

# Footwear Industry Profile

## I. Introduction

Philippine footwear manufacturers are geographically dispersed in the islands of Luzon, Visayas and Mindanao. Most of the industry players are located in NCR, Central Luzon and CALABARZON. They are classified as either micro, small, medium and large enterprises (MSMEs). They manufacture leather and non-leather footwear products including sports footwear, special use shoes, sandals, slippers and footwear accessories.

Most of the Philippine footwear manufacturers are considered as micro and small enterprises. A micro enterprise employs about one (1) to nine (9) workers while a small enterprise employs ten (10) to ninety-nine (99) persons. The Philippines used to have a sizeable number of footwear manufacturers that are usually home-operated enterprises. But they were deeply decimated over the recent years as the continued influx of cheap, foreign-made footwear products which adversely affected the local footwear manufacturing sector.

MSMEs in footwear accepts subcontracting arrangements from foreign and large domestic companies that produce popular branded products but only a handful of them are venturing on exports.

Among the active footwear manufacturers association in the country are as follows: (1) Philippine Footwear Federation, Inc (PFFI), which also represents the Philippines in the International Footwear Conference (IFC) comprising of Asian countries that manufactures footwear goods; (2) the Filipino-Chinese Footwear and Allied Industries Association (FCFAIA) that funded the IFC holding in the country (Shangri-La EDSA) in 2012. (3) Samahan ng Magsasapatos sa Pilipinas (SMP); (4) Marikina Shoe Caravan Livelihood Program Inc.; (5) Likhang Liliw Laguna Footwear Producers Cooperative; (6) Binan Laguna Bags & Footwear Products, Inc.; (7) Marikina Small and Micro Footwear Makers Association; and (8) City of Gapan Footwear Multipurpose Cooperative.

## II. Product Coverage

The Footwear Industry product coverage includes leather footwear, which are dress shoes, non-leather footwear, sports footwear, special use, slippers and sandals, and parts of footwear.

1. Leather footwear - includes footwear with leather uppers and outer soles of leather, rubber, plastic, wood, cork, or other materials.
2. Non-leather footwear - includes footwear with uppers of rubber, plastic, textile or other materials and outer soles of rubber, plastic, wood, cork, or other materials.
3. Sports footwear - includes footwear with uppers of leather, rubber, plastic, textile or other materials, specifically for athletic or sports purposes.
4. Special Use - includes footwear designed for specific usage in fields of medicine and other line of work.
5. Slipper and sandals - includes footwear with uppers of leather, rubber, plastic, textile or other materials and outer soles of leather, rubber, plastic, wood, cork or other materials.
6. Parts of footwear - includes stiffeners, outer soles, uppers, gaiters, shoe shanks, cleats, toe caps, rubber straps, or similar articles.

### **III. GVA Share**

According to the Philippine Statistics Authority (PSA), the GVA share of the footwear industry (together with the leather and leather products) is continuing to increase with a 10.35% average annual growth rate from 2014 to 2017 (3<sup>rd</sup> quarter). In 2014, it registered PhP3.755-million which was followed by PhP3.833-million in 2015 while continuing its increase in 2016 with PhP4.324-million and PhP5.024-million in 2017.

### **IV. Some exporting companies engaged in the manufacture of footwear and registered under investment promotion agencies (IPA)**

1. Rikio Southeast Asia – manufactures Chikatabi shoes
2. Valencia Rubbertex – walking shoes and rubber boots
3. Sakurain International – shoes, sandals, footgear and sports glove
4. Mindanao Forge Company (MPC) Inc. – Horseshoeing
5. Choose your Shoes (Philippines) – Orthopedic shoes
6. Sportsfocus, Inc. – Leisure leather foot gear
7. Holdsun Philippines
8. Datian Subic Shoes
9. Vulcanized shoes – American Brand: Vans, Ked, Sperry  
European Brand: Hugo Boss, St. Martens

### **Other identified exporters by DTI - EMB**

1. Borsik Antonio Shoe Manufacturing – Ladies shoes, boots
2. Conqueror International Inc. - Men's/Ladies/Children's/Sports/Sandals/Slippers (casual, formal, basic, school and nursing shoes)
3. Foot Plus Manufacturing Corp. - Men's PVC rainboots, men's utility shoes, men's casual shoes, men's office/work shoes, men's steel toe safety boots, men's white rain boots and Ladies casual and safety shoes
4. Shoe Extraco Corp. - Ladies high-end and leather shoes, comfort shoes and dancing shoes
5. Stefano Footwear Corp. - Ladies, Men's and Children's shoes

### **V. Locally-manufactured footwear brands supplying the local market**

1. Gibi Shoes – Stefano Footwear Corp.
2. Rusty Lopez
3. Centropele
4. Scasini
5. Bare Strap and Walk Over – Conqueror International Inc.
6. Maine Wood – Foot Plus Manufacturing Corp.
7. Michaelangelo and Sara – Shoe Extraco Corp.

## **VI. Supply Chain Gaps**

There is an identified supply chain gap in having a stable source of raw materials to manufacturers of local footwear products such as leather, rubber including raw materials in the production of polyurethanes (PU synthetic leather), thermoplastic rubber (TPR), and Ethylene-vinyl acetate (EVA).

According to the Philippine Footwear Federation Inc. (PFFI), they are competing with the export price of traditional raw materials such as leather and rubber parts. They claim that manufacturers of leather and rubber raw materials would rather export their goods since the price abroad is higher compared with the local demand.

For the raw materials of footwear covering PU, TPR and EVA, the PFFI said that the Philippines has yet to have a local manufacturer of these raw materials. Hence, they are positioning for the decrease of tariff duty for all raw materials being used in the manufacture of footwear.

## **VII. Exports and Imports**

<b>YEAR</b>	<b>EXPORTS</b>	<b>IMPORTS</b>
<b>2017*</b>	<b>196,227,612</b>	<b>196,227,612</b>
<b>2016</b>	<b>259,470,629</b>	<b>259,470,629</b>
<b>2015</b>	<b>208,493,366</b>	<b>208,493,366</b>
<b>2014</b>	<b>37,992,846</b>	<b>199,947,009</b>
<b>2013</b>	<b>39,037,412</b>	<b>155,062,346</b>
<b>2012</b>	<b>26,901,000</b>	<b>128,951,011</b>
<b>2011</b>	<b>21,473,644</b>	<b>133,005,028</b>
<b>2010</b>	<b>15,877,400</b>	<b>80,595,730</b>
<b>2009</b>	<b>25,958,272</b>	<b>55,529,645</b>

Source: PSA Data processed by DTI-EMB, Value in US\$

\*Based on DTI-EMB data for the months of January to September 2017 only.

### Comparative Table of Philippine Footwear Exported Products (2009-2017)

Footwear Products	2009	2010	2011	2012	2013	2014	2015	2016	2017*
Leather	1,066,415	929,198	413,838	377,335	1,393,466	404,225	17,467,060	11,320,203	25,869,864
Non-Leather	583,371	595,662	1,347,607	2,212,983	4,965,606	4,785,788	76,060,654	99,659,462	64,954,762
Parts /Supplies /Accessories	2,013,927	1,396,380	1,535,650	1,535,603	7,167,131	10,526,247	11,014,418	16,643,055	21,744,904
Slippers /Sandals	2,904,543	1,452,613	2,039,515	1,038,434	415,109	1,016,107	11,825,857	35,696,706	12,764,133
Special Use	6,003,655	8,454,380	10,151,796	12,404,466	5,694,864	3,354,722	32,006,632	19,249,267	11,822,519
Sports	13,386,361	3,049,167	5,985,238	9,332,179	19,401,236	17,905,757	60,118,745	76,901,936	59,071,430
<b>TOTAL</b>	<b>25,958,272</b>	<b>15,877,400</b>	<b>21,473,644</b>	<b>26,901,000</b>	<b>39,037,412</b>	<b>37,992,846</b>	<b>208,493,366</b>	<b>259,470,629</b>	<b>196,227,612</b>

Source: PSA Data processed by DTI-EMB, Value in US\$

\*Based on DTI-EMB data for the months of January to September 2017 only.

### Comparative Table of Philippine Footwear Imported Products (2009-2017)

Footwear Products	2009	2010	2011	2012	2013	2014	2015	2016	2017*
Leather	9,551,210	12,701,518	22,880,734	20,426,389	24,862,253	28,701,975	17,467,060	11,320,203	25,869,864
Non-Leather	16,839,797	28,665,372	52,339,163	54,537,118	74,092,720	74,661,393	76,060,654	99,659,462	64,954,762
Parts /Supplies /Accessories	3,082,470	3,057,792	5,100,029	2,974,662	3,012,610	4,285,807	11,014,418	16,643,055	21,744,904
Slippers /Sandals	5,736,394	10,392,373	19,798,572	14,867,854	9,721,400	22,739,340	11,825,857	35,696,706	12,764,133
Special Use	2,254,639	4,678,629	6,455,479	7,223,142	7,822,825	9,076,558	32,006,632	19,249,267	11,822,519
Sports	18,065,135	21,100,046	26,431,051	28,921,846	35,550,538	60,481,936	60,118,745	76,901,936	59,071,430
<b>TOTAL</b>	<b>55,529,645</b>	<b>80,595,730</b>	<b>133,005,028</b>	<b>128,951,011</b>	<b>155,062,346</b>	<b>199,947,009</b>	<b>208,493,366</b>	<b>259,470,629</b>	<b>196,227,612</b>

Source: PSA Data processed by DTI-EMB, Value in US\$

\*Based on DTI-EMB data for the months of January to September 2017 only.

**TOP 4 Market Destination of Philippine Footwear Exports for 2017\* (FOB Value in US\$)**

Rank	Country	Value
1	EU (Germany, Czech Republic and UK Great Britain with Northern Ireland)	26,179,011
2	Japan	8,937,157
3	United States Of America (USA)	5,046,872
4	ASEAN (Singapore, Vietnam, Malaysia, Thailand, Indonesia, Myanmar)	3,151,687

Source: PSA

\*Based on DTI-EMB data for the months of January to September 2017 only.

**TOP 4 Sources of Philippine Footwear Imports for 2017\* (FOB Value in US\$)**

Rank	Country	Value
1	China	107,395,364
2	ASEAN (Vietnam, Indonesia, Singapore, Malaysia, Thailand, Cambodia, Myanmar)	60,514,406
3	Hongkong SAR	7,470,628
4	EU (Spain, Netherland, Germany, Belgium, Ireland, Austria, UK Great Britain & Northern Ireland, Italy, France, Greece, Denmark, Poland, Finland, Portugal, Sweden, Slovenia & Luxembourg)	5,775,231

Source: PSA

\*Based on DTI-EMB data for the months of January to September 2017 only.

- In 2014 – EU has identified the Philippine footwear as among the products given GSP Plus access in EU market. The Philippines is currently the only ASEAN member economy which has been given access to EU GSP Plus.
- In 2017 – Efforts are being made to include footwear among the products identified under US GSP. At the present products on luggage and travel goods had been included in the Philippine's US GSP list.
- The Philippines is currently embarking on having a bilateral free trade agreement (FTA) with EU and USA.
- The Philippines has a bilateral FTA with Japan under the PJEPA.

## Footwear and Leather goods Number of Establishments and Employment Generated 2012 to 2014

Footwear and Leathersgoods	No. of Establishments						Total Employment					
	2008	2009	2010	2011	2012	2013	2008	2009	2010	2011	2012	2013
<b>Philippines</b>												
Manufacturer of footwear	1,082	1,072	1,041	950	640	655	14,560	12,155	10,379	10,770	11,546	10,652
Tanning and dressing of leather; manufacture of luggage and handbags	349	352	251	376	355	349	5,721	7,735	9,041	8,369	16,985	11,052
<b>National Capital Region (NCR)</b>												
Manufacturer of footwear	384	380	360	290	213	205	5,923	6,051	4,720	4,341	4,726	4,368
Tanning and dressing of leather; manufacture of luggage and handbags	92	96	96	98	115	113	1,872	1,650	1,882	1,853	6,560	2,284
<b>Central Luzon</b>												
Manufacturer of footwear	182	181	180	135	98	98	2,584	872	860	1,054	1,376	1,234
Tanning and dressing of leather; manufacture of luggage and handbags	180	179	179	192	148	146	2,250	1,946	3,024	1,440	5,464	4,854
<b>CALABARZON</b>												
Manufacturer of footwear	387	384	375	397	202	225	4,240	3,606	3,193	3,749	3,598	3,475
Tanning and dressing of leather; manufacture of luggage and handbags	13	12	12	16	26	25	1,260	3,671	3,687	4,088	4,092	2,977
<b>Central Visayas</b>												
Manufacturer of footwear	52	49	50	52	60	60	1,162	1,000	1,029	1,135	1,374	1,140
Tanning and dressing of leather; manufacture of luggage and handbags	10	11	10	15	11	11	82	198	187	809	591	671

Source: PSA

The number of Philippine footwear manufacturing establishments increased by 2.3% after an averaged decline of 11.3% for the period 2008 to 2012. The industry's employment totaled at 10, 562 for the year 2013, as compared to a total of 11, 546 for the previous year in 2012.

As of 2014, the total direct employment generated by the footwear industry was pegged at around 10,483 jobs.

### Number of Manufacturing Firms based on PSA latest report

Per Philippine Statistics Authority (PSA) data: As of 2014, there were 649 manufacturing firms producing footwear products through-out the country. The data had decreased from its 2013 figure of 655 manufacturing footwear firms.

### Shared Service Facilities (SSF) for the footwear industry located in DTI Marikina

- High Value Custom-Made Footwear - intends to capture market that prefers custom-made shoes, featuring new methodologies in shoe engineering, footwear design and manufacturing. It also uses state-of-the-art scanner that automatically produces a 3D model of the foot in seconds for measuring and size estimation.
- The Philippine Footwear Academy - aims to produce job-ready workers for the footwear industry. The Academy is considered the first footwear school in ASEAN. It houses machines and equipment that serve as common service facilities for efficient, quality and innovative production.
- Machineries and equipment for shoe last making, pattern grading, cutting services, computer numeric control (CNC) machines, design and pattern making

## Footwear Value Chain in Marikina

### Firm Infrastructure

- (1) Govt. Financing such as DTI - SB Corp. Pondo sa Pagbabago at Pag-asenso (P3);
- (2) Tax Cuts provided by Marikina LGU for new footwear manufacturing firms;
- (3) Government and Private initiated programs such as DTI Negosyo Center trainings and seminars which includes planning your business; Go Negosyo entrepreneurship mentoring; DTI-BMSMED SME Roving Academy;

### Human Resource Management

- (1) Department of Trade and Industry (DTI) – Philippine Footwear Federation Industry (PFFI) Philippine Footwear Academy – The Philippine Footwear Academy provides the footwear industry with job-ready workers. It also offers consultancy, sample making, and materials utilization/manipulation services;
- (2) San Roque Highschool and Marikina High-school included in their curriculum shoe making subjects for students;
- (3) Marikina state univesities/colleges to come up with a footwear engineering course;
- (4) Courses on Fashion and Design in colleges and universities could include footwear crafting and design;
- (5) Philippine – Taiwan Joint Economic Conference (JEC) which identifies the footwear industry as part of its areas of cooperation. A long-term project on capacity building is being prepared for Filipino footwear craftsmen.

### Technology Development

- (1) DTI Shared Service Facilities (SSF) which includes the following modern equipment and technology in crafting and designing a footwear product:
  - (a) High Value Custom - Made Footwear equipment with state-of-the-art scanner that automatically produces a 3D model of the foot in seconds;
  - (b) Shoe last making, pattern grading, cutting services.

### Procurement

- (1) For Materials - some leather for their footwear products are sourced from Meycauyan Bulacan and other parts of Bulacan.
  - (1.1) But most of the sources of their raw materials are from imports.
- (2) For Advertising – Marikina LGU set up an online boutique ([www.marikinashoes.theshop.ph](http://www.marikinashoes.theshop.ph)) to advertise their footwear products.
  - (2.2) Conducting of Marikina Shoe Trade Fair
  - (2.3) DTI Go Local program

## **Operations**

- (1) Highly-labor intensive. Hand-crafted assembly operation for each phase of production;
- (2) Crafting and tracing of pattern;
- (3) Crafting of shoe upper;
- (4) Molding;
- (5) Finishing processes

## **Marketing and Sales**

- (1) Good Reputation of Marikina's quality hand-crafted footwear;
- (2) New Filipino entrepreneurs providing new concepts on designs and increasing the use of local contents in producing footwear products;
- (3) Use of e-commerce in advertising and selling;
- (4) Use of custom-made shoe concept;
- (5) Philippine footwear is included in EU's GSP Plus which could be exported at 0% tariff rate;
- (6) ASEAN Integration with more than 600-million consumers (e.g. Rusty Lopez store in Jakarta, Indonesia);
- (7) Increase value of export from US\$208,493,366 in 2015 to US\$259,470,629 in 2016;
- (8) Current IPP incentives (based from EO No. 226) on all manufacturing activities including footwear manufacturing;
- (9) President Duterte and DTI Secretary Lopez policy pronouncements on reviving the Philippine footwear industry

## **Crafting of Philippine Footwear Industry Roadmap**

The Board of Investments (BOI) is pushing for the crafting of the Philippine Footwear Industry Roadmap which would guide the government and the private sector in taking necessary steps to revive the footwear industry. The roadmap could be the basis of the needed government policies and industry initiatives to make the Philippine footwear globally competitive and position it in the forefront of job-generating industries for Filipinos.