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Special report on Footwear

LETTER FROM THE EDITOR

Current Situation of the Footwear Industry in the European Union

Sales of the footwear industry worldwide grew until 2008, when the economic crisis hit the sustained growth observed since 2004. The footwear industry is key to the European Union, both for its contribution to the world economy and employment.

The footwear industry in the EU is extremely diversified, featuring a wide range of materials and end products. There are many industrial processes, companies and market structures. Footwear production in 2008 was worth € 18 million, a significant reduction compared to the 2004 figure (€ 20 million). Two thirds of the total production of footwear is concentrated in three countries: Italy (which amounts to 50% approximately of the communitarian production), Spain and Portugal.

The European Union specializes in high-end footwear manufacture; where design quality and fashion trends are defining features of this sector. Then, the footwear manufacture of lesser quality is outsourced to emerging countries, mainly in Asia.

The European Union is the main footwear market in the world because it amounts a third of the global market value, followed by the United States, China, Japan and Latin America.

There is a clearly upward trend in imports in the European Union for shoes between 2005 and 2009—the growth rate is 4.62%. The trend goes upwards too at the main European markets: Germany (3.81%), France (4.12%), Italy (3.21%), UK (0.44%) and Spain (7.79%).

It is forecasted that imported products will continue to increase in the next few years. Therefore, the European Union represents a great opportunity for Latin American exports companies. This is due to the growing

trend of exports coming from this region and the lack of customs barriers that do exist for the main EU providers, such as China and Vietnam.

The European Union amounts to 40% of the sales worldwide and the average consumption in 2008 was €100 per person. The European consumer tends to choose comfortable, fashionable shoes. The international financial crisis created changes in consumption habits, so the price-value relation is currently a determining factor of the sale. However, Europeans continue to value environmentally-friendly and socially-responsible products and are willing to pay more for innovative products that support this type of initiatives.

Jesús Albizu,
Collaborator of the AL-INVEST IV Program

"The full report on the Footwear Industry will be available on early January 2011"



AL-INVEST



Support to the SMEs' internationalization in Latin America

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Central America, Mexico and Cuba

Footwear manufacture in Mexico and Nicaragua is a traditional industry, a great source of income and job creation

MEXICO

Cowboy Boots and Children Footwear

The footwear industry is very traditional in this country. In 2008, Mexico was the 9th provider of leather and footwear worldwide. That year it generated \$ 2.7 billion in income. Exports were worth \$ 554 million.

From 2004 to 2008 the average yearly growth rate was 9.9%. During this period the footwear industry manufactured 273 million pairs of shoes, amounting to an income of \$ 4.5 billion dollars approximately.

However, the sector has been very much affected by the crisis in 1982 and 1994 and the entry into force of several international trade agreements that have given way to fierce competition with Asian countries.

The increase in international markets started the last decade. Their exports were sent mainly to the US. It is a most significant, influential sector on specific market segments, such as cowboy boots and children footwear.

Europe is one of the great challenges. Mexico must search for new segments to tap into the Old Continent. Germany, Denmark, the Netherlands, Italy and Spain are possible candidates.



NICARAGUA

Towards the modernization of equipment

Footwear and leather in Nicaragua are sectors that have played a key role in the socio-economic development of the country. This industry has created many job opportunities for citizens.

There are some 2050 companies in the footwear manufacturing business. Most of them are located in the Masaya and Granada region, and they make up for 6075 jobs approximately. The footwear industry is currently evolving towards the technification of processes and the modernization of machinery and equipment.



DISPROCUERO-Nicaragua

Source: CAMC

Both the entrepreneur spirit of the businessmen and the signature of Free Trade Agreements with other countries and the support of government bodies specializing in the promotion and development have brought great opportunities for business growth and high production and financial performances.

However, the footwear industry often faces competition from cheap, imported products and lack of financing.

Andean Region

Bolivia's footwear industry has a quality seal and Colombia doubled its exports worth from 2006 to 2008.

BOLIVIA

A quality standard



The footwear industry in Bolivia has grown steadily, surpassing itself every year. There are several SMEs, most of them located in Cochabamba, La Paz and Santa Cruz.

In the city of La Paz, the National Chamber of Commerce is responsible for supporting artisans and executing activities to strengthen its business through the AL-INVEST IV Program, most remarkably, workshops on design and the creation, last June, of a specific quality standard for this sector.

Genaro Torres, owner of the footwear company Ardical, said he was very "satisfied" with this success, since a quality standard implies higher satisfaction from the clients, the validation of the manufacturing methods, the increase in productivity and higher safety both for workers and technicians.

During this year, there have been several promotions and exhibits on footwear trends. For example, the Association of Leather Items and Footwear Producers organized last October 29 a fashion show starring several articles.

There are several activities planned for 2011 to improve human resources, business plans, management and financial training and the organization of the shoe fair Show Room, among others.

COLOMBIA

Increase in exports

From 2006 to 2008 the footwear industry in Colombia increased its exports from \$ 139 million to \$ 312 million. However, this industry experienced a slowdown in 2009, since exports fell by 44% for Colombia and 28% for Bogotá.

The Chamber of Commerce of Bogotá, supported by the National Association of Leather and Footwear, has promoted the creation of an association where more than ten companies have shared their troubles and have worked to identify action plans to support information, training and sales promotion.

For this, the Chamber of Commerce of Bogotá has provided the association with products and services in innovation, national trade and international marketing.



Footwear manufacture: SME of the Chamber of Commerce of Bogotá

Bucaramanga

This city was second in national leather production, only after Bogotá. Specifically, the footwear industry employs 33,414 people, that is, 27.3% of the population, according to the Chamber of Commerce of Bucaramanga.

The Chamber of Commerce of Bucaramanga has trained this industry in the internationalization management and technological development to organize manufacture processes and related management flows. In addition, it has promoted its participation in the Great International Business Round, they have been trained in legal and operations issues and on the prevention of potential labor conflicts.

Mercosur, Chile and Venezuela

Paraguay develops a differential line of shoes with local materials for Europe and explores regional markets. Besides, Argentina is consolidating a group of businesspeople called "Walk"

PARAGUAY

Raw Material

Paraguayan businesspeople in the footwear industry were trained and offered technical assistance in design and production. Then, helped by Italian experts, they developed a new, fashionable footwear collection with local materials while bearing in mind the requirements from European consumers.

To date, shoe prototypes have been made. The pilot production is expected to start in 2011. The ultimate goal is to showcase the collection at the Italian Garda fair next June.

Besides, businesspeople met to discuss a future sales mission in Santiago de Chile. CEDIAL and ACCIO previously carried out a detailed market study which provided the baseline information to Paraguayan companies. Besides, they were previously trained in sales promotion and fixing the exports costs.

Within the AL-INVEST IV Program, PROMOS from Italy, ACCIO from Cataluña-Spain, CEDIAL, MIC-REDIEX, CIMAC, SNPP from Paraguay and the Paraguayan Embassy in Chile collaborated in these activities.



ARGENTINA

Towards the consolidation of "Walk"

Training activities and the consolidation of the leather and footwear export consortium were the highlights of 2010. Through the Unión Industrial Argentina, several companies received training in foreign trade and marketing and have started their group identity search process.

Specifically, the group of businesspeople chose the brand name 'Walk' and they are getting closer to consolidation. They are currently defining their market strategy and the action plan for 2011.

Globally, the leather and footwear industry in Argentina had a gross turnover of € 1 billion in 2009. Currently, 51,489 people work in this industry, that is, 2.6% of the country's workforce.

Workshop in Buenos Aires

Exports are a great challenge for Argentine SMEs. Hence, Buenos Aires hosted last November 30 a workshop by the Footwear Chamber of Industry and the Union Industrial Argentina through the AL-INVEST IV Program.

The workshop was broken down into five themed modules, and each of them welcomed a guest speaker. Pablo Furnari, director of the First Export Program of the Gas Natural Foundation and coordinator of the Argentine Footwear Export Consortium, Walk, explained the basic marketing rules to follow a good strategy in businesses and what are the features of a leader.

In addition, the workshop touched upon quality management in exports, international logistics and traditional and non-traditional markets. Anibal Sequiera, director at the Globalideas consultancy firm, explained to the businesspeople the procedure to follow when tapping into foreign markets and trying to choose the markets with the most potential.



Workshop on Foreign Trade "Exports: A do-able challenge for SMEs"

Juan Carlos González, international operations director at Cueros Vélez

With more than 25 years of experience in the leather industry, "Vélez" is a clear example of good taste and quality. Thanks to its elaborate and attractive designs for bags, belts, shoes, jackets and accessories the company has become number 1 in leather goods in Colombia. Juan Carlos González, a founding partner, reveals to us the key to success.

Cueros Vélez is a very progressive company. However, I guess the beginning was not without difficulties. Could you guide me through the evolution of your company?

Vélez is a family business that started 25 years ago selling leather belts. Then, we expanded to bags, wallets and others. The last category added was footwear.

When did you open your first store?

In 1992 we opened our first brand store. A milestone! We added cutting-edge design, high-end leather goods for men and women.

Your taste for leather is impeccable. Did you train before entering the company?

The creative taste comes from the work of different professionals: fashion designers, industrial designers, graphic designers, architects and advertisers, among others.

What would you highlight from your production?

The distinctive feature is the very high added value of the design, the manual and artisan details, the high quality of the products and the fact that they are fashionable. Through this differentiation process it is important to have our own leather finishing facilities.

How did the idea of putting together a very complete website come up?

It comes from the constant search of market opportunities and the desire to continue to improve our brand positioning. Our aspiration is to become one of the most important brands in leather goods in Latin America. Developing the website is helping us reach out to more people from more countries.

How did the AL-INVEST Program help you?

It provided us with very valuable information for the trend and market study and supported us financially to explore new markets we want to tap into. Colombian bodies channeling these efforts, such as Analdex and Proexport were also instrumental in their support.

What is your challenge?

To continue to be the number 1 Colombian brand in leather goods and seek such position in the markets where we are currently present. The ultimate goal is to become a main player in Latin America and make Vélez a global brand present in over 12 countries on 2015.



Source: Cueros Vélez

Juan Carlos González

Have you exported to international markets?

The company has exported to Spain, for example, and we are currently exporting to the Czech Republic as well, where one of our suppliers is most appreciative of our products and foresees great opportunities for growth.

Do you consider tapping into more countries?

We have a very competitive product to enter the European market strongly. It is a matter of searching and securing opportunities as they present themselves. It is also a matter of obtaining support from AL-INVEST, for example.

What was the main barrier you had to overcome in your business?

Smuggling and the high cost of the raw material, leather. However, we have learnt to work around these barriers through our 25 years in the industry.

PROFILE

Sector: **Leather and footwear**

Production and management headquarters: Medellín, Colombia

Footprint: 146 stores. Colombia, Panama, Costa Rica, Venezuela and Franchises in Guatemala and Ecuador

Number of employees: 1.820

Web: www.velez.com.co

Mechanical businesses

November 17-20, Buenos Aires, Argentina

In the framework of the Automechanika Buenos Aires Fair 2010, the third international round of car parts buyers took place. Several Argentine producers and foreign buyers participated. Great importers and suppliers from Brazil, Bolivia, Colombia, Mexico, Spain, France, Egypt and South Africa participated.

600 meetings were held during the business round. Foreign companies showed great interest in Argentine parts and some—showing good sales prospects—asked about prices.

<http://www.automechanika.com.ar/>



Italy and Bolivia are bound together

Noviembre 2010, Bolivia

The Italian Society of Chambers of Commerce (Retecamere) visited three Bolivian cities (Santa Cruz, Cochabamba and Oruro) to organize a local development forum with partner institutions on the internationalization of SMEs.

Italians shared with the small businesspeople their experience in local economic development. As Emanuela Valiante, coordinator for Retecamere, pointed out, it is about a “global structural process for change in the economic, political, social, cultural and environmental areas, seeking to improve the social quality of life”.

Honey-flavored Advice

November 4-5, El Salvador, Central America

A good beekeeper must keep track of how many apiaries he/she owns, the number of beehives, their location, dates of start and end. Besides, producers must follow hygiene standards to make honey. These were some recommendations issued by the Argentine Claudio Marconi, with over 20 years of experience, to the Salvadorian honey producers.

The seminar on beekeeping best practices was organized by Coexport under the umbrella of the AL-INVEST IV Program to explain to SMEs the keys to guarantee high quality, competitive honey to tap into international markets with no restrictions whatsoever.

Five Stars for Nicaragua

World Travel Market, November 8-11, London

Nicaragua enjoys a rich culture, beautiful beaches, nice weather and several rural and urban landscapes. These characteristics are highly appealing for Europeans.

This region was represented at the World Travel Market in London, a very important Fair in the tourism industry. The companies Careli Tours, Solentiname Tours, ICN Tours, Va Pues Tours, Hotel Seminole and Small Boutique of Nicaragua, were part of this Latin American delegation.

Results obtained from the promotion of the country were excellent. The delegates secured 147 business appointments with tourism companies from around the world.

<http://www.wtmlondon.com/>

Exporters in Action

November 2010, Ecuador

The Ecuadorian city of Guayaquil hosted the II National Meeting of Exporters. The event was organized by the Ecuadorian Federation of Exporters (FEDEXPOR by its Spanish acronym) and supported by the AL-INVEST IV program. It brought together producers from Ecuador and foreign buyers.

The most remarkable event was the business round between European importers (Germany, France and Italy) and North America (Canada) with small Ecuadorian businesspeople. There were a total of 172 meetings and business deals—worth € 600,000 until March 2011, €1.5 million until July and € 1.5 million until December—were closed.



Fresh fruits

November 22-24, Panama

Producers of pineapple, watermelon, cantaloupe and other fruits met in Panama for the training on marketing strategies to export to the EU.

The lectures informed on European consumption statistics and on-line resources to look for suppliers.

The second part of the workshop, on December 2, involved representatives from the producers. The businesspeople made field visits to the facilities of some producers.

In addition, the Panama Association of Exporters (APEX) has organized other events in Panama, such as the training and technical assistance for exporting agro-food products and planning touristic routes and destinations.



17 years of Eurochile

November 18, 2010, Chile

This day 17 years ago the EU and the Chilean government founded the Fundación Empresarial Eurochile to establish, promote and consolidate economic, trade and technological links between businesspeople and institutions from both sides.

This is why the foundation wanted to celebrate its 17th anniversary with an international seminar, "Innovation for Competition: European Experiences in Agrofoods and Tourism", which businesspeople, scholars, diplomats and public authorities attended.

During the event, a cooperation agreement was reached between EuroChile and the Padano Technology Park, the European agrobiotechnology research center. Both institutions are committed to supporting companies in their countries by searching for opportunities and partners.

<http://www.eurochile.cl/>

SME Exhibition

December 2010, Santiago de Chile



Inauguration of the SME Exhibition

A total of 500 small businesspeople participated in the activities organized by the Fundación Empresarial EuroChile in the framework of the 2010 SME Exhibition, an event organized yearly by ProPymeChile. The event was organized by Juan Andrés Fontaine, Ministry for Economics in Chile, and Hernán Cheyre, Executive Vice-President of the Corporación de Fomento de la Producción (Corfo).

EuroChile organized a business round with eleven businesspeople and delegates from commercial institutions of the European Union and Latin America, meeting with representatives from 44 Chilean tourism companies and securing 110 business meetings. In addition, the Chilean Foundation organized three technical workshops on tourism and a seminar on internationalization for SMEs in the business of processed foods.

Santa Cruz Tourism Brand

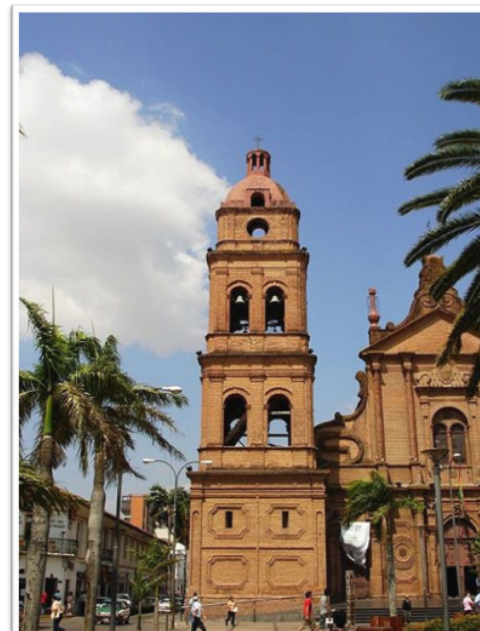
November 2010, Bolivia

Santa Cruz de la Sierra was the location chosen to hold the Local Development Forum "Santa Cruz Brand". In 2011 the region will have its own identity, based on its values and myths.

The encounter was organized by the regional government of Santa Cruz, the Chamber of Industry, Trade, Services and Tourism and the Universidad Privada de Santa Cruz. The experts explained the best options available on concepts and brand image of touristic destinations.

Besides, Santa Cruz hosted a tourism business round at the end of November where ten tour operators from Spain, France and Argentine participated. The event was organized by CAINCO. The players of Bolivian tourism sold their packages abroad and generated \$ 467,500 worth of business opportunities. A total of 498

appointments were recorded during these days.



Quality Harvests

November 2010, Guatemala



Small citrus producers of Guatemala participated in training and technical assistance programs by the Guatemalan Association of Exporters.

The engineer Claro Benito, collaborator of the Cuban Research Institution on Tropical Fruit Crops was in charge of training the farmers on basic concepts for their citrus plantations.

The goal of the project was to promote efficient practices in the management of plagues, diseases and crops. In addition, farmers learnt to use appropriately the pesticides throughout the production chain.

Coming up

Events

BIOFACH 2011

February 15, 2011 -- February 20, 2011 (CS)

CeBIT - Hannover 2011

February 28, 2011 -- March 06, 2011 (CS)

BUSSINES AGENDAFOR GCP GLOBAL IN SPAIN

April 01, 2011 (CAMC)

SIMM Madrid 2011

September 01, 2011 -- September 03, 2011 (CS)

Anuga 2011 - Köln

October 08, 2011 -- October 12, 2011 (CS)

FIMMA-MADERALIA, Valencia 2011

November 01, 2011 (CS)

Publications

"Tailoring" sectorial analysis:

Available on our website on early January 2011

- "Footwear" sectorial analysis:

Available on our website on early January 2011

*CAMC- Central America, Mexico and Cuba

*CS- Services Consortium



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Share your comments with us!



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"The AL-INVEST IV Program is one of the most relevant regional economic cooperation programs of the European Commission in Latin America. The main goal of the IVth phase of the Program is to promote social cohesion by supporting Latin American SMEs in their consolidation and internationalization, sharing innovation and knowledge and creating economic relations with their European counterparts."