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# EXPORT GUIDELINE TO EUROPE FOR LEATHER FOOTWEAR

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# The European Union at a glance

27 member states



477 million potential customers



The largest four members states (Germany, France, Italy, Spain) make up more than half of the EU in terms of population





19 members states use the euro as their currency

Mongolia has signed a Partnership and Cooperation Agreement with the EU and trades under favourable tariffs



The average purchasing power is high, especially in the northern and western European countries

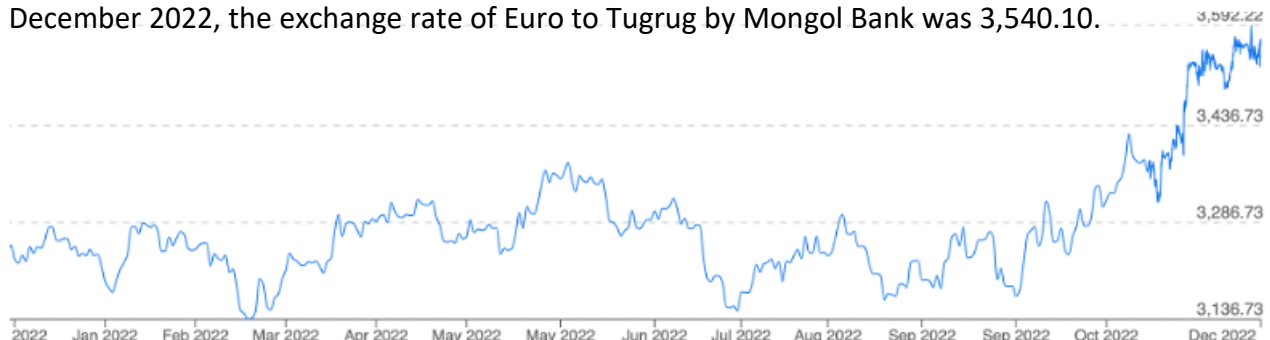


## GENERAL INFORMATION ON THE EUROPEAN UNION

### 1. EUROPEAN UNION AND WHAT IT MEANS

The European Union is a single market system that allows any of its member countries' citizens to be able to study, travel, work, live and shop in other member countries. It also ensures free movement of products, services and capital, which is an important benefit because it allows your exported product to go through customs once and have the freedom to be sold in any EU countries. However, there are a few important things to note between the twenty seven countries of the EU. Some have different tax systems, financial services, and e-commerce rules and it is suggested to study and be aware of the differences between the countries. Therefore, look into the specifics for the country you are targeting in your export preparation and planning.

Another thing to note is "currently, the euro (€) is the official currency of 19 out of 27 EU member countries which together constitute the Eurozone, officially called the euro area". In December 2022, the exchange rate of Euro to Tugrug by Mongol Bank was 3,540.10.



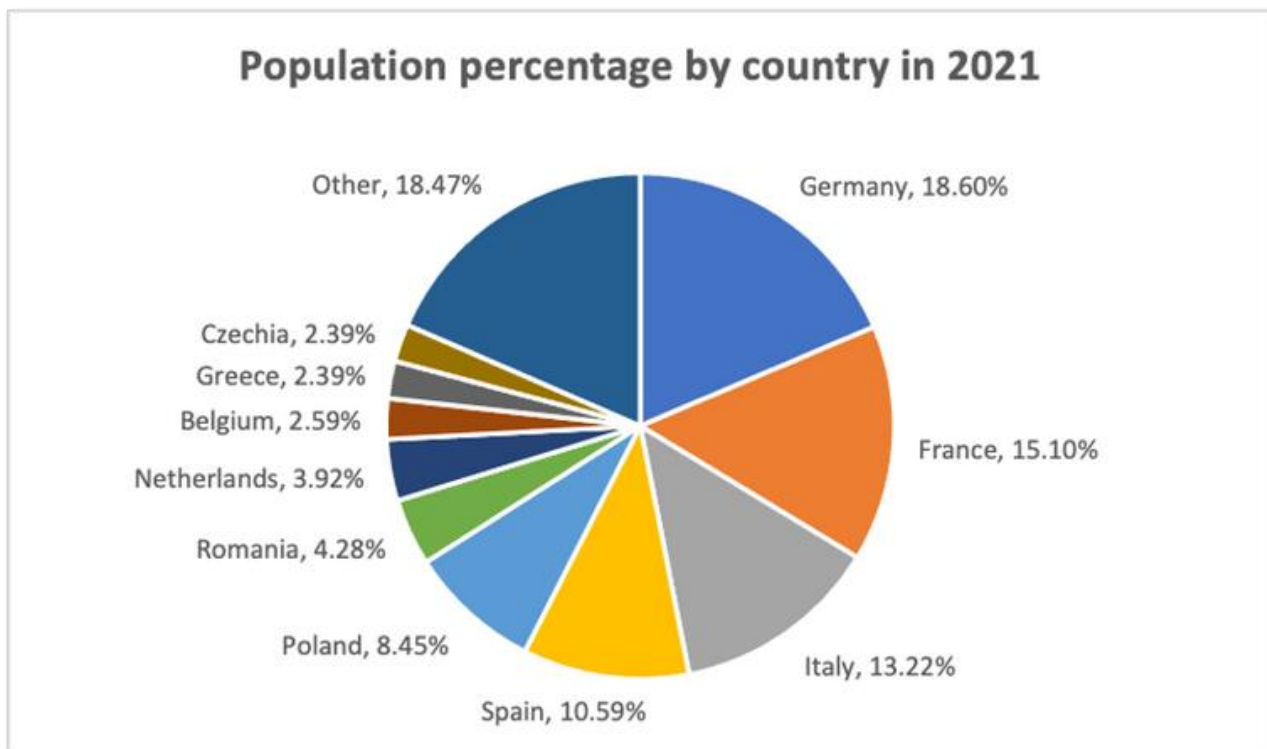
## 2. TRADE RELATIONS BETWEEN MONGOLIA AND THE EUROPEAN UNION

The European Union is the third largest trade partner of Mongolia after the two neighboring countries. It has been half a decade since the Partnership and Cooperation Agreement (PCA) between the European Union and its 27 Member States (as of Nov 2022) and Mongolia entered into force. Within the agreement’s framework, Mongolia is one of the beneficiaries of the EU’s Generalized Scheme of Preferences (GSP+) (GSP Hub, n.d.). It is the special incentive arrangement for Sustainable Development and Good Governance that support vulnerable developing countries that lack export diversification and have insufficient integration within the international trading system.

Since the implementation of the PCA, the European Union is assisting Mongolia with the Trade Related Assistance (TRAM) (European Commission, 2020) project to enhance the sustainable economic growth and diversify the export categories.

Under the GSP+ special arrangement that is valid until 2023, Mongolia is eligible for preferential tariff when importing various products to the EU. Refer to the Access2Markets platform to learn more about the tariff rate for the products you manufacture.

## 3. POPULATION



According to the World Bank data, the total population of the European Union in 2021 was about 447 million. The following chart shows the percentage share of each European countries’ population. (The World Bank, n.d.)

## EUROPEAN UNION POPULATION BY DEMOGRAPHIC (EUROSTAT, 2022)

The population share by gender is fairly even split, though women tend to live longer than men over the age of 55. Overall, the European population is aging, meaning the country's average age is becoming older and the largest market share is the individuals who are in their early 40's to late 50's, as you can see from the table below.

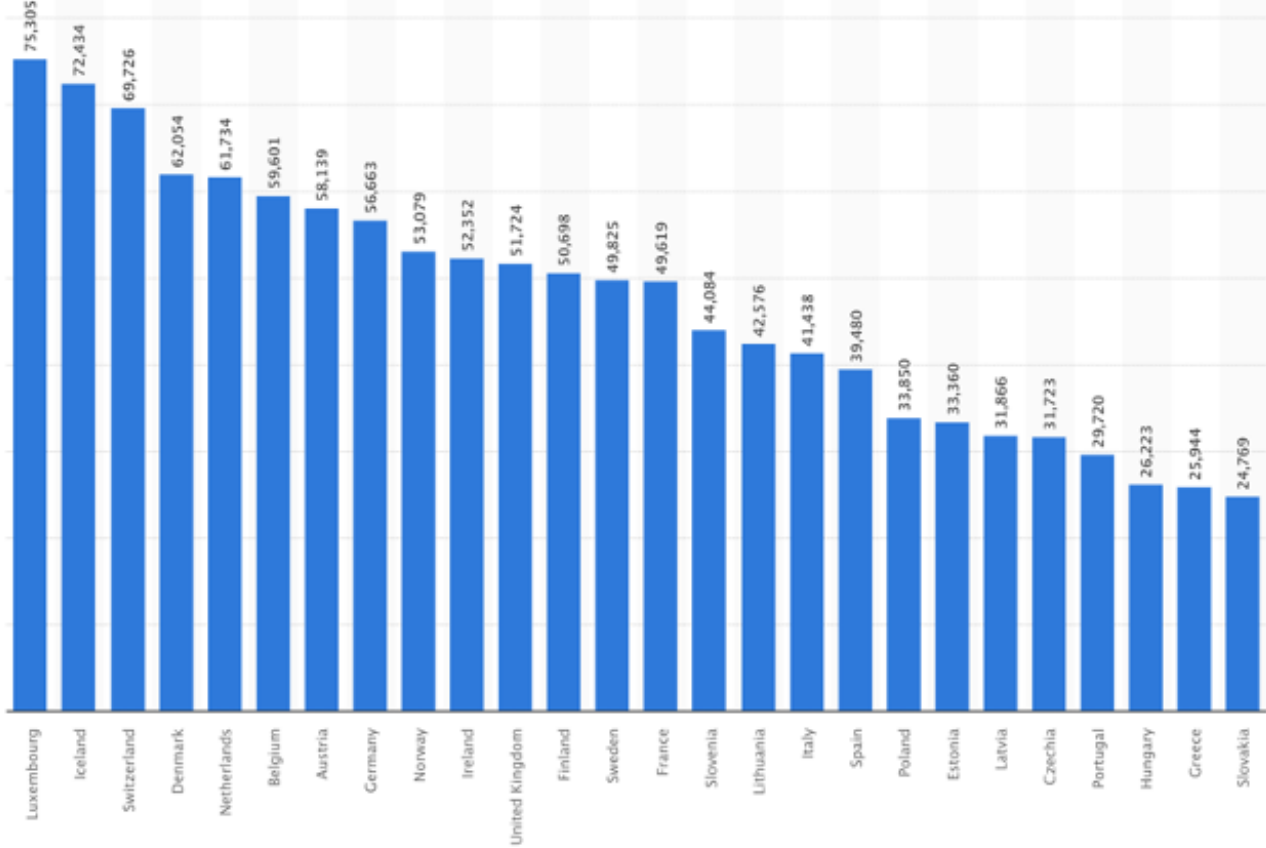
Age Group	2020			2021		
	Total	Male %	Female %	Total	Male %	Female %
5 to 9	22,643,833	51%	49%	22,441,433	51%	49%
10 to 14	23,482,639	51%	49%	23,671,585	51%	49%
15 to 19	23,168,364	52%	48%	23,112,631	51%	49%
20 to 24	24,089,592	52%	48%	24,121,452	52%	48%
25 to 29	26,387,457	51%	49%	25,790,839	51%	49%
30 to 34	28,466,785	51%	49%	28,385,670	51%	49%
35 to 39	29,766,703	50%	50%	29,413,710	50%	50%
40 to 44	30,993,499	50%	50%	30,900,187	50%	50%
45 to 49	31,838,485	50%	50%	31,649,568	50%	50%
50 to 54	32,641,727	50%	50%	32,513,223	50%	50%
55 to 59	31,379,478	49%	51%	31,575,348	49%	51%
60 to 64	28,997,915	48%	52%	29,217,574	48%	52%
65 to 69	26,016,029	47%	53%	26,202,286	47%	53%
70 to 74	22,166,639	46%	54%	23,180,118	46%	54%
over 75	43,785,198	39%	61%	43,801,648	39%	61%
	425,824,343			425,977,272		

## 4. AVERAGE ANNUAL WAGES FOR SELECTED EUROPEAN COUNTRIES IN 2021 (IN U.S. DOLLARS)

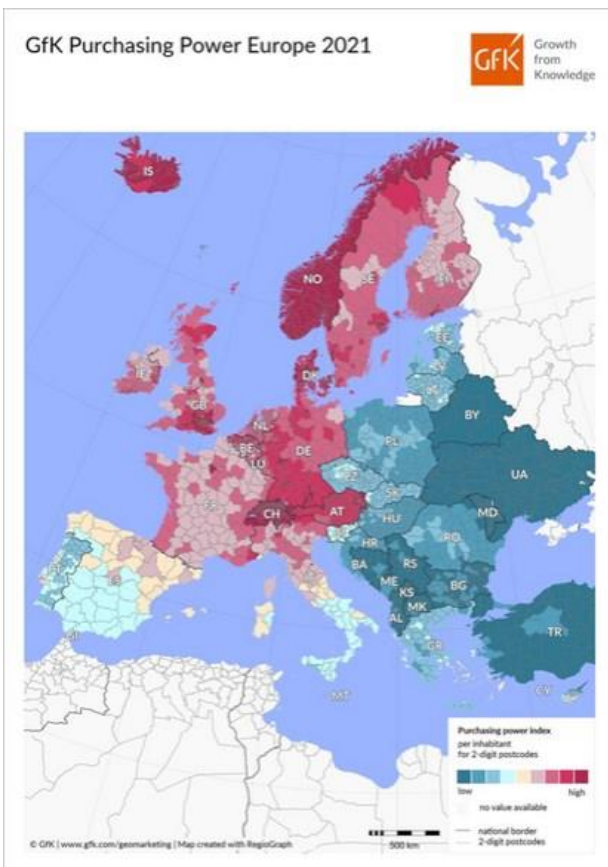
The European Union in overall is a wealthy region but with fluctuations within where Northern and Western European countries have more disposable income than the Eastern and Southern European countries as you can see from the chart below.

These countries that have higher average salary might also have higher living expenses, such as housing, food, and transportation. Therefore it is good to note that higher salary does not simply mean higher purchasing power.

## AVERAGE ANNUAL WAGES FOR SELECTED EUROPEAN COUNTRIES IN 2021 (IN U.S. DOLLARS)



## 5. PURCHASING POWER



According to the most recent study completed by the growth from knowledge, the average Europeans had about €15,055 which is equivalent to (\$15,448 with the exchange rate of Nov 21, 2022) for spending and saving in 2021, which is a growth of 1.9% from the previous year. Below is the map of the European Union countries highlighted by the highest purchasing power to the lowest. With higher purchasing power, consumers will have more confidence and less financial worry when making purchases.

Source map: GfK

## 6. OVERALL TRENDS IN THE EUROPEAN MARKET

While each product category will have its own specifics, there are some general trends and developments in the EU market which shape both consumer preferences and requirements.

The most important trend in this view is sustainability, where EU ambitions followed up with a legislation package, are set to become the first climate neutral continent, transitioning towards circular business models where waste and emissions are phased out, while at the same time companies active in Europe must take responsibility for the whole supply chain.

In practice, this means that all products and supply chains will need to become more sustainable, be designed to not become waste but for materials to be reused and recycled, while at the same time companies active in Europe will need to be able to show transparency, how products are made and which material, substances and chemicals are used in the processes.

Other overall trends include: health - where both mental and physical wellbeing is given priority in lifestyles, product choices and diets; technology - where products and technological, digital solutions increasingly become intertwined, both as parts of products and as apps linked to products and services; aging population - the specific needs of elderly people still active, having time and being able to afford what they want; flexible uses & convenience - in response to busy lifestyles and relatively small homes, where ready-made solutions save time and flexible uses of products save space.

A combination of one or more of these trends in your product offer will of course increase its attractiveness on the European market!

## 7. CUSTOMER CLEARANCE DOCUMENTS

These are crucial documentations to prepare prior to shipping your products to the European Union. There maybe additional documents required by the customs depending on the item you are importing, so we suggest you thoroughly research the customs documents required for your specific product. The Single Administrative Document must be presented with the below documents:

- Customs Value Declaration
- Commercial Invoice (listing export and importer address and name, date of issue, invoice number, description of products, unit of measure, quantity of goods, unit value, total item value, total invoice value and currency of payment (equivalent to Euro), terms of payment and the Incoterms, and means of transport)
- Certificate of Preferential Origin (this form is required for you to be excluded from customs tariff if your product fall under the PTA between the two countries)
- Transportation Document (Bill of Lading)
- Import Licenses
- Inspection Certificates (if required)

## 8. THE EUROPEAN UNION AS A POTENTIAL EXPORT TARGET MARKET

There are various export opportunities to the European Union (EU) as it represents 27 countries and operates as a single market meaning there is one common border with customs when you enter the entire area. Adding to this, the EU and Mongolia has a preferential trade agreement, which allows various Mongolian products to be imported exempt of or with reduced customs tariff. Most importantly, the EU consists of almost half a billion potential consumers, with an overall good purchasing power, and strong values for organic and sustainable, healthy products. If you are interested in exporting to the EU, check out our factsheets on the segment, demand, pricing, competition, and legal requirements to identify whether the European Union is a good fit for the products you offer.

### **Resources:**

[https://single-market-scoreboard.ec.europa.eu/countries\\_en](https://single-market-scoreboard.ec.europa.eu/countries_en)



# EXPORTING

## MAP & TOPICS

01

### Step 1: Assess your company's export potential

An export-ready business has the capacity, resources, and understanding of the opportunities and challenges to enter a new market. The first step in exporting is to know your company's readiness for international trade by studying your current operation, strengths, and weakness, and answer the following:

- What is your manufacturing capacity? Will you be able to expand your capacity?
- What are your manufacturing costs?
- Which areas in manufacturing do you see challenges?
- How is your day-to-day operation? Do you know if there is an area you are excelling at or having difficulty with?
- Do you invest in research and development?
- How is your product quality?
- Who is your target market (customer) in your home country? And how do they respond to your products?
- What unique selling point are you offering to your current customers?
- Do you have the financial resources to enter a new market?
- Do you have capable human resources and management dedicated to exporting?
- Do you have the resources to navigate the legal and logistical complexities?

02

### Step 2: Research & understand the new market and its attributes.

With your knowledge about your company's operational capabilities and weaknesses, the next step is to study the new market characteristics. Identifying if you should enter a new market and, if so, what you can offer this market.

Entering a foreign market means supplying a market with unfamiliar and somewhat unique products - products that stand out positively.

The new potential customers will differ greatly from your traditional customers by culture, language, religion, habits, needs, and interests.

These influence how your products and brand are perceived, when and how they are used, and for which reasons. Recognizing, understanding, and respecting these differences are the first steps to successfully exporting to a new market.

#### **General Information**

- Population, currency, legal & economic environment, and market trends - do you have a good understanding of the market characteristics of your target market?

#### **Trade & Economic Agreement**

- Economic agreements between the home country and the importing country - will you need to consider extra costs as an exporter, or do you have an advantage over other supplying countries to your target market?

#### **Export Requirements**

- Are you able to adapt your product, the manufacturing process, and packaging to meet the “Export and Technical Requirements” set forth by the importing country?

#### **Market Segments**

- Will your target customers be the same as now, or should you focus on a different customer group to find the best fit for your products? Which segment is best suited for your product in the new market?

#### **Market Demands & Consumer Expectations**

- Is there a demand for your product? Which quality and other expectations do your potential customers have? What market trends are there to know and comply with?

#### **Retail Pricing & Wholesale Pricing**

- Does your pricing work in the target market? Can you sell at a good price for you and the target market? Would this price be competitive in the market? or should you adjust your pricing strategy?

#### **Market Competition**

- Who else is active in the market you are targeting, and what areas do they excel and lack? how do you perform compared to them? and how do the consumers respond to them?

#### **Market Entry Opportunities**

- Will you offer your products to importers such as wholesalers, or perhaps to importing retailers? Or will you be opening your brand store?

#### **Supply chain**

- Through which channels will you reach your target consumers, using which logistics?

## 03

# Step 3: Select your target market & finding your Unique Selling Point (USP).

Steps 1 and 2 will lead you to recognize your strengths and weaknesses and identify which target markets offer the best opportunities for your products so that you can zoom in on them.

- **Customers**- do you thoroughly understand the customer group you have selected to be your target market? What are their priorities? What do they expect from suppliers? What are their consumer characteristics and behavior?
- **USPs**- will you need to analyze whether your original USP will fit the target customers you have identified, or do you have to redefine it while being true to your original values? What USPs do companies offer in this market? How would you differ? And how do customers respond?
- **Trends** - do you meet the market trends? Does your USP match any of the trends? and how you would do more to fulfill and comply with the trends.
- **Players** - who will you do business with to reach the identified customers for your products?

## 04

### Step 4: Develop your export plan.

With a thorough analysis following the previous steps, you are now ready to turn your findings into concrete plans on how and when to enter the market. Below are a few key areas you must develop a plan for when entering a new market

- **Operations plan**- (legal, labor, and day-to-day operation)- how would your products be sold? would you open a business or find an international retail partner?
- **Supply Chain & Logistics plan**- (Incoterms, customs agent, shipping company)- how will your goods be shipped, and with which player do you do business? who will be responsible for the risks of international shipping?
- **Financial plan**- (benchmarks, cost, and profit analysis)- how much do you have to make to break even? What is the projected quarterly sale of your products? Is your product priced right so you can make a profit?
- **Marketing plan**- (branding, promotions, and campaigns)- which channels would you utilize to increase brand awareness in a new market? What branding and messaging will you maintain in the new market?
- **Corporate Social Responsibility (CSR) & Sustainability goals**- which sustainability goals does your business vision align with? What steps are you taking to fulfill your CSR?
- **Implementation Plan**- how will these plans be implemented? How long and how many human resources are required to implement these plans?

# MARKET SEGMENTS FOR LEATHER FOOTWEAR IN THE EU

## 1. WHAT IS A MARKET SEGMENT?

Market segments are customers grouped for marketing purposes. Customers within one segment have similar likes and dislikes in an otherwise homogeneous market. Common ways to segment a market are by price/quality (think of luxury with high quality and high prices), age (elderly vs. children and every age group in between), and lifestyle (sports and/or environmentally conscious, for instance). In practice, there can be several ways of defining a segment as long as it describes the target user you want to reach with your product.

Some examples of how to define segments for selected companies in the footwear market are

- **GEOX** - an Italian footwear brand with a global presence focusing on innovation and comfort with high-quality waterproof shoes that breathe
- **Maison Baum** - a German brand active in the women's luxury footwear segment with innovation that makes high heels "pain-free" by shifting the weight of the user through patented technology
- **Petit Nord** - A Scandinavian brand for sustainable children's leather shoes, focusing on the environment, craftsmanship, and children's health.

## 2. HOW TO IDENTIFY YOUR SEGMENTS?

Segmentation can be very useful in the EU market as a wide range of shoe types, styles, and quality can be linked to different types of consumers. Along with differences in consumption between countries and by market segments. The most common segmentation method for all EU countries is:

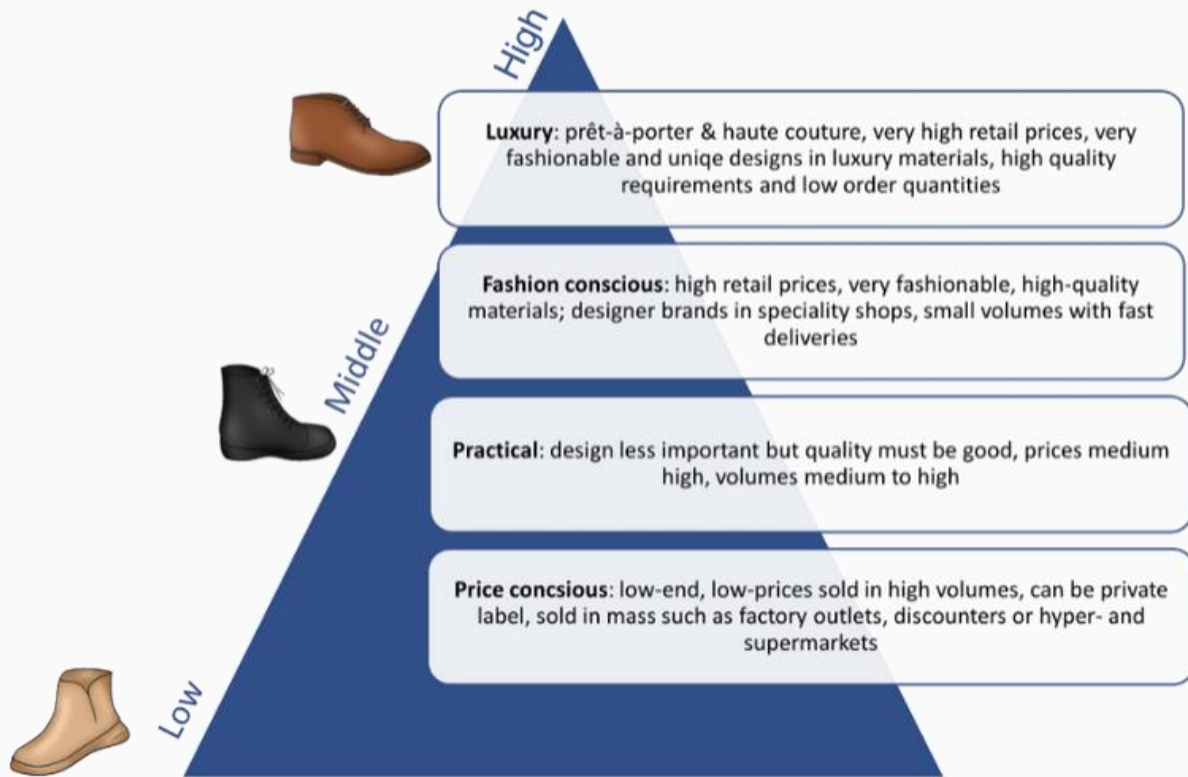
- by price/quality
- by the user
- by lifestyle.

Rather than only using one of the methods, you can combine all three to deeply understand the target market that your product will serve and know how to position your product, which partners to work with, and what marketing tools need to be utilized to reach this target market.

### **a. Segmentation by Price / Quality**

Depending on the quality and the pricing, your product can fall under a different market segment.

Fashion-conscious and luxury segments are the top tiers for apparel and footwear; its consumers expect a high level of customer service, product quality, and unique, beautiful, and innovative products.



Source: adapted from CBI  
<https://www.cbi.eu/market-information/footwear/channels-segments>

**b.Segmentation By User:**

- Segments of Women, Men, and Children

In 2022, the global footwear market was estimated to be worth about 382 billion US dollars and the European footwear market was valued at 85.48 billion US dollars. Women’s footwear represents about 50% of the overall market value. The fact that females have half of the market share shows that they are willing to spend relatively more on footwear and likely have more pairs of shoes than men and children.

Population	2021	Children (5-14)	Men (above 15)	Women (above 15)
European Union	446,946,712	46,113,018	183,974,684	195,889,570

Based on the table above, the population of women over the age of 15 is the highest group of individuals in the market, which would contribute to why the sale of female footwear represents almost half of the revenue generated. However, additional factors influence the purchase of footwear, such as consumer behavior; while men could use one to two footwear throughout the year, females tend to purchase different footwear for different seasons and occasions. Therefore, understanding the differences between user behavior and social standards for these groups will reveal these customers' trends.

- **Segments by generation (Age of the end users)**

We have noted that the average age of the EU population is becoming older, and this average customer age is reflected in their purchasing patterns. The older population prefers comfort over fashion, which has contributed to the popularity of athletic footwear in the EU. Athletic footwear has also become fashionable, and also young people wear this type of footwear for several occasions, such as school/work, going out with friends or taking a stroll in the park. This also reflects the trend for flexible-use products that we have noted in the general information document.

If your product is best suited and designed for young individuals between the age of 21 to 25 (Generation Z in 2022), it is essential to know what the trends are and what they value as consumers. Unlike the older generation, they are more willing to invest in fashionable yet not as comfortable products. Still, they are not as financially stable as the older generation, so that would reflect the pricing of the products. This age group is one of the most “woke” generations. They are leading the demand for eco-friendly and sustainability-focused as it is one of the biggest problems facing society and the world they are living and growing up in, so they still value the durability and quality of the product on top of the way it looks. We suggest that you as the manufacturer, research and understand who your product is being made for and their basic requirements for you as the supplier.

### **c.Segmentation by Lifestyle**

Once you identify which segment you serve with your product, based on the price range you have identified for your product and your target gender or age group, it is excellent to understand the lifestyle of the segments so you can narrow down on your niche and your marketing messages.

Lifestyle patterns reflect the habits, attitudes, tastes, moral standards, employment, and values that define consumer segments. There are different ways to segment customers by lifestyle. You can identify them differently as well, but for simplicity, let’s take the customer profile that a research company, GfK, developed for the German market to show how you can differentiate the population by their lifestyle.:

- Alphas- (Ambitious, hard workers that appreciate quality items and innovative products that benefit their lifestyle)
- Self-Indulgers- (Spontaneous and pleasure-oriented people where appearance and ambiance are essential and would invest in items that present their individuality)
- Rooted (traditional)- (Individuals who like spending time at home and are budget-conscious, and have loyalty to the products that fulfilled their needs)
- Rooted (conscious)- (Customers with an active lifestyle and enjoy cultural performances; these group of customers loves sustainable and high-quality products)-
- Safety-seekers- (These are traditional and family-oriented consumers who prefer brands and products that they can trust and rely on the information on the packaging).

- Idealists- (care-free and experience-oriented individuals with a priority for conscious consumers, offering one-of-a-kind life experiences while sharing the same values is a great way to attract these consumers).
- Care-taking- (are open-minded and environmentally conscious consumers who try to use ethical products and sustainable products)
- Trend Surfers- (Creative and curious individuals who are following the coolest and newest trends by offering products and experiences that allow them to express themselves)
- Easy Going- (a relaxed and ambitious customer who responds to a pragmatic offer that makes decision-making easier)

### 3. NARROW DOWN YOUR TARGET SEGMENT

To define your target segment, know who your product is best suited for, and start from the segment you are currently serving. Based on that, you can brainstorm what you know about the potential customers in the market and identify what you need to know, and find out about the market:

Which users do you target with your shoes?

- **Gender or age:** Men, women, or children? Note that if you target more than one user group, you can differentiate in the segmentation (while other aspects may overlap)
- **Lifestyle:** how does your current user wear the footwear? Can you identify a clear segment in your target market for which your footwear would be a fit? Would it need adjusting the purpose for which it is used? (e.g. intended for outdoors, for instance, could it also be used in an urban setting in your target country, or is there a better fit for hiking in nature?)
- **Price & quality:** looking at the segment you have identified, is the quality you offer in line with what is on the market? And bearing in mind the margins along the supply chain by different actors (see factsheet on pricing), can you supply the market at the right price?

To find answers to the questions you may not have answers to readily available, have a look at the following sources:

- Online shops in Europe featuring different styles, qualities, and price levels of different brands, for example, zalando.com
- Brands you may already know or find out through online shops or trade fairs
- Available studies, such as <https://www.cbi.eu/market-information/apparel/leather-fashion-accessories-0>

Also see the factsheet on how to analyze the competition for input on how to relate the information about other brands and companies to you.

# DEMAND FOR LEATHER FOOTWEAR IN THE EU



## 1. WHAT IS DEMAND?

Demand is an economic concept related to a consumer's desire to purchase goods and services and willingness to pay a specific price. There are about 450 million consumers in this market in twenty-seven countries, and these countries have imported leather footwear worth 23.7 billion US dollars in 2021. Consumers do not need more products; they have a surplus of products such as apparel, footwear, and such. However, the market is lagging in offering unique products and services that fit within their ever-changing values and lifestyle.

There is a high market demand for high-quality, comfortable, fashionable, and sustainable footwear and a need for European production to fulfill these needs. Therefore, there is an opportunity for international exporters/manufacturers of leather footwear to fulfill these European market demands with unique and quality product propositions.

## 2. LAW OF DEMAND (GRAPHICS)

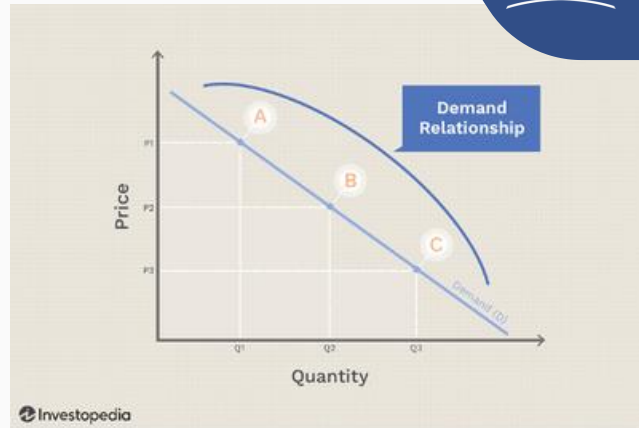
Some factors affecting the demand include

- The appeal of a good or service
- The availability of competing goods
- The availability of financing
- Perceived availability of a good or service



Demand can be determined based on a couple of factors:

- buyer's disposable income,
- consumer's preference,
- price of competing goods,
- consumer's expectation for a change in price, and
- the price of goods and services.



### 3. FOOTWEAR DEMAND IN THE EUROPEAN UNION

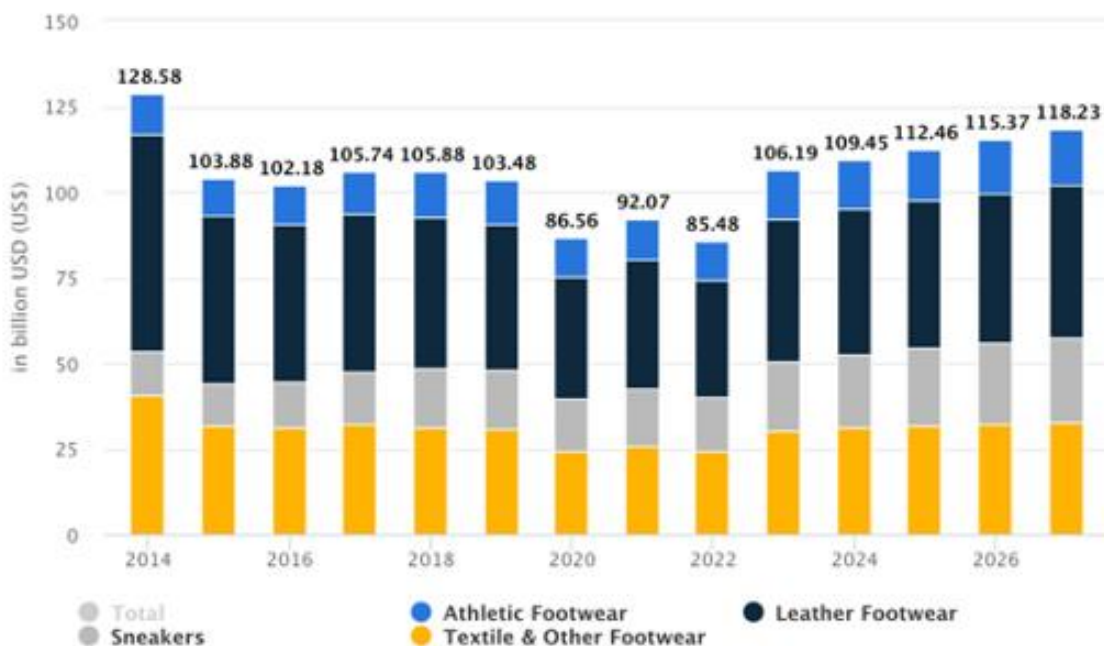
#### Leather is the largest category in the growing footwear market

Based on the industry statistics on Statista.com, the European leather footwear market made US \$85.48 billion in revenue in 2022, and this number is expected to grow annually by 6.7% until 2027. Based on the graphic below, leather footwear represents the most significant sum of the footwear market, with US \$33.93 billion.

While the leather footwear share of market revenue is high, it doesn't mean it was the most sold footwear type by volume. The graphic below from Statista shows that, in 2021, consumers

REVENUE BY SEGMENT

REVENUE CHANGE BY SEGMENT



Notes: Data shown is using current exchange rates and reflects market impacts of the Russia-Ukraine war.

Most recent update: Jun 2022

Source: Statista

### Asia is the largest footwear producer.

According to World Footwear, in 2021, about 88.2% of the footwear production was held in Asia, 2.8% in Europe, and 4.7% in South America. Asia also leads in footwear consumption with 56.7%. While in 2021, only about 0.6% of the world's footwear was produced in North America, but they are the second largest consumer of footwear at 14.9%, followed by Europe with 13.3%.

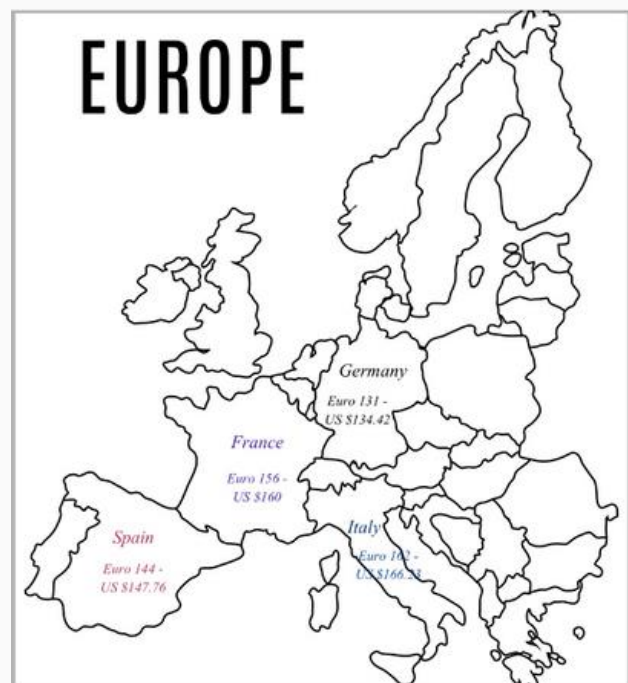
European footwear production is small and declining.

Europe's footwear production is low; two-thirds of the total EU footwear production is concentrated in three countries: Italy, Spain, and Portugal. Italy alone is responsible for about 50% of the footwear production in Europe. The production of footwear in Europe is decreasing annually to countries with lower labor costs, opening greater opportunities for suppliers from developing countries.

### Germany is the largest European importer.

Based on the import statistics reported in Trade Map, Germany is the largest importer of leather footwear (HS code 6403) in the European Union, representing about 20% of the total imports that fall within the same category. The top exporting countries of this group of footwear to Germany are Italy, China, Vietnam, Portugal, Netherlands, India, Indonesia, Spain, and France.

According to the Centre for the Promotion of Imports from developing countries (CBI), "German consumers accounted for per capita footwear sales of €131 (US \$134.42), but per capita consumption in



other leading European countries was higher as shown below". The average volume per person in the footwear market is expected to amount to 3.0 pairs in 2022.

## 4. IDENTIFIED OPPORTUNITIES IN THE EUROPEAN UNION

The European Union is a large consumer market that imports about 24 billion US dollars worth of leather footwear from China, Vietnam, India, and Indonesia. The sale of leather footwear represents the biggest market share by revenue, but it is the second largest by volume of textile & other materials of the footwear. While there are various customer demands and expectations to be met by suppliers, these customers are open to purchasing quality, durable and comfortable leather footwear within the range of 130-160 Euro per year. This is to say that the EU is an incredibly untapped market for Mongolian leather footwear manufacturers if you can offer unique, attractive products made to meet consumers' expectations and import requirements while being competitive to the footwear manufactured in other Asian countries and the EU's known leather footwear manufacturer countries such as Spain, Portugal and Italy.

# PRICING OF LEATHER FOOTWEAR IN THE EUROPEAN MARKET

The product price is not simply decided by the manufacturer's profit margin. There are various steps and partners involved in the product value chain, from manufacturing, logistics, customs, and retailers to every player who works within the chain. The original cost per pair of footwear will increase at every step, and so will the retail price. However, it is important to note there are factors to be considered other than the profit margin when establishing your wholesale or retail price, such as market competitiveness. With this guideline, we aim to provide a basic understanding of what goes into consideration for your wholesale or retail price.



## 1. WHY IS PRICING SO IMPORTANT?

Pricing is the monetary value you put to charge for your product. Charging the right amount using the correct strategy will ensure your business is competitive and profitable while building your business image. Businesses use several pricing strategies, and we are highlighting only a few to review:

Pricing Strategy	Details	Example
Cost-Plus Pricing	Based on the total cost of manufacturing the product. The final price would be the addition of the total cost of goods and preferred profit.	Cost per product: \$30 Preferred Profit: \$30 Wholesale Price: \$45 (50% markup) Retail Price: \$60 (100% markup)
Value-Based Pricing	A strategy that decides the product pricing based on the product's value and what the customers are willing to pay.	Cost per product: \$30 Market Price: \$100 Wholesale price: \$60 (100% markup) Retail Price: \$100 (230% markup)
Penetration Pricing	Used when companies enter a new market with low prices to gain a customer base from the competing businesses in the new market. While this strategy does not allow instant profit, it is to introduce your product to new customers and showcase the design and quality for cheap at first	Cost per product: \$30 Market Price: \$100 Wholesale price (1): 45% (50% markup) Wholesale price (2): 60% (100 markups) First Retail Price: \$80-\$90 Second Sell Price: \$90-\$100
Competition-Based Pricing	Based on extensive research and analysis conducted on the competing businesses operating in the same field. The competition's pricing will showcase the market rate for similar products.	Cost per product: \$30 Competition Price: \$100 Wholesale price: \$60 (allow for the retailer to add their profit) Sell Price: \$95 (cheaper)-\$105 (pricier)

## 2. ESSENTIAL FACTORS TO CONSIDER WHEN PRICING FOR AN INTERNATIONAL MARKET

- **Product manufacturing cost-** Material, design, manufacturing, labor and labeling and related costs
- **New packaging & Labeling cost-** To qualify for international markets, you must follow their product packaging and labeling requirements and repackage or label before exporting it from your home country
- **Custom Tariff-** differs on the economic markets; with the EU- Mongolia PCA, the leather footwear is imported tax-free until 2023, and 8% without the agreement.
- **Exchange Rate-** The exchange rate from Mongolian Tugrug (MNT) to Euro (EUR) has increased steadily every month. Based on the last ten (10) years of data on the exchange rate from Mongolian Tugrug (MNT) to Euro (EUR). On November 24th, 2022, 1 EUR = 3,529.90 MNT.

- **INCOTERMS by the International Chamber of Commerce:** these are the world's terms of trade for the sale of goods. This will determine who will be responsible for the products from which point of international shipping, such as Free on Board (FOB), which means the seller is responsible for the cost and loading of the cargo onto the transporting vehicle, but when it is safely on the route the risk transfers to the buyer.
- **Potential Markdowns-** Consumers expect a sale and discount on a few holidays and periods, and it is good to note these markdowns on the initial pricing.
- **VAT (ranges between 19 and 27% in EU countries)-** Unlike North America, in European countries, the sales tax cost has to be built into the price of the product
- **International shipping** costs should be quoted from logistics companies that can move your products from the home country to the exporting country.
- **Marketing cost-** When entering a new market, you must have an extensive marketing campaign and budget to introduce your brand to unknown potential customers.
- **Operations Cost-** Rent (if opening a brand store), heat and electricity, salary for human resources, business registration, accounting, and legal services,

### 3. THE MARKET PRICE FOR LEATHER FOOTWEAR IN EUROPE

According to the Center for the Promotion of Imports from developing countries (CBI), the price of leather footwear in Europe is increasing steadily due to the cost of raw materials and the cost of human capital. As of 2016, the consumer price for leather footwear ranges from 140 to 300 euros (CBI, 2016).

Based on the statistics from Statista.com, in 2022, the average price per unit for leather footwear was US \$54.45, equivalent to 52 euros. However, if you study your competition, the average price per leather footwear is significantly different depending on which segment you are in. If you have not identified which segment you might fall under, you can refer to our segment factsheet.



The fastest way to identify the market price for the footwear similar to your products in the current period is to research what price the competing companies offer for similar products. Let's take the example of the brands Geox, Petit Nord, Maison Baum, and Trippen to study the current market rate for leather footwear.

- Let's review Geox and Petit Nord brands for children's leather footwear. The average retail pricing of children's leather footwear is 90-160 euro. It is essential to note which segment these two brands fall under. Based on our analysis, these two brands are considered to be "Practical", which indicates high quality with medium to high price.
- As for adult leather footwear, we can study Maison Baum and Trippen. The average pricing of adult leather boots is 350-420 euro. These two brands are considered "Fashion Conscious", which indicates fashionable and high retail prices.

Another important thing to note is which market segment the competitive businesses are operating in. As mentioned in the guideline for "Segment", you can see the different segments and remember them when analyzing competitive businesses. Let's take the same companies for example:

- Based on the product and the pricing presented on the website of each brand, you can consider "Geox" and "Petit Nord" to be "Practical", which indicates high quality with medium to high price.
- Based on the product and pricing presented on the website of "Maison Baum" and "Trippen" brands, you can consider these brands to be "Fashion Conscious", which indicates fashionable and high retail prices.

#### 4. GETTING THE PRICING RIGHT- WHAT TO CONSIDER?

The price of your product will play an important role in addition to your quality and brand messaging when you are first entering a market. It will be a mistake if you simply convert your selling price in Mongolia to Euro because it does not include the cost of shipping, relabeling, repackaging, retailers percentage share of each sale, and other export-related expenses. For example, the product being sold in the European Union has to present the final price after VAT tax, unlike the North American market where the tax is added at the checkout. Therefore, thoroughly researching and identifying what export steps you will take and who are responsible for which part of the exporting and the associated costs will allow you to set the final price, either wholesale or retail, per pair.

From understanding what additional costs there will be if you enter a new market, you can decide which pricing strategy you will use, such as cost-plus pricing, add profit margin on the total cost, or competitive pricing, adding profit on the total cost but keep it competitive by reducing your profit margin and offering lower wholesale or retail price. Getting a profit from each sale will ensure a smooth and successful operation for your brand, but it is important to note that you are competing with brands that have been in the market for many years and that have customer base and, or connections. You should not reduce your price to the lowest possible price either as it may portray that your footwear is lower quality than the competition, so do not depreciate the value you know your product has.

## CONDUCTING COMPETITIVE ANALYSIS FOR THE EU LEATHER FOOTWEAR MARKET

Analyzing your competitors in the EU leather footwear market

You can learn a lot by observing what's already on offer in your target market...



Who are your competitors and what do they offer? At which price? To whom?

- Design -
- Material -
- Technique -
- Your story -
- Quality -
- Price -



...and most importantly: learn how you stand out in a positive way. What is your USP?




### 1. WHY IS IT ESSENTIAL TO CONDUCT A COMPETITIVE ANALYSIS?

A competitive analysis is a crucial tool to identify the existing businesses and brands (competitors) in the market you are looking to enter and to understand the strategy and tactic these businesses use for their product's pricing, sales, marketing, and day-to-day in-store operation. Analyzing three to five competing businesses will allow you to learn from these businesses and offer something brand new to the customers in addition to your brand's original value, concept, and product. Competitive analysis is used to understand:

#### ***the right competitors***

- There are different types of competitors in the market. **Direct competitors** are businesses that offer the same or similar products in the same market. **Indirect competitors** are businesses that offer different products that can satisfy the same need. For example, for a leather footwear company, another leather footwear brand would be a direct competition, and a textile footwear brand would be an indirect competitor. They are not offering the same product, but both are worn to protect and keep the feet warm outdoors and indoors.

***market standards & requirements***

- What type of leather do your competitors use? What quality do their products have? How do these companies' packaging and labeling look? And what are the everyday things all these competitors have?

***customer expectations***

- Based on what is currently in the market, what do customers expect from products? What services are offered when they purchase a product from the competitors? and what could you offer in addition to what they are expecting?

***product pricing***

- Based on what material and design the competitors use, how are they pricing the products? to compete with this market, what level of quality do you have

***competitors' marketing strategies and campaigns.***

- What kind of marketing strategy do they use? what slogans or unique messages are they promoting their product and brand through? What offers and sales are they offering, and when? Which channels are they using to promote themselves? What can you offer that these brands are not doing?

***products & services offered by competing businesses***

- Are they offering any unique or innovative products? How are the customers reacting to these products? What complementary or additional services are they offering with the purchase of a product? (e.g., leather care or spray with a purchase of pair of boots), what material are these products made of? And where do they source their raw materials?

***potential threats***

- What future threats may there be based on your comprehensive analysis of your competition? Is there a competitor with the same product and the same unique selling point? Does your product offer more or less quality? Does your product overlap with their design or has similar features that would raise concern for intellectual property rights?

***understand and discover the gap in the market and innovate to fulfill that opportunity***

- After carefully studying all the aspects of the competitor's business model, product, and marketing message, do you think you can offer anything new to this market? Does your product have a unique selling proposition (USP), whether design or quality? Can you add something innovative, one-of-a-kind, and low-cost to the products to make them stand out from the competition? Do you see potential growth in this market for the long term with all the existing businesses?



## 2. WHAT IS A UNIQUE SELLING PROPOSITION, AND HOW DO YOU UNDERSTAND YOUR COMPETITION'S USP

Unique Selling Proposition (USP) is the overlap of what you excel at and what your customer wants. For example, let's say you are great at making a recyclable leather product, and your customers want sustainable, eco-friendly products. So you can tell your USP is "made to be recycled and reused." Through the competitive analysis, you will understand what each of your competitors is trying to tell the customers about their brand.

Let's take Geox, for example; their USP is that they make "shoes that breathe." They have identified that the market wants comfortable, lightweight shoes that do not make your feet sweat, so they have answered with an innovative product that breathes.

You could differ by:

- the material you use (unique leather that the EU consumer has never heard of)
- the process you use in making a pair of shoes (sustainable, reduced waste or recyclable product that is unique)
- the quality (ensure it can withstand rainstorm, snowstorm, windstorm and such; last long)
- the design (true one-of-a-kind patented design (so no one can copy you))
- the origin and the story (fair-trade product hand made with the traditional method of Mongolia that ensure warmth, and comfort specifically made for your feet)

## 3. TOPICS TO REVIEW WHEN STUDYING THE COMPETITION

When analyzing the competition, addressing the below steps would allow an organized yet comprehensive look at the market and the competitors.

Step 1: Identify your direct and indirect competitors.

Step 2: Understand what products and services your competitors are offering.

Step 3: What is their USP?

Step 4: Review the competitor's pricing and offers.

Step 5: Study your competitors' sales tactics and campaigns.

Step 6: Analyze which channels the competitors use to enter the markets and where they place their products.

Step 7: Observe how they engage/ interact with their customer.

Let's complete a quick competitive analysis on the two brands we have discussed before, and draft a table to list our findings so it is easier to compare and report back to the executives.

Brand	Segment	USP	Promotion / Marketing	Product	Pricing	Place/ Location	Reputation
ex: Geox	"Practical"	Shoes that breathe	"The shoe that breathes"	Footwear made with various materials, made for adult & children	Adult footwear- Euro 90-200 Kids footwear- Euro 80-100	– Worldwide branded physical locations – Well-developed e-commerce page	Based on the user reviews on Zappos their product is made true to size, their product is very comfortable and stylish which matches the price tag.
Ex Petit Nord	"Practical")	Healthy, safe, sustainable and durable footwear for kids"	"Sustainable kid's shoes for curious little people"	Scandinavian design, sustainable products made with ecological materials	Adult footwear- Euro 90-200 Kids footwear- Euro 95-150	– Worldwide physical locations with different stores – Well-developed e-commerce page.	Their product is reviewed to be very comfortable, warm, stylish and made with great quality Also, with the size helper customers are happier with how the fit is. The environmentally friendly materials used for the shoes are reviewed with five stars

#### 4. ANALYZE YOUR BRAND FROM AN OUTSIDER'S POINT OF VIEW

By conducting a competitive analysis, you will learn more practical and realistic aspects of the market rather than the facts. You may be intrigued by the facts indicating there are more than 400 million European customers that you could potentially serve, but there is more to it before you decide to export then and there. What do these 400 million people want? Would your product be appealing to them? Are you offering something unique? Or are you investing time and value to export products already there?

While it is great to understand and learn from your competition, you must recognize what you are doing right and wrong in your current market to improve and innovate before entering the new market. Therefore, after carefully analyzing your competition, we suggest you study your company as an outsider without prior knowledge of the brand. It will be challenging to have an unbiased opinion as it is a brand you built but to further your success in a foreign market, and you have to be critical and genuine. This will allow you to see your company's strengths and weaknesses compared to your competition and help you identify your unique selling proposition.

## EU MARKET REQUIREMENTS FOR LEATHER FOOTWEAR




**Guide for import of goods | Access2Markets**

This section helps EU companies to assess whether they are ready to import goods from...

[europa.eu](http://europa.eu)

This guideline informs you of all the requirements for leather footwear importers set forth by the European Union to inform and protect their consumers. To read more about the labeling, packaging, technical, and export requirements, you can refer to the references section of this document. Please note it is not meant for specialty footwear such as personal protective equipment.

### 1. IMPORT REQUIREMENTS:

To export your footwear to the EU, you must either have an established business in one of the member countries or an importer registered in the EU. Therefore, the first step is to find a business partner that will be your EU-registered agency, importer, or buyer.

#### **Product Safety and Health**

The General Product Safety Directive (GPSD) specified that all products marketed in Europe must be safe to use. Product safety is given, maintaining a high level of protection for human health and safety.

The GPSD establishes that all products put on the EU market must be safe to use in their intended way. In practice, this means that your footwear, when used as such, should not cause any injury or damage to the user, in whichever way.

According to the CBI, “the most important legal requirement for footwear exporters targeting Europe is to make sure your product complies with Europe’s extensive legislation on chemicals.” Compared to the United States, the European market has more restrictions and limited values of chemicals in products marketed in the EU. To successfully import your leather footwear, you must comply with these requirements:

- You would have to have to comply with the European Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), including:
  - o Azo dyes (Leather and textile)
  - o Chromium VI (leather)
  - o Organostannic compounds (especially parts made of polyvinyl chloride, or PVC)
  - o Metal parts and accessories (such as zippers or buttons)
  - o Perfluorooctane sulphonate (PFOS)

Working with publicly known laboratories or standardization organizations may save money and time, as your products could be returned or destroyed from the border if they do not meet the requirements. Organizations such as CADS (cooperation for assuring defined standards for shoes).

### **Labeling**

Import products have to meet labeling requirements to be allowed entry into the European Union. It also complies with what the consumers expect to see from your footwear packaging.

According to the Footwear legislation indicated on the European Commission website, the European Parliament and the Council of the European Union issued an important directive on labeling and using pictograms on footwear.

To comply with the labeling standard set forth by the EU,

- **materials used**- must have specific labeling on the upper, lining, and sock, and outer sole of the footwear. For each of these, you have to identify in work or by using a symbol what material is used (i.e., “leather”, “coated leather”)
- **country of origin labeling**- “made in xx” labeling to identify where the product was made.
- **location of the label**- The label must be attached or printed on one shoe of the pair on the sole of inside the shoe
- **readability of the label**- The label must be readable, firmly attached, and have big enough pictograms for customers to read.
- The name and address of the manufacturer and the authorized agent in the EU have to be printed on the packaging or labeling, or it should be available to the customer at the point of sale.



The use of pictograms is also approved by the European Union. Therefore you can reference the pictograms to identify what materials you used on which part of the footwear. ex:



[http://www.garantiapiel.com/label\\_100\\_leather.html](http://www.garantiapiel.com/label_100_leather.html)

### Intellectual property (IP)

The European Union, like any other international market, has strong laws protecting intellectual property and the rights of other organizations. Intellectual property includes patents for the creation of a new technology/ technique, copyright of artistic works, the trademark of brand names, products, or packaging, and more. Therefore ensuring that your branding, messaging, product, and packaging design is authentic to your brand is crucial.

### Sustainability requirements

While it is not necessarily a requirement, there has been a worldwide shift by countries and customers to the importance of sustainable, traceable, ethical export and import products. To reduce the carbon footprint of leather footwear production, they are encouraging companies to implement a sustainable plan. Following this trend, companies now offer transparent information on where the raw material was sourced and manufactured. They are also introducing plans and programs to ensure an ethical and safe work environment for everyone involved in the supply chain. The European Union has introduced the “Eco-label” for apparel and footwear that is more eco-friendly. If you meet the criteria set forth by the EU, you can apply for the Eco-label, which would be a credible addition to your product labeling. Also, there are other certification organizations, such as “Leather Working Group” for leather products.

Prioritizing these trends when entering a new market would allow you to be ahead of the competition and/ or at least have a competitive edge.

## 2. MARKET REQUIREMENTS:

### Packaging:

While the labeling requirements we have mentioned above, such as noting the manufacturer's and importer's detail, country of origin, and the materials used, the packaging of your footwear is an essential informative aspect that must be on the packaging. It is important to note that packaging is how you speak to your customers directly. Hence we advise you to add a creative aspect in addition to the informativeness. How your packaging looks and what customers experience when opening your packaging affect the value of your brand and the product from an aesthetic perspective. Therefore, your packaging design is to present your brand and company and meet the standard set forth by your segment. Suppose you are serving a luxury clientele that expects a standard other luxury footwear companies provide. In that case, you must meet that standard and make it high quality, fashionable and memorable for your clients.

The importance of sustainability also applies to packaging as well. Rather than using plastic, the industry is shifting to recycled paper packaging or other eco-friendly packaging options.

### Sizing:

European consumers highly emphasize the comfort and fit of the footwear they purchase. Therefore, manufacturing and serving products that meet this requirement is essential. Manufacturing your footwear true to size is important, but developing a size guide/ chart is helpful for your consumers to reflect on. Let's see what a size chart has to look like and take the example of a European online retailer, Zalando's women's footwear chart guide:

#### Women's shoes

EU	US	UK	Foot Length (cms)
35	5	2.5	22.02
35.5	5.5	3	22.34
36	6	3.5	22.65
37	6.5	4	23.3
37.5	7	4.5	23.62
38	7.5	5	23.94
38.5	8	5.5	24.24
39	8.5	6	24.54
40	9	6.5	25.17
41	9.5	7	25.76

<https://en.zalando.de/faq/Sizing/Shoe-Size.html>