

# Footwear



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The aim is to give international buyers new sourcing opportunities from experienced exporters, generating orders and create lasting jobs in developing economies.

# FOOTWEAR

## Supplier capability in Vietnam

### EXECUTIVE SUMMARY

Vietnam is one of the leading supply centers of competitively priced footwear in the world. As the fifth-largest exporter of shoes and sandals, the country is home to numerous suppliers that provide OEM services to several prominent brands.

Some of the names included in Vietnam's list of globally known clients include Nike, adidas, Puma and Reebok.

Aside from strong OEM capability, the industry benefits from a highly literate and trainable workforce and the ability to effortlessly shift production from one type of footwear to another.

The line is export-oriented, with most products shipped to the EU and the US. The Asia-Pacific region and South America are secondary markets.

Compliance with manufacturing and product standards, specifically ISO 9001:2000, is a growing trend in the industry.

Casual shoes prevail as the top product line, accounting for approximately a third of exports from the country. Sports shoes are the second-largest product segment. Aside from these lines, suppliers manufacture formal and children's shoes.

The majority of Vietnam footwear makers are small or midsize enterprises locally owned by private businessmen. A handful of companies are foreign-invested. Most suppliers have been operating for at least two decades, with some being in existence for more than half a century.

Most companies have a full-time workforce of up to 1,500. A number are staffed by as many as a few thousand employees.

Ho Chi Minh City and the provinces of Dong Nai and Binh Duong are the most important manufacturing centers in the country. Other key supply zones are the provinces of Khanh Hoa and Vinh Long, the cities of Hanoi and Hai Duong, and the municipality of Hai Phong.

As a result of the global economic crisis, exports in 2009 fell by 24 percent. Aside from this, the industry is facing other challenges, including intense price competition, particularly in the EU, and shortage of locally available materials and accessories.

The following are some of the key trends we see in Vietnam's footwear industry:

- Suppliers are expecting improved business prospects over the next 12 months as demand from recovering overseas markets starts to pick up. Because of this, close to two-thirds of companies featured in this report are confident of registering double-digit export growth.

- In an effort to maintain buyer interest and to attract new customers, manufacturers will keep prices level over the next six months.

- Suppliers consider the increasing cost of labor to be the most crucial challenge facing the line. Competition from other countries such as India, Bangladesh, Cambodia and China is also a major issue that companies are working to address.

- Upcoming models will feature improved functionality. By using computer-aided systems, suppliers are able to design and construct models that provide better performance.

This report covers the main types of footwear made in Vietnam, including dress, lace-up, running, and ballet shoes, thong, trekking and high-heeled sandals, boots, loafers, moccasins, pumps, flip-flops, indoor slippers, and baby and children's footwear.

The *Industry Overview* section discusses key issues affecting export manufacturers and elaborates on the composition of the industry.

The *Products & Prices* section details the features and price ranges of silk fashion accessories. It also lists the latest trends in style and materials.

### In this report

- 12 in-depth company profiles
- 20 short company profiles
- 108 top-selling export products
- Supplier demographics
- Supplier survey
- Industry statistics & charts

### OBJECTIVE & METHODOLOGY

This *Vietnam Sourcing Report* is part of a series designed to provide buyers with information on new products from export manufacturers in supply markets that specialize in handmade merchandise.

The *Developing Country Sourcing Report* series is part of Global Sources' corporate social responsibility initiatives. It is offered in conjunction with The Kearny Alliance, whose mission is Aid Through Trade. The objective is to help create jobs in developing Asia through export promotion.

To produce this report, larger, midsized and emerging manufacturers—all with substantial export experience—were surveyed. The selection of suppliers is designed to reflect the composition of the industry in Vietnam in terms of geographic location, materials used and range of products offered.

For in-depth profiles, our researchers visited the facilities of each company and interviewed senior executives who discussed their recent performance and provided forecasts for the next 12 months. All other companies in this report were either visited or contacted by phone.

In each case, companies were required to answer specific questions designed to verify their manufacturing and export credentials, including a breakdown of exports by product type and market. Suppliers also participated in a survey designed to provide insight into the industry.

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## INDUSTRY OVERVIEW

Vietnam has achieved global prominence as an important sourcing center for attractively designed and competitively priced footwear. It offers numerous advantages for buyers looking for OEM manufacturers.

The country has become a key supplier of footwear as the local industry boasts a large pool of makers that serve a growing number of well-established international brands. Because of this, Vietnam is currently the fifth-largest exporter of shoes and sandals in the world.

Most players in the line have strong OEM capability. In fact, 95 percent of total footwear exports are taken up by orders that come in buyer-specified designs.

Besides OEM, the industry's other competitive advantages include an easily trainable and highly literate workforce and the capability to seamlessly shift manufacturing from one type of footwear to another.

### Exports & challenges

According to data from the Vietnam Leather and Footwear Association, the US is the industry's principal market, accounting for \$84.8 million of export revenue in August 2009. The UK is the second largest, taking up \$35.4 million. Germany and the Netherlands are other key overseas destinations.

In 2009, Vietnam shipped \$4.02

billion worth of footwear to overseas markets, representing a decline of almost 24 percent compared with the previous year.

This weakening is caused by a number of challenges, chief of which is the enforcement of anti-dumping policies in the EU. Vietnam does not enjoy export privileges granted by the region because it is not included in the General System of Preference (GSP). This results in cutthroat competition against suppliers from India, Bangladesh and Cambodia, which are not required to pay anti-dumping duties for leather footwear.

In addition, China poses an even greater challenge in the EU market although it is also not granted GSP status. Footwear from that country is generally less expensive and quicker to produce compared with Vietnam-made items.

In response, footwear makers are increasingly focusing on upgrading production lines by procuring modern imported equipment. These steps are taken in an effort to penetrate new export markets, including Mexico, Russia and South Africa. Suppliers are placing emphasis on these countries as global demand is seen to recover this year.

In addition, some manufacturers are transitioning into functional commercial enterprises with direct export capability.

### Supplier summary

Suppliers surveyed	32
Export sales	\$147.8 mn
Export ratio	79%
Capacity utilized	82%
Full-time employees	58,765

Data: All surveyed suppliers

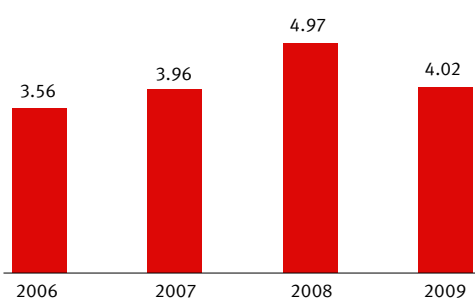
This eliminates the need to market products via trading companies, thereby minimizing expenses.

Another hurdle facing the industry is the low supply of locally available raw materials. Seventy-five percent of genuine and synthetic leather, canvas, PU, and PVC requirements are imported from mainland China, Taiwan, South Korea, Japan and Italy. Further, 70 percent of components and accessories are obtained from overseas markets. This reliance on imported materials and parts leads to high production costs.

Rising labor cost is also a key issue. The government issued directives last year that mandated a 12 to 22 percent wage increase for employees of state- and locally owned manufacturing companies. Salaries of workers in foreign-invested enterprises also had to be increased by 9 to 11 percent. As such, Vietnam-made products cannot compete as well in international markets due to higher prices.

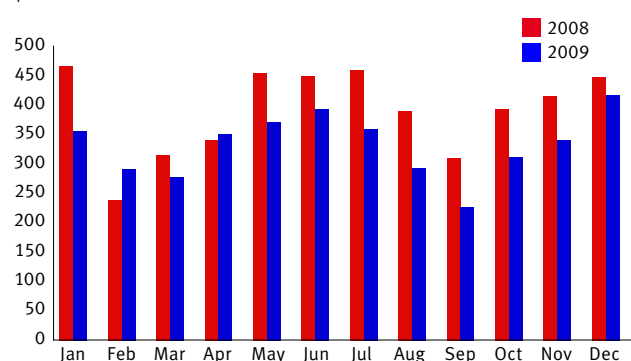
### Footwear

Export value  
\$billion



Source: General Statistics Office of Vietnam

Export value per month  
\$mn



## Casum Shoes Joint Stock Co.

Casum manufactures low-end to midrange sports and casual footwear, including fashion boots and slippers. Children's and formal models are also offered.

With annual sales of \$3 million, the supplier exports all output to overseas markets including Mexico, Germany, the UK, Japan and South Korea. The EU represents about 75 percent of total shipments.

The company has a government contract to supply army shoes made of leather and rubber.

Flip-flops, thongs and slippers, which are among its best-sellers, account for around 40 percent of exports. Ninety percent of shipments are OEM orders.

Export quotes are between \$1.50 and \$20. Women's fashion boots with imported cow skin uppers, accessories and lining on the collar are priced at \$18 per pair. Low-end models made of EVA in simple styles and colors such as slippers or thongs are available for less than \$1.50 a pair.

Samples can be completed in a week if materials are available.

Thirty percent of materials including cow suede and accessories such as YKK zippers, nylon and cotton laces are sourced in China. Cowhide and pigskin, however, are purchased from local suppliers.

Casum has two factories with a combined area of 53,000sqm and a workforce of 700. During the peak months of September to March, up to 100 part-time workers can be employed to support production. All machines are imported with more than 80 percent shipped from Taiwan.

The QC department consists of 35 personnel who conduct physical and chemical inspections on raw materials. There is also at least one team member assigned to each production step to visually check the stitching, size, gluing and color consistency.

The maker is a member of the Vietnam Leather and Footwear Association. It attends the local annual trade show called EXPO in Ho Chi Minh City. Dubai and the US will be targeted as potential overseas markets in the next 12 months.

### Capability

#### Materials used

Leather (genuine/synthetic)	Yes
Fabric	Yes
Rubber	Yes
Plastic	Yes
Wood, cork and other natural materials	Yes

#### Exports by product

Casual shoes	45%
Sports shoes	20%
Formal shoes	10%
Children's shoes	25%

#### Exports by market

United States/Canada	5%
European Union	75%
Europe (non-EU)	—
Asia-Pacific	15%
Middle East	—
Other	5%

### Company facts

Year established	1990
Head office location	Hoa An (Dong Nai)
Ownership	Locally owned
Factory location(s)	Hoa An (Dong Nai)
Full-time employees	700
Part-time employees	100
Total annual sales (all products)	\$3,000,000

#### Sales & output: Footwear

Annual sales	\$3,000,000
Share of total sales	100%
Annual export sales	\$3,000,000
Total monthly capacity	210,000 pairs
Average monthly output	165,000 pairs
Capacity utilized	79%
Average monthly exports	165,000
Export ratio	100%
Major export customers	OVS (Italy), Eurosko (Norway), S. Oliver (Germany)

### Contact details

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## Popular export models



**Model:** CSS-007  
**MOQ:** 3,000 pairs  
**Packaging:** 12 boxes per carton  
**Delivery:** 45 days  
**Price:** •  
**Description:** Men's casual shoes; cow suede and fabric uppers; fabric insoles; EVA midsoles; TPR outsoles; in sizes 36-41



**Model:** CSS-008  
**MOQ:** 3,000 pairs  
**Packaging:** 12 boxes per carton  
**Delivery:** 45 days  
**Price:** •  
**Description:** Women's sandals; cow nappa leather uppers; pig grain leather insoles; PU and leather midsoles; TPR outsoles; handstitched trimming; in UK sizes 3-8



**Model:** CSS-010  
**MOQ:** 3,000 pairs  
**Packaging:** 12 boxes per carton  
**Delivery:** 45 days  
**Price:** •  
**Description:** Women's sandals; printed PU uppers; cow suede insoles; fake cork midsoles; EVA outsoles; in sizes 36-41



**Model:** CSS-003  
**MOQ:** 10,000 pairs  
**Packaging:** 12 boxes per carton  
**Delivery:** 45 days  
**Price:** •  
**Description:** Women's boots; PU uppers and insoles; tunit outsoles; ABS heels; metal studs trimming; in sizes 36-41



**Model:** CSS-005  
**MOQ:** 3,000 pairs  
**Packaging:** 12 boxes per carton  
**Delivery:** 45 days  
**Price:** •  
**Description:** Men's dress shoes; cow tumble action uppers; fabric insoles and midsoles; rubber outsoles; in sizes 35-46



**Model:** CSS-004  
**MOQ:** 3,000 pairs  
**Packaging:** 12 boxes per carton  
**Delivery:** 45 days  
**Price:** •  
**Description:** Children's sandals; buffalo nubuck and synthetic nubuck uppers; pig split leather insoles; TPR midsoles and outsoles; in two colors; in sizes 20-23

• Information not disclosed

## PRODUCT GALLERY

### Casual shoes



**Casum**

(profile page 24)

**Model:** CSS-001

**MOQ:** 3,000 pairs

**Packaging:** 12 boxes per carton

**Delivery:** 45 days

**Price:** •

**Description:** Women's casual shoes; cotton with gingham uppers; cotton insoles; EVA with jute covering midsoles; TPR outsoles; in sizes 36-41



**Casum**

(profile page 24)

**Model:** CSS-002

**MOQ:** 3,000 pairs

**Packaging:** 12 boxes per carton

**Delivery:** 45 days

**Price:** •

**Description:** Women's casual shoes; canvas uppers; cotton insoles; EVA and jute midsoles; TPR outsoles; fabric and plastic stone trimming; in sizes 28-35



**Casum**

(profile page 24)

**Model:** CSS-006

**MOQ:** 3,000 pairs

**Packaging:** 12 boxes per carton

**Delivery:** 45 days

**Price:** •

**Description:** Women's casual shoes; PU uppers and insoles; PVC and PU midsoles; TPR outsoles; in sizes 36-41



**Casum**

(profile page 24)

**Model:** CSS-007

**MOQ:** 3,000 pairs

**Packaging:** 12 boxes per carton

**Delivery:** 45 days

**Price:** •

**Description:** Men's casual shoes; cow suede and fabric uppers; fabric insoles; EVA midsoles; TPR outsoles; in sizes 36-41



**Casum**

(profile page 24)

**Model:** CSS-008

**MOQ:** 3,000 pairs

**Packaging:** 12 boxes per carton

**Delivery:** 45 days

**Price:** •

**Description:** Women's sandals; cow nappa leather uppers; pig grain leather insoles; PU and leather midsoles; TPR outsoles; handstitched trimming; in UK sizes 3-8



**Casum**

(profile page 24)

**Model:** CSS-010

**MOQ:** 3,000 pairs

**Packaging:** 12 boxes per carton

**Delivery:** 45 days

**Price:** •

**Description:** Women's sandals; printed PU uppers; cow suede insoles; fake cork midsoles; EVA outsoles; in sizes 36-41

• Information not disclosed

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