Lady bag	**$/Pièces**	**15 $**	**64,43 $**	**26,59 $**	**21,10 $**	**20,92 $**	**57,97 $**

Benchmarking Vietnam

Average Trade Price

Factors		Egypt	Spain	Tunisia	Turkey	Romania	Vietnam
Structural support	University instruction	0	***	**	**	**	*
	Professional schools	*	***	***	**		*
	Web diffusion	*	***	**	*	*	*
	Certification and testing labs	0	***	***	*	**	
	Scientific research	0	***	**		*	
	Leather /Shoes press and publications	0	***	*	***	*	
	Technical /commercial catalogues	*	***	*	***	*	*
	Exhibitions and fairs	*	***	**	***	*	**
	Business and sector associations	*	***	***	***	**	**
Technical	Construction of equipment	**	***		**		
	Production of leather and components	*	***	**	***	*	*
	Technology assistance	0	***	***	*	**	**
Constraints	Trade union pressure	*	**	**	*	*	**
	Administrative burdens	***	*	*	*	**	**
	Availability of industrial areas	***	***	**	*	***	***

*Minimal **Sufficient *** Good

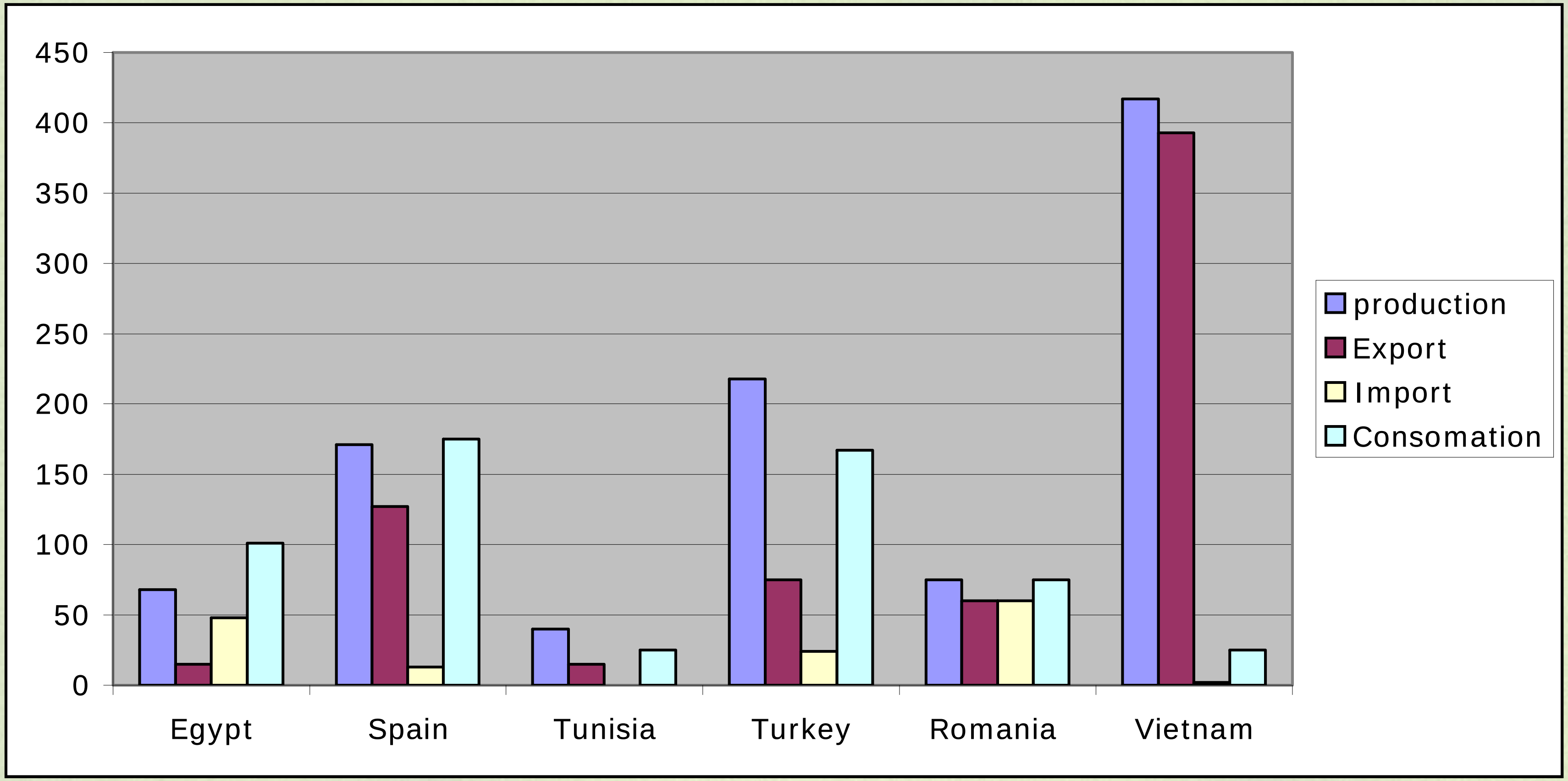
Benchmarking Vietnam

Economic Demographic Parameters

Parameter	Unit	Egypt	Spain	Tunisia	Turkey	Romania	Vietnam
Population	million inh.	68	42	10	71	22	82
Inflation	$^0/_{00}$	7%	4%	3%	10%	17%	10%
GDP/inhabitant	USD	1,330	21,210	2,630	3,750	2,960	550
Industry/GDP	%	33%	30%	27,8%	27%	40,2%	40%
Total import	% GDP	28%	30%	47,4%	28%	43%	59,7%
Total export	% GDP	25%	28%	43,8%	27%	36%	67,6%

Benchmarking Vietnam

Export – Import - Consumption



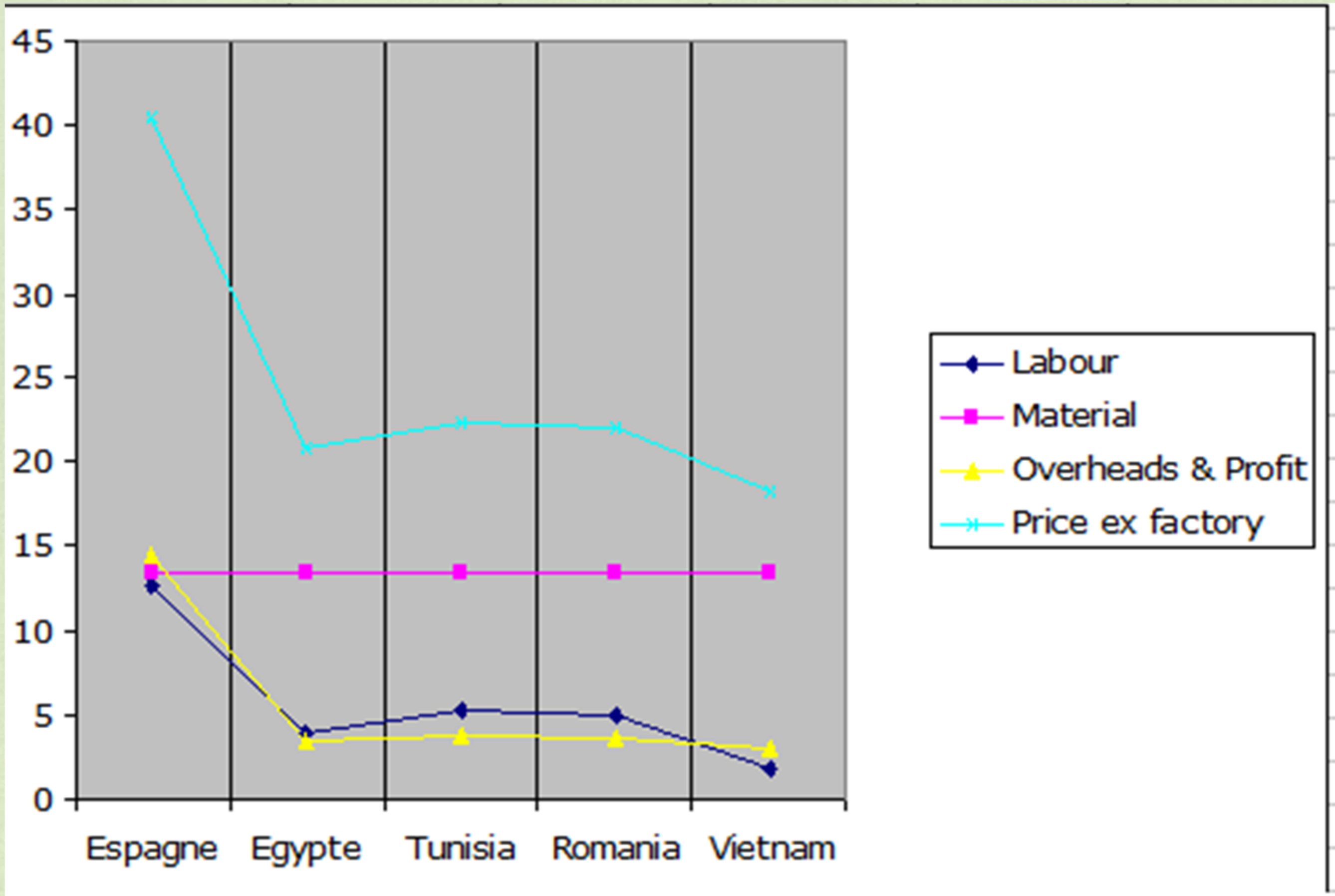
Benchmarking Vietnam

Productivity Factors

Parameter	*Unit*	*Egypt*	*Spain*	*Tunisia*	*Turkey*	*Romania*	*Vietnam*
Quantity of shoes products	**000 pairs**	**100 000**	**171 018**	**40 000**	**218 000**	**75 000**	**417 000**
Directly employed workers	**unit**	**60 000**	**44 453**	**18 400**	**300 000**	**75 000**	**300 000**
Productivity Total	**P/ person /year**	***1666***	***3847***	***2173***	***726***	***1000***	***1390***
Ratio		***43%***	***100%***	***56%***	***18%***	***26%***	***36%***

Benchmarking Vietnam

Cost Factors



Opportunities and Threats: + / -

+

The best opportunities for exporters can be found in the growing demand for footwear made of natural materials, environmentally friendly footwear and for ethical footwear. These segments are less affected by the economic downturn.

Opportunities and Threats: + / -

+

Due to a changing EU population and migration, people are more open and receptive to ideas from other cultures. Developing country exporters can introduce re-designed footwear based on an original concept similar to the traditional shoes. Generally, footwear from other cultures is less sensitive to trends, is multifunctional and can be used longer. However, when re-designing this footwear, it is important to include elements of the seasonal fashion trends

Opportunities and Threats: + / -

+

As consumers are tired of the fast throw away fashion, they look for comfortable footwear of a good quality. Opportunities exist in casual footwear for the growing group of older people.

Good quality means soft leathers, perfect fit, warmth, inner soles with linings made from a single piece of leather, fabrics against moisture, membranes or breathable footwear.

Opportunities and Threats: + / -

+

Opportunities can be also found in evening footwear for women. Interesting evening footwear could be (heeled) sandals, espadrilles, mules, sling back pumps, T-bar pumps, vintage or gladiator style pumps, which are comfortable to wear. They can be combined with ethnic decorations. In wedged heels, natural materials can be used such as cork, wood or canvas.

Opportunities and Threats: + / -

+

As in most Eastern EU countries the footwear market continues to grow, there are opportunities in the economical and medium footwear segments.

The demand for fashion footwear continues to grow, but buyers need to see that you can offer a point of difference either in price, quality or service in order to change their supplier. Opportunities exist for those exporters that can also demonstrate design capabilities and a sensitivity to the fashion demands of the EU market, as footwear is a fashion statement.

Opportunities and Threats: + / -

-

Due to the current economic recession with an expected sales drop in 2009, the main opportunities can be found in market niches. For example, in outsized footwear for tall people, specialised footwear or indoor footwear. Market difficult to follow

Opportunities and Threats: + / -

-

Exporters will find it difficult to compete with international luxury brand names in the luxury and fine segments with rapid changes in trends and styles. However, many EU consumers are happy to purchase footwear that looks similar to leading brands available at an affordable price.

However, try here not make imitations of the leading brands!

Opportunities and Threats: + / -

-

Some of the new EU member states such as Romania and Bulgaria have well-established footwear industries of their own.

They will be hoping to maintain a presence in their domestic markets as well as finding new markets in other EU countries.

These countries will provide tough competition for exporters.

Opportunities and Threats: + / -

-

Origin marking" on a label e.g. "Made in Italy" or "Made in France" is becoming more widely used by domestic producers, as it has a higher perceived value than a product made elsewhere.

Vietnam Leather and Footwear Association (LEFASO)

IN TRADE

OVERVIEW OF THE ITALIAN FOOTWEAR & LEATHER SECTOR

PISIE

POLITECNICO INTERNAZIONALE PER LO SVILUPPO INDUSTRIALE ED ECONOMICO

Carlo Milone

19/04/2010

Introduction

- ***General introduction and overview to the Italian footwear & leather sector (products,product organization, strengths and weaknesses, technologies, consumption, trends, challenge: the sport footwear market)***

Products: Footwear Winter

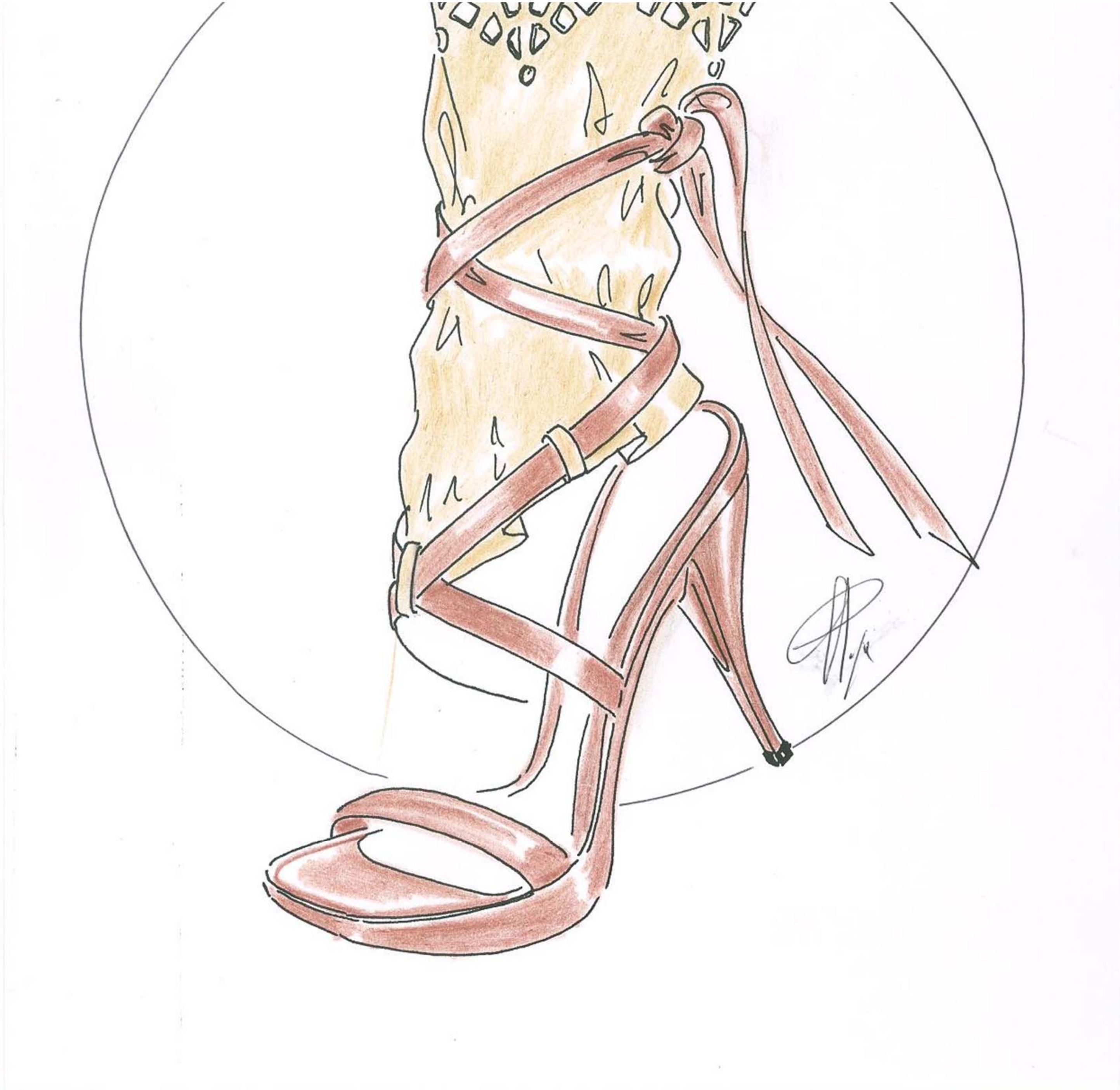
2010

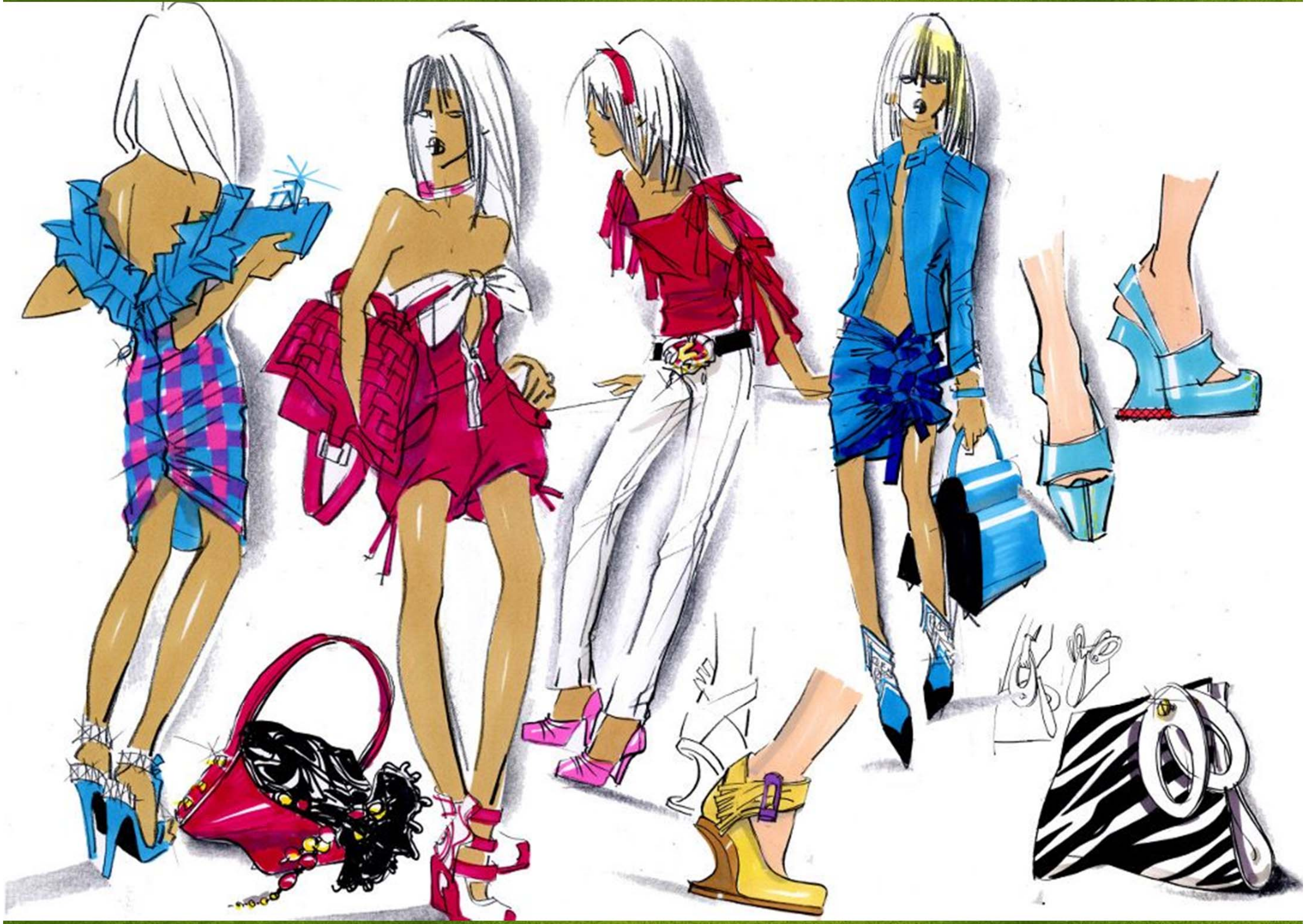
Products: Footwear Summer

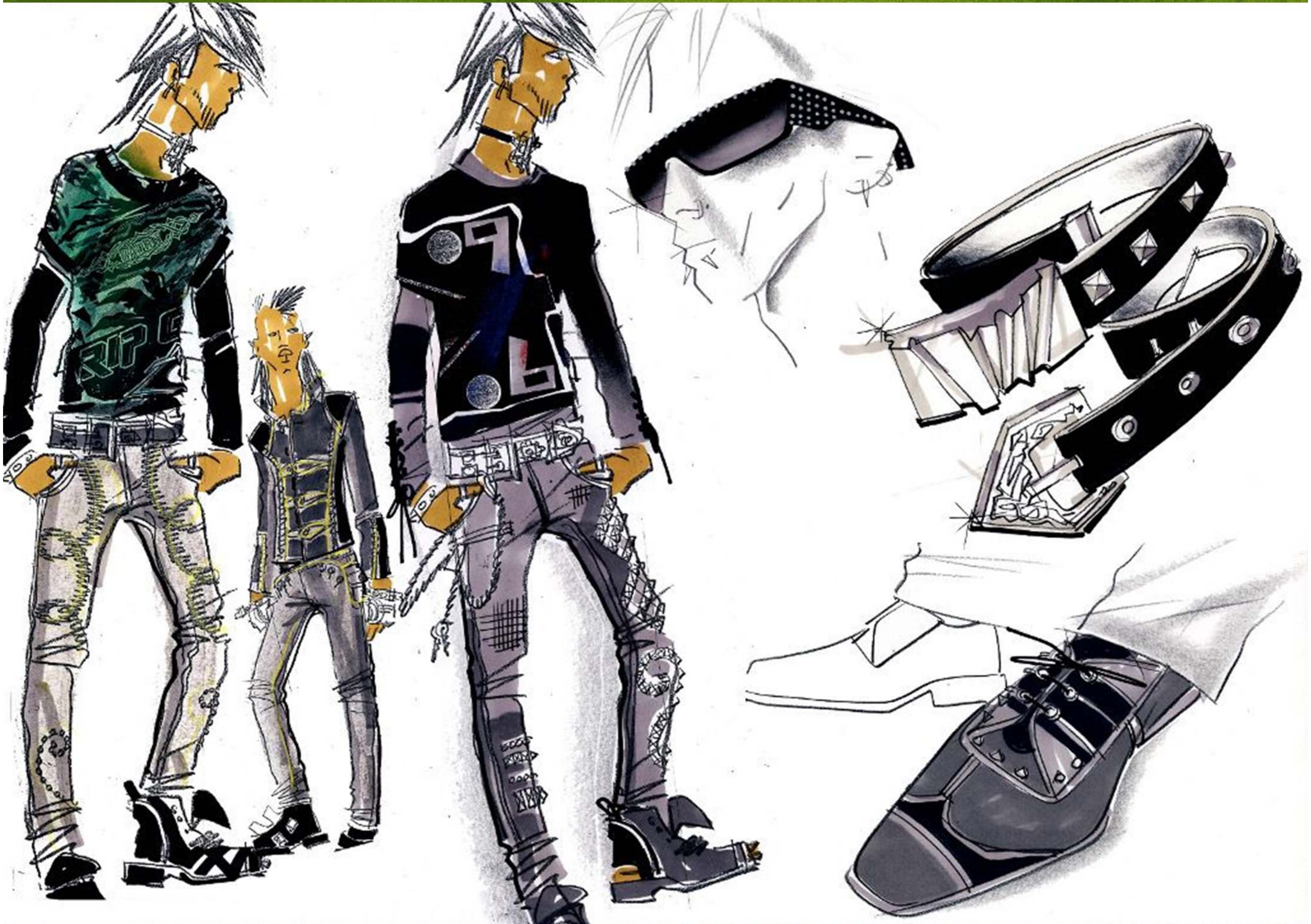
2010

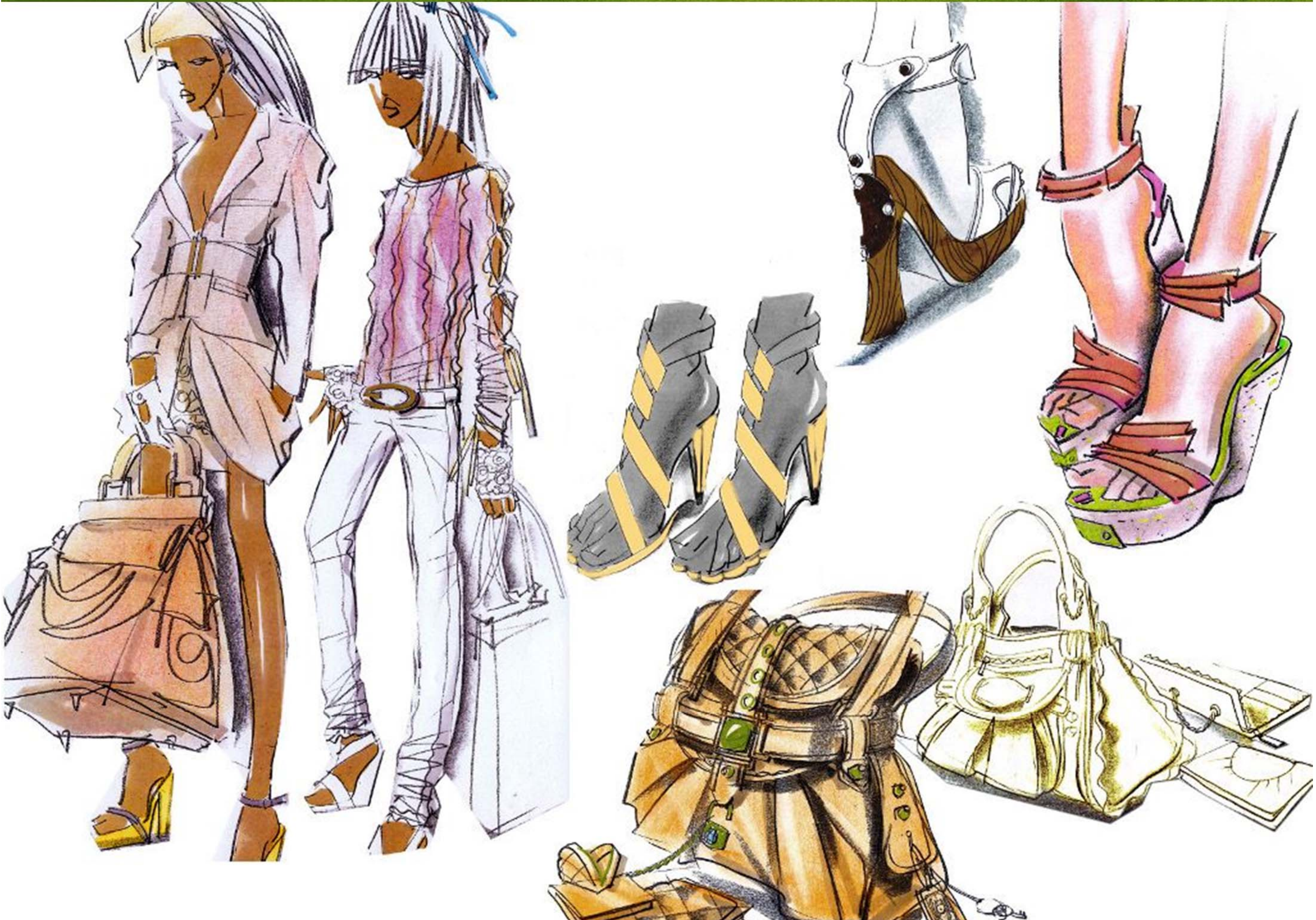
Icon Slingback

Eco snickers










RIGINAL

Products: Footwear Winter

2011-12

W N°75

№ 79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World Footwear Market

(million pairs)

Market areas	***Production 2007***	***Import 2007***	***Export 2007***	***Consumption 2007***	***Trade Balance 2007***
Western Europe	505	3.052	1.046	2.511	-2.006
Eastern Europe	480	823	321	982	-502
North & Central America	221	2.637	38	2.820	-2.599
South America	1.056	326	196	1.186	-130
Oceania	9	142	3	148	-139
Asia & Middle East	13.594	1.766	9.602	5.758	+7.836
Africa	209	372	55	526	-317
Total	***16.074***	***9.118***	***11.261***	***13.931***	***+2.143***

(source: Satra)

World footwear production

(million pairs)

	2007	*2006*	*Var. % 2007/2006*
Asia & Middle East	13.594	12.873	+5,6
South America	1.056	1.027	+2,8
Western Europe	505	514	-1,8
Central & North America	221	225	-1,8
Eastern Europe	480	409	+17,4
Africa	209	202	+3,5
Oceania	9	8	+12,5
Total	***16.074***	***15.258***	***+5,3***

(source: Satra)

First 10 footwear producers

First 10 footwear producers

(million pairs)

Countries	***2007***	***2006***	***Var. % 2007/2006***
China	10.209	9.600	+6,3
India	980	960	+2,1
Brazil	796	796	0,0
Vietnam	665	630	+5,6
Indonesia	565	560	+0,9
Thailand	268	275	-2,5
Pakistan	246	247	-0,4
Italy	242	244	-0,8
Turkey	172	175	-1,7
Mexico	170	185	-8,1
Others	1.761	1.586	+11,0
Total	***16.074***	***15.258***	***+5,3***

(source: Satra)

First ten footwear exporters

(million pairs)

Countries	*Export 2007*	*Production 2007*	*Exp./Prod. 2007*
China	8.175	10.209	80,1
India	106	980	10,8
Brazil	177	796	22,2
Vietnam	615	665	92,5
Indonesia	229	565	40,5
Thailand	144	268	53,7
Pakistan	18	246	7,3
Italy	245	242	101,2
Turkey	53	172	30,8
Mexico	5	170	2,9
Others	1.494	1.761	84,8
Total	***11.261***	***16.074***	***70,1***

(source: Satra)

Italian footwear sector

	2008	*2007*	*Var. % 2008/2007*
Companies	6.263	6.450	-2,9
Employees	85.918	88.668	-3,1
Production (million pairs)	225,20	241,90	-6,9
Production (million pairs)	7.319,24	7.470,37	-2,0
Export (million pairs)	221,80	245,30	-9,6
Export (million euro)	6.914,98	6.880,46	+0,5
Import (million pairs)	352,60	390,00	-9,6
Import (million euro)	3.350,26	3.202,29	+4,6
Trade balance (million pairs)	-130,90	-144,70	n.d.
Trade balance (million euro)	3.564,72	3.678,17	-3,1

(source: Anci)

Export of footwear from Italy by market areas

(million pairs)

Countries	*2008*	*2007*	*Var. % 2008/2007*
European Union (UE 27)	155,1	173,9	-10,8
Extra EU	29,6	28,7	+3,1
North America	17,7	22,4	-21,0
Asia	6,2	6,9	-10,1
Middle East	5,7	5,3	+7,5
Africa	4,3	4,3	0,0
Central and South America	2,2	2,5	-12,0
Others	1,2	1,3	-7,7
Total	***222,0***	***245,3***	***-9,5***

(source: Anci)

Import of footwear to Italy by market areas

(million pairs)

Countries	*2008*	*2007*	*Var. % 2008/2007*
European Union (UE 27)	76,5	83,7	-8,6
Extra EU	27,8	25,5	+9,0
North America	0,3	0,2	+50,0
Asia	228,5	263,2	-13,2
Middle East	0,0	0,0	n.d.
Africa	12,7	12,0	+5,8
Central and South America	6,8	5,4	+25,9
Others	0,0	0,0	n.d.
Total	***352,6***	***390,0***	***-9,6***

(source: Anci)

Export of footwear from Italy by type of product

(million pairs)

Upper material	*2008*	*2007*	*Var. % 2008/2007*
Leather	143,8	162,2	-11,3
Synthetic	43,7	45,3	-3,5
Slippers	9,2	10,3	-10,7
Rubber	3,0	5,1	-41,2
Fabric / Others	22,1	22,4	-1,3
Total	221,8	245,3	-9,6

(source: Anci)

Import of footwear to Italy by type of product

(million pairs)

Upper material	*2008*	*2007*	*Var. % 2008/2007*
Leather	130,7	132,2	-1,1
Synthetic	108,7	135,8	-20,0
Slippers	42,5	44,8	-5,1
Rubber	4,2	3,7	+13,5
Fabric / Others	66,5	73,5	-9,5
Total	352,6	390,0	-9,6

(source: Anci)

EU Footwear Consumption

- The EU is the largest market for footwear, well ahead of the USA.
- In 2007, EU consumption was € 50.3 billion (2.1 billion pairs)
- with an average per capita expenditure of € 101 or 4.2 pairs. The market was dominated by five countries, which accounted for 72% of total EU consumption. These markets were
- **Germany (17.3%), France (16.6%), the UK (16.3%), Italy (13.4%), Spain(8.5%)**
- The best-performing segments were *casual footwear (ballerinas, boots), sports footwear* (sneakers) and *evening footwear. In addition, hypes such as crocs, style boots, retro* basket ball shoes (Converse), breathable shoes (Geox)

Map of the offer

- The EU has traditionally been an important supplier of high quality footwear to the world market. However, production of high volume items has been outsourced to mainly Asia.
- **Now 6 out of 10 shoes in the world are produced in China.**
- In 2007, the total value of EU production was € 15.5 billion compared to € 17.1 billion in 2003, with falling volumes from 849 to 639 million pairs. There were an estimated 13,502 companies with 202,700 employees in the EU. Most of these were small family businesses employing less than 20 people.
- Around 70% of the production is leather footwear and the EU footwear industry concentrates on design, fashion, quality, comfort and vegetable tanned shoes to meet the strict environmental rules and to compete with China, Vietnam and India.
- Italy accounting for almost half of total EU production, being known for its artisanship and for its high fashionable and innovative footwear.
- Spain, Germany, Portugal, France, Romania, and Poland were the other leading EU producers.

Fragmentation of production in the Italian footwear sector.

- *The footwear sector is one of the traditional manufacturing sectors in which Italy has a strong comparative advantage.*

- *Footwear production is highly concentrated in a few regions:*
  - Veneto in the North-East, Tuscany and Marche in the central part of Italy and Puglia in the South.

Fragmentation of production in the Italian footwear sector.

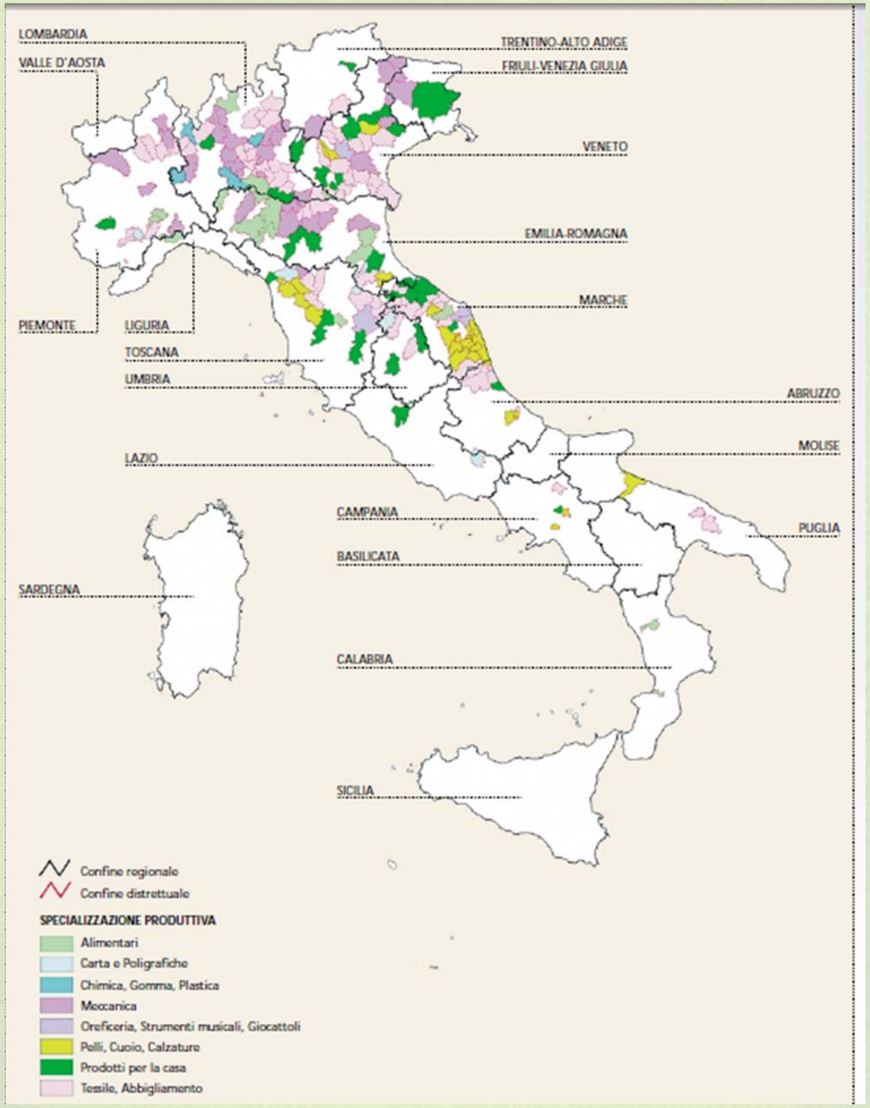
Veneto, Tuscany, Marche, Puglia.

In these regions, the footwear sector is geographically concentrated in some restricted areas, comprising a few small towns and villages,

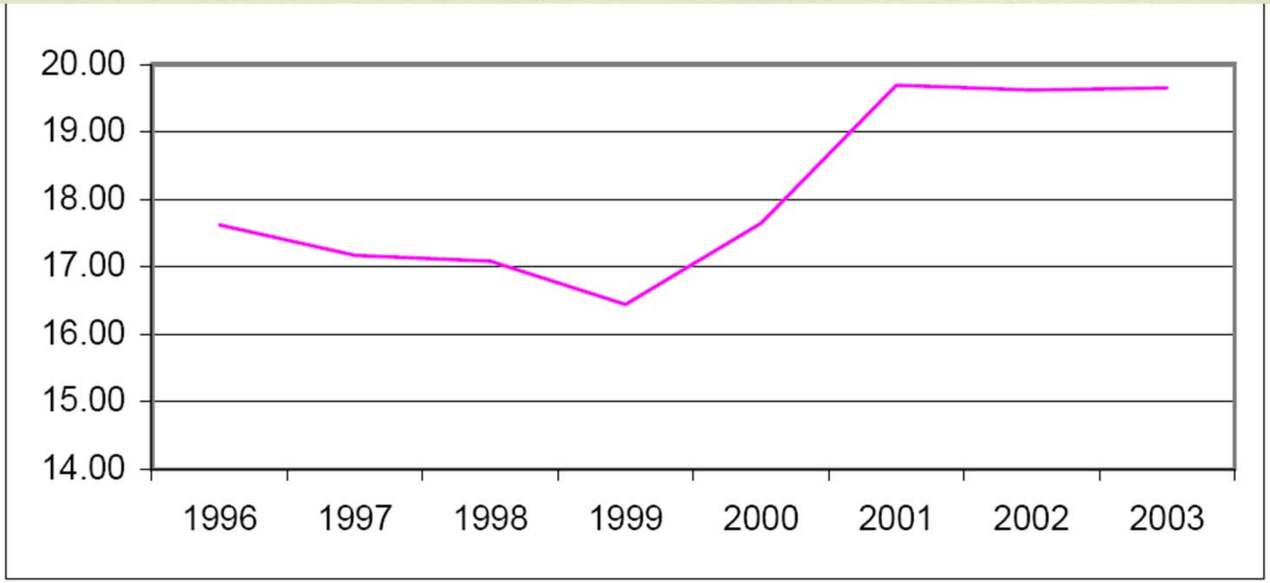
the main ones being:

- Verona, Montebelluna and Riviera del Brenta in Veneto,
- Fermo and Civitanova in Marche,
- Casarano and Barletta in Puglia.

Italy: Map of the Leather Districts



Italy: Highest Export Performance Was in 2003

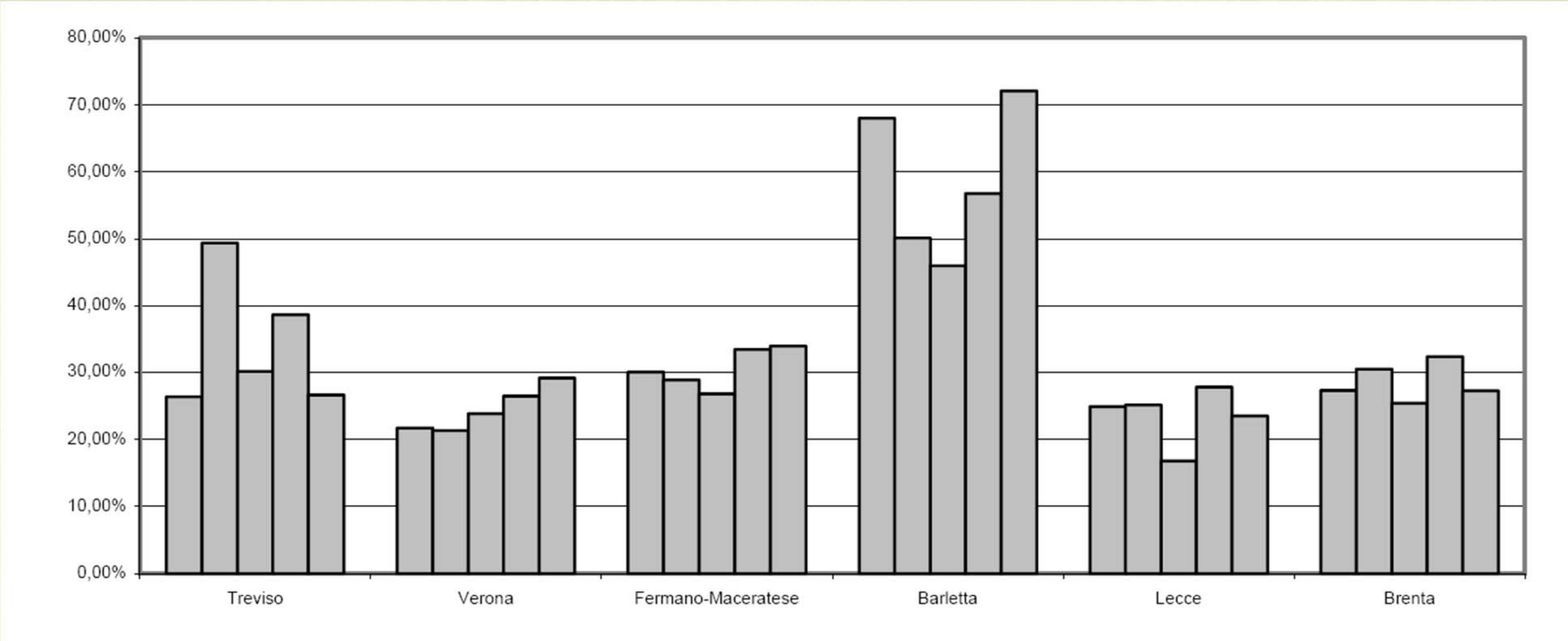


Source: elaborated on ISTAT

Outward Processing Trade (OPT)

Italy: Value of required processing in third countries

(% on value of exported production for processing), 2003-2007



Italy: Footwear Market Outlook

- Italian consumption of footwear was € 6.7 billion in 2007, or 283 million pairs up 2.1% per annum on average since 2003.
- Whereas production value decreased by an annual average of 2.1% to € 7.3 billion, and volume by 7.5% to 242 million pairs.
- In 2007, Italy imported footwear valued at € 3.6 billion, or 370 million pairs.
- Since 2003, values were up by 2.8% and volumes were up by an average annual rate of 8.4%.
- Around 52% of imports by value (€ 1.9 billion) came from developing countries (77% by
- volume or 286 million pairs).
- The share of imports by developing countries was up from 37% in 2003 in value (€ 1.2 million), and up from 63% (168 million pairs) in volume terms.
- Imports from developing countries are higher than average, particularly of medium to high value footwear, making this an important market for exporters

Italy: Footwear Consumption

€ million / millions of pairs

2003		2005		2007		Population (million)	Consumption per capita €
value	volume	value	volume	value	volume		
6,171	288	6,289	299	6,714	283	59.1	114

Source: Sita Research (2009)

- Compared to the average EU consumer, Italians are more fashion-conscious. However, this does not translate into a higher than average ownership of numbers of pairs of shoes, but it has an impact on the type of shoes that Italians wear.
- Traditionally Italians like to dress well and pay much attention to their outfit and are extensively shop around when buying shoes. Style, fashion and quality are important components of the purchasing decision, especially in the northern part of the country.

Italy: "I Love Italian Shoes…"

- Unbranded footwear is still well represented in the Italian, some of which are under the label 'I love Italian shoes'.
- However the following brands are the most prevalent brands in Italian footwear shops:
  - *Luxury segment: Fendi, Bruno Frisoni, Valentina, Sergio Rossi, Gucci, Prada, Versace.*
  - *Fine segment: Missoni, Camper, MiuMiu, Pure, Chloé, Fisca Gomma, Guccinari, Soloro*
  - *Medium segment: Gola, Bopy, Cesily, Lady Doc, Carinoso, Girza, Cortina, Gisap, Jonox,* Netto, Valleverde. Clarks, Kickers, Geox, Converse/Allstars (canvas and leather), Camper, Diadora, Dr Martens, Timberland and Uggs.

Italy: Market Competition

- 2007 was a better year for the Italian footwear market but due to the recession and ongoing inflation, consumer confidence has weakened on 2008.
- The Italian Footwear Association (ANCI) has reported sales for 2008 at € 6,443, which is 4.2% lower compared to 2007.
- The outlook beyond 2009 is worst until the global economic situation resolves itself.
- Italy has suffered from the popularity of Asian footwear of a reasonable quality at low prices aimed at women between 25 and 45 years old.
- This also affected the sales of designer brands and private brands, which had to lower their prices further to stay competitive.

Strengthening “Made in Italy”

- The Italian footwear industry has responded by focussing more on quality and style under the ‘Made in Italy’ concept, and by offering more innovation and creativity.
- Some designers have tried to confront the economic crisis by proposing very sober styles without any complementary accessories, to make products more affordable and accessible to a larger group of customers.
- Others have focused their energies on creating very high quality luxury products.
- The future focus will be more on ‘value for money’ footwear for teens and younger women and use new media (internet, blogs) and alternative marketing strategies to reach them.

Italy: Market Segmentation

<u>Women's footwear is the largest segment.</u>

- *Men's footwear was valued at € 1.9 billion, up 7.1% since*
- 2006.
- *Women's footwear accounted for an increasing share since 2006, up 3.0%, and was* valued at € 3.7 billion in 2007. *Children's footwear was valued at € 1.1 billion in 2007.*
- men's footwear accounted for 23.1% of volume,
- women's footwear 61.3% and
- children's footwear 15.6%.

This is a high figure for women's footwear, compared with other countries. It indicates a higher number of pairs compared with men.

Italy: the production system

<u>Factors of competitiveness</u>

- ***Productivity thanks to technology***
- ***Technology as a quality enabler***
- ***Technology as a time reducing factor***
- ***High responsiveness as a service to customers***

Italy: the production system

Factors of competitiveness

- ***Selection of product sections: segments of greater choice, medium and high added value***
- ***Value for money***

Italy: the production system

<u>Factors of competitiveness</u>

- ***Flexibility of design in promoting and responding to trends fashion, and the output production in responding to design innovations***

Italy: the production system

Factors of competitiveness

– ***Sales and after-sales service***

Italy: the production system

Factors of competitiveness

- ***Relocation of the production:***
  - ***OPT (Outward Processing Trade)***

Best of Italy: creativity in design to follow market trends


Best of Italy: digital technologies
The style concept…..
… is captured
in the CAD environment……
• • • • Translated
in a complete shoe design….
• • •
integrated with all the components… .
… to end up with physical samples

Distribution system in Europe and in Italy

Retailers.

Average retailing quota is 47% of the total market in the EU:

– Italy	70%
– Spain	60%
– Germany	47%
– France	48%
– UK	17%

Distribution system
in Europe and in Italy

Franchising.

Network of retailers linked to a franchisor who acts as purchasing centre and fashion leader

- **EU penetration** 18% of total market

Distribution system
in Europe and in Italy

Other distribution channels

• Supermnarkets	8%
• Cooperatives	6%
• Outlets	5%
• E-commerce	7%
• Others	9%

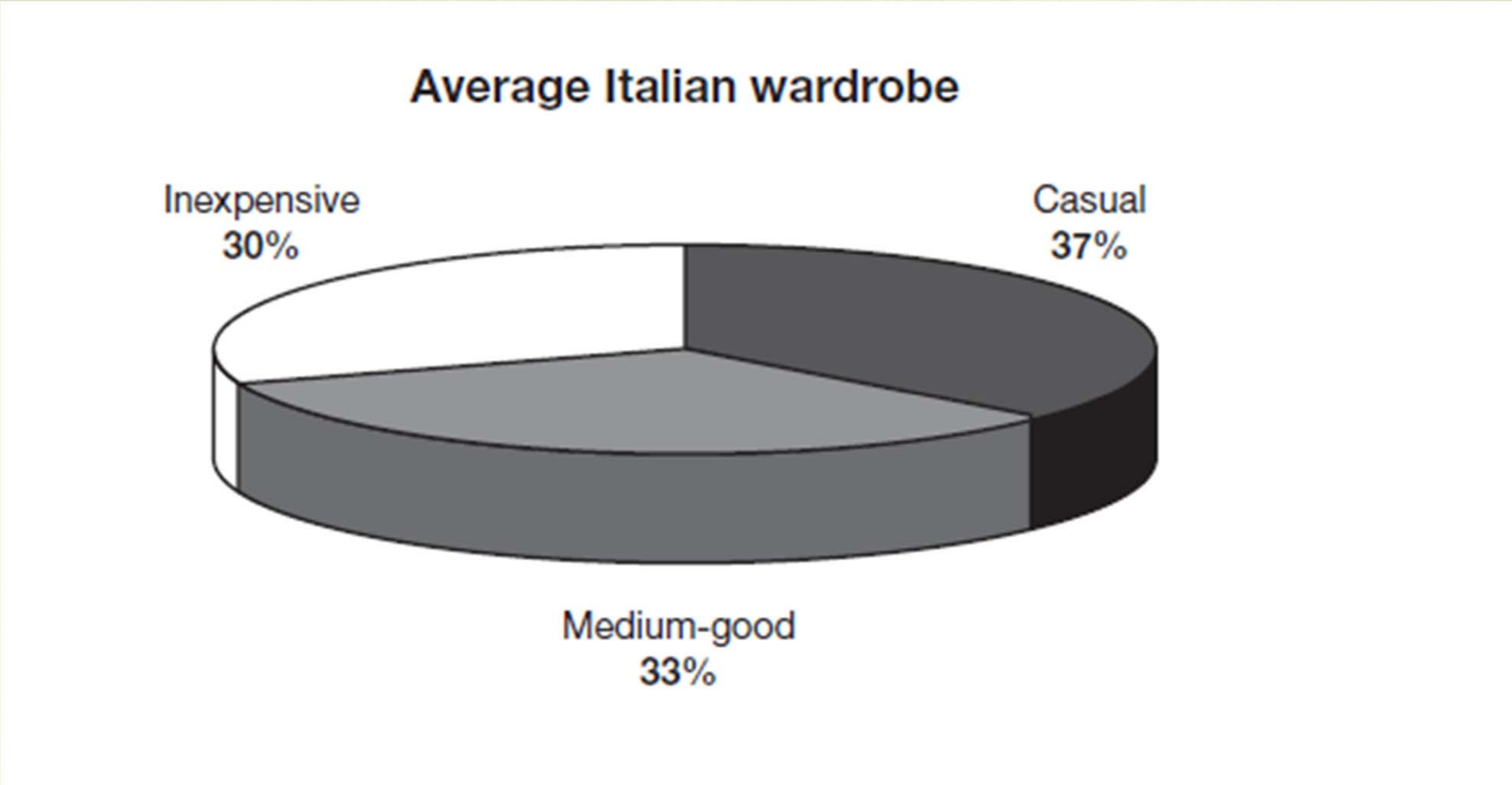
Distribution system in Europe and in Italy

Stakeholders

- Traders
- Wholesalers
- Agents
- Consumers
-

Distribution system in Europe and in Italy

Distribution to consumers in Italy

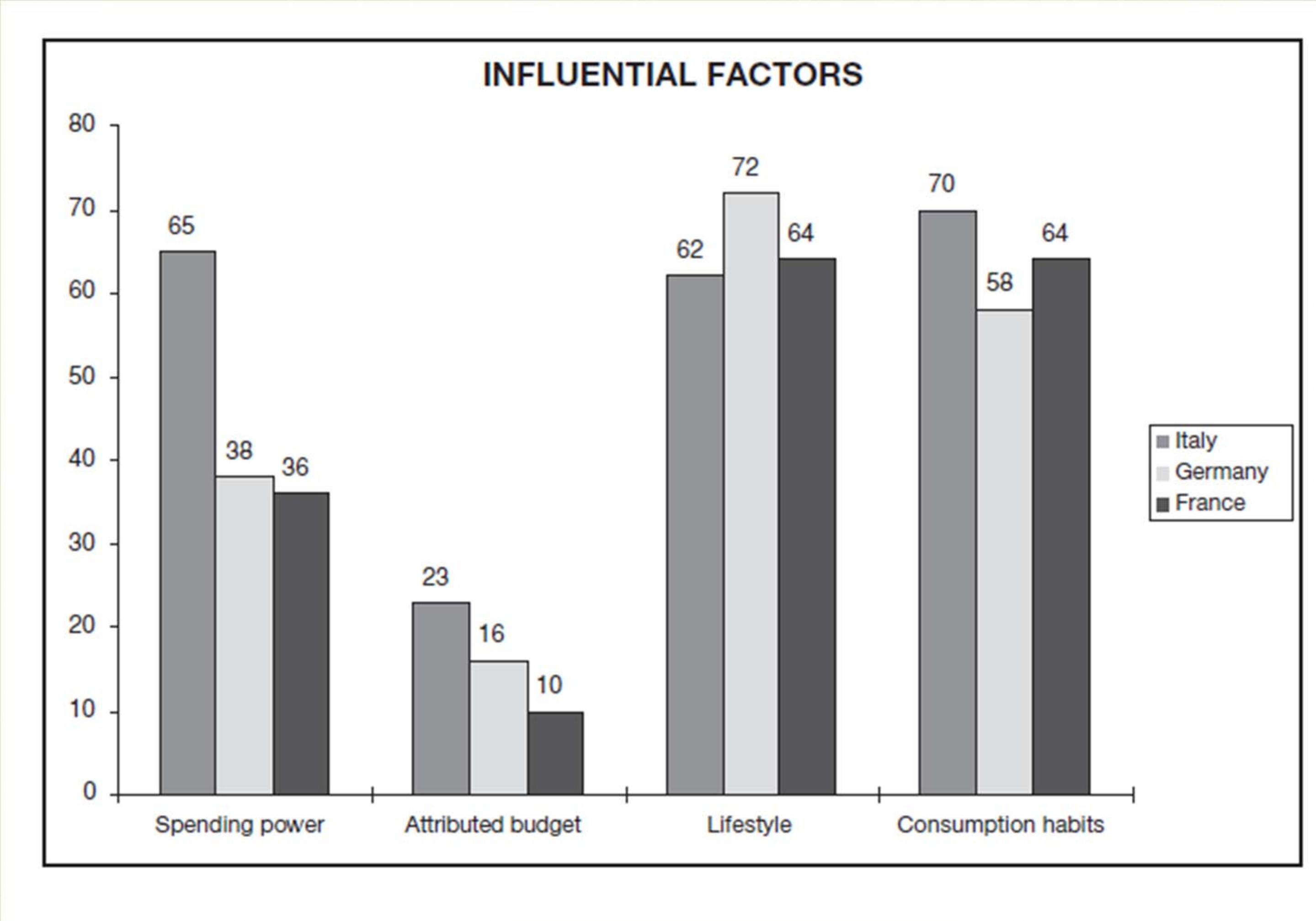


Distribution to consumers in Italy

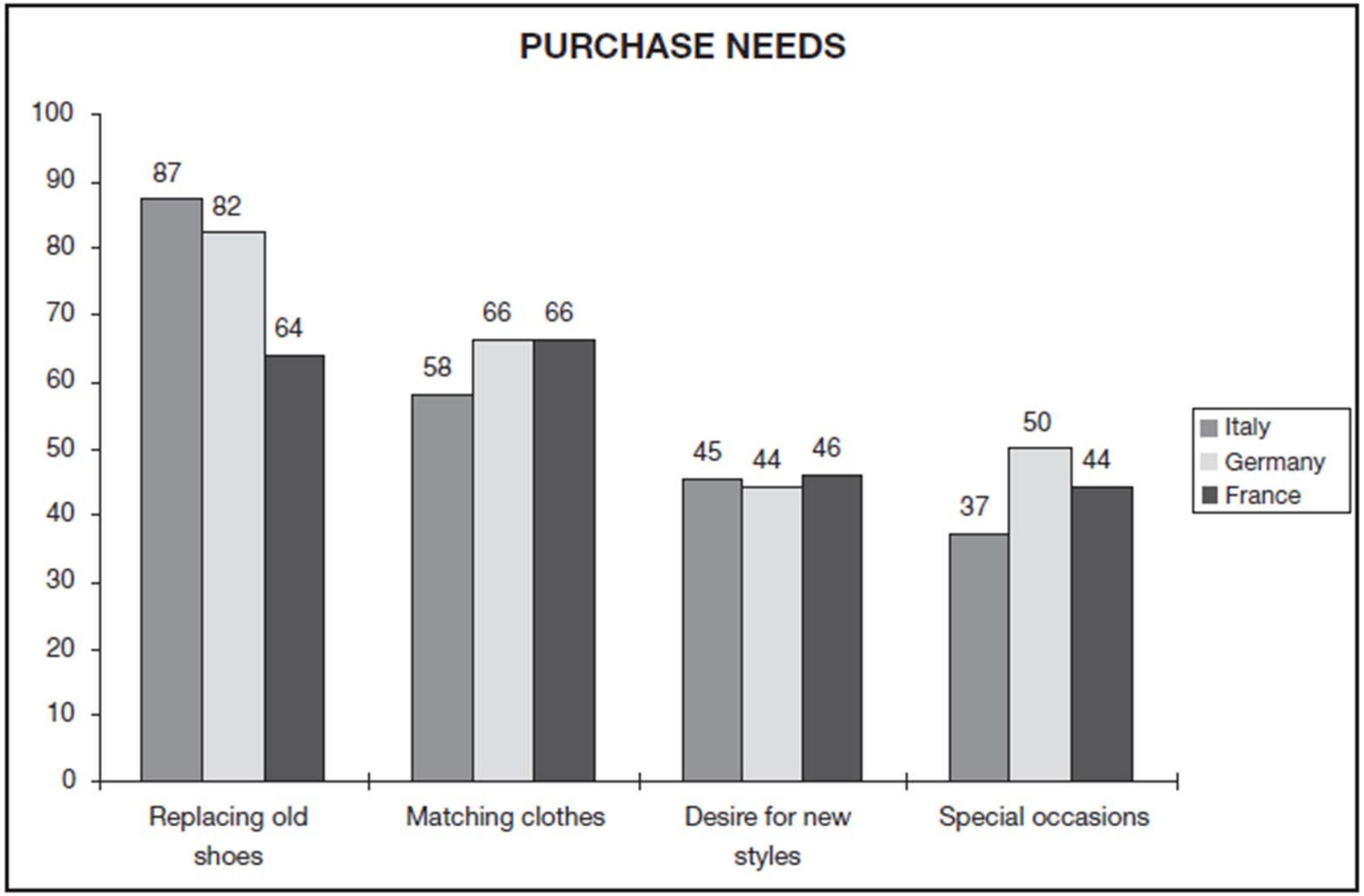
ITALIAN CONSUMER: AVERAGE WARDROBE

	Average	Woman	Man	Child	11 - 19	20 - 34	35 - 54	> 55
Medium-good	33	42	27	17	21	38	27	45
Inexpensive	30	30	32	23	26	30	39	30
Casual	37	28	41	60	53	32	34	25

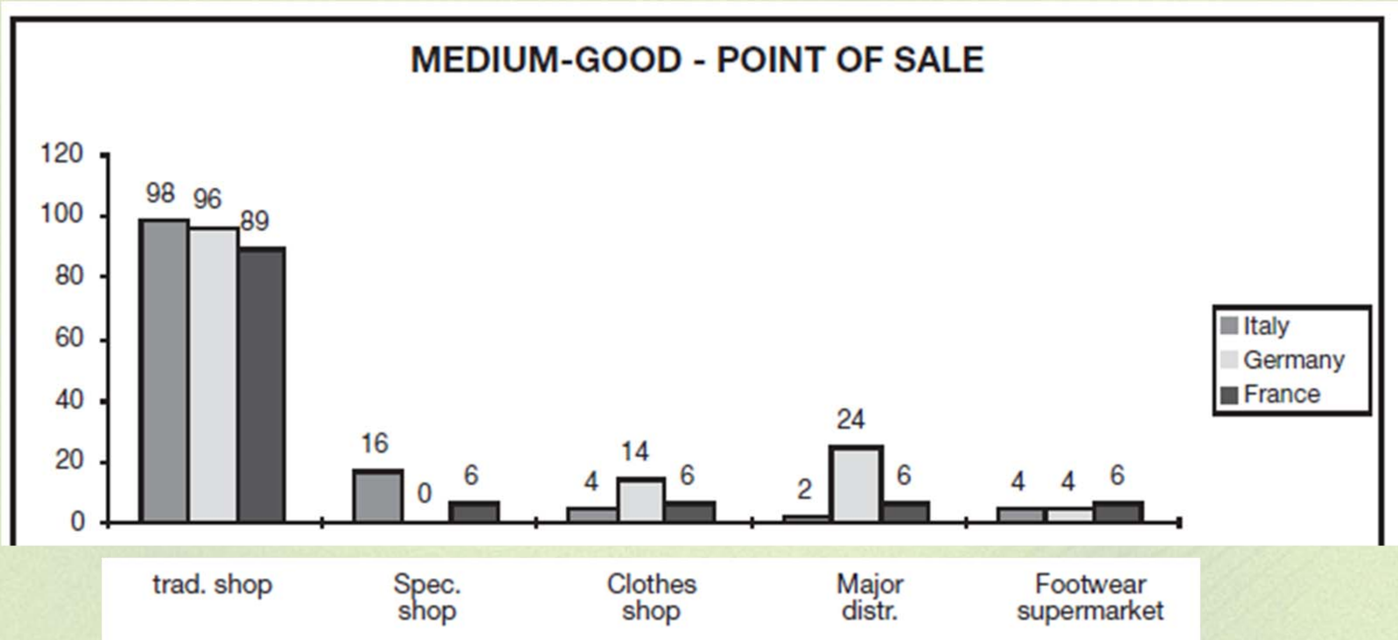
Distribution to consumers in Italy



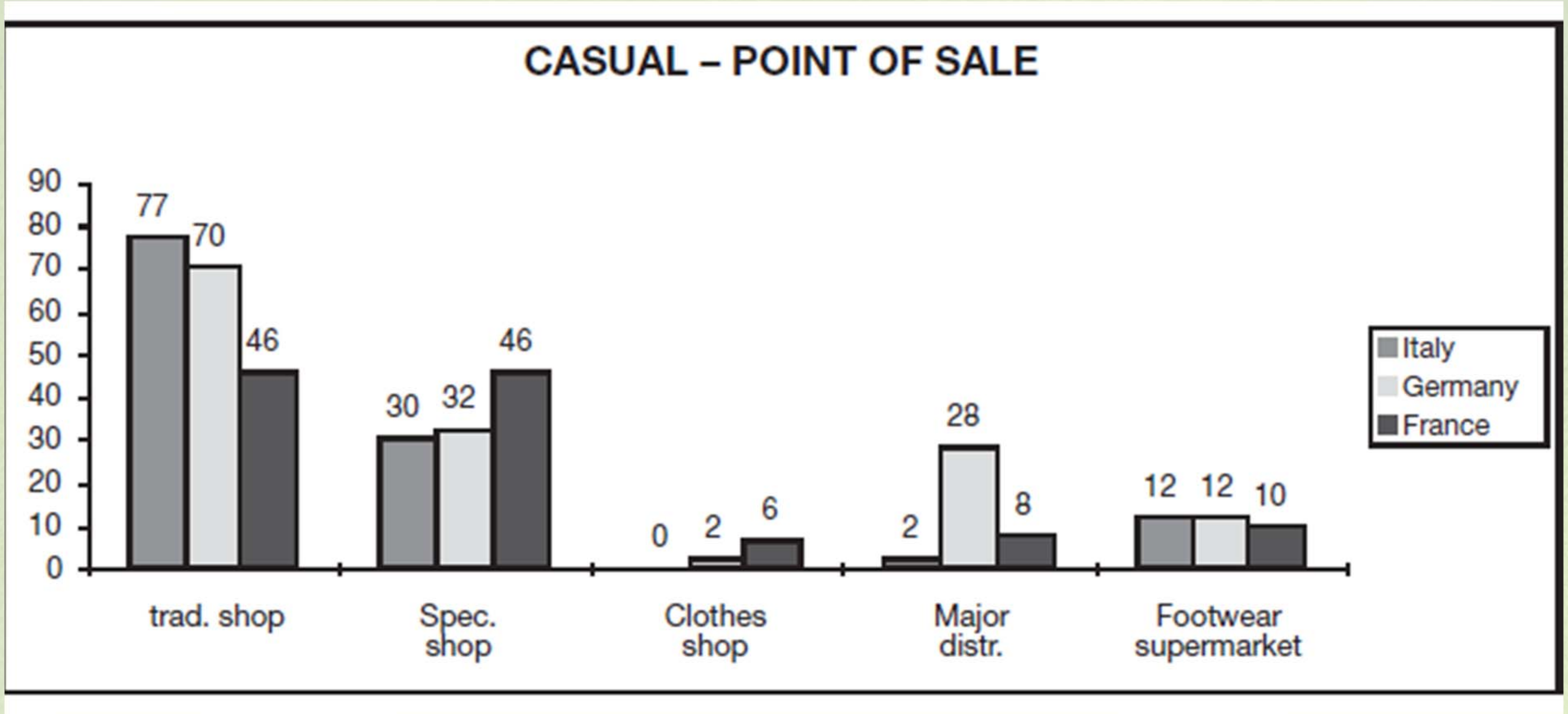
Distribution to consumers in Italy



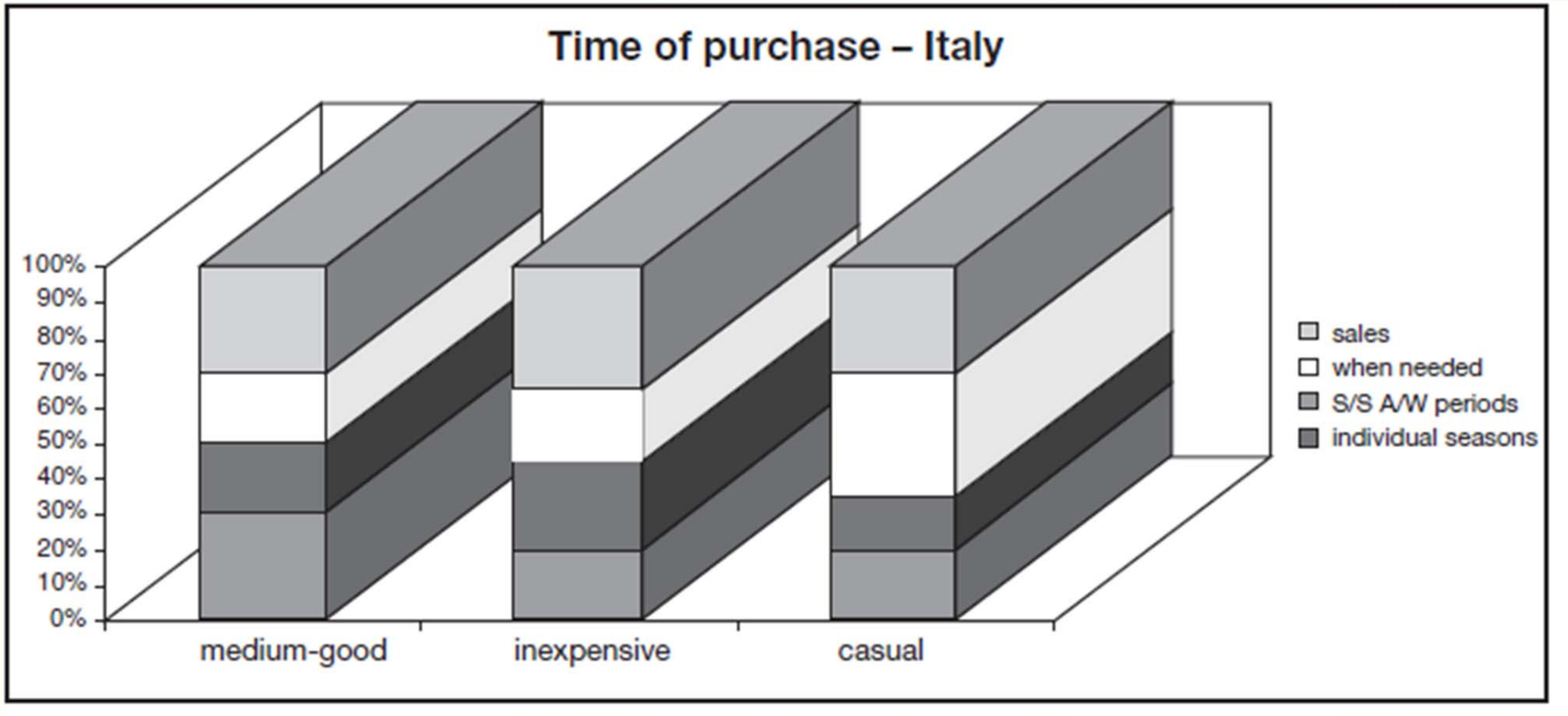
Distribution to consumers in Italy



Distribution to consumers in Italy



Distribution to consumers in Italy

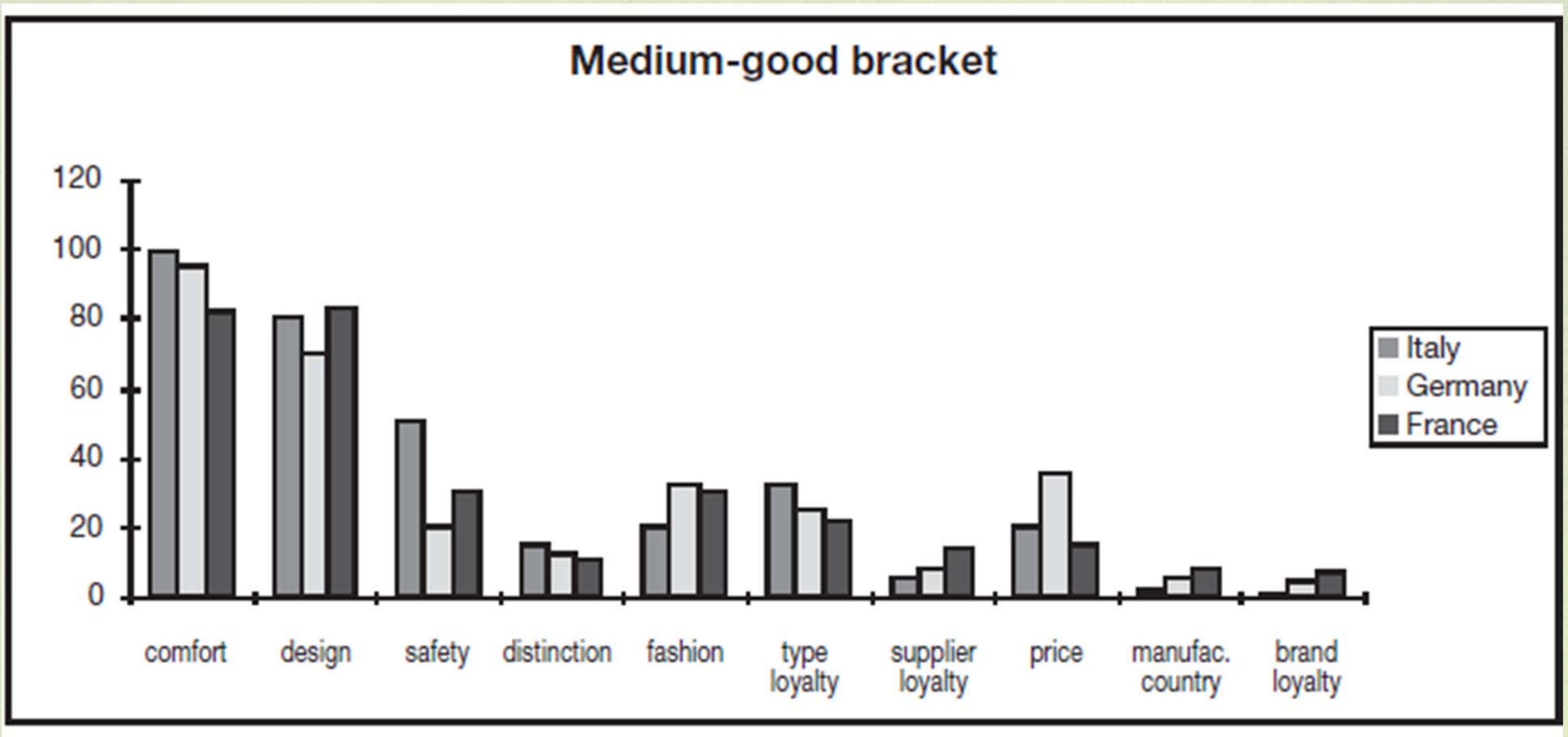


Prices

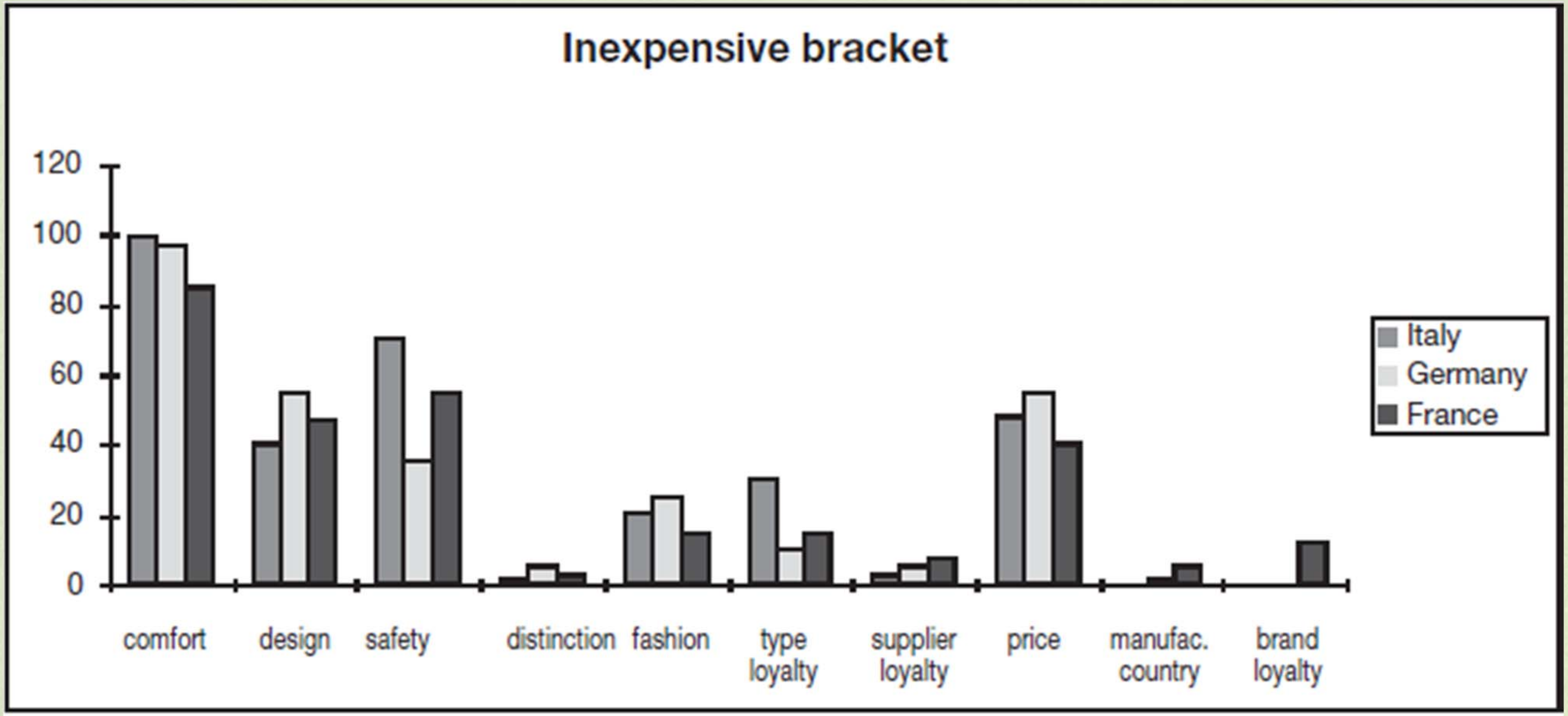
Price to consumer				
	Minimum	Maximum		
Medium-good	55	90		
Inexpensive	32	48		
Casual	40	65		

Price to intermediary	To consumer		To intermediary	
	Minimum	Maximum	Minimum	Maximum
Medium-good	55	90	28	47
Inexpensive	30	46	15	24
Casual	40	66	20	35

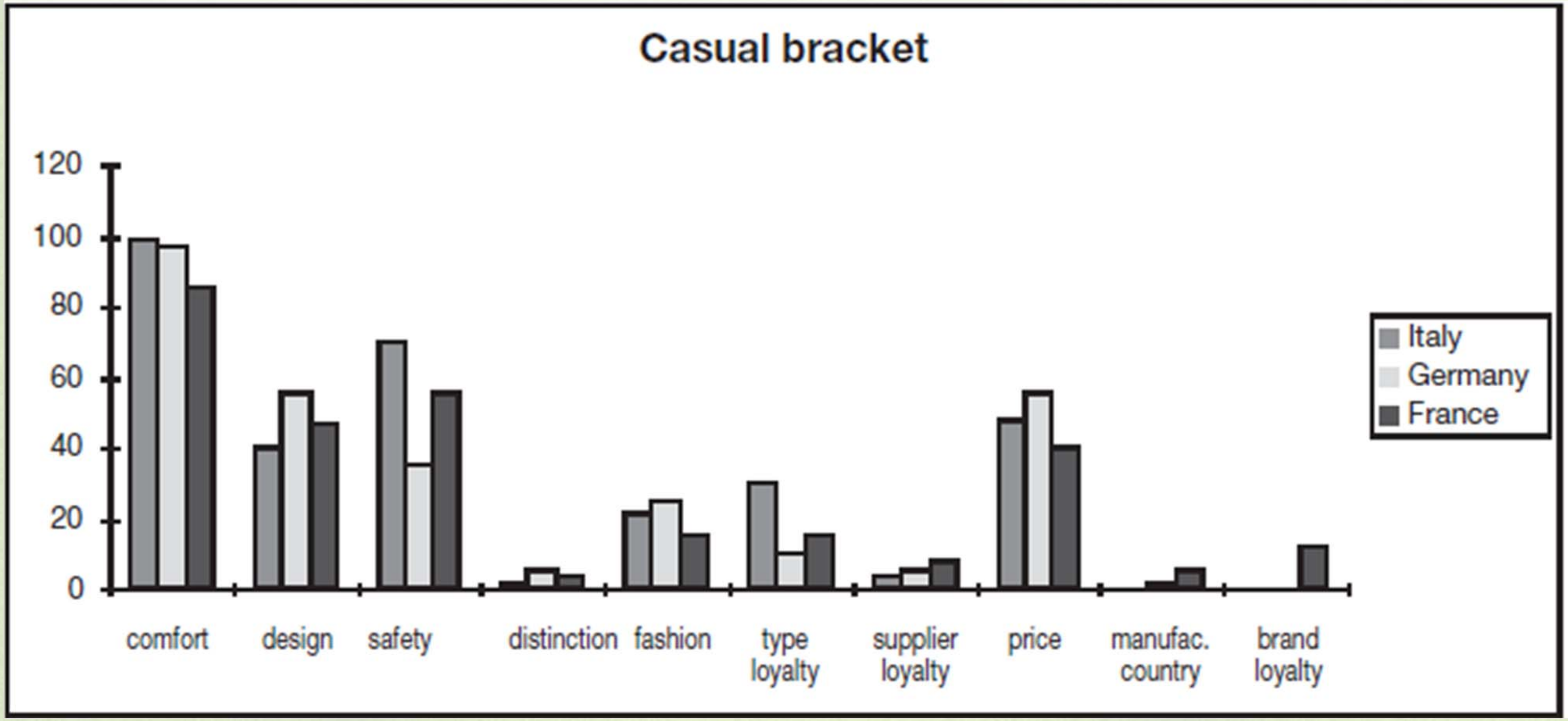
Purchase priorities



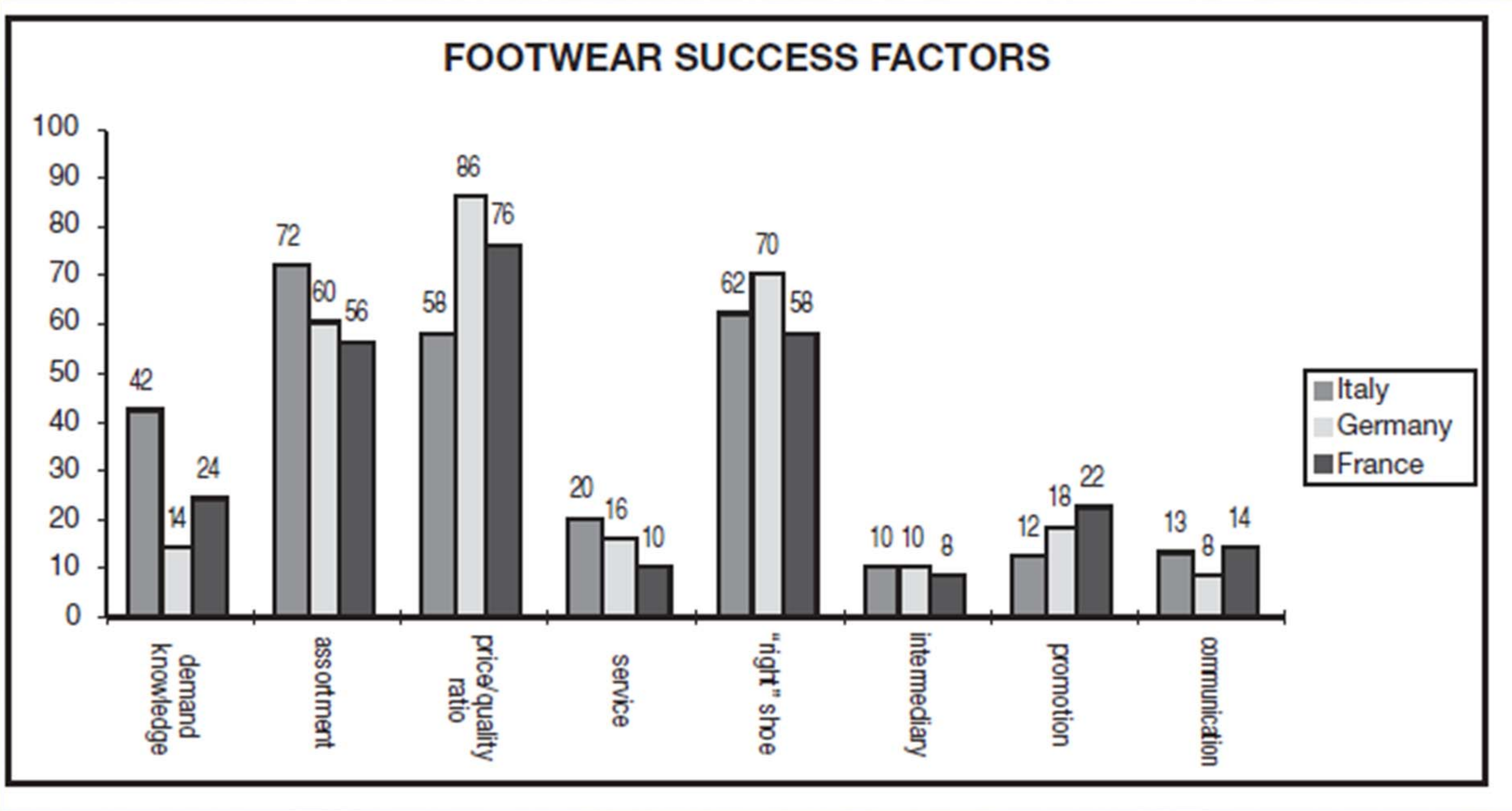
Purchase priorities



Purchase priorities



Main factors for orientation strategies for marketing in Europe



Main factors for orientation strategies for marketing in Europe

Quality

&

Price Ratio

Main factors for orientation strategies for marketing in Europe

Fashion

Main factors for orientation strategies for marketing in Europe

Design

Main factors for orientation strategies for marketing in Europe

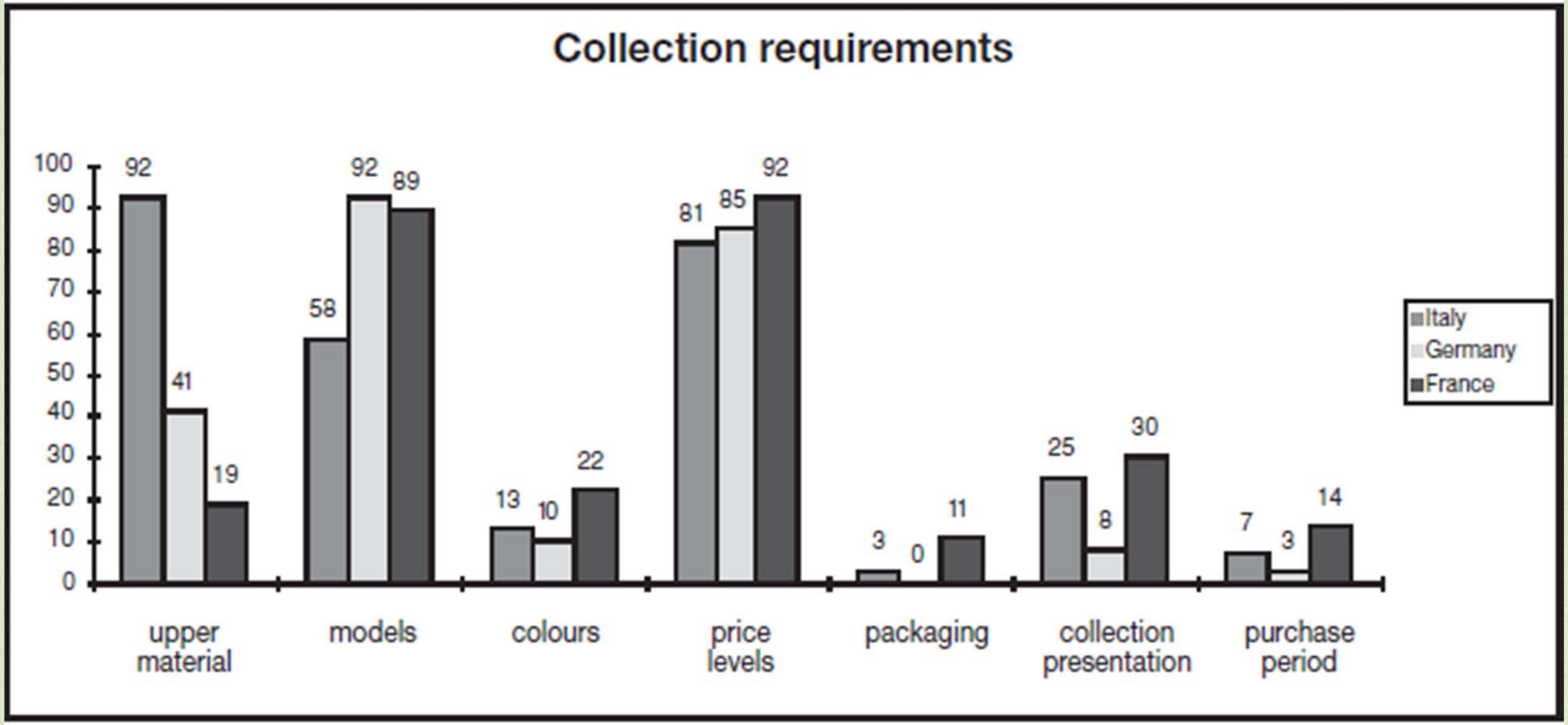
Communication

Main factors for orientation strategies for marketing in Europe

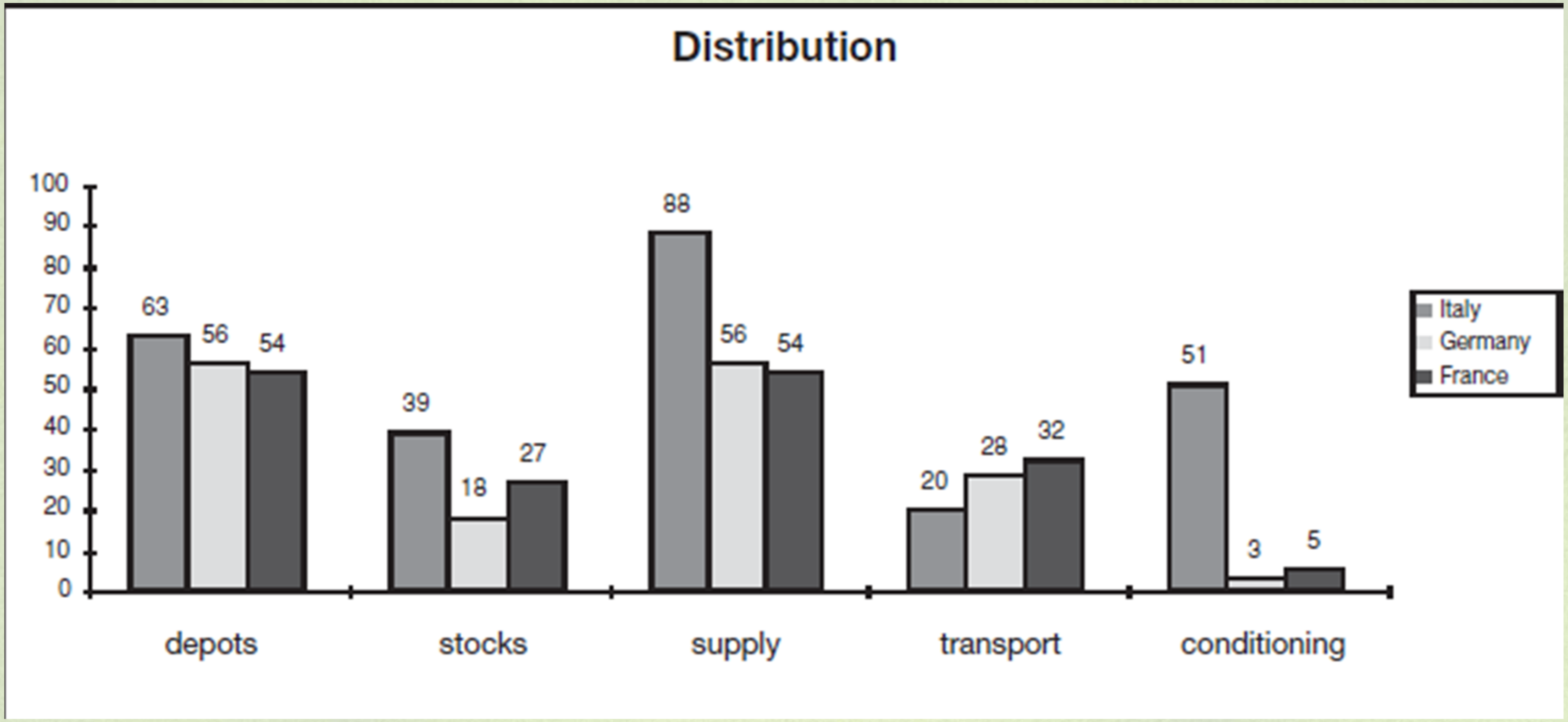
Clustering

- Raw materials
- Intermediate goods
- Components

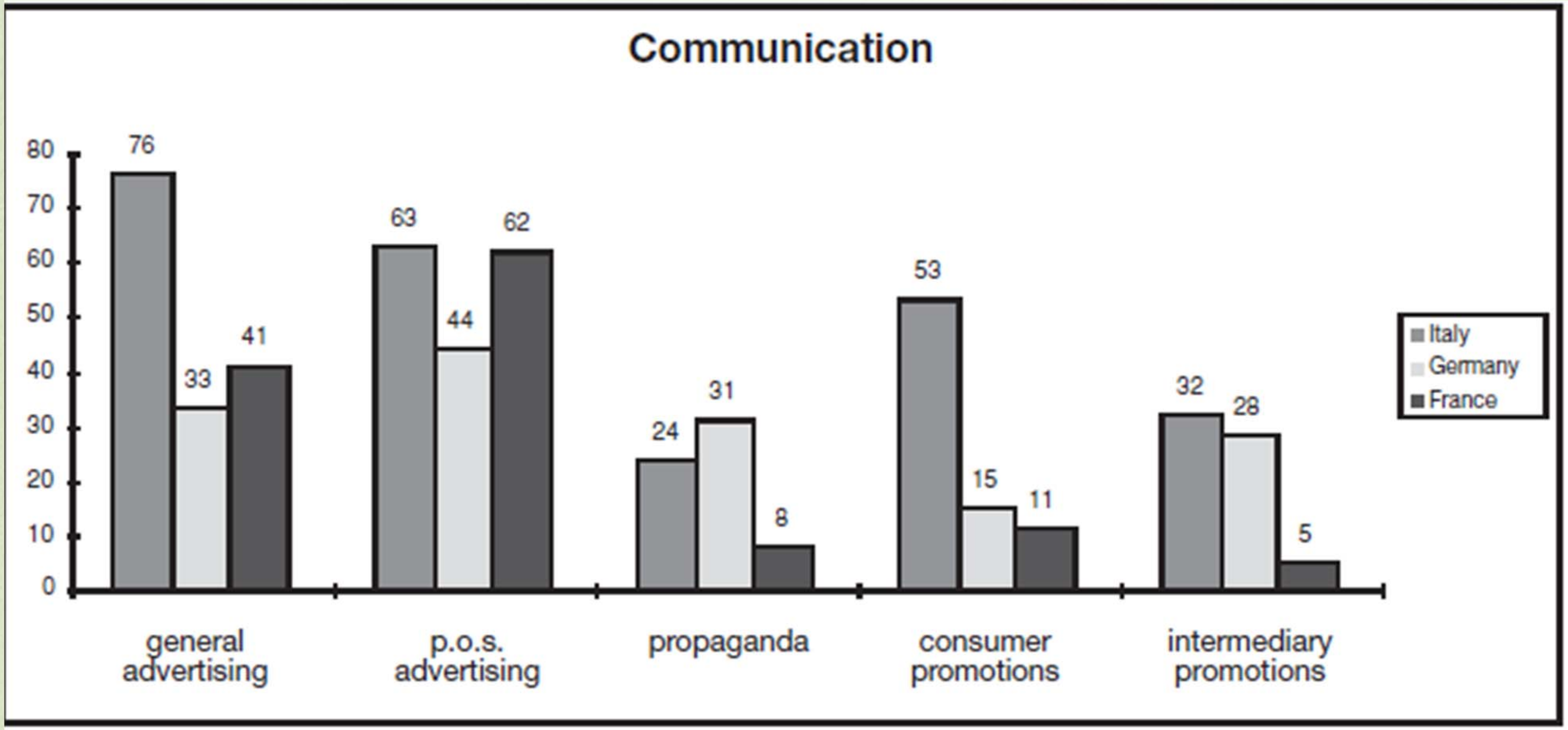
Cluster factors



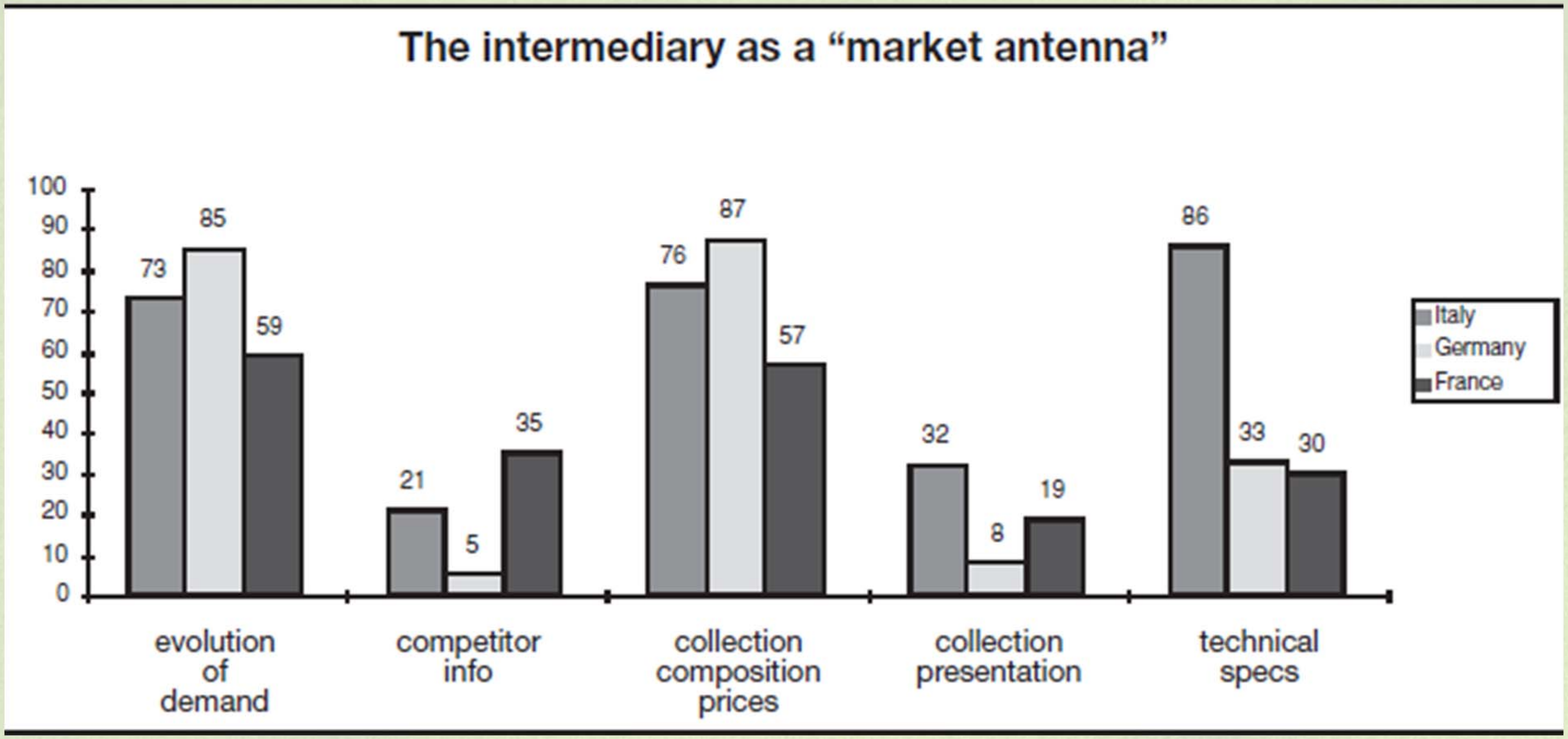
Cluster factors



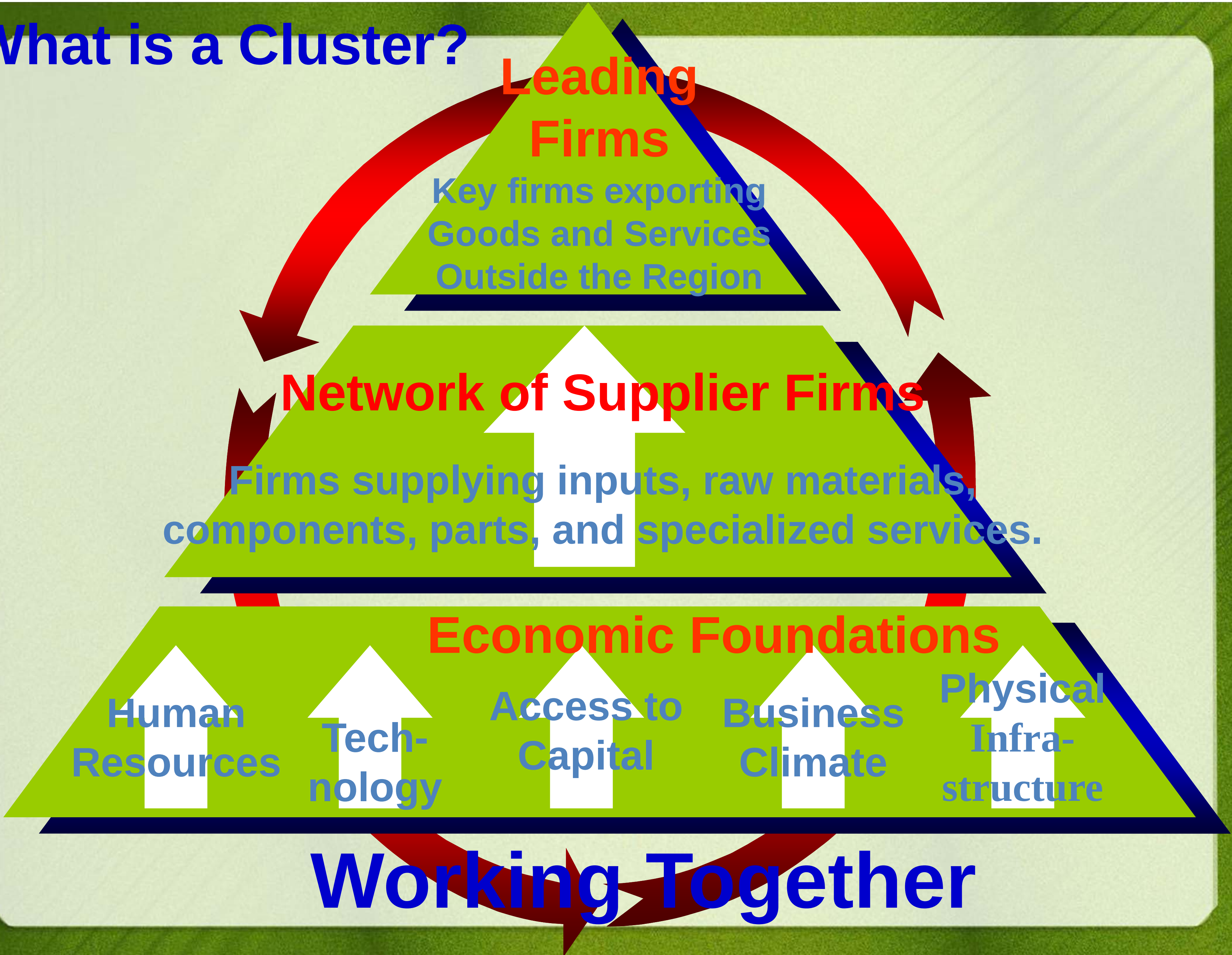
Cluster factors



Cluster factors



What is a Cluster?



Supply Market

Italian tanning industry

	2008	*2007*	*Var. % 08/07*
Companies	1.426	1.464	-2,6
Employees	17.525	18.195	-3,7
Production (mil. euro)	4.564,6	5.383,1	-15,2
Production (thousand sq of leather)	143.218	168.375	-14,9
Production (ton. insole leather)	39.262	47.587	-17,5
Export of leather with/without hair (mil. euro)	3.260,8	3.592,3	-9,2
Import of hides and semi-finished (mil. euro)	1.725	2.220	-22,3

(source: Unic)

Supply Market

Tanning production by typology

	2008		***Var. % 08/07***	
	Quantity thousand of sq	***Value*** mil. euro	***Quantity*** %	***Value*** %
Bovine	98.424	2.915	-15,7	-14,8
Calf	10.328	450	-7,2	-7,4
Sheep	20.200	497	-13,1	-16,0
Goat	13.666	374	-17,5	-20,8
Others	600	86	-2,4	+0,7
Sub total	143.218	4.322	-14,9	-14,5
Insole leather (ton)	39.262	243	-17,5	-25,6
Total	n.a.	4.565	n.a.	-15,2

(source: Unic)

Supply Market

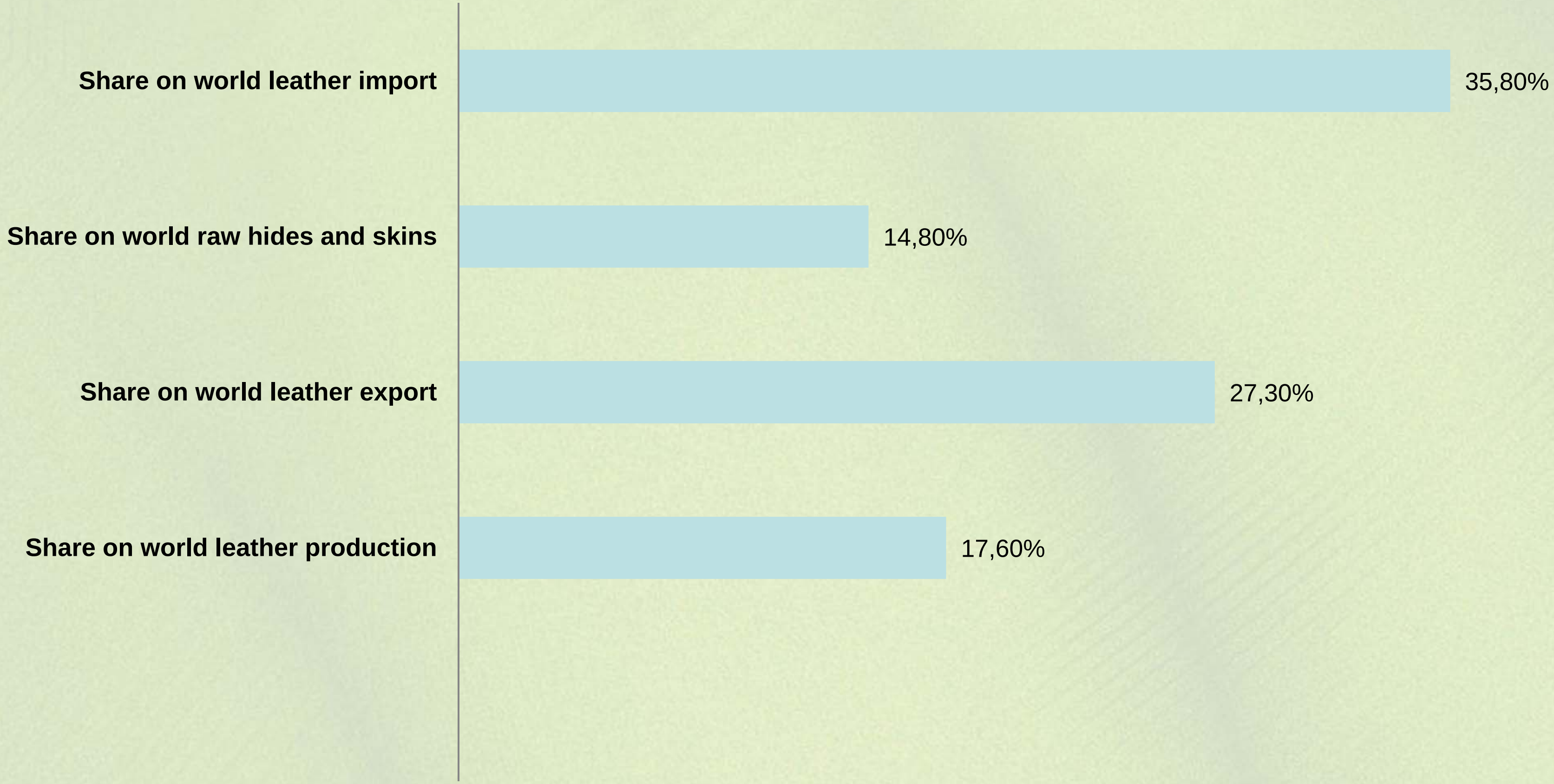
Tanning production by destination

	2008 mil. euro	*2007* mil. euro	*Var. % 08/07*
Footwear	69,0	79,5	-13,2
Upholstery	25,7	35,9	-28,4
Leathergoods	26,8	26,8	0,0
Leather garments and gloves	8,0	9,7	-17,5
Automotive	6,5	8,3	-21,7
Others	7,1	8,3	-14,5
Total	143,2	168,4	-14,9

(source: Unic)

Supply Market

Benchmarking the Italian Leather Production



Supply Market

Italian industry of tanning, footwear and leathergoods machinery

	2008	***2007***	***Var. % 2008/2007***
Companies	280	345	-18,84
Employees	4.900	5.950	-17,65
Production(million euro)	437,00	517,30	-15,52
Export (million euro)	314,50	360,30	-12,71
Import (million euro)	22,70	30,81	-26,32
Trade balance (million euro)	291,80	329,49	-11,44

(source: Assomac)

Supply Market

Trend of the Italian export of tanning, footwear and leathergoods machinery

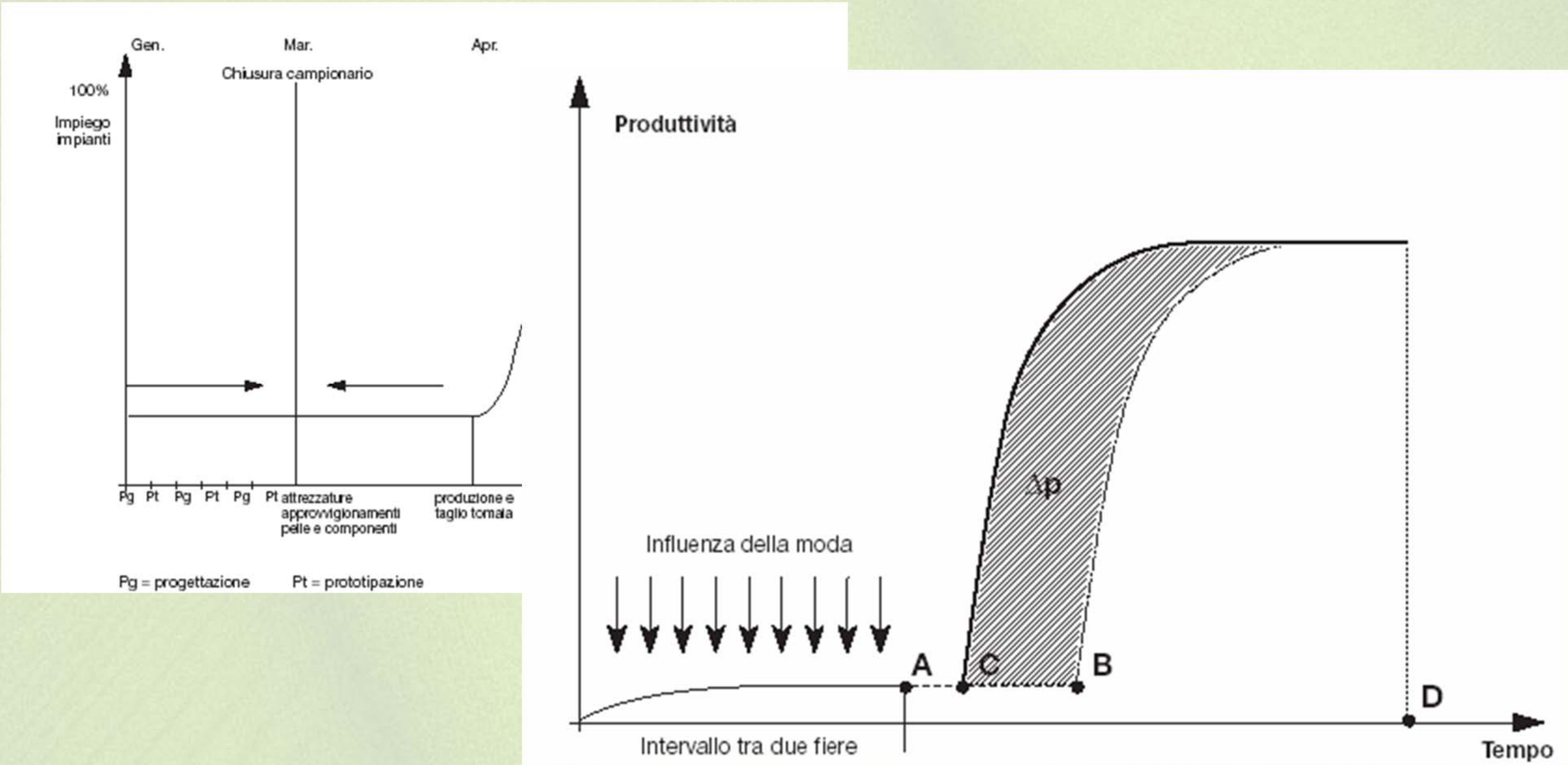
(millions euro)

	2008	***2007***	***Var. % 2008/2007***
Tanning machines	97,93	105,87	-7,50
Leather footwear machines	78,86	100,00	-21,14
Synthetic footwear machines	43,50	54,37	-20,00
Leathergoods machines	13,48	15,01	-10,19
Spare parts	60,23	62,17	-3,12
Other machines and moulds	20,50	22,88	-10,40
Total	***314,50***	***360,30***	***-12,71***

(source: Assomac)

Seasonal Cycle of the sales

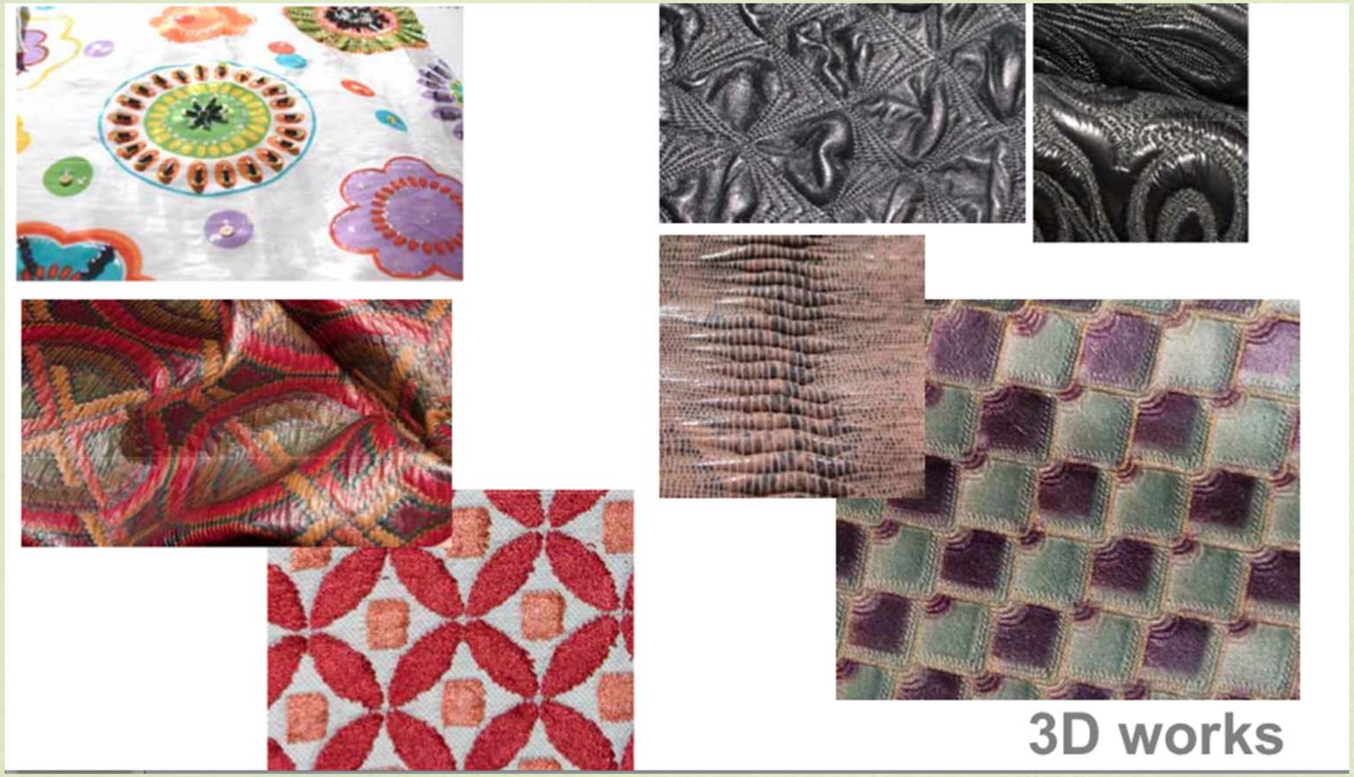
Seasons and production capacity



Seasonal Cycle of the sales

Phases of production

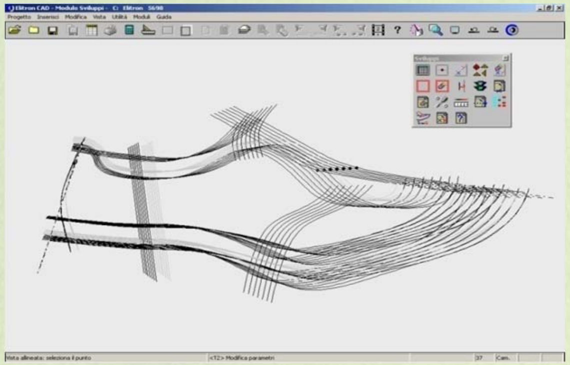
– ***Research materials first***



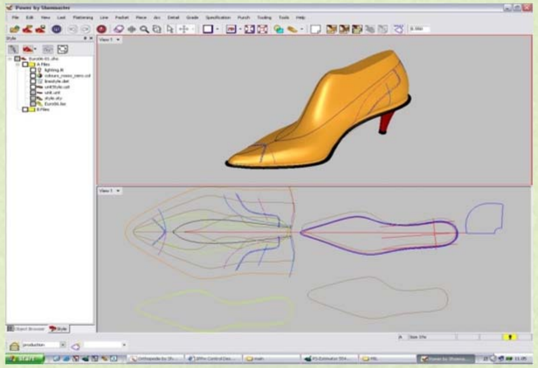
Seasonal Cycle of the sales

Phases of production

– ***Design with modern CAD tools***



Typical 2D CAD: easy and intuitive, low cost entry investment

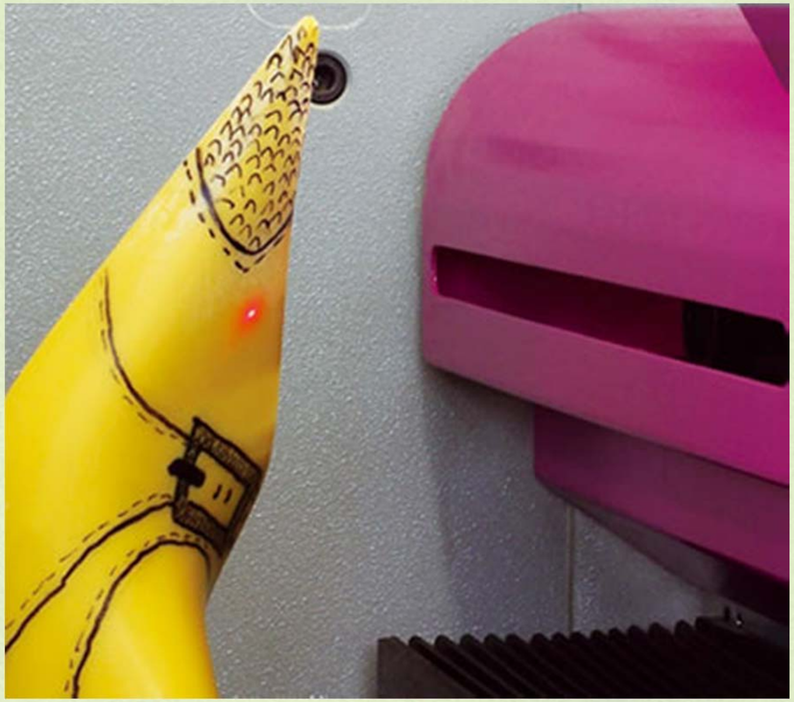


Typical 2D/3D integrated CAD: highly integrated, full potential, more difficult

Seasonal Cycle of the sales

Phases of production

– ***Engineering (reverse) of shoe design***



Seasonal Cycle of the sales

Phases of production

– ***Samples (virtual and physical)***

Challenge: sports footwear market

- EU consumption of sports footwear was amost € 9.9 billion in 2007, or 297 million pairs, up 1.7% per annum on average, while production fell by an annual average of 8.3% to € 388 million, or 19 million pairs.
- In 2007, the EU imported sports footwear valued at over € 2.7 billion, or 255 million pairs.
- The sports footwear trade is characterised by the dominance of large international branded manufacturers, primarily selling through large specialist sports chains.

Challenge: sports footwear market

- There are still channels for sports footwear through conventional footwear retail outlets.
- Almost 42% of imports by value (almost € 1.2 billion) came from developing countries.
  - (68% by volume or 173 million pairs).

Challenge: sports footwear market

Consumption of sports footwear in the EU, 2003-2007, € million / millions of pairs

	2003		2005		2007		Ave. ann. % change	Popn. (million)	Consum. per capita €
	value	volume	value	volume	value	volume			
Total EU	**9,202**	**287**	**9,390**	**289**	**9,860**	**297**	**1.7**	**496.3**	**19.9**
United Kingdom	1,731	53	1,805	55	1,919	54	2.6	61.0	31.8
Germany	1,637	54	1,689	55	1,830	55	2.8	82.3	22.2
France	1,656	50	1,692	48	1,581	47	-1.2	63.6	24.9
Italy	1,270	39	1,352	42	1,411	40	2.7	59.4	23.7
Spain	815	28	833	30	918	32	3.0	44.9	20.4
Netherlands	400	12	382	12	423	12	1.4	16.4	25.8

Source: NPD, Euromonitor, Trade Estimates (2009)

Challenge: sports footwear market

Price *is still an important purchase motivator, but the main reason why consumers buy the particular brand of sports footwear is:*

- for comfort and/or fit (19.2%)
- design/style (15.4%)
- Value for money (10.1%)
- favourite brand (9.5%)
- fashionability (6.8%)

The Italian fairs of the sector

Expo Riva Schuh: footwear	• From 12/06/2010 to 15/06/2010
Micam ShoEvent	
Mipel Bagshow	• From 19/09/2010 to 22/09/2010
Mifur: Fur	• From 03/03/2010 to 06/03/2010
Simac: Machines for leather products and technology	• From 12/10/2010 to 14/10/2010
Tanning Tech: leather machines	• From 12/10/2010 to 14/10/2010

Questions to answer before launching a marketing plan for Italy

A: Do we believe to be able to buy raw materials and intermediate goods to increase the quality of our finished products for export?

Questions to answer before launching a marketing plan for Italy

B: do we feel to be ready to export our products?

We must verify the following parameters:

- our enterprise' image
- quality of customer service
- product quality
- technological innovation of the product

We must verify the following parameters:

- product design
- packaging
- product life cycle
- prices

To do this we must verify the following parameters:

- delivery times
- quality suppliers
- differentiation from the competition
- range of products

We must verify the following parameters:

- information management
- placement on the market
- advertising
- qualification of channel sales

We must verify the following parameters:

- quality of preparation for participation in trade fairs
- pre-and post-sales service
- investment in the selection of the partners
- investment in the selection of the market

We must verify the following parameters:

- investment in training of employees
- contribution to promotion implemented by partner
- promotional activities
- skills of export Bureau

We must verify the following parameters:

- widespread culture of export orientation inside the company
- innovation on input markets
- convenient use of the yield
- competitive positioning than the competition

We must verify the following parameters:

- competitiveness in logistics
- knowledge of import rules
- monitoring of the competition
- aware of the import cost structure

We must verify the following parameters:

- knowledge of marketing costs
- use of incentives and export financing
- correct use of the international contract forms
- use of marketing with partners on markets plans

PISIE

POLITECNICO INTERNAZIONALE PER LO SVILUPPO INDUSTRIALE ED ECONOMICO

Vietnam Leather and Footwear Association (LEFASO)

IN TRADE

Conditions of access to the Italian footwear & leather market

PISIE

POLITECNICO INTERNAZIONALE PER LO SVILUPPO INDUSTRIALE ED ECONOMICO

Carlo Milone

19/04/2010

Introduction

- ***Conditions of access to the Italian shoes & leather market, distribution channels, competitive and brand positioning, quality certifications, …***

The Footwear market in Italy

- ***The composition of the Italian population has changed dramatically in the last generation.***
- ***Birth rates have fallen by more than any other EU country.***
- ***This will have implications for the amount of children's footwear sold,***
- ***and have wider implications in terms of a reduction in the number of family businesses, which has been the principle upon which Italian society has flourished.***

The Footwear market in Italy

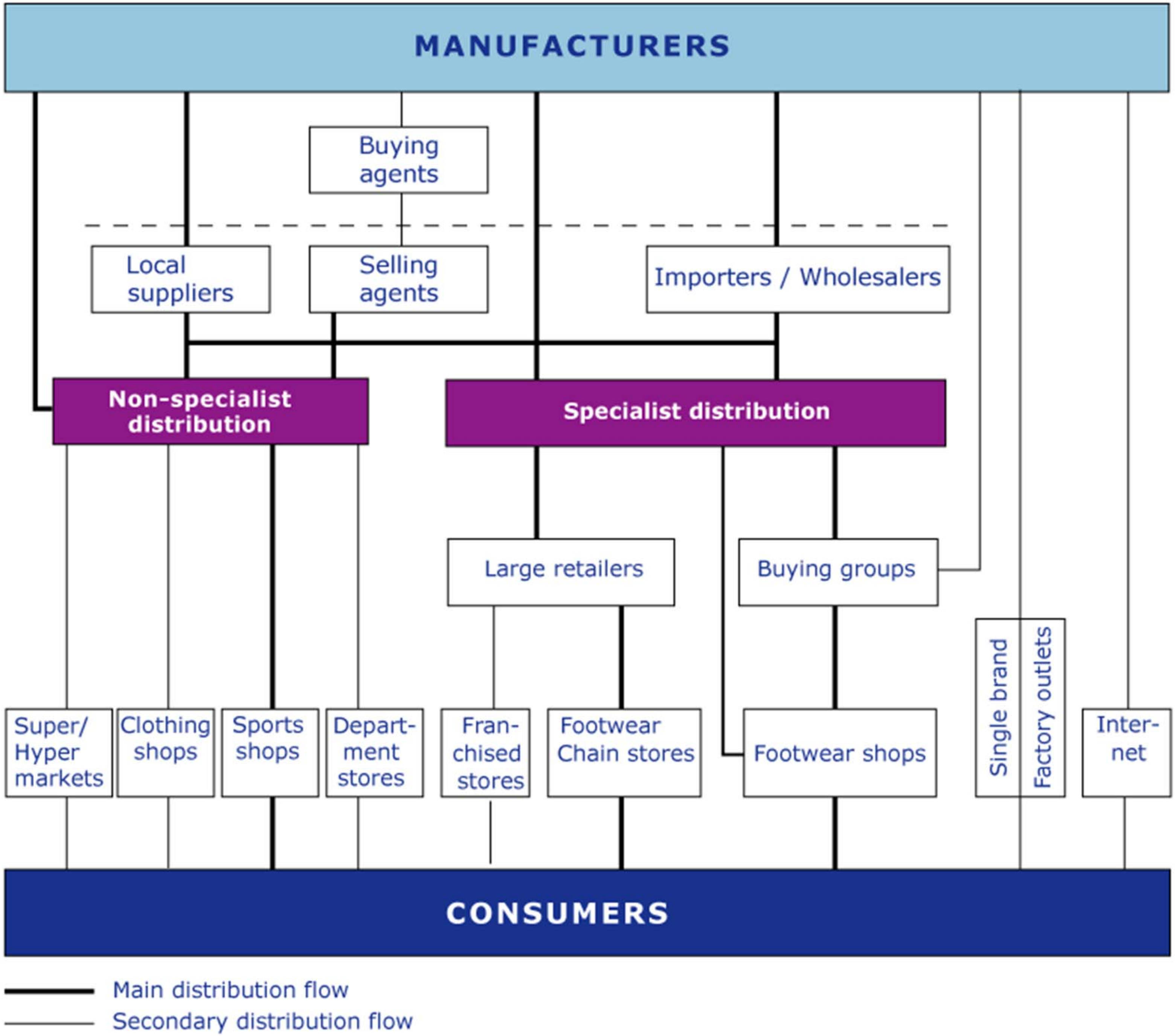
- ***Italy is a fragmented and mature market with an enormous variety in footwear types.***

- ***There will be more demand for comfortable footwear for the increasing elderly population and for casual footwear, which will at the expense of formal footwear.***

The Footwear market in Italy

Traditionally Italians like to dress well and pay much attention to their outfit and are extensively shop around when buying shoes.

Style, fashion and quality are important components of the purchasing decision, especially in the northern part of the country. This partly derives from the long-standing Italian tradition when it comes to producing fashionable products, such as footwear.


MANUFACTURERS
Buying agents
Local suppliers
Selling agents
Importers / Wholesalers
Non-specialist distribution
Specialist distribution
Large retailers
Buying groups
Super/ Hyper markets
Clothing shops
Sports shops
Depart-ment stores
Fran-chised stores
Footwear Chain stores
Footwear shops
Single brand
Factory outlets
Inter-net
CONSUMERS
Main distribution flow
Secondary distribution flow

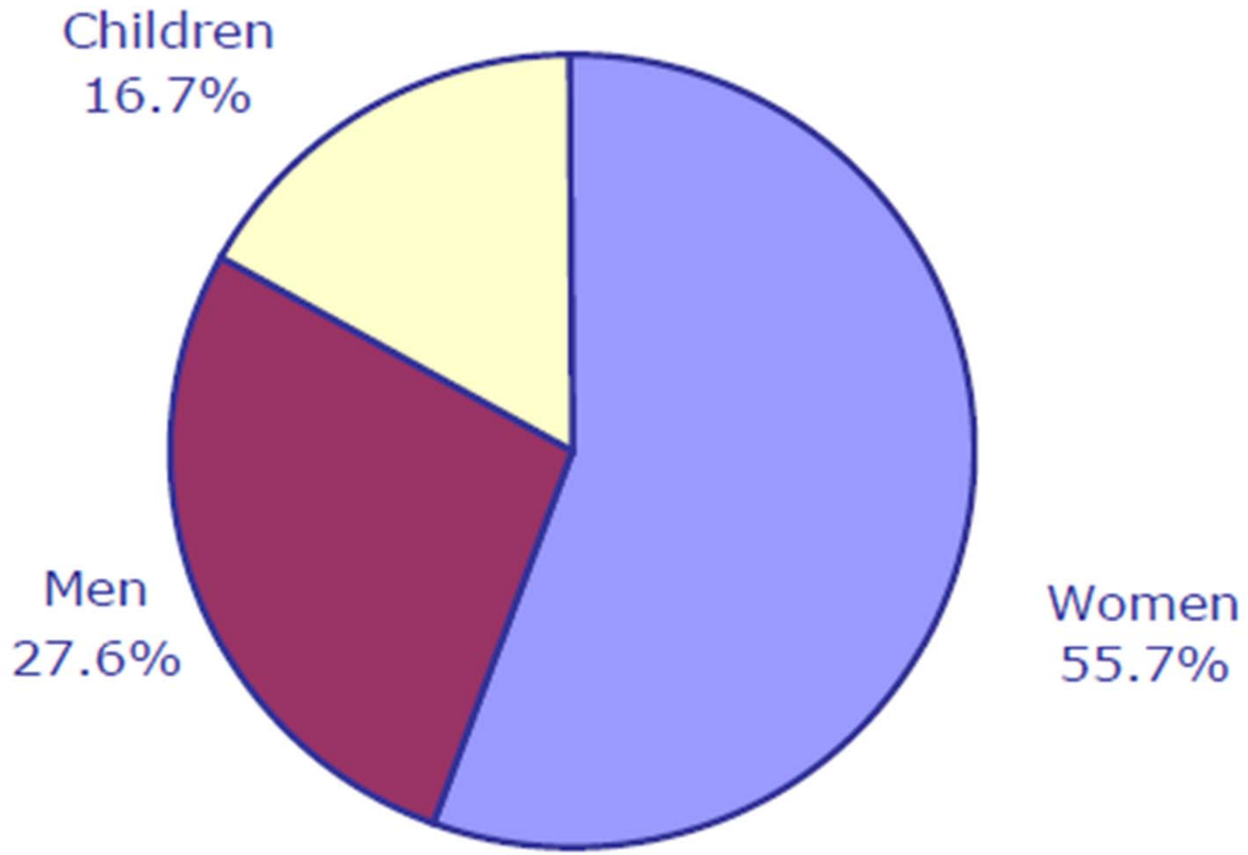
Share of the footwear sales by retailers

	Germany	France	UK	Italy	Spain	Netherl.	Belgium
Footwear specialists	***64%***	***56%***	***40%***	***53%***	***66%***	***78%***	***66%***
Chain stores*	35%	25%	32%	14%	17%	39%	33%
Buying groups	21%	13%	2%	10%	10%	29%	na
Independent shops	8%	18%	6%	29%	39%	10%	33%
Non-specialists	***36%***	***44%***	***60%***	***47%***	***34%***	***22%***	***34%***
Department stores	7%	3%	3%	5%	10%	4%	3%
Super/Hypermarkets	8%	8%	6%	5%	4%	1%	6%
Sports retailers	***	21%	17%	13%	8%	10%	10%
Clothing retailers	9%	4%	29%	8%	7%	2%	6%
Internet/mail order	8%	4%	4%	4%	1%	2%	1%
Others**	4%	4%	1%	12%	4%	3%	8%

Calculation of final consumer price: trade margins on footwear

	Low	Medium	High
Material cost (incl. 15% for unsold stock)	25	25	25
Direct labour cost (incl. design costs)	25	25	25
Other cost (e.g. packaging, promotion, sample shipments)	15	15	15
Cost price	***65***	***65***	***65***
Mark-up (overhead costs incl. own profit e.g. 35%)	23	23	23
Export price (FOB)	***88***	***88***	***88***
Import duties* (e.g. footwear with leather uppers 3.5%)	4	4	4
Other costs (e.g. transport, insurance, handling, banking)	8	8	8
Landed cost or CIF price	***100***	***100***	***100***
Importer's/wholesalers mark up (e.g. low: 30%, medium 35%, high 40%)	30	35	40
Importer's/wholesaler's selling price	***130***	***135***	***140***
Retailer's mark up (e.g. low 45%, medium 60%, high 75%)	59	81	105
Net selling price	189	216	245
VAT e.g. 19% in Italy	36	41	47
Final consumer or retail price	**225**	**257**	**292**
Ratio CIF price - Consumer price	***2.3***	***2.6***	***2.9***

Italy: footwear consumption by user



Wholesalers

•Italian Fashion Brands, Milan, (http://www.italianfashionbrand.com). luxury women's shoes
•Bahar Shoes company Srl.,Vigevano (mailto:kamalra@yahoo.com).
•Margara, located in Potenza Picena fashionable "Made in Italy" shoes
•Gruppo Italia Agency, Firenze, (http://www.gruppoitalia.net). Italian fashion market:
•Italian Stock Shoes, Catania, (http://www.italianstockshoes.com).
•Sigmagi, Scandicci, luxury and medium market (http://www.sigmagi.it).
•Champ, Broccostella, women, men and children’s footwear. (http://www.champ.it).

Chain stores

ANADIS Members include Bata (http://www.bata.it), Zara, Versace and Gruppo Coin (http://www.federdistribuzione.it).
Gruppo Nico have 12 clothing and footwear superstores in major urban areas, and are highly fashion-based (http://www.nico.it).
Single brand stores: *Many Italian manufacturers also have a retail presence (vertical integration), and sell other leading brands. Geox is a leading brand and is sold in outlets throughout Italy (http://www.geox.it). Valleverde is another important manufacturer, based on the success of their innovative and comfortable shoes. (http://www.valleverde.it).*
Other examples of vertical integration *are Feragamo, Bruno Magli, Casadei, Fratelli Rosetti and Tod's.* Italian Fashion Brands, Milan, (http://www.italianfashionbrand.com).

Buying groups

Buying groups : Benetton (2,350 outlets), Oviesse (301 outlets), the Vestebene Group (774 outlets), Inditex, including Zara (218 outlets in total), H&M (31 outlets) and Pimkie (57 outlets).

Department stores: La Rinascente (http://www.rinascente.it) with 14 outlets, and Coin (http://www.gruppocoin.it) with 68 department/variety stores.

La Rinascente has recently formed an alliance with the German KarstadtQuelle and the French Printemps to form a considerable chain with great buying power.

Packaging

Leather shoes are usually packed in individual boxes per pair with 12 to 18 pairs in a carton. Cheaper plastic and textile shoes are often packed in plastic bags or in bulk.

The presence of the chemical dimethylfumarate (DMF) in consumer products has been blamed for causing damage to health. The European Commission has now produced legislation that effectively bans DMF from the EU market. In March 2009, a new EU Directive (2009/251/EC) was published that requires that products containing DMF will not be allowed to enter the EU market.

Size marking & labelling

Ladies' sizes	36	36½	37	37½	38	38½	39	39½	40	40½	41	42
Mens' sizes	40	40½	41	41½	42	42½	43	43½	44	44½	45	46
Number of pairs:												
Ladies' full sizes	1		2		3		3		2		1	1
Ladies' half sizes		1	1	1	2	2	2	1	1	1		
Men's full sizes	1		2		3		3		2		1	1
Men's half sizes			1	1	2	2	2	1	1	1	1	

There is an obligatory labelling for footwear, as described in the EU Shoe Labelling Directive 94/11/EC. These labels should inform about parts of footwear such as the upper, the lining, the insole sock and the outer sole and should be explained by means of agreed pictograms or by text. The directive also includes rules about the material used.

Size marking & labelling

Ladies' sizes	36	36½	37	37½	38	38½	39	39½	40	40½	41	42
Mens' sizes	40	40½	41	41½	42	42½	43	43½	44	44½	45	46
Number of pairs:												
Ladies' full sizes	1		2		3		3		2		1	1
Ladies' half sizes		1	1	1	2	2	2	1	1	1		
Men's full sizes	1		2		3		3		2		1	1
Men's half sizes			1	1	2	2	2	1	1	1	1	

Footwear Pictograms:

In addition to the CE-Mark, European footwear requires a specific set of pictograms used to graphically denote the largest constituent of the shoe. A previously defined pictogram is marked on the shoe respective to its make-up. This pictogram is designed as follows:

- A square hatch pattern for synthetic materials - a piece of leather for leather.
- A diamond inside a piece of leather for treated leather.
- A diamond for miscellaneous materials.

In order to apply this logo, the product must contain at least 80% of the appropriate material.

EU legislation: REACH

EU legislation: REACH - what exporters need to know

- ***REACH is the chemical legislation of the EU that came into force on 1st June 2007.***

- ***REACH is the Regulation for Registration, Evaluation, Authorisation and Restriction of CHemicals. It entered into force on 1st June 2007 to streamline and improve the former legislative framework on chemicals of the European Union (EU). REACH places greater responsibility on industry to manage the risks that chemicals may pose to the health and the environment.***

- ***In principle REACH applies to all chemicals: not only chemicals used in industrial processes but also in our day-to-day life, for example in cleaning products, paints as well as in articles such as clothes, furniture and electrical appliances.***

EU legislation: REACH

Objectives

The aims of REACH are to:

- *Improve the protection of human health and the environment from the risks that can be posed by chemicals*
- *Enhance the competitiveness of the EU chemicals industry, a key sector for the economy of the EU*
- *Promote alternative methods for the assessment of hazards of substances*
- *Ensure the free circulation of substances on the internal market of the European Union*

EU legislation: REACH

Why REACH?

- ***REACH replaces about 40 pieces of legislation with a streamlined and improved Regulation. Other legislation regulating chemicals (e.g. on cosmetics, detergents) or related legislation (e.g. on health and safety of workers handling chemicals, product safety, construction products) not replaced by REACH will continue to apply. REACH has been designed not to overlap or conflict with the other chemical legislation.***

EU legislation: REACH

How will REACH works?

- REACH makes industry bear most responsibilities to manage the risks posed by chemicals and provide appropriate safety information to their users.

- In parallel, it foresees that the European Union can take additional measures on highly dangerous substances, where there is a need for complementing action at EU level.

EU legislation: REACH

How will REACH works?

- REACH also creates the European Chemicals Agency (ECHA) with a central coordination and implementation role in the overall process.

- All manufacturers and importers of chemicals must identify and manage risks linked to the substances they manufacture and market. For substances produced or imported in quantities of 1 tonne or more per year per company, manufacturers and importers need to demonstrate that they have appropriately done so by means of a registration dossier, which shall be submitted to the Agency

EU legislation: REACH

How will REACH works?

- Once the registration dossier has been received, the Agency may check that it is compliant with the Regulation and shall evaluate testing proposals to ensure that the assessment of the chemical substances will not result in unnecessary testing, especially on animals.

- Where appropriate, authorities may also select substances for a broader substance evaluation to further investigate substances of concern.

EU legislation: REACH

How will REACH works?

- REACH also foresees an authorisation system aiming to ensure that substances of very high concern are adequately controlled, and progressively substituted by safer substances or technologies or only used where there is an overall benefit for society of using the substance. These substances will be prioritised and over time included in Annex XIV. Once they are included, industry will have to submit applications to the Agency on authorisation for continued use of these substances. In addition, EU authorities may impose restrictions on the manufacture, use or placing on the market of substances causing an unacceptable risk to human health or the environment.

EU legislation: REACH

<u>How will REACH works?</u>

- Manufacturers and importers must provide their downstream users with the risk information they need to use the substance safely. This will be done via the classification and labelling system and Safety Data Sheets (SDS), where needed.
- Substances can be exempted from all or a part of the obligations under REACH. These exemptions are not described in detail in this part of the web-site (About REACH). More information on exemptions can be found when using the navigator. Companies are strongly advised to use the navigator to find out if their substance is covered by an exemption under REACH.

EU legislation: Fluorinated greenhouse gases

- Fluorinated gases are powerful greenhouse gases which are extremely persistent in the atmosphere and cause the so called greenhouse effect. They are for example used in the cooling circuits of stationary refrigeration, air-conditioning and heat-pump equipment, fire protection systems, high voltage switchgear, footwear, foams, tyres and aerosols.

EU legislation:
Fluorinated greenhouse gases

- To reduce the emission of greenhouse gases to the atmosphere, the Kyoto Protocol on greenhouse gas reduction was developed. In order to comply with the Kyoto goals the EU adopted legislation on certain fluorinated greenhouse gases. The Regulation is relevant to all the producers, importers, exporters of fluorinated gases as well as for manufacturers of products and equipment which contain fluorinated gases. The following document presents a brief outline of the requirements.

- EU legislation concerning fluorinated greenhouse gases is determined by a Regulation and therefore automatically applicable and harmonised in all Member States.

EU legislation:
Liability for defective products

- The Product Liability Directive (85/374/EEC) states that the EU importer is liable for the products put on the European market. The EU importer, however, can in principle pass on a claim to the producer/exporter, which means the legislation is also relevant for producers outside the EU.

EU legislation:
Liability for defective products

- The Liability Directive is applicable to all products put on the EU market, if there is no specific liability legislation for specific products. Please note that products falling under a New Approach Directive on CE marking are also covered by the Product Liability Directive 85/374/EEC and its amendments.

EU legislation:
Wood packaging materials

- In the European Union, legislation has been established to prevent the introduction of organisms harmful to plants and plant products. The legislation is established in Directive 2000/29/EC, which has regularly been amended. One of the latest amendments, Directive 2004/102/EC, introduces legal requirements for wood packaging in the EU.
  Italy has introduced the EU requirements for wood packaging in its national legislation.

EU legislation:
Wood packaging materials

- The requirements apply to imports of commodities from countries outside the EU, including developing countries, and are based on the international **ISPM 15 standard.** (International Standards for Phytosanitary Measures)

EU legislation: Footwear labelling

- In the EU exists harmonised legislation regarding the labelling of materials of footwear. Directive 94/11/EC lays down marking requirements relating to labelling of the materials used in the main components of footwear intended for sale to the consumer within the EU market, whereas helps reducing the risk of fraud by indicating the exact nature of the main components of footwear.

EU legislation: Footwear labelling

- Labelling is one important means of achieving better information and transparency for the consumer and aims to ensure that the internal market functions homogeneously. In the EU, there is harmonised legislation regarding materials labelling of footwear, which aims to ensure adequate information for consumers and prevent differences in national legislation. Directive 94/11/EC on footwear labelling lays down marking requirements for footwear products which are intended for the EU market.

EU legislation: Footwear labelling

Outline of the legislation

- **Directive 94/11/EC** lays down essential requirements for the free trade movement of footwear while providing concerning materials' labelling. The legislation is standardized throughout the European Union and is primarily designed to ensure that consumers know what type of material footwear is made of at the time of purchase. The EU importer will be responsible for the labelling of the footwear, however, he will demand from his suppliers accurate footwear labelling data.

EU legislation: Footwear labelling

Scope

The legislation applies to all footwear with the exception of:

- **Protective footwear covered by Directive 89/686/EEC on personal protective equipment**
- **Second-hand or worn footwear**
- **Toy footwear**
- **Footwear covered by Directive 76/769/EEC. e.g. boots containing asbestos**

EU legislation: Footwear labelling

Labelling requirements

- **According to the Directive footwear must be labelled in a way that customers are able to see information about the composition of the different parts of the shoe. The information must be conveyed by means of agreed pictograms or textual information (in case of textual information: the language in which information must be displayed is determined by the Member State where the product is marketed). The labelling must be visible, accessible and securely attached and shall appear at least on one shoe of each pair (it may be on the packaging, but must also appear on the shoe itself). This may be done by printing, sticking, embossing or using an attached label.**

EU legislation: Footwear labelling

<u>Composition of the Footwear</u>

- ***The label must show the type of material used which makes up at least 80% of the:***
  - ***Surface area of the upper***
  - ***Surface area of the lining and sock***
  - ***Volume of the outer sole***

EU legislation: Footwear labelling

<u>Composition of the Footwear</u>

- ***If no individual material makes up 80% of the surface area or volume, the label should state the 2 main materials used in that part of the shoe. The label does not have to mention any accessories or reinforcements used on the upper, e.g. buckles, ankle patches, ornaments, edging, tabs, eyelet stays and similar attachments. These do not have to be taken into account when the composition of the material is worked out.***

EU legislation: Footwear labelling

- ***Pictograms concerning the parts of the footwear to be identified:***

UPPER

LINING AND SOCK

OUTER SOLE

EU legislation:
Packaging and packaging waste

- ***With a view to prevent and reduce impact of packaging on the environment, the EU has laid down legislation that establishes measures concerning the management of packaging and packaging waste, for virtually all products. Although the relevant Directive does not address producers and exporters from developing countries, products have to comply with the set heavy metals and labelling requirements to be allowed entry in the EU.***

EU legislation: Product safety

- ***The EU has introduced general product safety legislation to protect consumers' health and safety. The horizontal scope of the legislation laid down in the General Product Safety Directive, GPSD (2001/95/EC) means that all products are covered unless specific legislation has been drawn up for a particular product.***

- ***Italy has implemented EU legislation on product safety into national law.***

Non-Legislation Standards

International consumer health label: Öko-Tex for textiles

Öko-Tex 100 is one of the most well known and applied labels for textile products guaranteeing product safety. Its requirements regarding the use of chemicals is leading in the garment sector. It is therefore important to be aware of the conten of this label. The market impact of the Öko-Tex label is growing; an increasing amount of EU buyers is requesting compliance with this label.

International management system: ISO 14001 on environment

ISO 14001:2000 is by far the most widely used environmental management system worldwide. The ISO 14001 standard can be implemented in all kinds of companies and organisations, regardless of size, public or private and sector. (also referred to as ISO 14000).

Environmental impacts

- The raw hides and skins are subject to a large number of treatments. Many of these processes are wet processes, which means that water is used as a vehicle to introduce chemicals into and remove chemicals from the hide.

- The effluents contain high amounts of dissolved and suspended organic and inorganic compounds. Generally, for producing 1000 kilograms of leather, 700 kg waste and 1000 kg chrome containing sludge is produced

Environmental impacts

This 700 kg results from the following steps:

- Trimmings 120 kg
- Fleshings 70-230 kg
- Chrome shavings 99 kg
- Chrome split waste 115 kg
- Buffing dust 2 kg
- Finished trimmings 32 kg
- Solids in treatment sludge 120 kg

- **Total 558-708 kg**

Environmental impacts

- MET matrix is a relatively simple method of listing environmental impacts that should be taken into account. The MET matrix gives a quick overview of environmental problems.

Process step	Material	Energy	(Toxic) emissions
Storage	Skins/hides (1000 kg), NaCl (300-500 kg)		NaCl (50-100 kg)
Soaking	NaOH (1.6-16 kg), wetting agent (4-16 kg), bactericides, water (3000-10,000 kg)		Saline liquors (3000-10,000 kg), organic waste
Unhairing and liming	Lime (20-100kg), sulphide (10-40 kg), water (2000-4000 kg)		Alkaline waste water (3000 kg), hydrogen sulphide, fat, calcium, hair, lime, organic matter containing sludge, proteins
Fleshing	Water		Limed fleshings, water, sulphides
Deliming and bating	Acids (10-25 kg), bating agents (0.5-7 kg), water (500-1000 kg)		Alkaline waste waters (1000 kg), ammonia, calcium salts, proteins
Pickling	NaCl, acids (50-100 kg), fungicides (0.1 kg), water (400-700 kg)		Brine and acidic waters (300-500 kg)

Process step	Material	Energy	(Toxic) emissions
Chrome tanning	Chrome salts (80-200 kg), masking agents (1-5 kg), basifying agents (10 kg), fungicide (1kg), water (800-900 kg)		Acidic wastewater containing Cr^{3+} (1000 kg)
Vegetable tanning	Acids (20-50 kg), tanning extract (150-400 kg), water (1000-2000 kg)		Wastewater containing tanning extracts (1000-2000 kg)
Wringing			Waste water
Splitting and shaving			Press liquors, shavings containing Cr
Re-tanning, dyeing and fat-liquoring	Tanning agents (20-30 kg), dyes and acids (10-60kg), vegetable oils (30-100 kg), water (1000-6000 kg)		Acidic wastewater, chrome, dyes, fats, salts
Drying	Water	Drying machine	Vapour
Finishing	Surface coatings, organic solvents		Solvent vapours (VOCs)

Occupational health and safety: Leather industry

In case of the leather industry, measures will mainly be targeted at preventing hazards through chemicals and keeping exposure to dust as low as possible. Chemicals used for several process steps, with tanning being a very important one, can cause disability, illness and on the long-term death.

Occupational health and safety: Leather industry

In order to avoid accidents and unhealthy environments, managers should give high priority to:

- Reducing the frequency of accidents by good plant design and good operational control;
- Minimising the consequences if they occur by appropriate plant design and procedures, but
- in addition a predetermined set of emergency plans for personnel.
- Be aware of the possible origin of accidents

Occupational health and safety: Leather industry

Good-housekeeping

- Good-housekeeping measures are general measures within the company organising issues as occupational health and safety and also environment. These measures often are not very complex, but rather basic and therefore important. Good-housekeeping is about reducing and preventing accidents and injuries by organising the company, especially the work floor.

Occupational health and safety: Leather industry

Good-housekeeping

- Measures will vary from training employees on possible hazards associated with the materials they work with, handling machines, using adequate protective gear, reducing spillages by putting down working procedures to keeping the work floor clean and tidy.
- There are several inputs needed ranging from commitment of the management, involvement of employees and an organised approach.

Occupational health and safety: Leather industry

The following issues should be taken into account:

- Is the management of the company explicitly committed to the continuous improvement of the health and safety situation?
- Is there a safety / medical officer (full time or part time) in charge of health and safety affairs?
- Is there a programme for continuous improvement of working conditions and procedures in the area of health and safety?

Occupational health and safety: Leather industry

…The following issues should be taken into account:

- Are operators and other employees actively involved in those programmes?
- Does the company provide health and safety training and instructions to all relevant personnel, especially the workers dealing with dangerous machinery and / or hazardous chemicals (introductory and on-going)?
- Is there a good co-operation with labour and safety inspections and reviews?
- Is there a regular analysis of risks (e.g., once a year)?

Occupational health and safety: Leather industry

Check the health and safety situation

Please look at the following points of attention:

- Does the company keep record of the sick leave rates?
- Are sick leave rates compared to peer companies?
- Is there an overview of the quantity and nature of accidents?
- Are accidents investigated and reported with a view to improve health and safety?
- What is the estimated job rotation among operators?
- How does this compare to other companies in the sector?

Occupational health and safety: Leather industry

…Check the health and safety situation

Please look at the following points of attention:

- Is there a planned effort to minimize the consequences if accidents occur?
- Is there an emergency plan?
- Does the company organize emergency drills?
- Is information on possible hazards and risks disseminated to workers?
- Is smoking prohibited at the production facility?
- Are the workers sufficiently equipped with protective gear, such as rubber gloves,
- inhalation masks, overalls, safety shoes, helmets, protective glasses, etc.?

EU buyers’ requirements: Benchmarking the sports footwear sector

- In the footwear sector companies are focusing on environmental and social progress as a shared responsibility with their supply chains partners. Most of the leading businesses in the footwear industry have developed their own codes of conduct with minimum environmental and social standards for suppliers and subcontractors.

EU buyers' requirements: Benchmarking the sports footwear sector

Policies by footwear companies

- According to the intended use, footwear is divided to the following product groups: sports, leisure, classic and outdoor. In contrast to others footwear companies the sports footwear industry is characterised by many large companies and globally marketed brands, such as Nike, Reebok, Puma and Adidas. Many of these have developed their own codes of conduct where issues concerning environment, working conditions and social rights are included. These basic requirements often reach further than the company and its subsidiaries, and are thus also relevant for suppliers.

International ILO standards on working conditions

- Most EU buyers' requirements on social issues such as a minimum of working conditions are based on the Conventions on international labour standards of the International Labour Organisation (ILO). The ILO has established a worldwide basis for social criteria that are used in international trade.

International ILO standards on working conditions

- At present, more and more EU buyers have adjusted their buying criteria, making them in line with labour standards established by the Conventions. It is very likely that an EU buyer will demand the exporter from a developing country to meet the labour conditions set by a particular ILO Convention (e.g. the Conventions on the right to union membership, the elimination of forced labour, the elimination of discrimination, and the Convention on the abolition of child labour.

EU buyer's requirements: Supply chain management

- ***With European companies increasingly looking to outsource the production of their products to cost-competitive countries the guarantee of quality standards, transparency and traceability in the whole supply chain has become an increasingly important market access requirement. Supply chain management is including the whole production process from supplier to manufacturer to wholesaler to retailer to consumer. In other words, being aware of every step a product travels from scratch to the final consumer.***

EU buyer’s requirements: Supply chain management

Examples:

- A producer of a garment, selling to the EU, complies with the EU legislative requirement of the ban of certain azo-dyes when he makes sure that the fabric he buys to make his garment is azo-free. The producer passes the azo-free requirement on to his supplier and has to communicate in his contacts with the EU buyer that the garment is azo -free.

EU buyer's requirements: Supply chain management

Examples:

- A manufacturer of paint, selling to the EU, might get the request from his EU buyer to hand over a list of used chemical substances and their volumes. The EU buyer needs this information to comply with the EU Regulation REACH.

- A producer of electronic components selling to the EU is not required to CE mark his component according the EU legislation. However, the EU buyer who will manufacture the final electronic might request certain CE requirements in order to CE mark the final product.

EU market opportunities: the use of natural dyes

Due to a growing environmental, health and social awareness of European buyers and consumers, in many Western countries the demand for sustainable materials, products and services is increasing. As a result the market for natural dyes is also growing.

EU market opportunities: the use of natural dyes

Market impact

- The EU imports of natural dyes has increased at a rate of 3% between 2002 and 2007. In comparison, imports of synthetic dyes decreased by 2% per year. The share of natural dyes of the total imported dyes therefore has increased from 5% to 6%. This can be explained by the increased demand for ‘green’ products. Most large industrial textile producers and dye houses in the EU however are still reluctant to work with natural dyes and prefer to work with high quality synthetic dyes at low costs.

EU market opportunities: the use of natural dyes

Market impact

- Therefore, natural dyes are still mainly used by small-scale professionals dyers and hobbyists. It can therefore still be considered a niche market with limited market opportunities. However, with the increasing technological improvements, the market impact of natural dyes is expected to increase in coming years in both the industrial as well as the small-scale segment.

International management system: SA8000 on social accountability

SA8000, or Social Accountability 8000, is a global applied management system for companies seeking to guarantee the basic rights of their workers. SA8000 provides a voluntary workplace certification and is mainly used by Western companies ensuring their whole supply chain operates on a minimum of social standards.

International management system: SA8000 on social accountability

- **The system provides social standards that are applicable to all industries and is based on the international accepted ILO Conventions as well as requirements for a management system which ensures the implementation of these standards in business policy.**

- **The impact of this management system is growing and therefore companies should know if this standard is requested by EU market parties or whether it could be a market opportunity.**

International management system: SA8000 on social accountability

SA8000 covers the following 7 areas of accountability:

1. **Child labor: No workers under the age of 15; minimum lowered to 14 for countries operating under the ILO Convention 138 developing-country exception; remediation of any child found to be working.**

2. **Forced labor: No forced labor, including prison or debt bondage labor; no lodging of deposits or identity papers by employers or outside recruiters.**

International management system: SA8000 on social accountability

SA8000 covers the following 7 areas of accountability:

3. **Workplace safety and health: Provide a safe and healthy work environment; take steps to prevent injuries; regular health and safety worker training; system to detect threats to health and safety; access to bathrooms and potable water.**

4. **Freedom of Association and Right to Collective Bargaining: Respect the right to form and join trade unions and bargain collectively.**

International management system: SA8000 on social accountability

SA8000 covers the following 7 areas of accountability:

5. **Discrimination: No discrimination based on race, caste, origin, religion, disability, gender, sexual orientation, union or political affiliation, or age; no sexual harassment .**

6. **Discipline: No corporal punishment, mental or physical coercion or verbal abuse.**

7. **Working hours: Comply with the applicable law but, in any event, no more than 48 hours per week with at least one day off for every seven day period; voluntary overtime paid at a premium rate and not to exceed 12 hours per week on a regular basis; overtime may be mandatory if part of a collective bargaining agreement.**

PISIE

POLITECNICO INTERNAZIONALE PER LO SVILUPPO INDUSTRIALE ED ECONOMICO