

# Sports Footwear Industry

## Challenges for leather sector

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### Discussion Points

- Opportunities
- Challenges
- Policy
- Conclusion

## Opportunities

- Top 5 sports footwear brands globally
  - Consume around 35 million sqft per month (equivalent to around half a billion sqft per year)
  - Valued at approximately \$ 1 billion
  - Procured mostly from China, Vietnam, Indonesia and Korea
- Two of the largest sports footwear manufacturers/exporters in India (produce approximately a million pairs per month together)
  - Consumed around 600K sqft of leather per month (mainly PU coated, Suede and FG Leather)
  - Mostly imported from Vietnam and Indonesia.
- India produces more than 2 billion sqft of leather per annum, but maximum of leather requirements by the sports footwear in India are met through import indicating there is an untapped market.

## Opportunities

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- Existing favorable import duty applicable to the EU countries while importing footwear from India
- As of now, none of the major markets have put any trade restrictions relating import of footwear from India
- Potential for increase in FDI in footwear manufacturing sector mainly due to higher wages/overheads in countries like China.

## Challenges

- Currently Indian tanneries are more focused on leather for casual shoes and not on leather for sports footwear.
  - Demand for leather by sports footwear manufacturer in India is comparatively low.
  - Economies of Scale: The low demand may not justify the huge investment required to upgrade the tanneries to make leather for sport footwear brand.
  - Sports footwear mainly uses white leather, developing and maintaining the whiteness is a real challenge in India

## Challenges

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- Many top sports footwear brands preferred BLC/LWG rated Tannery to procure their leather. In India very few tanneries are LWG certified.
- Despite opening up to the world economy in many aspects, India's policies continue to retard the expansion of labor-intensive sectors.
- One of the recent trends in the sports footwear industry has been to substitute high cost natural leather with man-made synthetic leather (PU microfiber). Even people find it difficult to differentiate between the natural leather and man-made leather. **This challenge could be turned into an opportunity:**
  - Since this has been widely accepted by all sectors, I feel leather industry could carry out R&D and recommend/implement ways to enhance the quality of man-made synthetic leather to make it more comparable to natural leather.

## Challenges

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### Leather specs for Indian Navy shoes

- **Leather for Quarter, Vamp and Tongue-**  
 Chrome tanned **Korean** Split White Leather (Buffalo) PU Coated Matte Finish.  
 Leather Thickness: 1.3-1.5 mm  
 PU Coating Thickness: 0.3 -0.4 mm
- **Whiteness Index –**  
 CIE LCH Method using D65 & 10° Values have to be :L= 85.51 C= 1.37 H= 301.57 (with Tolerance +/- 5%)
- **Whiteness Retention-**  
 Rating 4-5 as per IS 2454:1985

## Policy

- 100% FDI allowed in the leather and footwear sector since 2002.
- Still the FDI flow has not been significant. Non of the big manufacturers are preferring India to set up their units. Also those who have set up their units in India do not have any significant expansion plan.
- Chinese companies have access to technology owing to FDIs, which also brought in the necessary technology. However, in India as most footwear firms are small and medium sized family owned businesses, access to technology is relatively very low.

## Policy

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- Due to higher wage and overheads most of the leading manufacturers and brands are reducing their dependency on China. This is a golden opportunity to attract them to India.
  - In China: average wage USD 400/month (approx)
  - In India: average wage USD 150/month (approx)
- If India has to increase its export in footwear sector, then one of the most critical measures is to incentivize FDI in footwear manufacturing sector (mainly in sports footwear segment).
  - Ease the labor law
  - Provide single window for all kind of clearances
  - Implement expiate-friendly policies

## Policy

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- Better export/import infrastructure
- Developed industrial land at reasonable rate
- Assured electricity
- Free training facility to the worker on behalf of Govt.

Making the policy to invite FDI (sports footwear manufacturers) is not enough, but there should be governing body to ensure time bound implementation/clearance of every initiative of the investors. Not only during the initial stage but during the operational stage as well. Then we can build some confidence in the investors, which as per me is low at this stage or else India would have some edge over other countries like Indonesia and Cambodia.

## Conclusion

- Since leather is one of the raw materials for the sports footwear units, so we need more sports shoe manufacturers in India, which would not only make it viable for the existing leather manufacturers to upgrade themselves but also may attract more advanced and modern tanneries to India to support these footwear units.
- This can be met through the FDI into sports shoe manufacturing sector.
- Feedback from the existing investors must be solicited and accordingly our policies should be revisited to attract more FDI in this sector.

## Conclusion

- In coordination with the sports footwear brand, some of the existing tanneries can start development for the brands in line with their requirements. Government should incentivize these tanneries for infrastructure and technological up gradation.
- Research to improvise man-made leather: Since man-made synthetic leather has been accepted by all sectors and currently most of the materials are being imported from China or Taiwan to India and has a huge market which is not a noticeable one. CLRI being the leader in leather industry should take initiative to start developing man-made leather addressing all the negative points of natural leather and make more affordable for manufacturers.

