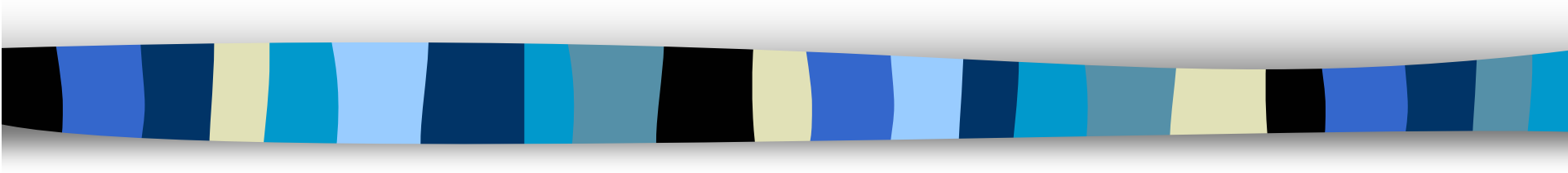


# Strategy and Action Plan to Enhance the Competitiveness of the Footwear Industry in Jordan



**Terry McCallin**  
**Senior Footwear Expert**

**Tamam Mango**  
**Competitiveness Team**

**Project No. JOR/B7-4100/1B/99/0189**

# Global Consumption

Global  
Overview

In 2002 → 12.5 Billion Pairs

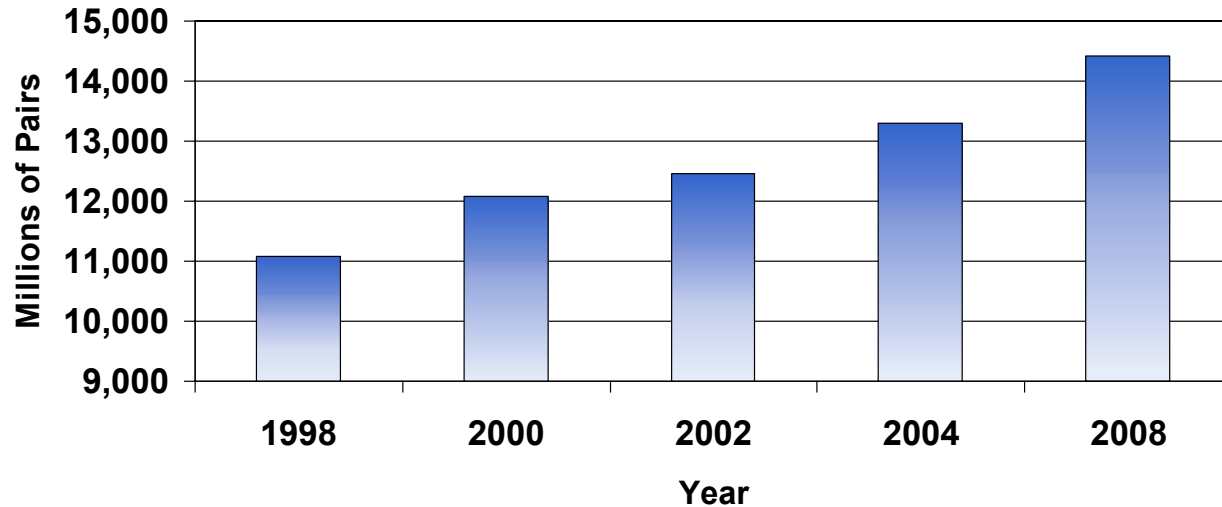
In 2008 → 14.4 Billion Pairs

Domestic  
Industry

Strategy

Action  
Plan

Global Consumption



# Global Consumption

Global  
Overview

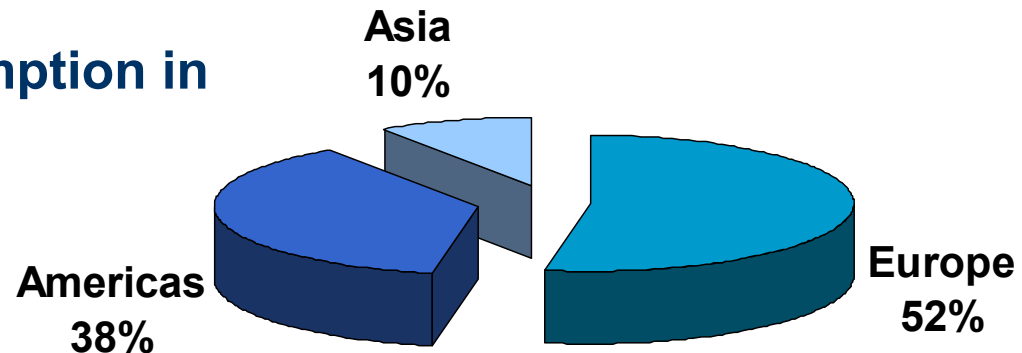
**Biggest consumers in number of pairs will be:**

Asia (all)	6.5 billion pairs (45.1%)
Americas	3.6 billion pairs (25.0%)
Europe (all)	2.9 billion pairs (20.1%)

Domestic  
Industry

Strategy

**Dollar Consumption in  
2003:**



Action  
Plan



# Global Consumption

Global  
Overview

Domestic  
Industry

Strategy

Action  
Plan

Country	Consumption – Millions of Pairs	Population Millions	Pairs per Person per Year (per capita)
USA	1,939.7	290.3	6.68
Japan	584.4	127.2	4.60
EU(15)	1,666.5	380.2	4.38
Brazil	483.0	182.0	2.68
Thailand	144.4	64.3	2.25
Mexico	180.4	104.9	1.72
China	2,768.7	1,286.9	1.71
India	1,687.0	1,049.7	1.61
Indonesia	350.0	234.9	1.49

# Global Consumption

Global  
Overview

Domestic  
Industry

Strategy

Action  
Plan

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<b>Jordan</b>	<b>7.3</b>	<b>5.4</b>	<b>1.35</b>

# Global Supply

Global  
Overview

Domestic  
Industry

Strategy

Action  
Plan

Country	Type	Production Pairs	Export Pairs	Average Export Price
China	Synthetic/ Sports	6.9 billion	4.3 billion	\$2.50
Indonesia	Sports	1.7 billion	160 million	\$7-8
India	Leather	750 million	66 million	\$10-12
Brazil	Leather	642 million	164 million	\$8-10
Italy	Leather	330 million	320 million	\$22-25
Romania*	Leather	64 million	44 million	\$12-18

•2000

# Global Supply

Global  
Overview

Domestic  
Industry

Strategy

Action  
Plan

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Romania*	Leather	64 million	44 million	\$12-18
Jordan**	Leather/ Synthetic	2.2 million	0.41 million	\$6.50

•2000, \*\* 2003

# Study Structure

Global  
Overview

Domestic  
Industry

Strategy

Action  
Plan

- 13 Enterprises visited, 11 were shoe manufacturers
- 8 were conventional mechanised shoe factories
- 2 were all plastic shoe injection moulders
- 1 was a workshop under development.
- The factories were operating at between 0% to 50% of installed capacity



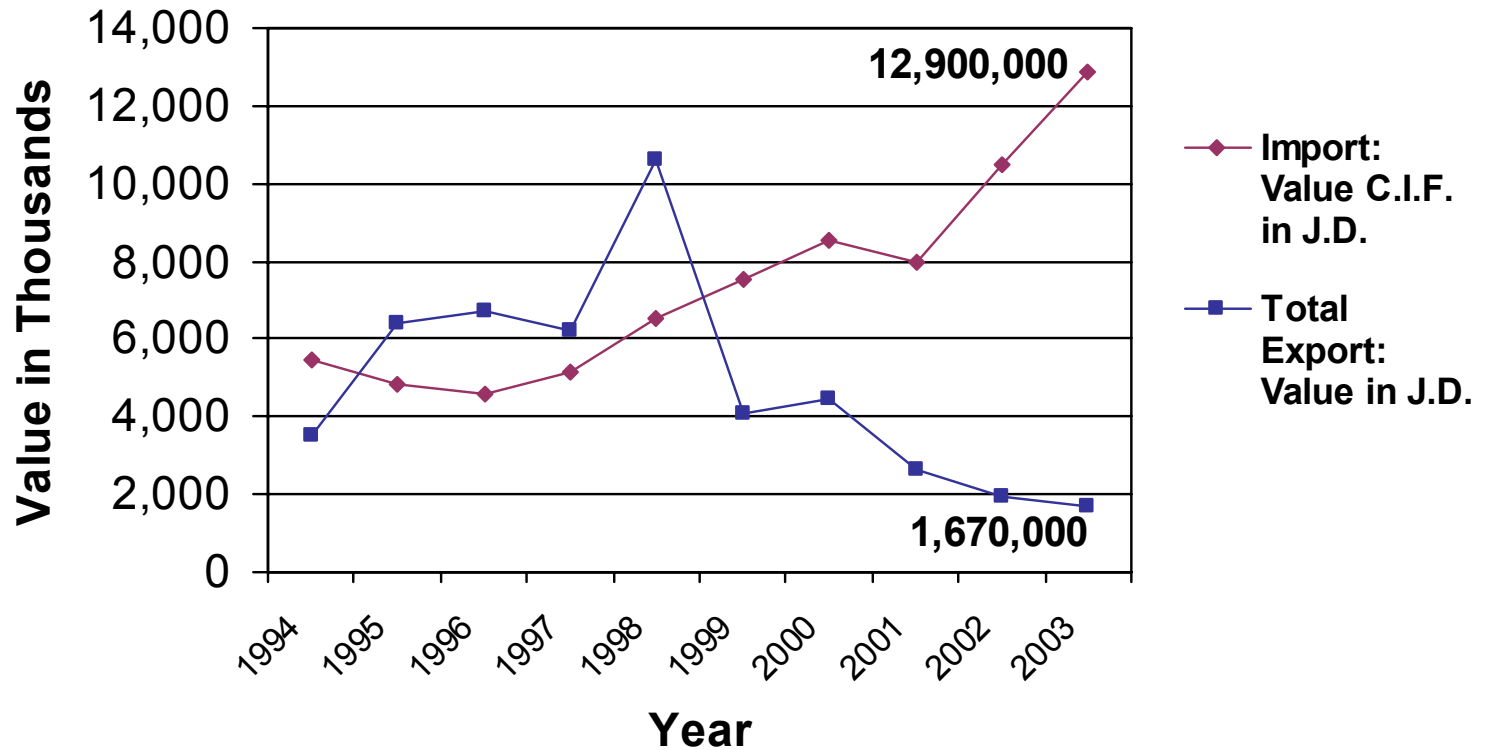
# Jordanian Market

Global  
Overview

Domestic  
Industry

Strategy

Action  
Plan



Source: Department of Statistics

# Local Market Description

Global  
Overview

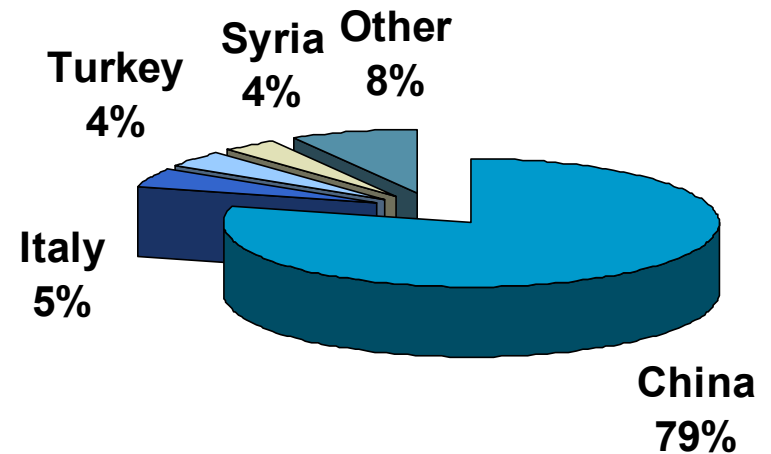
Domestic  
Industry

Strategy

Action  
Plan

- Saturated with synthetic imported Chinese shoes

- low quality - problems in wear
- not value for money
- similar styling & pricing in most shops
- look good and are fashionable
- prices range from JD5 to JD15 / pair



Imports by Country

- Some high end shops selling imported leather shoes

# Local Market Size

Global  
Overview

Domestic  
Industry

Strategy

Action  
Plan

- Statistics available from DOS in JD, better indication is PAIRS
- Estimation done using:
  - DOS values in JD
  - Average CIF prices in JD
  - Market share based on price points
  - Total population



# Local Market Size

Global  
Overview

2003 Market = 6,366,725 to 8,297,370 pairs per year

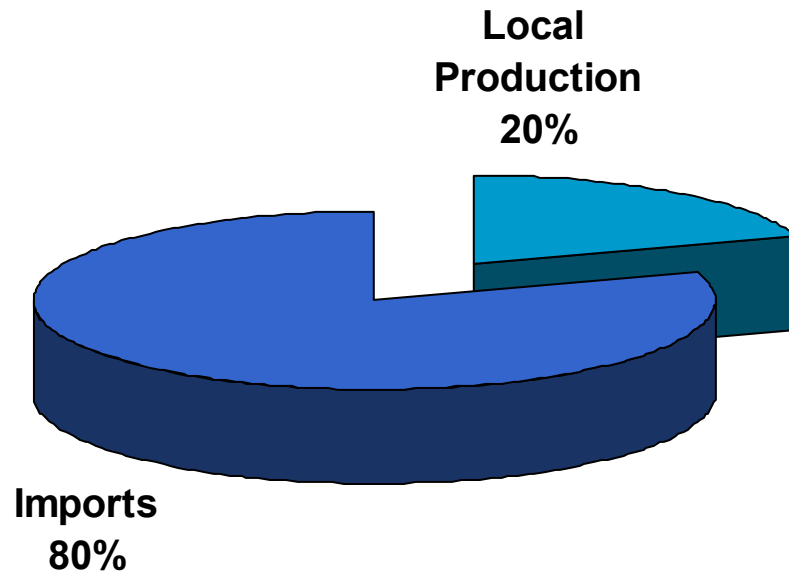
Domestic  
Industry

Local manufacturers Jordanian market share = 1,749,236 pairs

Strategy

Local Manufacturers'  
Market Share

Action  
Plan



# Local Shoe Companies: Observations

## Global Overview

- Some problems with technology - shoe engineering
- Costing and material control systems need upgrading

## Domestic Industry

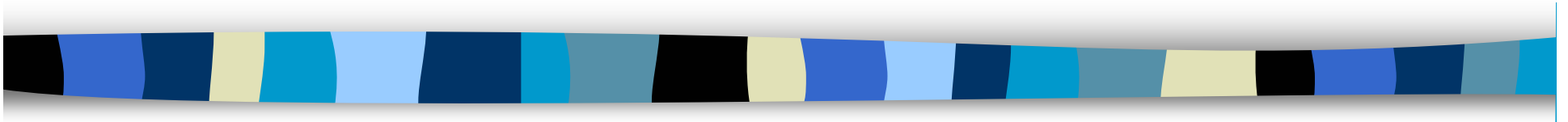
- Workshop management needs modernising
- Stitching of uppers - machines and speeds

## Strategy

- No CAD systems in place
- Production rather than market oriented
- Small companies

## Action Plan

- Types of shoes made



# Local Shoe Companies: Observations

Global  
Overview

- Some companies copying Chinese shoes - not a good strategy

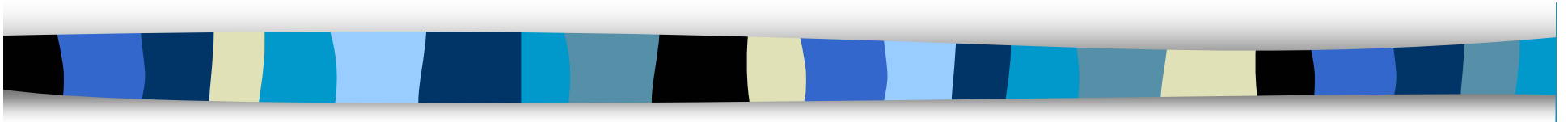
Domestic  
Industry

- Leather shoes are the future
- Good quality leather and soles required

Strategy

- Apart from three companies making industrial/orthopaedic shoes no company was making shoes that were “***DIFFERENT***”

Action  
Plan



# China's Shortcomings

Global  
Overview

- These types of shoes are not a major part of the Chinese industry

Domestic  
Industry

- China has its own weaknesses:

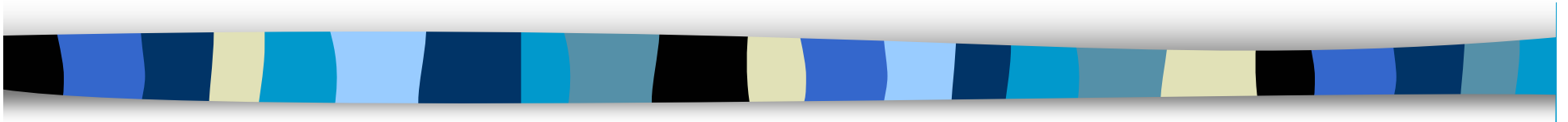
- Does not like non conventional constructions
- Large orders required
- Lead times
- Distance

Strategy

- Low margins, competition between factories
- Escalating costs (wages) in South
- World politics, WTO membership

Action  
Plan

- Business practices
- Tightening of overseas markets import regulations
- Opening of domestic retail market



# Local Shoe Companies: Observations

Global  
Overview

- **“SMALL IS BEAUTIFUL”** The two most successful export industries in Europe, Italy and Romania have small companies

Domestic  
Industry

**Italy 900 shoe companies - each  
employing 12-20 people.**

**Romania 1,400 companies in leather  
and footwear, 87% have less than 50  
employees**

Strategy

Action  
Plan



# Local Industry Conclusions

## Global Overview

- A viable local market is required for manufacturers
- An association for the leather industry has to be started

## Domestic Industry

- Capacity building is necessary for

## Strategy

- operators - machine skills
- workshop supervisors - labour and material cost control

## Action Plan

- technicians - shoe engineering, pattern making
- managers - local and international marketing



# Local Industry Conclusions

Global  
Overview

- Technology levels have to be increased especially in closing

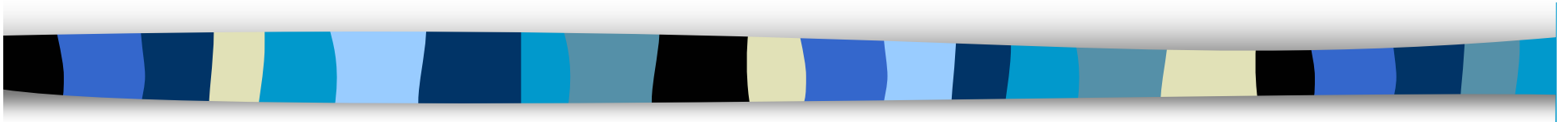
Domestic  
Industry

- There has to be a change from synthetic shoe manufacture to leather

Strategy

**You do not have to be big to be successful**

Action  
Plan



# Local Industry Conclusions

Global  
Overview

Domestic  
Industry

Strategy

Action  
Plan

- There are export opportunities in Europe & USA
- Close to the European market 11 days door to door
- 0% duty rate on imported raw materials (coming)
- Smaller flexible factories
- Labour is available
- Wage rates low - US\$ 0.62 per hour (China US\$ 0.60+ per hour)
- Proximity to Italy for raw materials & styling
- Very limited supply of locally tanned leather



# Export Markets: Implications for Jordan

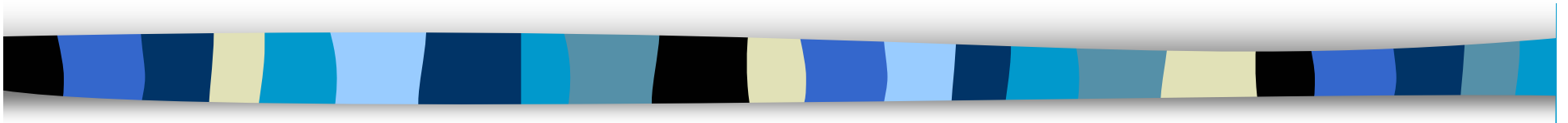
Global  
Overview

Domestic  
Industry

Strategy

Action  
Plan

- Very difficult to compete with Far East, head to head
- Leather shoes offer the most potential
- Competitors for direct selling would be: Italy, Spain, Romania and India
- Competitors for sub contract work would be: Romania, Tunisia, India, Turkey
- Target markets would be:  
Europe (EU15) - FTA      USA - FTA and QIZ



# Export Markets: Implications for Jordan

Global  
Overview

Domestic  
Industry

Strategy

Action  
Plan

## Europe

- Large & diversified
- Very competitive, all aspiring exporting countries trying to penetrate it
- Market is full and occupied
- Sellers must have a competitive advantage and a value proposition
- Italy and Spain as suppliers are at the leading edge for product development



# Export Markets: Implications for Jordan

Global  
Overview

Domestic  
Industry

Strategy

Action  
Plan

## Europe

- Italy & Spain operate at the medium to high end of the market
- India, Romania, Tunisia have governmental support & are very competitive
- They operate at the medium level of the market
- Far East is starting to make inroads for leather shoes



# Export Markets: Europe Direct Selling

Global  
Overview

Domestic  
Industry

Strategy

Action  
Plan

Attribute	Weighting	Germany	UK	Italy	
Acceptance of Imports	2.0	10.0	18.0	12.0	<b>1 UK</b>  <b>2 Benelux</b>  <b>3 Germany</b>  <b>4 France</b>  <b>5 Italy</b>  <b>6 Spain</b>
Size of Market	1.6	16.0	14.4	12.8	
Import Friendly	1.5	7.5	12.0	9.0	
Market Dynamics	1.4	8.4	11.8	5.6	
Price Points	1.2	9.6	7.2	8.4	
Quality Levels	1.0	5.0	8.0	6.0	
Communications	0.8	4.8	5.6	4.0	
Availability of Agents	0.5	3.0	3.0	3.0	
<b>Total</b>	<b>10.0</b>	<b>64.3</b>	<b>80.0</b>	<b>60.8</b>	



# Export Markets: Europe Sub-Contracting

Global  
Overview

Domestic  
Industry

Strategy

Action  
Plan

Attribute	Weighting	Germany	UK	Italy
Structure of Agreements	2.5	17.5	15.0	15.0
Willingness to Subcontract	2.0	12.0	12.0	16.0
Technology Support	1.8	14.4	14.4	14.4
Financial Support	1.5	12.0	10.5	9.0
Availability of Brands (Quality)	1.2	6.0	4.8	9.6
Willingness to Allow Local Sales	1.0	6.0	7.0	7.0
<b>Total</b>	<b>10.0</b>	<b>67.9</b>	<b>63.7</b>	<b>71.0</b>

1 Italy

2 Germany

3 France

4 UK

5 Spain

6 Benelux

# Export Markets: Implications for Jordan

Global  
Overview

Domestic  
Industry

Strategy

Action  
Plan

## USA:

- Very Big
- Very Competitive
- Very Unforgiving
- Imports ~ 1.9 billion pairs per year
- 70% from China
- Large buyers
- Some independents



# Export Markets: Implications for Jordan

Global  
Overview

Domestic  
Industry

Strategy

Action  
Plan

## USA:

- No great secrets for operating
- For Jordan - market niches
- Products must be of consistently good quality
- Pricing has to be keen
- Excellent service must be given



# Export Markets: Implications for Jordan

Global  
Overview

Domestic  
Industry

Strategy

Action  
Plan

## Target Market USA: Direct Selling Conventional Shoes

- Only 75 million pairs of shoes made in USA mostly industrial
- Under FTA leather shoes 0% duty from Jordan, other countries 8.5%
- Size matters - producer and distributor should be compatible
- New opportunity in NSRA Buying Alliance
- Direct from producer to shop
- Looking for different brands that can be promoted
- Shoes have to be different from mainstream USA brands
- Attend WSA show



# Export Markets: Implications for Jordan

Global  
Overview

Domestic  
Industry

Strategy

Action  
Plan

## Target Market USA: Sub-Contracting

- More applicable to industrial footwear
- Under FTA, shoes 22% duty from Jordan, other countries 37.5%
- Under QIZ, shoes 0% duty from Jordan, (others 37.5%) except Mexico and Canada, also 0%.
- Shoes highly technical in nature
- 2 companies in Jordan making industrial footwear with injection moulded PU soles
- Should at least conform to ASTM standards
- Full plastic injection moulded a possibility but requires large capital investment

# Strategy for the Future

Global  
Overview

Domestic  
Industry

Strategy

Action  
Plan

- Create a local market for local manufacturers
- Increase the availability of skilled shop floor operators
- Strengthen management skills
- Establish an association
- Establish linkages
- Attract investment in the tanning sector
- Target 2 EU(15) markets and segments of the US market.



# Action Plan: Domestic Market

Global  
Overview

Domestic  
Industry

Strategy

Action  
Plan

- Imported shoes should be legislated downwards to 50% of the market
- Instigate the Safeguard Mechanism with China with the object to reduce their share to 40%
- **NOTE:** The average for the past three years according to DOS would be approximately 2.3 million pairs - close to 40%
- Method of restriction to be decided
  - quota
  - increase duty
  - fixed amount in JD per pair
  - combination

# Action Plan: Domestic Market

Global  
Overview

Domestic  
Industry

Strategy

Action  
Plan

- All shoes local and imported should have a “pictogramme” label or form of words indicated what the shoe is made of.
- Consumers should be protected from items sold that are not of “merchantable quality”. There should be a retail code of practice for the sale of shoes.
- Ban the importation of second hand shoes



# Action Plan: Domestic Manufacturing

Global  
Overview

Domestic  
Industry

Strategy

Action  
Plan

- The industry **MUST** form an association of all interested stakeholders, shoe manufacturers, tanners, component suppliers.
- Reduction to zero rate for raw materials required for shoe manufacture (in process).
- Reduction to zero rate for industrial leather sewing machines
- Industry to develop leather shoemaking rather than synthetics
- With the help of an association form a buying group for essential common raw materials
- Companies should upgrade machinery inventory, especially closing, CAD systems, and automatic machines

# Action Plan: Domestic Manufacturing

Global  
Overview

- Productivity gains are necessary in terms of pairs produced per operator per day:

France 18.5

Spain 18.0

Italy 13.0

UK 13.0

Germany 9.0

**Jordan within 1 year should be 15 pairs per day**

Domestic  
Industry

Strategy

- To kick start the rehabilitation process consider importing leather uppers
- Establish linkages with ASSOMAC. Visit Linea Pelle and SIMAC
- Establish commercial relationships with Italian (or other) design studios for up to date fashion information.

Action  
Plan



# Action Plan: Domestic Manufacturing

Global  
Overview

Domestic  
Industry

Strategy

Action  
Plan

- Modern workshop management has to be implemented
- Costing systems have to be upgraded
- Cost control methods introduced
- Courses for senior management should be made available in modern marketing techniques and how this relates to the shoe industry.
- Consider building shoe ranges based on the “different” constructions.



# Production of “Different” Shoes: With Sales Potential

## Global Overview

- Side wall stitched
- Uppers hand sewn onto PU soles - “Clarks or Seibel” types

## Domestic Industry

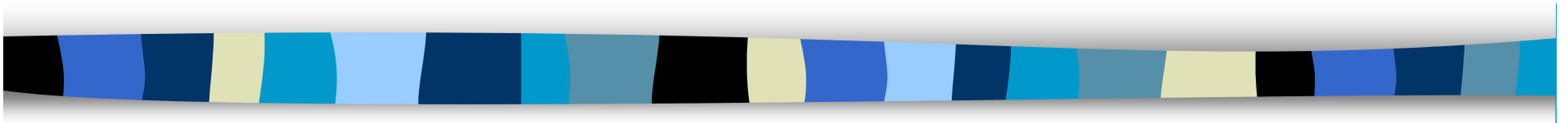
- McKay stitched genuine moccasins
- Caterpillar type construction
- Injection moulded PU soles comfort shoes (Ecco, Hotter)

## Strategy

- Industrial footwear with injection PU soles
- Fully moulded TR and PVC wellington boots

## Action Plan

- Stitch outs
- (Goodyear welted)



# Production of “Different” Shoes: With Sales Potential

Global  
Overview

Domestic  
Industry

Strategy

Action  
Plan



Hand Stitched



PU Injection Molded Sole



McKay Stitch Moccasin



# Production of “Different” Shoes: With Sales Potential

Global  
Overview

Domestic  
Industry

Strategy

Action  
Plan



Caterpillar



Stitch-Out



# Action Plan: Domestic Manufacturing

Global  
Overview

Domestic  
Industry

Strategy

Action  
Plan

- After rehabilitation consider sub contracting arrangements for conventional shoes with smaller brands, initially for the domestic and regional markets, then for export to Europe.
- Possible brands:
  - Geox (Italy) imported into Jordan mens and ladies comfort dress shoes
  - Stonefly (Italian) mens comfort/semi dress shoes
  - Clarks (UK) mens, ladies and childrens casual shoes, imported into Jordan
  - Hush Puppies (USA & UK) Mens, Ladies casuals
  - Hotters / Padders (UK) Ladies and mens stylish comfort shoes, PU injection moulded soles.

# Action Plan: Domestic Manufacturing

Global  
Overview

Domestic  
Industry

Strategy

Action  
Plan

- After rehabilitation consider sub contracting arrangements for industrial shoes with USA brands, initially for the domestic market and regional market, then for export to USA.
- Possible brands (manufacturers):
  - Weinbrenner Shoe Co
  - Lehigh Safety Shoe Co
  - Altama Footwear
  - H.H. Brown Shoe Co
- Possible distributors
  - Nautilus Safety Footwear
  - Wolverine (Caterpillar, sold in Jordan)

# Action Plan: Domestic Manufacturing

Global  
Overview

Domestic  
Industry

Strategy

Action  
Plan

- **Training needs, operators:**
  - sewing operations up to machine speeds
  - cutting of leather
- **Training needs, middle management**
  - workshop management - work flow, balancing a production line
  - costing techniques
  - pattern making
  - pattern grading by pantograph and CAD system
- **Training needs, senior management**
  - Marketing techniques

# Action Plan: Expected Outputs

Global  
Overview

Domestic  
Industry

Strategy

Action  
Plan

- A viable, diversified, more sophisticated domestic market
- As a start - 5 local shoe factories to be upgraded
- 10 - 16 modern shoe making plants in operation making on average 1,000 pairs per day
- 2 - 3 new tanneries commissioned
- Established export markets in:
  - USA - niche selling
  - sub contracting industrial footwear
  - Europe - sub contracting for smaller brands
- An industry re-established, contributing in a meaningful way, to the economy of Jordan.

# **Euro-Jordanian Action Plan for the Enhancement of the Footwear Industry**

