



Export Competitiveness Study of The Dominican Footwear Industry



- THIS STUDY WAS FINANCED BY THE UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) IN COLLABORATION WITH THE NATIONAL COMPETITIVENESS COUNCIL (CNC) AND THE ASSOCIATION OF FREE TRADE ZONES OF THE DOMINICAN REPUBLIC (ADOZONA).



Purpose

- THE FOCUS AND INTENT OF THIS REPORT IS TO IDENTIFY THE OPPORTUNITIES AND CONSTRAINTS RELATED TO THE DOMINICAN FOOTWEAR SECTOR AND TO RECOMMEND SPECIFIC STEPS THAT MAY BE TAKEN TO ACCELERATE THE GROWTH AND INDUSTRY MARKET SHARE.



U.S. Footwear Market

- The U.S. footwear market is growing at 5.3% annually.
- The total consumption for 2004 was 2.2 billion pairs or 7.4 pairs / person
- Many plants have closed and more are closing



- Some manufacturers are now becoming marketing companies.
- Much of the development and manufacturing is being outsourced.



Dominican Footwear Industry

- Downturn in business due to two conditions
 - Rules of Origin imposed by the Caribbean Basin Economic Recovery Act.
 - Major shift of U.S. manufacturers and shoe buyers to China and the Far East



U.S. Imports of Footwear from The Dominican Republic

• Year	1000/ Pairs
• 1997	16,519
• 2001	8,885
• 2002	8,191
• 2003	7,800
• 2004	7,262



U.S. Footwear Market Competition 2004

Country	% of Imports
China	83.5%
Brazil	4.7%
Indonesia	2.3%
Vietnam	2.1%
Dominican Republic	.3%



How is China so Competitive?

- Low cost producer
- Full service provider (Design to shipment)
- Short product development turn times
- Chinese create consortiums for business
- Complete supply chain and infrastructure



How Does The D.R. Take Advantage of the Opportunities Provided by CAFTA-Dr and Rebuild the Footwear Industry?



D.R. Footwear Industry Composition

- Free Trade Zone companies
- Companies outside the FTZ
- Leather Tanning and Chemical companies



Constraints

- Excessive growth inhibiting government regulations
- Lack of infrastructure for the industry
- Un-reliable and high cost of electrical energy
- Lack of industrial organization and focus



Strengths

- A1. Geographical Location
- A2. Time Zone
- A3. Good road transportation system
- A4. Seaports
- A5. Airports
- A6. Universities



Challenges

- B. Governmental
 - B1. Democratic Government
 - B2. Currency
 - B3. Electrical Energy
 - B4. Taxes
 - B5. Regulation and Documentation



- C. Industry Specific
 - C1. Infrastructure
 - C2. Marketing
 - C3. Training and Development
 - C4. Product Development
 - C5. Manufacturing
 - C6. Product Line
 - C7. Industry Organization



- **Now we have CAFTA-DR**

CAFTA-DR ALLOWS DUTY FREE ACCESS, WITH THE EXCEPTION OF 17 RUBBER FOOTWEAR PRODUCTS, FOR ALL FOOTWEAR ASSEMBLED IN THE COUNTRY OR ANY COMBINATION OF CAFTA-DR COUNTRIES.

That is both an Advantage and a Challenge



Where are the Opportunities in the U.S. Market?

Consumption by Category 2004

Millions of Pairs

- Men's Work Shoes 36.7
- Men's Shoes 232.6
- Women's Shoes 819
- Slippers 127.6



What are the Needs of the Customers?

- Listen to what customers have to say
- Product Development Capability
- Raw Material Supply Chain
- Quality Products Consistently



Immediate Steps

Near Term Steps

Long Term Steps



Immediate Steps



Reduce the government regulations and inhibitors for:

- Forming a new corporation
- Import and export paperwork
- Electricity costs and dependability
- Government must be “Pro Business”



Develop the Industry Organization

- Combine the FTZ and domestic manufacturers
- Place a Director of the organization
- Form cooperatives
- Conduct seminars on improved manufacturing processes
- Develop fast turn technology



- The long-term development of the industry depends upon the emphasis the manufacturers place upon developing and improving the technology applied to the industry.
- “Doing business in the D.R.” must be made easier.



Expand Present Production

- Expand present product line of boots and work wear.
- Apply fast turn technology to manufacturing process
- Focus on full service for the customer



Near Term Steps



Add Infrastructure

- Secure mold manufacturers to move production to the D.R.
- Secure last manufacturers to move to the D.R.
- Secure heel and sole manufacturers to move to the D.R.



Additional Infrastructure to include

- Shoe laces manufacturer
- Shank and toe supplier
- Eyelets and buckles supplier
- Synthetics and reinforcements
- Sheet foam supplier
- Fabrics, linings and shell vendors
- Box printing and making



Educational Development

- Product development and Operations staff
 - Patternmakers
 - Designers
 - Technicians
 - Engineers
 - Production planners
 - Logistics managers



Long Term Steps



- Develop high end high quality men’s shoes as market niche
- Develop women’s shoe manufacturing
- Develop kidskin leather industry