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General.
Pållsk.

Facts

ABOUT THE SWEDISH

Shoe Industry

Extract from a book by Mr. Rickard Elinder on the results of an investigation into the structure of the Swedish shoe industry carried out at the Swedish Institute for Industrial, Social and Economic Research, founded by the Association of Manufacturers and the Employers' Federation. An active part in this investigation was taken by The Swedish Shoe Manufacturers' Association.

This investigation was made in 1944—1947, the results of which were handed over to the State Committee for the shoe industry. This Committee appointed in 1945 is now preparing its final report.

Stockholm, August, 1949.

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FACTS ABOUT THE SWEDISH SHOE INDUSTRY

The structure of production

The industrial production of leather shoes in Sweden had its »break» by the turn of the century. From this time the shoe industry developed very rapidly until the 1910's, when a relative stagnation occurred. True, the shoe industry continued to develop later on, but at quite a different pace. The most important cause of the rather slow development during later years is to be found in the shoe industry's character of a home market industry which has not succeeded in procuring any lasting foreign markets for its products. Another reason is the prominent position that the rubber shoe industry has secured in Sweden. The development in recent years is shown in *table 1* by figures on production, imports, exports

and estimated consumption of shoes in 1931—1943.

The future market of the Swedish shoe industry is directly dependent on the development of domestic consumption. A study of the trend and of the factors influencing consumption is therefore of great importance. Among these factors it is important to analyze the development of personal income. *Figure 1* illustrates the changes in consumption of leather and rubber shoes and real income of individuals minus direct taxes during the years 1931—1943.

At the beginning of the second world war the number of workers in the shoe industry was about 11.000 and

Table 1. Production, imports, exports, and estimated consumption (1,000 pairs) in 1931—1943.

| | 1931 | 1932 | 1933 | 1934 | 1935 | 1936 | 1937 | 1938 | 1939 | 1940 | 1941 | 1942 | 1943 |
|---------------------------------|------------------------|------------------------|------------------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|--------------|--------------|--------------|
| Production | 13 794 | 12 779 | 13 505 | 15 134 | 14 820 | 16 037 | 16 552 | 16 653 | 16 980 | 17 834 | 13 360 | 12 103 | 10 215 |
| thereof leather shoes ... | 7 612 | 6 887 | 7 305 | 7 592 | 8 201 | 8 166 | 8 884 | 9 785 | 10 957 | 11 518 | 8 777 | 8 197 | 6 175 |
| rubber shoes..... | 6 182 | 5 892 | 6 200 | 7 542 | 6 619 | 7 871 | 7 668 | 6 868 | 6 023 | 6 316 | 4 583 | 3 906 | 4 040 |
| Imports | 1 126 | 621 | 798 | 771 | 785 | 727 | 631 | 513 | 515 | 355 | 203 | 159 | 68 |
| thereof leather shoes ... | 388¹ | 273¹ | 318¹ | 295 | 443 | 362 | 243 | 273 | 332 | 250 | 119 | 105 | 46 |
| rubber shoes ¹ | 738 | 348 | 480 | 476 | 342 | 365 | 388 | 240 | 183 | 105 | 84 | 54 | 22 |
| Exports | 1 578 | 1 060 | 912 | 803 | 633 | 707 | 777 | 783 | 705 | 306 | 7 | 0 | 0 |
| thereof leather shoes ... | 30¹ | 31¹ | 42¹ | 34 | 34 | 32 | 36 | 41 | 36 | 74 | 1 | 0 | 0 |
| rubber shoes ¹ | 1 548 | 1 029 | 870 | 769 | 599 | 675 | 741 | 742 | 669 | 232 | 6 | — | 0 |
| Consumption ² | 13 342 | 12 340 | 13 391 | 15 102 | 14 972 | 16 057 | 16 406 | 16 383 | 16 790 | 17 883 | 13 556 | 12 262 | 10 283 |
| thereof leather shoes ... | 7 970 | 7 129 | 7 581 | 7 853 | 8 610 | 8 496 | 9 091 | 10 017 | 11 253 | 11 694 | 8 895 | 8 302 | 6 221 |
| rubber shoes..... | 5 372 | 5 211 | 5 810 | 7 249 | 6 362 | 7 561 | 7 315 | 6 366 | 5 537 | 6 189 | 4 661 | 3 960 | 4 062 |
| Consumption per 1,000 in- | | | | | | | | | | | | | |
| habitants ² | 2,2 | 2,0 | 2,2 | 2,4 | 2,4 | 2,6 | 2,6 | 2,6 | 2,6 | 2,8 | 2,1 | 1,9 | 1,6 |
| thereof leather shoes... | 1,3 | 1,2 | 1,2 | 1,3 | 1,4 | 1,4 | 1,4 | 1,5 | 1,7 | 1,8 | 1,4 | 1,3 | 1,0 |
| rubber shoes..... | 0,9 | 0,8 | 1,0 | 1,1 | 1,0 | 1,2 | 1,2 | 1,0 | 0,9 | 1,0 | 0,7 | 0,6 | 0,6 |

1 Estimated figures.

2 Any regard to changes in inventories has not been taken

the yearly production was about 10 million pairs. The total number of shoe factories considerably exceeded 300, but in spite of this the production was rather concentrated to a few relatively large firms, as shown in *table 2*. This impression is enforced by the fact that about fifteen of the largest plants were united to five concerns, of which the three biggest controlled about 25 % of the total production.

The total number of employees in the shoe industry and its distribution among different personnel groups and among women and men appears in *table 3*.

Of 11,949 employed were 87 % workers. The shoe industry accounted in 1938 for about 2 % of the total number of the people engaged in the Swedish industry. The number of female workers amounted to about 40 % of the working-power in the shoe industry. This percentage is relatively high and is due to the fact that many working tempos are specially fitted for women.

In 1938 men's, women's and children's shoes represented 32 %, 44 % and 24 % respectively of total production. Any wholly comparable statistics are not available for previous years, but according to similar statements it seems

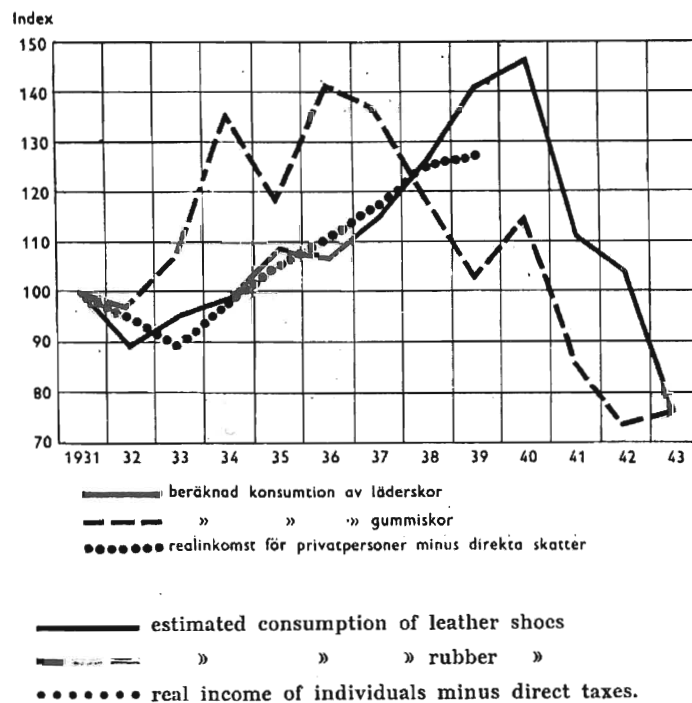


Figure 1. Consumption of leather and rubber shoes and real income of individuals minus direct taxes during the years 1931 - 1943.

Table 2. The number of firms of various groups of size in 1938 and their share of the total production.

| Group of size | Cover firms with following number of workers | Number of firms | Production | |
|---------------|--|-----------------|------------|-------|
| | | | 1000 pairs | % |
| I | above 100 | 30 | 5.309 | 53.1 |
| II | 51—100 | 27 | 1.802 | 18.0 |
| III | 26—50 | 39 | 1.075 | 10.8 |
| IV | 11—25 | 43 | 716 | 7.2 |
| V | less than 11 | 218 | 1.085 | 10.9 |
| Total | | 357 | 9.987 | 100.0 |

1) The figures for this table are not from the official statistics but from questionnaires especially made for this investigation. Therefore, the figures do not exactly correspond with those in table 1.

that in the first hand women's but also children's shoes have increased their share of the total output.

The relative importance of these types of shoes is quite different in various size groups, as illustrated in *figure 2*.

There are many ways in which a classification of the products of the shoe factories can be made. In *figures 3 and 4* the shoes have been classified according to the production methods which are used for their manufacture.

The most common production methods in Sweden are welted, stitch-down and McKay in the order mentioned, these methods accounting for 26 %, 23 % and 18 %, respectively, of the total production in 1938. In these figures the production of slippers has not been included. It amounted to alto-

gether 14 % of the total shoe production.

Among the various methods of production, welted and stitchdown seem to maintain their positions quite well, whereas McKay has declined in favour of cemented, which seems to get into ever greater use, especially in the production of women's shoes.

An analysis of the production of the individual enterprises shows a diversification into a rather great number of shoe types. If one further takes into account that the production within each shoe type often consists of several various articles, the production of the shoe factories as a rule appears very differentiated, indeed. The picture changes, however, from one enterprise to another. In certain factories a ten-

Table 3. Number of employees in 1938.

| Categories of employees | Number of employees | |
|---|---------------------|-------|
| | Men | Women |
| Administrative and technical personnel | 1.127 | 388 |
| Workers: | | |
| Direct labour..... | 5.818 | 4.101 |
| Other workers (warehouse-, transportationworkers etc). | 321 | 194 |
| Total | 7.266 | 4.683 |

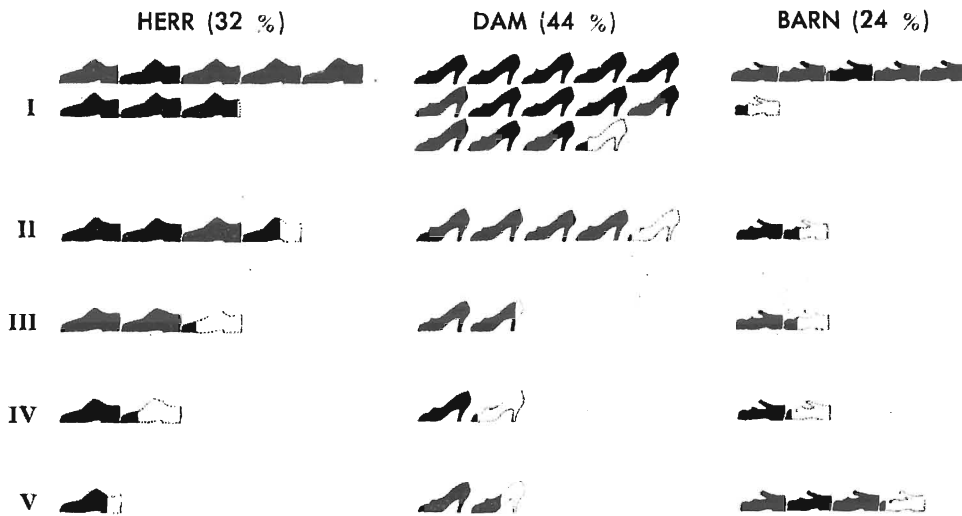


Figure 2. Production of men's, women's and children's shoes in factories of various groups of size in 1938.

Each shoe = 2 % of the total production in 1938.

The Roman figures above as well as in figure 3 refer to the groups of size, mentioned in table 2.

dency could be observed even before the war, to limit the number of shoe types as well as the number of articles, whereas the development in certain other enterprises is quite reverse. In the industry as a whole, there was during the 1930's a tendency to limit the number of shoe types, a tendency which was intensified during the war period.

Evidently, the main reason for this structure of the production is the narrowness of the Swedish market which makes the production of the individual firm more dependent on the variety of consumer demand than in countries with a wider market. The comparatively great changes in climate make the demand for shoes more varied than in many other countries. The

variations in the consumer demand for different types of shoes are partly seasonal and this makes it difficult for specialized factories to maintain steady employment. Further, the wide use of rubber shoes has shifted the production of leather shoes towards a higher degree of differentiation. Rubber shoes to a large extent have displaced leather utility shoes as well as other »standard» leather boots and shoes.

This structure of the Swedish shoe market has made it profitable for the individual firm — in spite of rising production costs — to diversify its line of products, in order to keep the distribution and selling costs low.

It seems, however, that considerations of economy in production in this in-

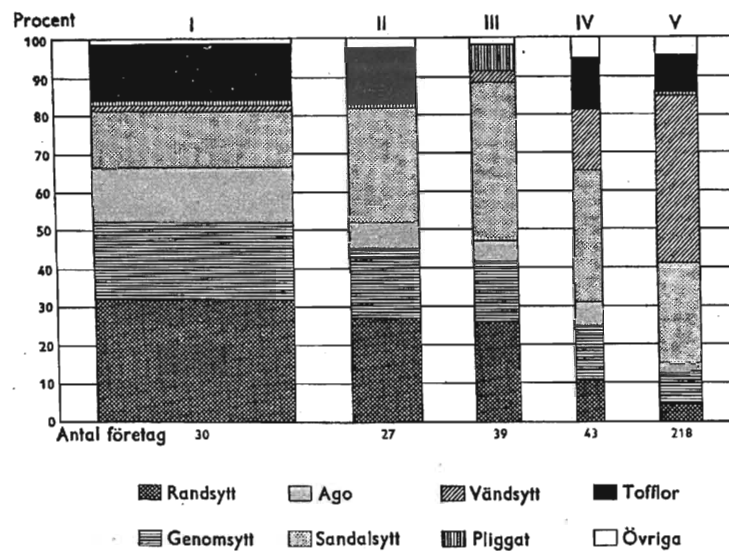


Figure 3. Production methods and their relative importance in factories of various groups of size in 1938.

The width of each column is proportional to the size of the production in pairs.



Figure 4. Production of men's, women's and children's shoes on various manufacturing methods in 1938.

Each shoe = 2 % of the total production in 1938.

A list of translation of some words used in the figures will be found at the end of this booklet.

dustry have not always been sufficiently observed in relation to considerations of sales policy. This matter is connected, i. a., with the fact that additional costs arising from a diversified production have not been thoroughly investigated. Developments during the last few years indicate, however, a new realization of the essential advantages that can be derived from specialization.

A fact that characterizes the shoe industry is its strong concentration to certain areas. As shown in figure 5 the concentration is especially strong in Örebro län, Malmöhus län and Hallands län. Örebro län in 1938 accounted for about half of the total number of firms and also for about half of the total number of workers in the shoe industry. The reasons for this concentra-

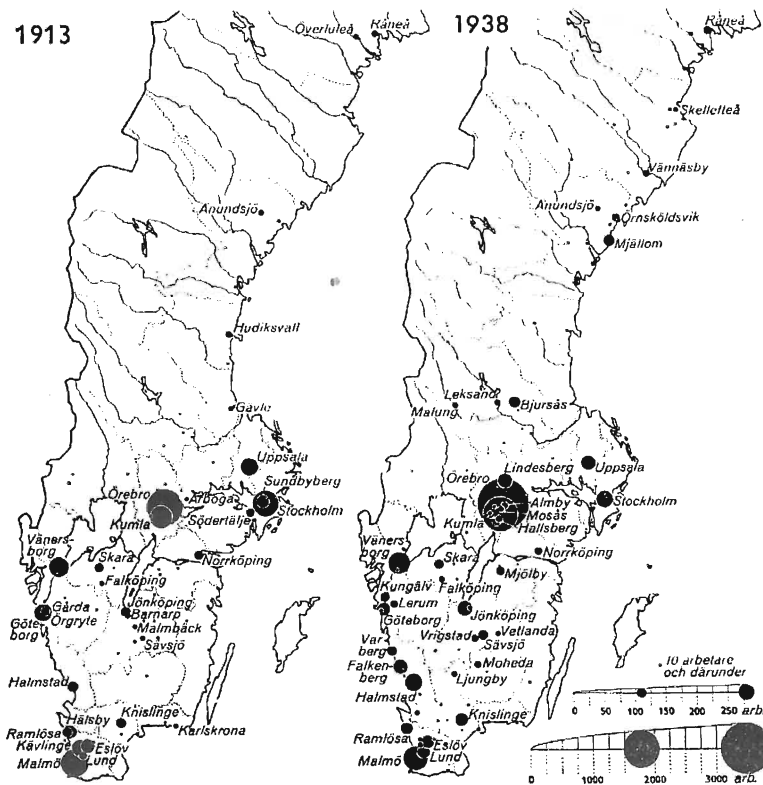


Figure 5. The location of the shoe industry in 1913 and 1938.

tion to only a few areas are of old origin. Already in the early days of the Swedish shoe industry were many of the factories located in Örebro and Malmöhus län. This was largely due to the fact that in these areas there were a considerable number of handicraft shops for shoes that were able to furnish the newly founded industry with skilled workers. The shoe factories were, however, often located at places which were of importance to the leather trade. Such places were especially numerous in Örebro län.

The figure shows that during the period 1913–1938 the shoe industry has to a high degree been concentrated to the area, since long important, with Örebro and Kumla as most prominent places. New factories have been founded at places that have a relatively low wage level (Lindesberg, Mjölby, Varberg etc, whereas towns as Stockholm, Göteborg and Malmö decreased in importance). The new factories in the North of Sweden are mainly manufacturing heavy shoes, skiing boots and different utility shoes.

The structure of distribution

While shoe manufacturing is carried on by a fairly great number of enterprises, distribution to the retailers is carried out by a considerably smaller number of firms. Most of the small shoe factories are selling their entire production, or the main part of it, to one or several wholesalers, acting as so called assortment wholesalers who in turn sell to retailers. These wholesalers are also often at the same time shoe manufacturers (manufacturing wholesalers) as distinguished from independent wholesalers who act only as middlemen. In some cases the coordination of the distribution of various enterprises is founded on economic integration, but usually the wholesalers and their sub-contractors are — at least formally quite independent of each other financially.

About 66 % of total sales from factory in 1938 were made directly to retailers by the manufacturers, 16 %

were sold through manufacturing wholesalers and 18 % through independent wholesalers, as shown in *figure 6*. Of total sales to retailers, manufacturer-owned outlets accounted for about 30 % and independent retail businesses for about 70 %. Among independent retailers, the special shoe shops play the most important part, accounting for about 60 % of total retail sales.

Of the total number of special shoe shops, about 1,400, a little more than 400 were manufacturers' outlets. The number of manufacturers integrating in the retailing stage was about 20. Only in certain cases, however, were these manufacturers selling all their production to their own retail shops. The main exception was the so-called Osearia-concern, which owned more than 250 shoe shops and was selling about 85 % its production through these shops.

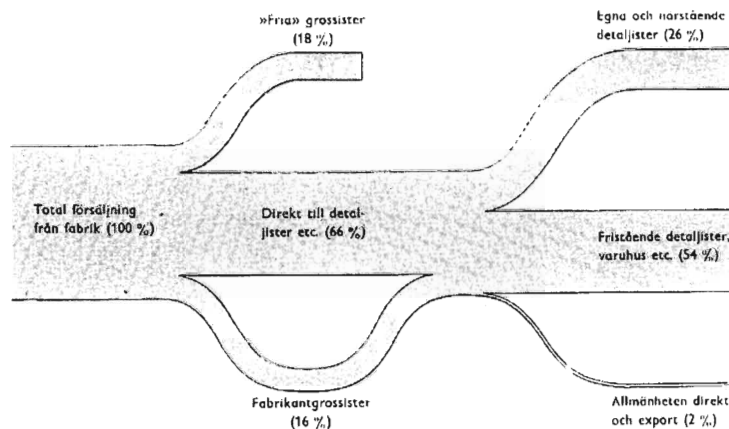


Figure 6. Analysis of the ways of distribution for the whole shoe industry in 1938.

For translation of the above words, see page 15.

Habitually the sale to the shoe retailers occurs through visits to the customers, when the main part of the orders are booked. The biggest firms had on the average 600 customers. This figure fell off with the size of the enterprises to between 100 and

200 for the smallest enterprises with a distribution of their own. Sales per customer also changed markedly between various firms. A high sale per customer often seems to be occasioned by a comparatively varied collection.

Seasonal changes and degree of employment

The structure of the shoe industry has been influenced by the character of the shoes as fancy and seasonal articles which are demanded in a varying degree by the public during the different seasons of the year, mostly during Spring and Autumn and less during the rest of the year.

The distribution as well as the production of shoes has consequently been seasonal to a certain degree. *Figure 7* illustrates the seasonality of received orders, production and deliveries (in pairs) monthly 1938. The sensitivity of the shoe industry to variation in demand and the seasonal

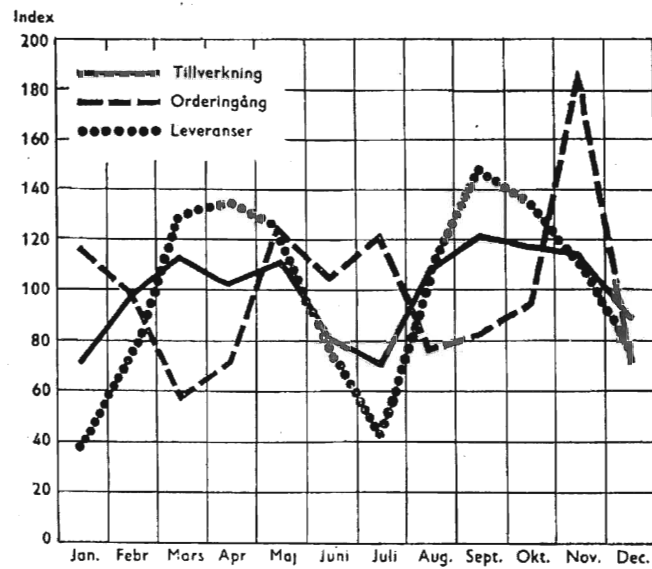


Figure 7. Orders, production and deliveries monthly 1938. Index: monthly average = 100.

— Production
 - - - Booked orders
 ••••• Deliveries

changes in production connected with it have involved two serious and interrelated problems. On the one hand the possibilities of a satisfactory utilization of the production capacity have been limited, and on the other, difficulties have arisen in maintaining steady employment for the workers.

The investigation of the utilization of capacity within the Swedish shoe industry showed that there was a certain unutilized capacity and that this in the main seemed to be a consequence of the concentration of production to certain periods. However, there did not seem to be any significant over-capacity of the shoe industry

in any other sense. It must be remembered here that the utilized capacity was compared with the capacity of the »narrowest section». Therefore, this generalization does not necessarily mean that important unutilized capacity cannot be found within other sections of the plants.

Compared with other industries the shoe industry during the inter-war period accounted for a relatively low degree of employment. Besides a certain constant unemployment within this branch the workers employed could not always get full employment but had to resort to so-called short-time work. The limitation of work

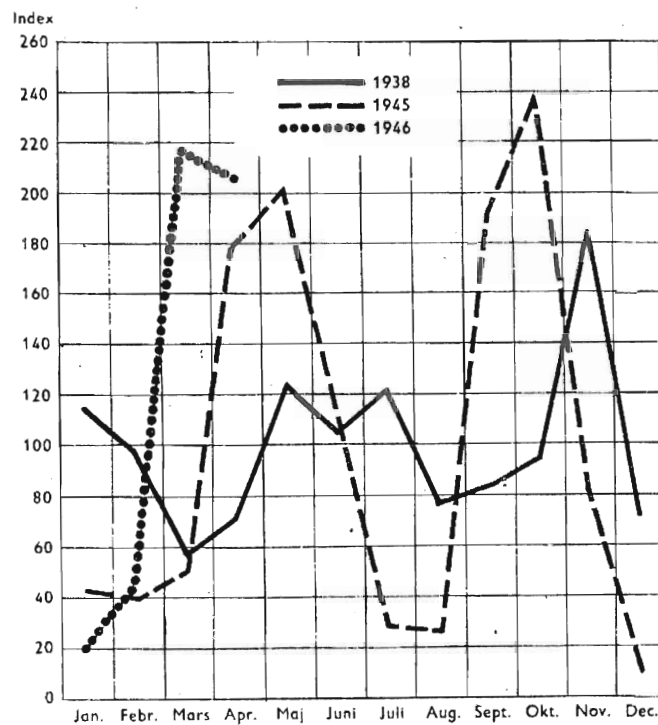


Figure 8. Orders monthly 1938, 1945 and for January—April 1946. Index: monthly average for 1945 and 1946, respectively, = 100.

caused by the short-time work during 1938 can be estimated to some 6 % of »full» working-time.

Owing to the relative ease with which the shoe factories could get their orders earlier than usual during the war, opportunities were created for steadier production. Consequently the short-time work disappeared and the workers in the industry could get a steady employment. A contributory cause to this development was also the change to a general lack of manpower that occurred during the last years of the war.

Within the shoe industry and its organizations much work has been devoted, during the last years, to preventing a return to the pre-war conditions as regards the seasonal changes of production and employ-

the booking of orders, according to which the shoe factories will receive orders during certain periods only, which were fixed so early that production can be planned effectively and the seasons will be evened out. A measure with this purpose was the acceptance by the members of the industry of general rules for In *figure 8* is shown how the bulk of orders are now concentrated to mainly two periods of the year. A permanent body, the Shoe Council, has been established with representatives from the tanning and last manufacturing industries and shoe retail distribution as well as from the shoe industry itself. It has the purpose to influence the fashions of each season and in that way to some extent restrict the diversification of production.

Productivity and profitability

According to official statistics the production per worker per annum has increased from 873 pairs in 1913 to 890 pairs in 1938. The production per worker will not as a rule be a reliable measure of the productivity, however, primarily because the number of pairs is not a homogenous and comparable factor in various years. The varying specialization of production seems to influence the figures a high degree. While the slipper factories often account for a production per worker per year surmounting 2.000 pairs, the corresponding figure for the factories specialized in fancy women's shoes, e.g., often falls below 500 pairs.

A brief picture summing up the economic position of the shoe indu-

stry gives a rather favourable impression as regards liquidity. On the other hand, profitability has not always been equally impressive. During the years 1934 — 38 a number of investigated enterprises showed an average profitability of about 4 % — a relatively low figure compared with other industries and with regard to the comparatively favourable economic situation during the years in question.

The shoe industry is a rather material-demanding industry. Before World War II the cost of materials of a shoe as a rule amounted to about 50 % of its total cost, while the share of direct labour represented between 20 % and 25 %. The remaining part of the manufacturing value covered indirect labour, overhead cost, administrative

and selling costs, discounts, profit and the like.

The interrelation between these groups of costs varies, however, for different types of shoes. In *figure 9* is illustrated the different groups of cost that in 1939 went into the manufacturing and retail price, respectively, of a man's welted oxford. The refining cost (that is total cost of manufacture minus cost of materials) represents around 31 % and the total cost of distribution about 32 % of the retail price. More than 50 % of the factory price is absorbed by cost of materials, while their share of the retail price amounts to 37 %, or a little more than one third.

During the years 1928 to 1938 there was a rather high mortality as well as »birth rate» of factories in the shoe industry. At the same time it appeared that practically all these changes took place among the factories of the

smallest size. The large enterprises in the branch, on the other hand, showed remarkable stability. The question arises, then, why new factories are continuously started although the present capacity ought to be sufficient for the market demand and although the conditions of profitability hardly ought to be attractive. There were several factors that facilitated the starting and operation of new shoe factories. The cost of entry was low, the more expensive machines being obtainable on a lease or instalment basis. Wholesalers were often willing to procure the working capital. Production techniques for some models were fairly simple. There was usually an ample supply of manpower in this field as well as a considerable number of sales outlets. Through specialization the small firms sometimes were able to compete favourably with larger diversified enterprises.

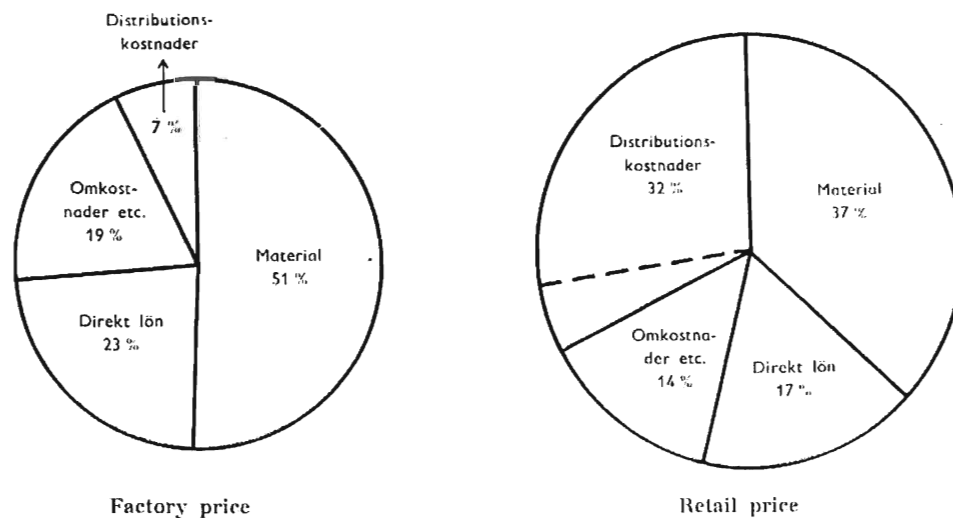


Figure 9. Various costs in relation to factory and retail prices, respectively, for a welted man's shoe in 1939.

The future of the shoe industry

Compared to other countries the Swedish consumption per head — 1,40 pair — is relatively low. Several factors have contributed to this fact, as for example the high quality of the Swedish shoes, the high consumption of rubber shoes, the niveau of the shoe prices etc., but an increase in this figure seems probable as soon as consumer incomes allow.

During the war the external structure of the shoe industry has not undergone great changes, primarily because of the lack of raw materials and the corresponding government regulations introduced. Within the

individual firms the changes seem to have been more obvious, a great number of firms having undertaken a process of rationalization that in several cases already has shown important results. The increased interest within the industry for efficiency problems has also found an expression in collective measures among which may be mentioned the foundation of the planning and research institute in 1946, which deals with technical research as well as with cost control and other economic problems of production and distribution.

Translation of some words used in the figures.

| | |
|------------------------------------|--|
| Randsytt | Welted |
| Genomsytt | McKay |
| Ago | Cemented |
| Becksömsytt | Cobbled with pitched thread |
| Sandalsytt | Stitchdown |
| Vändsytt | Turned |
| Pliggat | Wood Fastened |
| Tofflor, läder | Slippers, leather |
| Övriga skor med oandel av skinn | Other shoes with top leather |
| Tofflor, textil | Slippers, textile |
| Övriga tygskor | Other shoes with fabric top |
| Träskor och dyl. | Wooden shoes |
| Pjäxor | Utility shoes |
| Promenadskor | Walking shoes |
| Lättare skor | Light shoes |
| Barnpungar | Baby shoes |
| Herr | Men's |
| Dam | Women's |
| Barn | Children's |
| Procent | Per cent |
| Lön | Wages |
| Material | Material |
| Omkostnad | Cost |
| Detaljist | Retailer |
| Grossist | Wholesaler |
| Antal företag | Number of firms |
| Total försäljning från fabrik | Total sales from factory |
| Direkt till detaljister | Direct to retailers |
| Fabrikantgrossister | Manufacturing wholesalers |
| Egna och närstående detaljister | Shops, owned by or affiliated with manufacturers |
| Fristående detaljister och varuhus | Independent retailers and department stores |
| Allmänheten direkt och export | Direct to the public and exports |
| Distributionskostnader | Distribution cost |