

Chengdu Int'l Footwear April 21 – 25, 2014, Chengdu, China

A report by Mohamed Rafiuddin, Head – IMD, CLE



Introduction

As part of Council's Market Development efforts, Mr. Mohamed Rafiuddin, Head – IMD of CLE was nominated to visit 2014 Chengdu International Footwear Show from 21st to 25th April'14 as per invitation of the fair organiser. A brief overview of China's leather industry along with Chengdu's footwear industry and highlights of the visit of Head – IMD to Chengdu International Footwear Fair & meetings held with few footwear manufactur-

ers are provided below:

China's Leather Industry – A Snapshot

- China's leather industry, through nearly years of development, now has formed considerable scale and has realized the transition of leather products from chronic shortages of seller's market to the buyer's market, and become one of the most important industries in light industry.
- Industry is composed of small &

medium enterprises that make huge contribution to employment, with over 21,000 enterprises in leather & shoe industry, China has become the internationally acknowledged big leather production country.

- China has evolved as a leading exporter of Leather and Leather products in the world with exports reaching US\$ 47.9 billion in 2011. Footwear, luggage and bags are the products that played a key role to boost the export growth.

Data on Export of Import of Leather & Leather Products for 2013 is provided below:

Exports of Leather & Leather Products – Jan to Dec 2013					
Product Category	Units	Jan – Dec 2013		Year – on – Year (%)	
		Amount	Value (US\$)	Amount	Value
Leather Shoes	10000 Pairs	86567	12010900	3	10
Travelling Leather Cases	10000 Units	1093413	27588972	-3	9
Leather Garments	10000 Pcs	1111	627044	-9	-1
Fur Garments	10000 Pcs	275	2087846	10	28
Leather Gloves	10000 Pairs	51931	1060697	-7	5
Leather Balls	10000 Units	23366	539593	11	12
Raw Hides	10000 Tons	9	11602	17	30
Semi & Finished Leather	10000 Tons	39	454465	2	4
Components for Footwear	10000 Tons	276	2616057	-4	7
Leather & Shoe Machine	10000 Units	153	209434	126	24
Leather Machine	Ton	1856	13936	109	95
Total			47220546		

Source: Chinaleather.org

Imports of Leather & Leather Products – Jan to Dec 2013					
Product Category	Units	Jan – Dec 2013		Year – on – Year (%)	
		Amount	Value (US\$)	Amount	Value
Leather Shoes	10000 Pairs	2538	1209339	11	15
Travelling Leather Cases	10000 Units	8727	1562952	-10	4
Leather Garments	10000 Pcs	313	122173	-29	-12
Fur Garments	10000 Pcs	44	40706	44	15
Leather Gloves	10000 Pairs	3049	12783	-25	-14
Leather Balls	10000 Units	1227	6874	6	13
Raw Hides	10000 Tons	1400	3567837	10	18
Semi & Finished Leather	10000 Tons	1002	4457410	11	8
Components for Footwear	10000 Tons	15	245573	-6	-7
Leather & Shoe Machine	10000 Units	1582	42229	15	12
Leather Machine	Ton	152	6369	-10	8
Total			11274245		

Source: Chinaleather.org

Import Tariff for Leather & Leather products in China:

Product Category	Finished Leather	Saddlery & Harness	Leather Goods		Leather Garments	Footwear	Footwear Components	Non Leather Footwear
			Trunks, Bags, Suitcases	Gloves & Belts				
Import Tariff	5 to 14%	12%	6.9 to 15%	10 to 20%	10%	8.5 to 24%	9 to 15%	5 to 12%

China’s Footwear Industry

- Accounts for 65% of the global footwear industry – Women’s footwear being leading segment
- Production of Leather shoes in China still concentrates in Fujian, Zhejiang, Guangdong & Sichuan provinces
- Ladies Shoes products (Leather & PU) concentration in Sichuan province.
- Industry anticipated growing at a CAGR of around 7.5% during 2013-2017.
- Growth due to increasing income level and rising standard of living.
- Increase in domestic sales, exports growth & E-com is enhancing production.

Footwear Production (in 2012)

<ul style="list-style-type: none"> • China produced 13300 million pairs – World share of 63.1% (India produced 2194 Mn pairs – World share of 10.4%). 	
<p>Footwear Exports in 2013</p> <ul style="list-style-type: none"> • Exports 10.6 bn pairs of shoes at a total value of US\$48.1 bn • Increase of 5% in volume and of 8.5% in value compared to figures of 2012 <p>Shoes with leather uppers</p> <ul style="list-style-type: none"> • Accounted for only 8% of the total volume, at 866 mn pairs • Contributed nearly 25% of the value, with \$12 bn. • Average export price per pair of US\$ 13.85. 	<p>Footwear Imports in 2013</p> <ul style="list-style-type: none"> • Imported 55.5 mn pairs of shoes with a combined value of \$ 1.7 bn. • Increase of 10.3% in volume and of 12.4% in value. • Average price per pair of shoes was US\$ 30.63.

Source: APICCAPS & CLIA



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About Chengdu & its Footwear Industry

Chengdu is the capital of Sichuan province in Southwest China and is a major city in Western China. Chengdu is the fourth most populous city (14.4 million) in mainland China, and most populous among prefecture-level cities as well. Chengdu is one of the most important economic, transportation, and communication center in Western China.



Retail Stores in Chengdu



At the Shoe Factory



Chengdu Wujun Industrial Co. Ltd., - Shoe Exports

About the Chengdu International Footwear Show

Chengdu International Footwear Show is one of the largest exhibition & order-placing event in west China. Chengdu International Footwear Show provides the international buyers with the most direct and convenient Channel for communication and negotiations with more than 1,500 footwear enterprises.

The first edition of Chengdu International Footwear Show was successfully held from Mar. 24 to 26, 2013 at the Expo, Exhibition & Ordering Center of LSCC (Sichuan International Trade Shoe Center).

2014 Chengdu International Footwear Show was held during April 23 to 24, 2014 at the Expo, Exhibition & Ordering Center of LSCC (Sichuan International Trade Shoe Center).

About CLSC:

China Lady Shoe Center (CLSC) is located in Chengdu, China, authorized by the government. It is a footwear-specialized industry center, with the women footwear as the main characteristic.

CLSC gathers more than 80% of the footwear enterprises from Sichuan Province, within which are 1,200 direct footwear-makers and 3,000 industry-related enterprises, employing nearly 100000 people.

The whole annual production of CLSC has reached 100 million pairs, creating 5 billion RMB output value.

About SCSC

Sichuan International Trade Shoe Center (SCSC) is located in the core area of China Lady Shoe Center (CLSC), executing the Global Promotion, Systematic Service, Professional Operation, Integrated Management.

SCSC is the main window to exhibit Sichuan lady shoes to foreign buyers and is the most convenient channel to communicate and purchase for the buyers.

Highlights of the Visit

Meeting with Ms Shan Zheng & Mr. Victor, International Dept. of China Lady Shoe Center

Ms Shan and Victor provided the following information on Chengdu's footwear industry:

- Chengdu has around 1400 factories (both large & small) manufacturing ladies shoes and around 10 companies manufacture men's shoes. Around 700 factories exports shoes to USA/Europe/ Russia / Spain/ Ukraine/Belarus.
- The ladies shoes manufactured in Chengdu are of both leather (45%) and PU material (55%) and most of the manufacturers are keen to export shoes made of PU due to mire flexibility and ease in design of shoes made of PU.

Visit to Chengdu Wujun Industrial Co. Ltd

A meeting was held with Mr.Wang Lu, Vice G.Manager & later factory visit was done. Mr. Wang informed us that

- The factory manufacturer's both ladies and men's shoes made of leather. 5000 pairs per day of ladies shoes and 1800 pairs per day of men's shoes are manufactured in this factory.
- Focus is on exports only and does exports to US, Europe and Russia and imports finished leather from India and Italy.
- Increasing cost (average salary of worker is 4000 Renminbi) in production and low profitability are the major concerns and hence have not been able to expand to other markets.

Visit to Chengdu Duomini Shoes Co. Ltd

A meeting was held with Mr.Deng, R&D Manger, who informed us that

- The factory manufacturer's only ladies shoes. The factory manufacturers 6000 pairs per day out of which 2000 pairs per day is shoes having PU material and rest is of leather.
- They have two factories, one for large volume and other for small order. The company is focus on exports only and countries they export are Russia, Europe, Turkey, USA, Poland and Denmark.
- Though they are issues on rising cost of labour, they are able to manage.
- The boots made of PU (long) are priced around 130 Renminbi, small boots made of PU are prices around 100 Renminbi. Leather shoes are priced from 200-300 Renminbi for order size of 1000-2000 pairs (one type/one colour).
- The company wants to exports its shoes to India and wants a mutual cooperation with India going forward.



Mr. Md. Rafiuddin, Head - IMD,CLE (right) with organisers of Chengdu Fair



Visit of Aiminer International factory in Chengdu,

Ms. Niki of the factory informed us the following.

- Established in 1996, the group has three factories manufacturing ladies shoes (both leather & PU). Manufacturer's 1.2 million pairs per year. Group has focus on both domestic and international market.
- Has their own brands called 'Anastar' and 'Scheme'. Anastar a 3 year old brand targets young girls and is for domestic market. There are 07 exclusive Anastar showrooms in China. Scheme a 06 year old brand targets middle and high end segment especially for overseas North & South Europe, US, Russia. Scheme products are positioned for the rich women and have price points ranging from US\$ 500 to US\$ 2000. Group manufactures 30000 pairs / year of Anastar shoes and 10000 pairs of Scheme and rest for other overseas brands.
- Manufacturers 70000 pairs / year for Daniellee (Italian brand) and 100000 pairs / year for Marco (A Belarus brand)
- On Design of footwear, they design for their own brands and also undertake designing for other makes as well.
- As the CIS markets are not doing well, Group's focus is on Europe and has plans to open its own showroom in Paris.
- Availability & quality of finished leather is a major concern for the firm and are keen to import finished leather from India.

Meeting with Mr.Peng, President, China Lady Shoe Centre & Head of organizing committee of Chengdu International Footwear Show.



During the discussions, Mr.Peng had asked the following questions.

- 1.What are the products manufactured in India?
- 2.Tell me about the Council for Leather Exports?
- 3.For the above questions, Head-IMD had provided the answers to the satisfaction level of Mr.Peng.

Mr.Peng informed that Chengdu is famous for footwear & furniture manufacturing. On the footwear sector, industry was producing 300 million pairs of ladies shoes every year. Though there are issues in rise in labor cost, the industry is able to address this challenge and is growing.

On the footwear show, he informed that over 100 buyers had visited the 2013 edition of the fair and was expecting a better result for the 2014 footwear show. He informed that industry was producing 300 million

pairs of ladies shoes every year and the industry is growing.

As an option along with footwear, Mr.Peng felt that finished leather which is in demand can also be included as a product category for display in the future edition of the footwear show. Mr.Peng was keen to visit India if invited to explore further business opportunities between India and China.

Highlights of Chengdu International Footwear Show.

The show was inaugurated by senior officials of Chengdu Economic & Information Commission, Govt. of Wuhou district, Sichuan Quarantine Bureau, Chengdu Municipal Bureau of Commerce and Sichuan Chamber of Commerce for footwear import & export. As the exports were down to Russia, 2014 footwear show was focused on Russian market.





Opening Ceremony of the fair

The fair was open for the buyers and other business visitors to visit the stall of 68 footwear companies.

- All the 68 exhibitors were local manufacturers and exporters of ladies footwear from Chengdu.
- Though the organizing committee invited 300 buyers (both overseas and domestic), around 40 overseas buyers turned up for the event on the first day of the event. Most of the overseas buyers were from Russia, few from UK, few from Ukraine and few from countries like France. There were few buyers from Guangzhou region as well.
- Most of the buyers especially from Russia did not visit all the stalls, most of the Russian buyers left for the local factory visit around Chengdu, when checked with organizing committee on low attendance of buyers, the organizing committee official informed that the invitation for fair was one of the reasons to call Russian buyers.
- Around 70% of exhibitors had displayed shoes made of PU and around 70% had displayed shoes made of leather.
- The exhibitors had similar models of footwear (long boots & small boots) targeting Russian and Ukraine market.
- Other than the overseas buyers invited by the organizing committee, we could see any potential Chinese buyers.
- Leather shoes exporters were keen to source leather from India as

leather in China was expensive and of low quality.

- There were hardly any visitors on the second day of the show, only few buyers from UK & France turned up.



Ladies Shoe Display Centre of Duomini Shoes



Russian and local buyers at the fair

- Most of the exhibitors felt that 2013 edition of Footwear show was much better than the 2014 edition and few of them expressed their disappointment on the very low attendance of the buyers/ business visitors.
- Most of them had reservations on attending the 2015 edition of Chengdu footwear show.
 - Overall the 2nd day was not fruitful for the exhibitors.

Visit to Chengdu Robelan Footwear Co. Ltd,

During meeting with Ms.Adele-DGM, the following information was provided.

- The factory manufactures 45000 pair / day with 3 production lines. 99% of the production is of leather shoes.
- Most of the leather is imported(90%) from Indian, Bangladesh

& Pakistan and remaining sourced from China.

- Exports to Europe (Germany), USA and is looking for new markets. Has own designers based in Guangdong.
- Manufactures for the brands like Nine west, Tamaris, New balance etc. In future wants to create own brand for exports.
- For domestic market their brand is Robelan, one factory manufacturers only for exports & other for local market.
- Minimum order quantity accepted for exports is 2000 pairs per style for small lines and 5000 pairs per style for large lines.



Dormitory at Robelan Shoes Factory

Visit to Chengdu Jingding Cheng Shoes Co. Ltd,

Ms. Liancheng Qiu, GM provided the following information.

- Company manufactures 1200 pairs of ladies shoes per day (handmade). Produces only leather shoes.
- Has its own brand called Classica and has 04 in house designers. They do both design for own brand and also for clients.
- Finished leather is imported from Indian through Hong Kong. Has an agent which through whom they supply to Russia & Ukraine markets. They do not want to be in the domestic market.
- All shoes are handmade. Price for normal formal shoes is 150 Renminbi, small boots is 240 Rn, large boot is 350 Rn.
- Minimum order quantity for exports is 1200 pairs for small boots and 300 pairs for long boots.

Visit to Ding Yuan Shoes factory

Mr.Liang Shang Fu of the factory informed the following.

- They have 500 production line manufacturing 3000 pairs of shoes per day, produces both PU(60%) and Leather (40%). 50% of the finished leather required is imported from Italy and Turkey and rest is sourced locally from Guangzhou.
- Company does 100% exports. Exports to Russia, Ukraine and has own brand called Cheers. Sales have been on flat growth and are looking for new clients. 50% of the finished leather required is imported from Italy and Turkey.
- Minimum order quantity for exports is 1000 pairs per style(new design). After order confirmation, takes two months time to 'Design-Sample-Production-Delivery (local port in China)'. Company has in house designers who do designing for themselves and other clients as well. Company is keen to import finished leather from India.

Visit to Changdu South Cheng Dilice footwear factory

Mr.Fu of the factory informed us the following.

- Company has two factories, manufactures 10000 pairs of ladies shoes per day, has 4 lines of production manufacturing PU(100%) shoes. 50% is for exports and 50% for domestic market. Exports to Europe, USA, UK, Russia & Turkey.
- Has own brand called Dimsi and also manufacturers for other brands, has 07 in house designers. Sales are on rise and plans to enter into manufacture of leather shoes as well. Minimum order quantity required for exports is 1000 pairs per colour or type. After order confirmation, takes 45 days to 'Design-Sample-Production-Delivery (local port in China)'.
 - R&D on manufacturing being done by themselves, they buy new design/copy the Int's design & produce for local market.
 - Present focus on domestic market and future plans are to have 06 pro-

duction lines and produce 1.8 million pairs per year of ladies shoes and hence look for new overseas market especially India.

- Rising labour cost is a concern and if environment is conducive & viable are willing to look for setting up factory in India.



Conclusion:

Chengdu Footwear show being a new fair (2014 being the 2nd edition) has been able to attract very few overseas buyers and for the fair to have exhibitors from India, organizers need to attract large number of Chinese buyers of finished products.

As there was Canton Fair going on at the same time, the dates of 2014 Chengdu fair were not suitable for many buyers and hence relook on dates are being considered by the organizing committee for the future editions.

Organizing Committee of Chengdu fair is keen to have exhibitors of Leather goods & finished leather also in the future fair as there is a growing demand of finished leather & leather goods from the local enterprises and domestic market.

Chengdu's footwear industry having ladies shoes as main characteristic, is growing steadily. With 90% of the enterprises doing exports, rise in demand for PU & Leather shoes in markets of CIS, Europe, USA attributed to growth of the industry.

To tap this important market, a BSM for finished products and finished leather could be organized in cooperation with organizing committee of China Lady Shoe Centre (CLSC). CLSC could be considered as a marketing agency for this event.