

Can México Compete in the Global Footwear Market Dominated by China?

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2-SP02-10-101

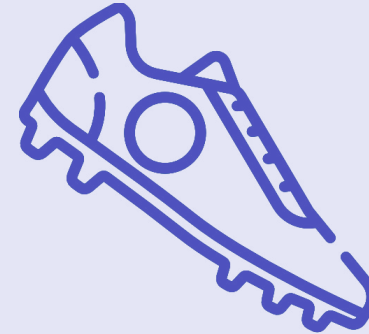
Publication date: December 17, 2024

Last review: December 17, 2024

THE FOOTWEAR INDUSTRY

Shoes have been used for millennia to protect the feet, and more recently, as decoration or fashion items. The earliest forms of footwear were made from bark, twine, and other natural materials. While the first leather shoes originated over 5,000 years ago, nowadays, many modern-day shoes are still made from leather. The modern shoe making process evolved from a traditional craft into a multibillion-dollar market with a myriad of materials, styles, and purposes. (Solescience, 2020). It is thus that the footwear industry is one of the rapidly expanding industries globally.

Images. Good Ware and Freepik in Flaticon, 2022.



PRODUCT TYPE

THE INDUSTRY CAN BE SEGMENTED IN DIFFERENT WAYS:

Athletic footwear

- Primarily used for activities involving physical effort and exercise.
- These footwears are robust and include running and cross training shoes, golf, basketball, hiking, and baseball shoes, among others.

Non-athletic footwear

- Includes casual footwear, boots, and sandals, among others.
- This segment holds the largest share of the total footwear market.



DEMOGRAPHICS

Men's footwear

Women's footwear

- This segment dominates the market due to the high demand of fashionable footwear among women.

Kids' footwear



MATERIAL

Leather footwear

- These are the premium products and they hold the major share of the global footwear market. (SRI Global Market Research, 2021).

Non-leather footwear



ANOTHER WAY THE INDUSTRY CAN BE SEGMENTED:



Sneakers

This segment refers to the so-called “athleisure” footwear, in example, everyday footwear with an athletic appearance, where fashion aspects outweigh functional ones.



Leather footwear

Includes town footwear, boots, sandals, and clogs with leather uppers for women, men, and children. Not included are work and safety shoes.



Textile and other footwear

Include models that are either not made of leather, and/or cannot be deemed as athletic footwear. Town footwear with textile, rubber, or plastic uppers as well as rubber boots, flip-flops, and wooden clogs fall into this category. (Statista, 2022).



Athletic footwear

Includes shoes specifically designed for sports purposes (e.g., soccer, tennis, basketball, etc.).



Video. **How was it made? The Art of Shoe Making.**
Source. **Museum V&A. (24 de junio 2015).**

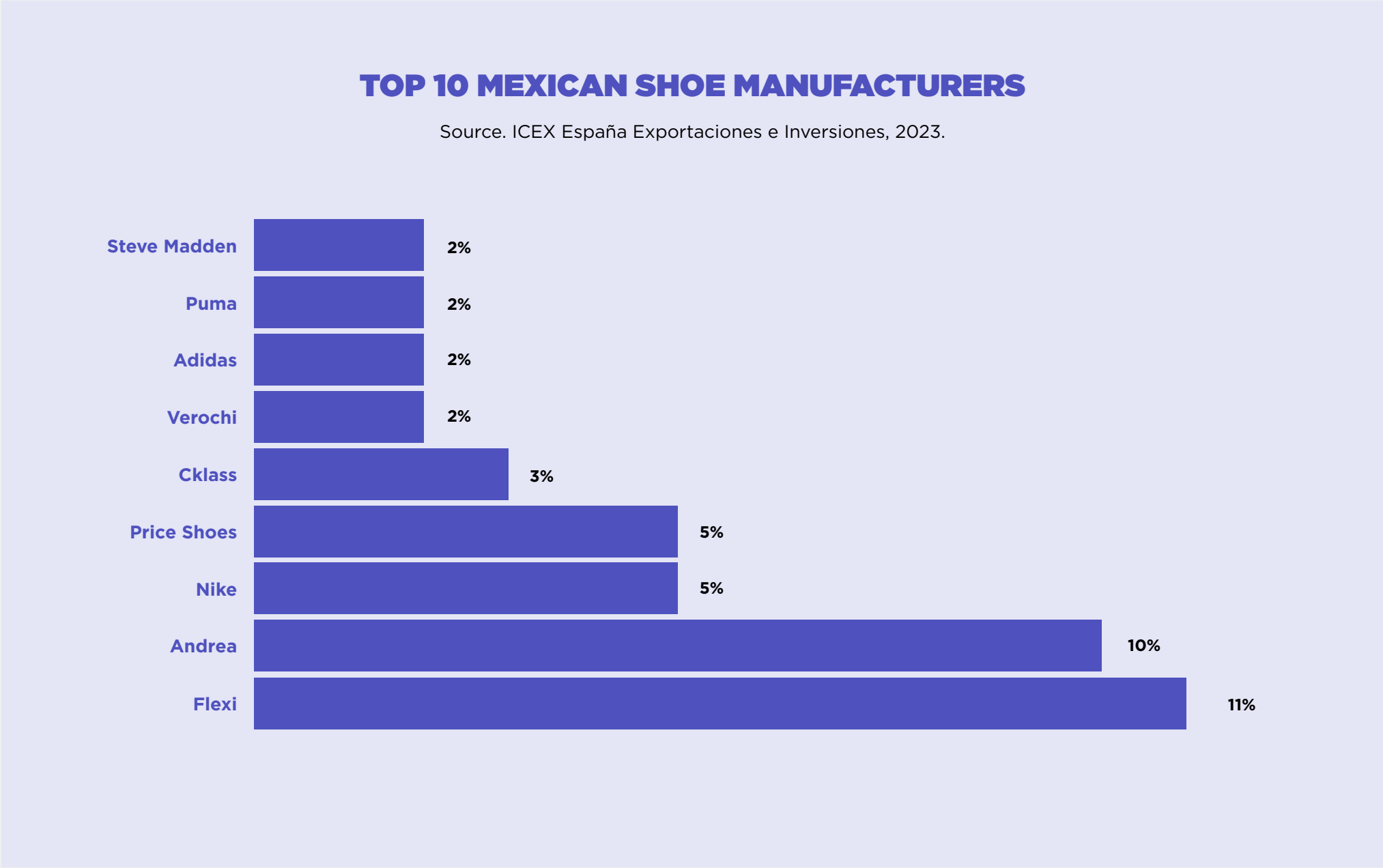
FOOTWEAR SECTOR IN MEXICO

The shoe industry is one of the oldest in Mexico. The first data known about this industry dates back to the 17th century. Since then, the city of Leon, Guanajuato, has stood out as a cluster for this footwear expertise.

Until 1941, 47.37% of the working population of Guanajuato was employed in this activity, and up to 1,315 establishments were engaged in its production. (Cosmos, 2022). Nowadays, the footwear production is mainly concentrated in three states: Guanajuato, Jalisco, and Mexico City's metropolitan area. (ICEX, 2020). The industry

in Mexico has become highly fragmented, where 95% of the economic units belong to small and medium-sized enterprises, most

of them family owned. By 2019, in Mexico there were 9,536 businesses related to shoe production.



The four most crucial enterprises are Flexi S.A. de C.V., Fábricas de Calzado Andrea S.A. de C.V., Nike, and Price Shoes S.A. de C.V., which together account for 31% of the total shoe production in the country. In 2022, Mexican footwear production reached 200 million pairs of shoes (ICEX, 2023). Due to a 25% increase in Chinese footwear imports in the first half of 2004, the Mexican industry faced a crisis. According to the Guanajuato Chamber of Footwear Industry, more than 150 enterprises closed their operations, including those belonging to Calzado Andrea and Flexi (AMPV, 2014, para. 1-3). To combat unfair Chinese competition, the Ministry of Economy imposed anti-dumping duties ranging from 12% to nearly 18% on various types of boots and sandals imported to Mexico (Hernandez, 2024, para. 5-7).

The most popular footwear produced in Mexico includes leather and leather upper footwear, fabric footwear, and plastic footwear. In terms of distribution, Mexican footwear is primarily sold through specialized stores (38.4%), department stores (17.8%), and direct sales channels (15.4%) (ICEX, 2020). In 2023, Mexico's shoe exports accounted for 960.8 billion US dollars. The exports are highly concentrated in North America (91.6%, particularly in the US market), followed by Central American markets (4.9%). The participation of other regions is insignificant (International Trade Center, 2024a).

Image. Gpointstudio en Freepik, 2024.



According to INEGI, 90% of total production was distributed within the country, with the average Mexican consuming 2.3 pairs of shoes per year (ICEX, 2023).



GLOBAL FOOTWEAR PLAYERS

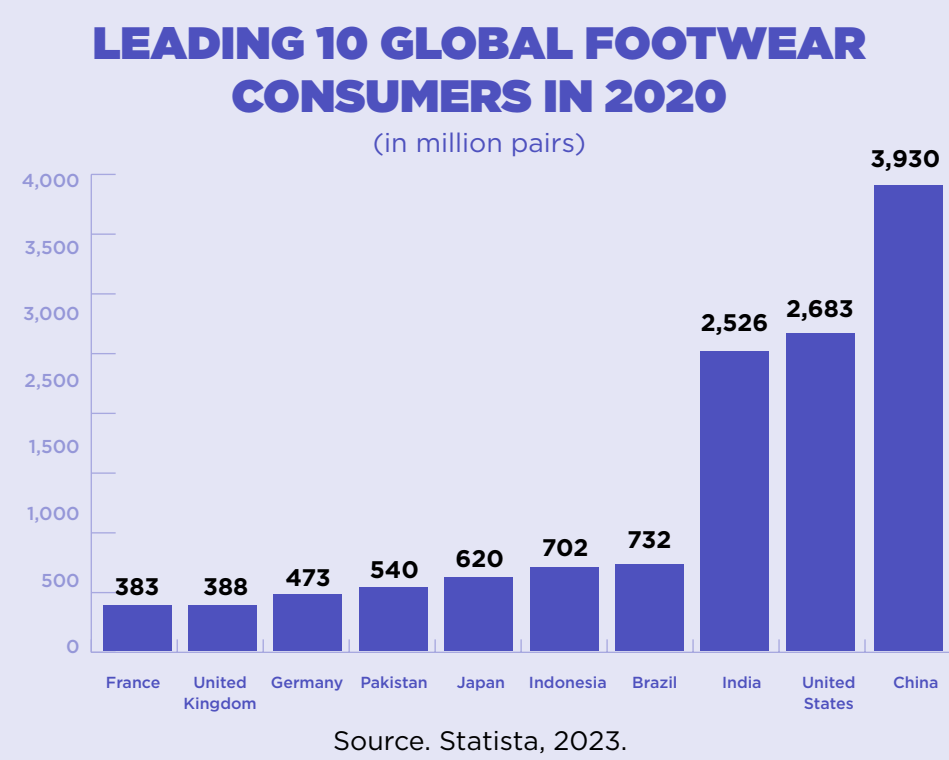
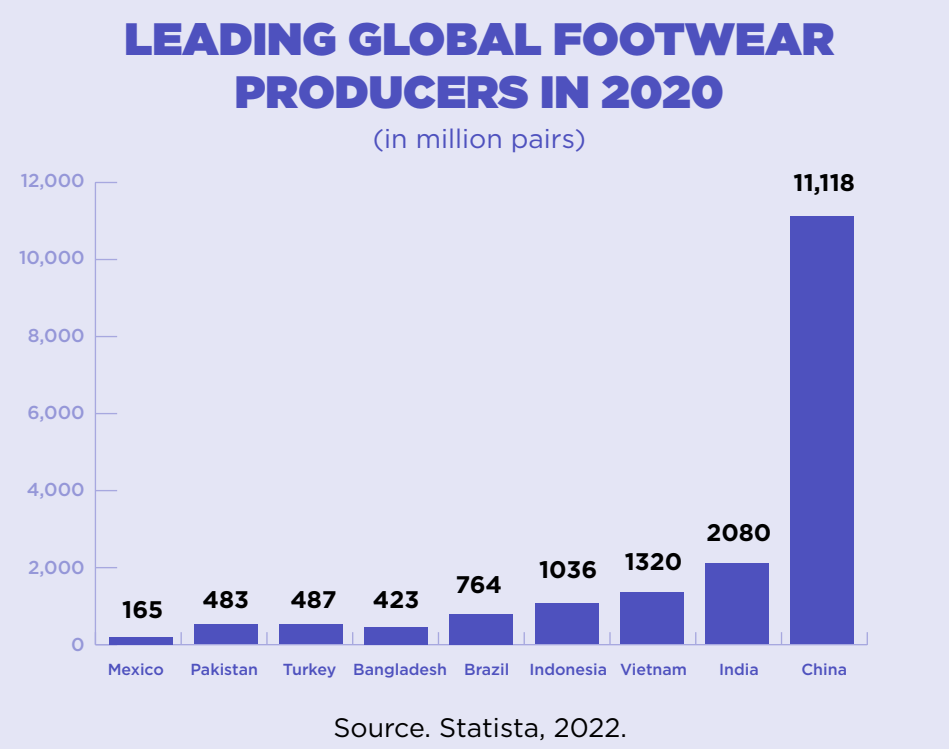
Footwear manufacturing is heavily concentrated in Asia. Approximately, nine out of ten pairs of shoes are produced there. Globally, China has been the largest producer of footwear for the last seven years, followed by India, Vietnam, Indonesia, and Brazil, while Mexico ranks tenth on that list. In 2020, Asia accounted for 87.6% of the global footwear production, Europe accounted for 3.2%, Africa 3.1%, North America 1.5%, and South America 4.6% (SRI Global Market Research, 2021).

Four of the five leading shoe producers are at the same time the principal footwear consumers. In 2020, China, India, Indonesia, and Brazil concentrated almost 40% of global shoes consumption. The United States still remains as an important consumer of these

goods although its consumption fell below 10% of global consumption for the first time in 2020. (SRI Global Market Research, 2021).

As far as exports are concerned, there are only three main footwear manufacturers: China, Vietnam and Indonesia, among top 10 exporting countries in 2021. The remaining positions are held by European countries: Italy, Germany, Belgium, France, Netherlands, Spain, and Poland. (International Trade Center, 2024b).

In footwear imports, the United States tops the list accounting for about 17% of total sales. Other major importers, except for China, are concentrated in developed countries, mainly in Europe and Asia. (International Trade Center, 2024c).



TRENDS FOR FUTURE

There are three main future trends of the footwear industry. First, the importance of emerging markets, not only as manufacturers but also as consumers, is growing rapidly. The share of Europe and North America worldwide consumer spending on clothing and footwear is falling from 55% in 2015 to 43% in 2025. This indicates a strong impetus for producers and retailers to diversify their geographic footprint to sustain further growth.

A second key trend defining the outlook of the global footwear industry is the demographic shift that is affecting many countries. People of 55 years and older are the fastest-growing demographic group in those countries. This kind of consumer will be looking for comfortable, even orthopedic shoes.

In the last few years the footwear sector has been facing rising labor costs in China, as a consequence, many footwear manufacturers have shifted their production to other countries in Southeast Asia, like Vietnam or Indonesia, which offer lower hourly wages. (Statista, 2022).



Image: Shvets Production in Pexels, 2022.

People of 55 years and older will constitute a majority within the next ten years, and as they wear footwear less for fashion, overall volume demand will likely be flat.

THE DECISION

The footwear sector also faces some challenges. Counterfeit products are the biggest one, as they are hampering the brand image by offering sub-standard products to consumers. Increasing prices of raw materials such as leathers, and difficulty in acquiring this raw material is another challenging factor.

While the constantly changing fashion preference inspires innovation, it is also a concern for the manufacturers. It is a tough task for manufacturers to continuously innovate as well as to remain competitive.

Finally, the COVID-19 pandemic adversely affected the shoe sector. Consumer spending on footwear fell globally, as people across the globe have spent a large part of the year indoors. More demand for more practical and comfortable styles, along with flip-flops and running shoes, has been reported over the past year. (SRI Global Market Research, 2021).

- Which are the competitive advantages of the Mexican footwear industry?
- Can the Mexican footwear industry be considered internationally competitive?
- Which are the best markets to diversify Mexican footwear exports?
- In which types of shoes should Mexico concentrate its exports?



Footwear Industry

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