

## Brazil's Shoe Industry Goes in Fast-Forward Mode to Face the Chinese

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Over 77 million pairs of shoes made each year, 20,000 workers, more than 1,000 companies, and an established clientele in Brazil and neighboring South American countries. Such is the current scenario in the shoe manufacturer hub of Nova Serrana, in the southeastern Brazilian state of Minas Gerais.

The region answers to 56% of national tennis shoe production and focuses on the medium and low income segments. This context of apparent wealth and good results, however, is a fragile one.

"If the companies do not restructure themselves, then 80% of them might shut down their doors within four or five years, due to the 'China factor'," believes Marise Xavier, manager at the industry unit of the Brazilian Micro and Small Business Support Service in the state (Sebrae-MG).

With that in mind, Sebrae and the local union (Sindinova), in partnership with the Federation of Industries of the State of Minas Gerais (Fiemg) and the government of Minas, decided that it was time to innovate. A set of actions to be implemented until 2010 was devised in order to help make that change.

The aim, from now on, is to no longer depend on season changes to switch collections, but rather to follow the latest trend in the fashion world: fast fashion. "This means that products will be switched every two months, on average," explains Xavier.

In order to not risk having large inventories or wasting time, material and money on the wrong product, businessmen are obtaining training in order to incorporate better notions, such as the importance of design and the need for keeping up with what is being worn in the streets.

In addition to lectures by specialized consultancy firm Competitiveness, in the future, businessmen in Nova Serrana and surrounding region will be able to use a software linked to department stores (the hub's leading clients) by means of which they are going to monitor, on a daily basis, the models that are selling most and the ones that do not sell much.

"Up until now, footwear fashion from Nova Serrana was based on the pricing factor alone. Things can no longer be like that," says Xavier. The region will continue to target the low-income public and shoes will continue to sell for prices ranging from 10 to 20 reais (approximately US\$ 6 to US\$ 12).

The difference is that, from now on, shoes will look more attractive to the eyes of consumers. "That should increase our market share here in Brazil, in regions such as the Northeast, and even abroad," says the manager at Sebrae.

Currently, the Nova Serrana shoe industry's leading customers are based in the interior of the states of Minas Gerais, São Paulo and Rio de Janeiro - areas in which competition with Chinese footwear does not yet exist, contrary to what takes place in the capitals.

According to Xavier, Sebrae's project in the region also forecasts a local innovation center, an industrial park, a "Material Library" - a showroom to display what is new in terms of components - and business in China.

Instead of fighting the giant with 1,3 billion inhabitants, the small city - which has a population short of 60,000 people - wants to join forces with it. Shutting down the doors and importing from Chinese manufacturers is out of the question, as is transferring the companies to China, like part of the shoe industry in the state of Rio Grande do Sul did.

The businessmen from Nova Serrana want to travel to the other side of the world to check the best technologies available and create a system for purchasing raw material from them. "And group purchases are even cheaper," states Xavier.

A trade mission to China is already one of the project coordinators' plan - and many other local businessmen have already shown interest. "But we also have plans for other missions, even domestic ones, as the state of Rio Grande do Sul is still the leading reference in Brazilian footwear production," she says.

Ronaldo Lacerda owns company Zoom Indústria e Comércio de Calçados, which manufactures the Lindi brand. His company counts on 200 employees and produces 70,000 pairs a month. It focuses on women's shoes for the middle-income segment. Lacerda's main market is São Paulo, but he also sells to Minas, Rio, to the south of Brazil, and has a client in Argentina.

Exporting, in times of depreciated dollar, is not worthwhile, even though the company plans on increasing its clientele worldwide. "In the past, we would export a tennis shoe for US\$ 10 and get 25 reais (US\$ 16). Now we get 15 reais (US\$ 9.6). It is a very significant loss," he says. "Even national brands are manufacturing abroad, so as to be able to export without incurring great losses."

If, on the one hand, exports are doing bad, the time is right for buying. "We must take advantage of this super-competitive market," he says, regarding the initiative of purchasing components from China or other interesting markets.

Lacerda, who is also a member of Sindinova, explains that the hub reacted very positively to the restructuring project. "We are only getting started. This beginning, however, is already changing the way businessmen here think."

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