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THE SPORTS SHOES MARKET IN THE NEW EU MEMBER STATES STATES

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Report



Abstract

The purpose of this report is to provide an outline of the sport shoes market in the 8 Eastern European Countries that last entered the EU. That is to say Poland, Hungary, Slovenia, Czech Republic, Slovakia, and the Baltic states, Latvia, Estonia, and Lithuania as well.

Our intention is to pinpoint what is the status quo and what are the current tendencies within such a market, in order to inform the reader about possible opportunities existing.

The positive development of the countries' economies as well as an increase in purchasing power results in people leaning toward more high-quality products. Also branding is playing a more vital role. Young people, especially teenagers, are one of the most interesting segments to target.

For each of the eight countries considered, the study will focus on the following information:

- 1) General introduction: country social and economic data
- 2) Data and trends in the country regarding attitudes to sport shoes
- 3) Production and trade of sport shoes (value, volume, main manufacturers and local brands, product quality)
- 4) Consumes and customers profiles
- 5) Distribution system

As to the role of e-business and e-marketplaces, it must be said that these are currently not playing a significant role. Even so, there are some attempts with b2c commerce made by single retail shops and big branding companies, primarily in Slovenia, Czech Republic, and Latvia. The "on-line" market is nevertheless still to be opened and interesting developments and potential yet to be realised. Finally a brief overview of the e-markets for the eight Eastern European Countries will be provided.

Poland

General Overview

Poland has consistently pursued a policy of economic liberalization throughout the 1990s and today represents a success case study among the economies in transition. Nevertheless, much is still to be done, especially in bringing down unemployment. The privatization of small and medium-sized state-owned companies and a liberal law on establishing new firms has encouraged the development of the private business sector, but legal and bureaucratic obstacles together with persistent corruption are hampering any further development.

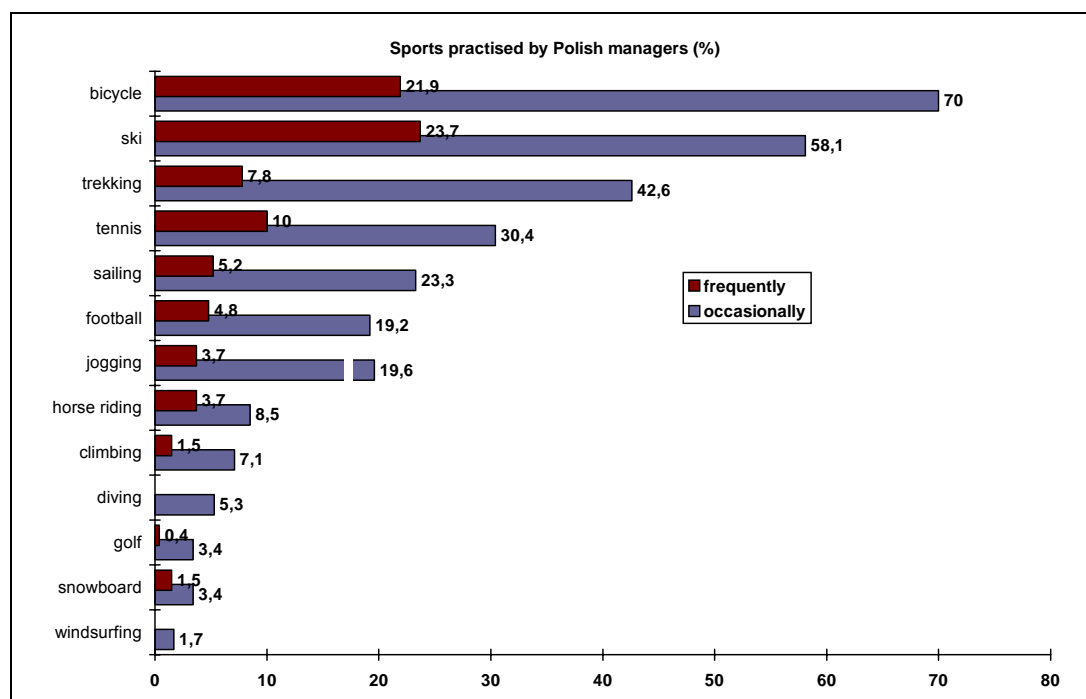
Poland's agricultural sector suffers from surplus labour, inefficient small farms, and lack of appropriate investments. Restructuring and privatization of "sensitive sectors" (e.g., coal, steel, railroads, and energy), while recently initiated, have slowed down. Reforms in health care, education, the pension system, and state administration have resulted in larger-than-expected fiscal pressures.

Poland joined the EU in May 2004, and surging exports to the EU contributed to its strong growth in 2004, though Poland's competitiveness could be threatened by the zloty's

appreciation. GDP per capita roughly equals that of the three Baltic states and reached 9,700 USD in year 2002. Finally, Poland will benefit from nearly \$13.5 billion in EU funds, available through 2006.

Sport in Poland: data and trends

An economic crisis has been affecting Poland since 1999, yet the demand for good quality sport products continues. The target market for such products consists of young people avoiding a sedentary life and ready to spend extra-money for branded goods. According to a recent survey carried out by Decathlon (a retail chain), almost half of the Poles consider themselves to be active and sporty. Cycling, swimming, jogging, football and fitness are the favourite activities. Similarly, the Polish official statistics show the target market is aged between 25 and 44 and mainly living in urban areas. Furthermore, the research indicates that sport is well liked within the population's lowest classes. Only 7-8% of the educated classes like practising sport activities and only 8% of the managers partake in outdoor sports.



Source: BCMM

Sport footwear production and trade

The quality of sports clothing, footwear and accessories is steadily increasing. Local Polish manufacturers are especially focused on both the aesthetic and technical aspects of the products. All the same, they are not yet capable of competing with multinational and foreign brands.

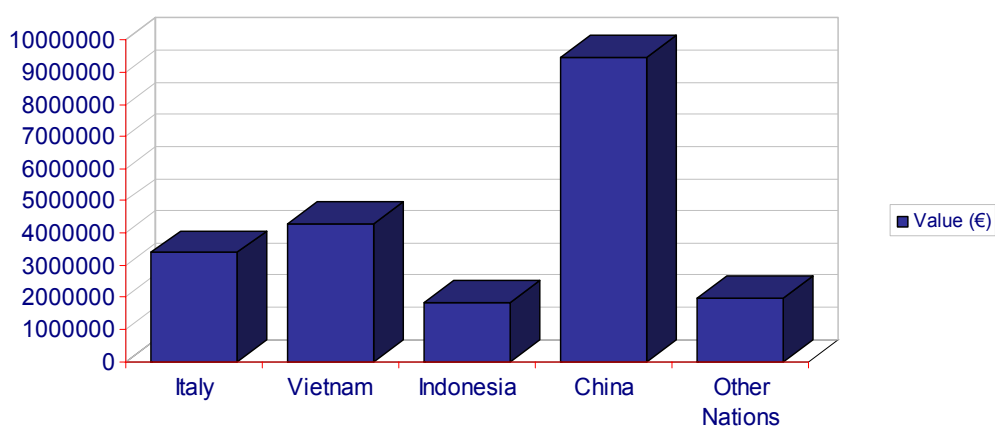
As for sport footwear, the Polish production is quite modest and mainly exported. This means local demand is satisfied by both low cost and branded articles originating from Asian countries, where production prices are cut down thanks to low salaries and cheap raw materials. Adidas imports are from China and Vietnam, Reebok from Indonesia, Nike from Thailand and Vietnam, while Puma and Asics from China. According to Polish Official Statistics, in 2003 there were 612 enterprises registered as producers of sport items. 60 were producing exclusively sport shoes, while 1972 were authorized to retail them.

The table below shows imports and exports of sport footwear in 2003 in accordance with official Polish statistics.

Import		Export	
Pairs of shoes	Value (€)	Pairs of shoes	Value (€)
7,169,662	29,724,318	303,455	4,146,958

The following table shows the countries of origin of the imported shoes

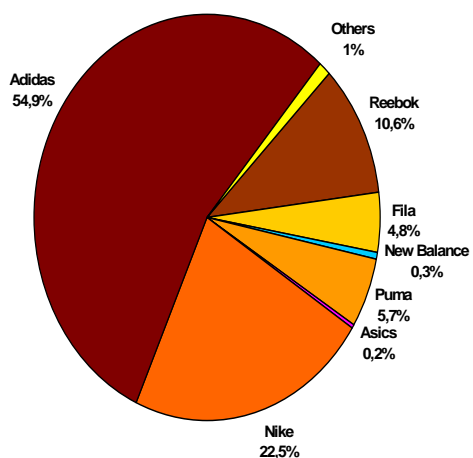
Import of sport footwear per Country



Consumers and Customers

In recent years some changes have occurred such as Nike winning a new market quota, but generally the Polish market can be represented as follows:

Sport footwear (market quota in percentage)



Data source: ARC Rynek 2000

As previously mentioned, most Polish costumers are aged between 25 and 44 years and live in urban areas. Regarding the purchase frequency of sport articles, 39.6% declared they only when the product wore out, 23,7% purchase every 2 years, 9,6% each year, and 3,7% according to new fashion styles.

Customers can be divided into 2 groups. These are those who pay attention to the technical features of the product, such as the material used for the sole, the isolation resistance, and the waterproof resistance. These customers have expectations regarding the performance of the product. Then there are the "fashion-fascinated customers" who are enticed by the footwear aesthetic and usually partake impulse buying.

The Distribution System

Sport products sold on the Polish market can be split into 3 groups. The first consists of articles distributed through supermarkets, retail shops within shopping centres and specialised retail chains.

The second group is represented by generic non branded items sold essentially within local bazaars and fleas markets. Finally, the third group of products is characterized by specialised articles, which are sold mainly in small niche retail stores often managed by sport-trainers.

The choice of the most convenient distribution channel to be used depends on 2 factors. The financial capability of the economic operators and the product's technical characteristics. The producers and importers with relevant financial resources can aim at the direct distribution, without the intermediation of wholesalers, but only by both opening new sale points or co-operating with local supermarkets. Nevertheless, many operators prefer avoiding the distribution within supermarkets as they prefer importing directly the articles and selling them under their own branding.

Slovenia

General Overview

Slovenia benefits from a GDP per capita substantially higher than that of the other transitioning economies of Central Europe. Privatization of the economy proceeded at an accelerated rate in 2002-04. Despite Europe's lackluster performance in 2001-04, Slovenia maintained moderate growth. Structural reforms carried out to improve the business environment have allowed for greater foreign participation in Slovenia's economy and have helped to lower unemployment, but further measures to reduce inflation are still needed. Corruption and the high degree of collusion between government, business, and central bank policy were issues of concern in the run-up to Slovenia's 1 May 2004 accession to the European Union. In mid-2004 Slovenia agreed to adopt the euro by 2007, so therefore must keep its debt levels, budget deficits, interest rates, and inflation levels within the EU's Maastricht criteria.

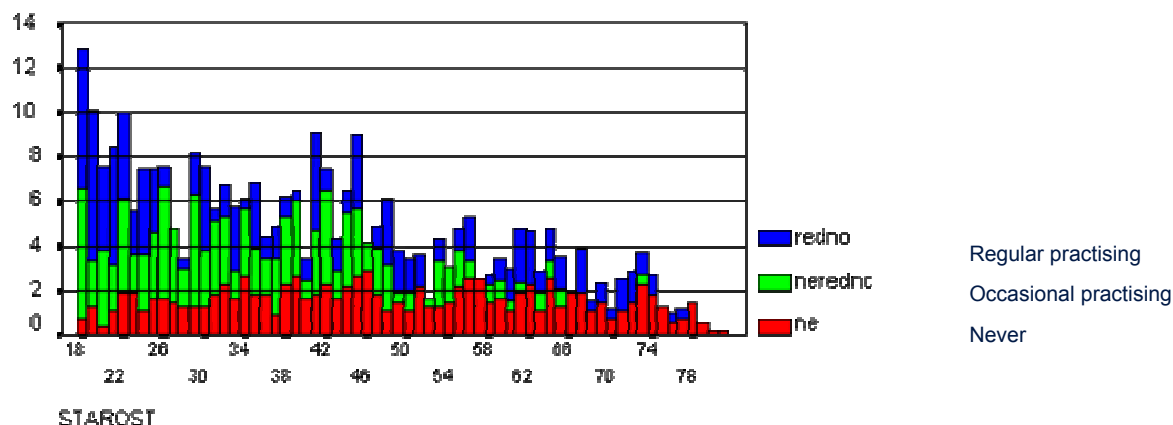
Sport in Slovenia: data and trends

Slovenes are quite active and sporty people: according to a survey carried out by Institute of the Republic of Slovenia for Sports about 20,6% of those aged between 18-35 years participate regularly in a sporting activity.

Winter sports and mountain trekking are popular activities in Slovenia. As a result, sports shoe production in Slovenia has specialized on this activity. Indoor sports such as handball and basketball are also popular.

In 2002, the Institute for Sports conducted a census of the sport associations and found that there were 4,779 sport clubs, with more than 350,000 members.

Sport activities in Slovenia



Source: K. Petrovič, F. Ambrožič, B. Sila, M. Doupona (1998) Športnorekreativna dejavnost v Sloveniji 1997, (Primerjalna študija 1992 - 1997) Univerza v Ljubljani, Inštitut za kineziologijo Fakultete za šport, Ljubljana, str. 51. Attività ricreative e sportive in Slovenia 1997; Università di Ljubljana; facoltà dello Sport

Sport footwear production and trade

The Slovenian sport shoes market is a mature market saturated by “global players” brands.

The quality of the domestic production is high not only with regards to design and quality of the materials, but also the technological aspects of the manufacturing process itself. Currently most of the Slovene producers can offer shoes made to measure to customers.

Production is concentrated in the region of Gorenjska, and is focussed on winter sport shoes and climbing and trekking footwear. In Nova Gorica there is producer of orthopedic sport shoes for children.

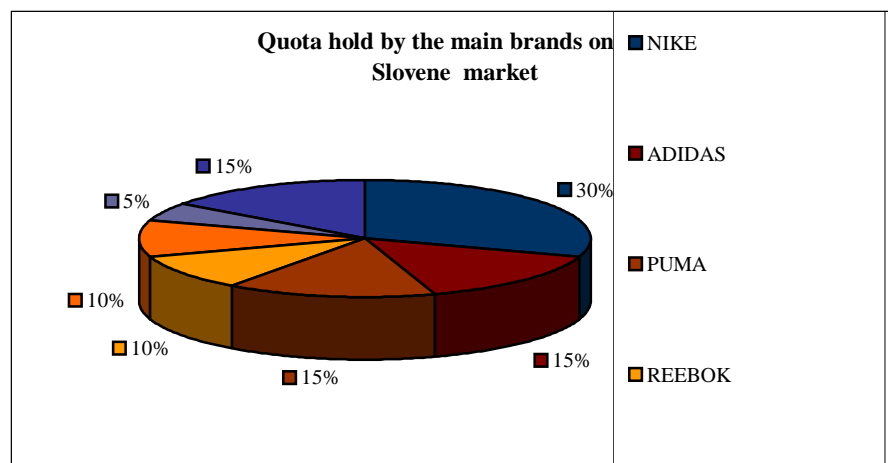
The key manufacturer in Slovenia is Alpina d.d., a company specializing in long-distance ski shoes with 30% of the world market. As for ski boots, Alpina d.d. supplies about 2% of the world demand. Other relevant Slovene shoe producers are Planika and Cicipet.

SHOE FACTORY	TOTAL PRODUCTION	SPORT SHOES PRODUCTION
ALPINA D.D	1.550.000 pairs	500.000 pairs
PLANIKA D.D.	750.000 pairs	200.000 pairs
CICIPET d.o.o.	500.000 pairs	50.000 pairs
Total	2.800.000 pairs	750.000 pairs

Trade data indicates that Slovenia yearly imports amount to 3,521,000 USD for sport shoes. Major sourcing countries are: China (about 1,800,000 USD), Vietnam (395,000 USD), Italy (376,000 USD), Slovakia (230,000 USD), and Germany (200,000 USD).

Consumers and customers

There is no sector research that focuses exclusively on the sport shoes market. The following numbers are taken from interviews conducted with sales managers from the major Slovene companies within the sport shoes sector.



The annual consumption of sport footwear in the last few years has held steady at 450,000 – 500,000 units/year. Prices have risen on average to more than 50€ per pair.

The Slovene customer focuses on quality as well as price and leans towards shoes with modern designs. They usually prefer international well-known brands but support domestic brands when purchasing shoes for mountain and winter pursuits.

The distribution system

The classical distribution model applies in Slovenia. The market is composed of importers, wholesalers and retailers operating at different levels, depending on companies' registration type and authorizations obtained. Importers can sell to wholesalers, retailers, and to final customers as well. Similarly wholesalers and producers can sell directly to Slovene customers depending on their status. In recent times distribution systems based on franchising and intermediary agents have been improving and more international retail chains have been setting up shop in the larger urban areas. On the other hand some Slovene distribution companies have merged together so to enhance their presence on the market. In such a framework, sport shoes and sport accessories are sold within shopping centers, often in specialized corners. Alpina d.d currently provides a B2C e-shop on www.alpina.si.

Hungary

General Overview

Hungary demonstrates strong economic growth and acceded to the European Union in May 2004. The private sector accounts for over 80% of GDP. Foreign ownership of and investment in Hungarian firms is widespread, with cumulative foreign direct investment totaling more than \$23 billion since 1989. Hungarian sovereign debt was upgraded in 2000 and together with the Czech Republic holds the highest rating among the Central European transition economies; however, ratings agencies have expressed concerns over Hungary's

unsustainable budget and current account deficits. Inflation fell from 14% in 1998 to 7% in 2004. Unemployment is stable at around 6%, but Hungary's labor force participation rate of 57% is one of the lowest in the OECD. Germany is by far Hungary's largest economic partner. Policy challenges include cutting the public sector deficit to 3% of GDP by 2008, from about 5% in 2004, and orchestrating an orderly interest rate reduction without sparking capital outflows.

Sports in the Country: data and trends

Having a sporting outlook is becoming more common with Hungarians and is reflected by the increase in the number of fitness clubs and gyms and shops selling sport clothing and footwear. Currently, there are more than 100 fitness centres operating in Budapest only.

The most popular sports among young people between 15 and 19 years are: football, aerobics fitness, cycling, body building, and tennis. According to a recent survey, more than 23% of the population practice sport, one third of them regularly.

Sport footwear production and trade

The Hungarian sport shoes market can be divided into 3 main groups, depending on the quality of the products offered. The first group is represented by the big international brands offering high-quality footwear at high prices, while sport shoes produced within Hungary make up the second group, and are usually fashion shoes with middle-low quality and price level. An example is Budmil and Wink's local shoe factories who manufacture generic gym shoes, not tailored to only specific sports. Finally, the third group consists of shoes of very low quality and low price. These shoes are imported from Asian countries for every-day use.

Major local producers apart from Budmil and Wink include Tisza, Cassone, and Permú.

Imports from Asian countries, particularly China, have been rising in the last few years. Local producers sell usually about 2,000,000 shoes pairs each year, while Asian and Chinese shoes sold are currently 15,000,000 per year. The increase in imports is the result of a consistent decrease in import price levels, and has caused a drop in domestic production, currently at 1,6 million shoes pairs per year.

As far as rubber or simile-leather shoes are concerned, the main sourcing markets are China, Vietnam, and Italy. For real-leather shoes, the markets of origin are Italy, China, and Spain.

Consumers and customers

In the Hungarian market there is a huge choice of different sport shoes brands and models. According to a survey conducted by GFK, 84% of customers buy Adidas and Nike, with other brands such as Budmil, Fila, and Reebok being popular aswell.

The Hungarian market is multi-faceted. In the last few years the famous international brands have been competing with some local ones, such as Budmil and Wink, and in some cases the local brands have been more popular.

Nevertheless, it is not sufficient to divide the market between international and domestic brands. For each brand a further differentiation based on specialization is required. For instance, Converse is mainly focused on skateboard shoes, Diadora on cycling shoes, and Nike, Adidas, and Puma on basketball and golf footwear. The domestic products are generic and are used for branding every-day sport shoes.

As in other countries, sport shoes in Hungary are used not only for doing sport activities, they are often part of every-day clothing. According to the data, 48% of the not-sporty

population and 70% of the sporty people wear sport shoes daily. 82% of children use gym shoes regularly.

People buying sport shoes as daily clothing usually spend more money than those who buy for a specific sport activity (on average 56€ /shoes pair against 40€/shoes pair).

Branding plays a huge role amongst young people, and teenagers are becoming an important target for marketers. The favorite brands are German or American, with a trendy design at middle-high prices. Recently the interest towards less known brands with lower prices has increased. This market segment is not fascinated by fashion and is likely to stem from the poorer groups of the population.

The Hungarian sport footwear market seems to be saturated, but this does not mean that there is no room for other brands. There are still opportunities, but companies have to specialize and target a specific niche.

The distribution system

At the moment the best way to penetrate the Hungarian market is through the hypermarkets distribution system. For products at the high-value range, it is also advisable to distribute them within the big shopping centers, where there are medium-high level shops.

Though there is no reliable data, we know there are a huge number of distributors within the clothing and textile sector in Hungary. Wholesale distribution is not well organized. Importers are often also distributors, and in most cases they are micro companies in direct contact with foreign producers.

Hungary has more more than 19,000 retail shops within the clothing and footwear sector. Most of these companies are located in the Central Hungary and their territorial distribution reflects the economic disproportion between Budapest, the urbanized areas, and the rural areas.

The small retailer has always played an important role within the Hungarian economy. Small retail sales represent up to 51% of the entire fashion sector's turnover, whereas the big distribution has 16% of it. This proportion is changing with more hypermarkets and franchising chains coming on the Hungarian scene. Also shopping parks as well as strip malls are increasing.

As for the purchase of sport footwear, Hungarians prefer shopping within hypermarkets, followed by specialized retail shops with skilled sale assistants, bazaars, and at lastly department stores.

Nike, Adidas, Reebok, Fila and Budmil are usually sold within their own official and mono-brand outlets, but are also distributed by the Austrian Hervis chain, located in Budapest, Pecs and Kecskemét.

Czech Republic

General Overview

As one of the most stable and prosperous of the post-Communist countries of Central and Eastern Europe, the Czech Republic experienced significant growth in 2000-04. This was supported by exports to the EU, primarily to Germany, and by a strong recovery in foreign and domestic investment. Domestic demand is playing an increasingly central role in underpinning growth as interest rates drop and the availability of credit cards and mortgages increases. Furthermore, since demand for Czech products in the European Union is growing the current account deficit of around 5% of GDP is beginning to decline. The inflation rate is

under control and the recent accession to the EU gave further impetus to structural reforms. In early 2004 the government increased the Value Added Tax (VAT) and tightened eligibility for social benefits with the intention to bring the public finance gap down to 4% of GDP by 2006. Privatisations, intensified restructuring among large enterprises, improvements in the financial sector, and effective use of available EU funds should strengthen output growth

Sport in the Country: data and trends

The Czech Republic boasts a long tradition as far as sport is concerned. Sports is perceived both as a recreational and agonistic activity. Football, hockey, athletics, basketball, volleyball, cycling, trekking, and skiing are the favourite sports. Some new activities such as snowboarding, squash, golf, bowling, yachting, and horse riding are gaining more popularity.

There is no official survey assessing the actual number of sport amateurs, nonetheless an estimation of 40% is credible.

Sport footwear production and trade

In the Czech Republic footwear production is an industry of long tradition, but with about 10,200,000 inhabitants can be considered a small market forcing local enterprises to export part of their production. The consequence is that producers aim to balance production costs and product quality as well as improving their factories.

Since 1989 sport footwear production in the Czech Republic has decreased, as has the entire footwear production sector. Up to 1989 Czech footwear production numbered about 70 million shoes pairs/year, whereas nowadays it is just 8million pairs/year. The sport footwear production amounts to 720.000 shoes pair/year.

This negative trend can be attributed to two main factors:

- Between 1989 and 1995, as privatization was affecting and restructuring the footwear sector, Russian demand fell.
- Since 1997 imports from Asian countries, in particular China, have escalated. That's why the market has been invaded by fake products sold in many local bazaars.

At the present time the main producers on the market are:

- Botas (the best known company manufacturing medium and high quality shoes sold under its own brand),
- Novesta (now focused only on rubber footwear due to the competition of the Asian producers), and
- Moleda (whose brand "Prestige" is considered within the sport footwear market the most promising).

Due to the fall in Czech production, footwear imports have been increasing. A remarkable amount of these imports originates from Asia, especially China. According to a survey, in 2003 imports totalled 4,500,000 pairs, a value of 25,977,000 €..

As previously stated, imports are dominated by the Chinese brands. Other countries are Slovakia, Vietnam, Indonesia and Italy.

Hereinafter a table resuming import situation in 2003.

Country of import	No. of shoes pairs imported
China	3.420,000
Slovakia	226,000
Vietnam	176,000
Indonesia	98,000
Italy	93,500
Slovenia	26,500
Germany	19,000
Austria	18,300
Switzerland	18,000
Hong Kong	15,000

Imports concern both no-logo and branded articles. The most common brands imported are Adidas, Diadora, Fila, Nike, Puma, Reebok, Converse, Mizuno, Dalbello, Lotto, Olympikus, Shimano, Asolo, Meindl, New Balance, Tecnica, Asics, Saucony, Power, GTX, and Nadir.

Consumers and customers

Depending on the needs and motivation behind the purchase, customers look to specific brands, or to peculiar characteristics, or to quality of the footwear as well.

The use of sport shoes in Czech Republic is linked to the current trend that sees people wear sport shoes every day and not only for sport activities. The quality of the product is not the first parameter in the purchase decision. Much depends on the financial capability of the customers. Those people with a high salary lean towards the trendiest brands and shoe models, whereas people with low incomes are more inclined towards the low-cost, Chinese shoes.

Things changes when the sport shoes are used for practising a sport activity. Quality, resistance and performance of the shoe become the criteria evaluated by customers. In this circumstance Umbro, Adidas, Nike and Puma are the most purchased brands.

The distribution system

The distribution channels in the Czech Republic are similar to those in the European Union. There are different sale channels according to the quality of the footwear.

- Wholesalers
- Markets
- Mall
- Retail shops
- Specialized outlets
- Sport corners within supermarkets for example: Makro, Hypernova, Globus, Carrefour, Interspar, Tesco)

Hyper-markets and supermarkets are important in the Czech Republic. They have spread over the last few years, gathering much interest amongst customers that used to purchase in through traditional retails.

Specialized outlets have been capturing the interest of the more informed customers who look for quality products with specific performance.

Recently a new sale channels has developed. The virtual shops. The most popular are www.a3sport.cz and www.basketshop.cz

Slovakia

General Overview

Slovakia has mostly overcome the difficult transition from a centrally planned economy to a modern market economy. The Dzurinda government made excellent progress between 2001-04 in macroeconomic stabilization and structural reform. Major privatizations are almost complete, the banking sector is almost completely in foreign hands, and the government has helped facilitate a foreign investment boom with business-friendly policies, such as labor market liberalization and a 19% flat tax. Slovakia's economic growth exceeded expectations for 2001-04, despite the general European slowdown. Unemployment, at an unacceptable 15% in 2003-04, remains the economy's achilles heel. Slovakia joined the EU on 1 May 2004.

Sports in the Country: data and trends

Similar to other countries of Central and Eastern Europe, the Slovak Republic has a long-lasting tradition of sporting activity. The most popular are football, hockey, athletics, basketball, volleyball, cycling, skating, and skiing.

Footwear needs are not well defined and the criterion for purchasing varies, ranging from the design to the specific waterproof resistance. In contrast to other countries surveyed, quality is not the first choice of people seeking shoes for doing sport and design and branding are not the major considerations while purchasing sport shoes for the every-day use.

Sport footwear production and trade

Until 1989 exports were mainly to the former Soviet Union, but after the political changes the entire footwear sector was restructured.

Manufacturing companies lost some of their consolidated markets and therefore were forced to enter new ones. The translation towards a market economy meant a decrease in the number of big producers, and a new structure composed of smaller companies able to react to market changes.

In Slovakia today there are still some big producers, but the number of small companies with 20-30 employees is growing.

The annual Slovak production is around 13,7 million pairs, 1,5 million are sport shoes. There are no local brands of sport footwear with contract production for foreign producers.

The main Slovak manufacturer is Jas-Export s.p.a. It is based in Bardejov, employs about 1100 workers, and produces about 1,5 million of shoes pairs under license for several

partners. For instance, Puma commissions Jas-Export to produce around 200,000 shoes pairs a year.

Most popular brands are Adidas, Nike, Hi-tec and Puma.

In 2003 Slovakia imported 5.5 million pairs, 2 million were sport shoes. Branded footwear came to 160,000 pairs, 10% of the global amount of the sport footwear imported. The rest of the imports were represented by non-branded footwear, imported from Asian Countries.

Brand name	Quantity imported per year (,000 pairs)
Adidas	50
Nike	35
Hi-tec	20
Puma	15
Lancaster	15
Diadora	5
Fila	5
Umbro	5
Mizuno	5
Asics	3
Kiltec	2

Regarding sourcing markets, imported footwear comes from China, Vietnam, and Indonesia. It must be said that the quality of the products manufactured in these countries has been increasing in recent years.

Consumers and customers

Most popular brands are Adidas, Nike, Hi-tec, and Puma. These brands are commonly sold within the big distribution chains and sport retail outlets. Due to a high rate of illegal imports from Asia it is difficult to find data. As previously described, customers' footwear needs are not well defined and the criteria followed while purchasing sport shoes ranges from the design to specific waterproof resistance to the shoes' performance overall.

The distribution system

Sport shoes follow the usual distribution path from the importers, to wholesalers, to the final distributors, to the final customers.

The final distributors of sport footwear in Slovakia can be local bazaars, traditional retails, hypermarkets, and niche or specialized sport shops. As to the hypermarkets, Tesco , Metro, Hypernova, and Carrefour are the most common.

On-line sales are still in their infancy and concerns basically B2C on-line shops.

The Baltic countries: Latvia, Estonia, Lithuania

General Overview

EU membership, a top foreign policy goal, arrived in May 2004.

Latvia's transitional economy recovered from the 1998 Russian financial crisis, largely due to the government's budget stringency and a gradual reorientation of exports toward EU countries, lessening Latvia's trade dependency on Russia. The majority of companies, banks, and real estate have been privatized, although the state still holds substantial stakes in a few large enterprises. Currently, accounts and internal government deficits remain major concerns, but the government's efforts to increase efficiency in revenue collection may lessen the budget deficit. Another problem is the growing perception that many of Latvia's banks facilitate illicit activity, which could damage the country's vibrant financial sector.

Estonia as a new member of the World Trade Organization and the European Union, has transitioned effectively to a modern market economy with strong ties to the West, including the pegging of its currency to the euro. The economy benefits from strong electronics and telecommunications sectors and is greatly influenced by developments in Finland, Sweden, and Germany. The current account deficit remains high yet the state budget enjoyed a surplus of \$130 million in 2003.

Lithuania is the Baltic state that has conducted the most trade with Russia and has slowly rebounded from the 1998 Russian financial crisis. Unemployment dropped from 11% in 2003 to 8% in 2004. Growing domestic consumption and increased investment have furthered the recovery. Trade has been increasingly oriented toward the West. Privatization of the large, state-owned utilities, particularly in the energy sector, is nearing completion. Overall, more than 80% of enterprises have been privatized. Foreign government and business support have helped in the transition from the old command economy to a market economy.

Sports in the Countries: data and trends

Sport participation has a long tradition amongst Baltic people. Latvia, Estonia and Lithuania are all present on the international sport scene, whilst football, ice-hockey, basketball, swimming, as well as sailing, skiing, ice-skating and volleyball are the most popular activities.

In the years following the occupation the sport system of such countries relied upon Moscow funding and was neglected. Many sporting traditions were lost. After independence the sport system remained without funding and central management. A re-organization of all the sport disciplines needed to be considered, the training infrastructure, the equipment, clothing and footwear, as well as sponsorships and rules.

But with the time moving on, sport has assumed once again an important role within the Baltic populations. Nowadays such countries are once again internationally recognized within the sport sector, enjoy playing basketball, football, and volleyball as well as swimming windsurfing, sailing, and trekking. Winter sports are skiing and ice-skating. In Estonia car rallies are becoming popular.

Sport footwear production and trade

Latvia

There are no Latvian producers of sport footwear, except for some micro companies. The internal demand is currently satisfied thanks to the imports, whilst an increase in consumption is being registered due to the improvement of the domestic product and the positive trend of the Latvian economy.

It must be said that the general Latvian footwear industry has almost disappeared. Nowadays JSC Ventshoes is the only relevant shoe factory operating. It is based within a free trade zone in Ventspils, the most important merchant harbor on the Baltic Sea. Some smaller factories such as Redeber, Brukers Ltd, and JSC Baltic Footwear Factory operate in Riga, Liepaja and Daugavpils.

In the early 90s many enterprises were bankrupted and only a few small factories survived specializing in niche products such as plastering and insulating materials for ski boots, or dancing shoes. Some are now producers of low-quality gym shoes.

JSC Ventshoes can be considered the only modern shoe factory in Latvia producing walking shoes and leather soles. The raw materials come mostly from Holland, Italy, Germany, and Finland. Though this shoe factory does not produce sports footwear, some years ago it reached an agreement with an Italian company for the supply of ski boots plastering. The quality of the footwear produced is good and prices are kept low thanks to a favourable tax regime and low production costs. Shoes are sold in almost 100 shops in Latvia but most of the production is exported.

Regarding imports, there is no official data. Given the fact that there are no relevant local producers and that the sector is overstocked by imported products, Latvia could be considered a market of scarce interest. On the contrary, the absence of a local industry represents good opportunities for foreign direct investments in the sector, by entering into partnerships with local producers and establishing a production plant from scratch.

Currently there are real opportunities in Latvia for importing and exporting footwear in view of future expansion towards the Russian and Baltic markets.

Estonia

Only three shoe factories are operating on the market: Ritico Ltd (www.ritico.ee), Abris Ltd. (www.abris.ee), and Festmark Ltd. These companies usually produce under license and mainly produce trekking shoes for Finnish shoe factories. The products are good quality in such cases, but when these factories manufacture under their own branding the quality decreases. No official data is available on local production volume, nevertheless it is slight. Festmark Ltd. for instance produces only 1600 pair per month. There are no statistics for sports shoes' imports either, but considering the limited local production most of the sports shoes on the Estonian market originate from abroad. USA, Germany, Finland, Great Britain and Poland are the main sourcing markets. Consumption has risen in the last few years due to better standards of living.

Lithuania

After a period of change in the demand and the production technology used the Lithuanian footwear industry is turning once again to high quality standards. Current production is mainly focused on walking shoes. The only sports footwear line is represented by the bowling shoes manufactured by Lituania AB.

The national production volumes is about 900.000 pairs per year. Exports are to European countries, such as Denmark (about 22.4%), Latvia (about 19.4%), Great Britain (12.1%) and Sweden (8.1%). Main sourcing markets for materials are Germany, China, Italy and Poland.

Main trade partners for footwear sector

Country	Export (%)	Import (%)
Germany	7.9	17.8
China	-	19.0
Italy	2.1	15.1
Poland	0.3	11.5
Denmark	22.4	5.9
Latvia	19.4	3.8
Estonia	5.2	5.9
Great Britain	12.1	1.0
Sweden	8.1	0.6
Finland	6.6	0.8
Turkey	-	6.5
Holland	4.4	1.2

Source: Department of Statistics to the Government of the Republic of Lithuania

The main shoe producers of Lithuania are:

- LITUANICA AB
- PALIUTIS, UAB

Shoe factories operating but not producing sports shoes are:

- SABALIN, UAB
- A. V. SEIRIENES"MAZEIKIU RAMA", II
- ALAMANDRA, UAB
- APAVIKTA, UAB
- AVENTA, UAB
- BALTIC ORTHOSERVICE, UAB
- EVENIDA, UAB
- G. RUTKAUSKIENES, II
- J. BENDORAICIO, II
- J. TREIKLERIO PASLAUGU IMONE

No official data on imports is available, but given that local sports shoes production is irrelevant most of the articles on sale originate from foreign markets. USA, Germany, Finland, Great Britain and Poland are the main ones. Low quality products are also imported from China and Taiwan.

Consumers and customers

Unfortunately no official survey was conducted hence information on consumers and customers preferences is based on direct observation as well as on interviews with retailers.

According to a survey conducted with distributors and retailers Latvians are usually interested in the quality of the product. Over last few years, with their increasing purchasing capability, the demand for high-range products has been rising. Distributors and retailers assessed that the most popular brand is Adidas, followed by Nike, Puma, and Reebok. Adidas has opened a mono-brand shop and sell its items also through the web site www.adidas.lv.

Estonians when purchasing sports shoes and sport accessories usually lean towards quality and resistance of the materials. Thanks to a growing economy life standards are improving and purchase capability is increasing. Having more money to spend sees customers' expectations change and develop. Quality and trends are the basic parameters of choice. Therefore the internationally known brands, such as Nike, Adidas, Le Coq Sportif, Hi-tec, Puma and Reebok are the most requested.

Different from the other Baltic populations, Lithuanians are more interested in the price point and therefore more inclined to buy low quality sports shoes, such as those manufactured in Asian countries. However market share is held by Adidas, followed by Nike, Reebok and Puma.

The distribution system

The distribution system in Latvia reflects the demographic, administrative and territorial characteristics of the country. Latvia is a centralized country. One third of the population is leaving in Riga and only two other cities (Daugavpils and Liepaja) have a big dimension. They are situated at the opposite ends of the country. Demographic concentration in the rest of Latvia is not significant.

In 1999 the government enacted the regulation "Procedure about wholesale and retail market" in order to develop trade relationships and to guarantee a division of competences within these two branches.

In the past trading of goods in Latvia was constrained by a lack of big distributors and wholesalers, but things are now developing. Nowadays there are many small companies instead of few big distributors.

The Clothing and Footwear sectors follow similar trends. Big hypermarkets and shopping centers have opened in the last few years, with corners dedicated to sports equipments and footwear, offering goods at competitive prices. Small shops are slowly disappearing and only the specialized ones, with high-quality products at reasonable prices, are remaining.

The biggest and most popular retail shops are Elkor Sports, Sportland, Sports100% and adidas. They are principally located in shopping centers, such as Alfa, Mols, Stockman, and Spice, located in Riga.

In Estonia sports footwear is marketed within specialized retail shops and hypermarkets. Big chains and shopping centers are proliferating and supplant the small retailers. The biggest shops with the highest specialization level are Sportland Ltd, Ecco, Baltic Footwear Import, and King Ltd. Almost all are located in the shopping centres. Kristine, Stockman, Rocca al mare, Viru are the most important. They all are located in Tallin.

Sports shoes in Latvia are marketed through specialized retail shops or within appropriate corners in the shopping centers.

eMarket Services

When designing internationalization strategies aimed to penetrate the Eastern European markets, companies rarely consider e-markets as useful and profitable gateways.

E-markets are not playing a noteworthy role.

www.emarketservices.com updates a directory of available e-marketplaces within various industries and regions. We could not identify footwear or sports footwear focused e-markets based in the countries studies in the report.

However, hereinafter there is a list of the e-marketplaces analysed.

They are all based on the countries considered by this report, but belong to multiple industry or textiles & leather categories. Both categories would be suitable.

E-market	Products traded	Country	Geographic focus
AllyTrade	A wide variety of products and services in different industries such as: animal products, food and beverages, chemical products, plastics and rubbers, wood, paper, textiles, metals, machinery, appliances	Czech Republic	European with focus on Czech Republic
CZIndustry.com	Several products and services within following sectors: Agriculture & farming, IT & communications, Glass, Food & beverage, Paper & packaging, Textile & Apparels, Metalworking, Tools & Appliance and many more	Czech Republic	Global with specific focus on Czech Republic
eebid	Several products within many categories such as: Hardware and Software, Electronics, Automobile, Moto vehicles, sport equipment, etc.	Czech Republic	Czech Republic
eeeBid Professional Auctions	Mostly indirect materials and IT equipment. Depends on the needs of the company initiating the auction	Czech Republic	Central Europe
eBusiness Budapest	Main focus on services related to the construction, IT, and consultancy sectors, however, other industries such as real estate, paper, and hospitality are also present	Hungary	Hungary
eeeBid Professional Auctions	Mostly indirect materials and IT equipment. Depends on the needs of the company initiating the auction	Hungary	Central Europe

eMarket Services makes it easier for you to use electronic marketplaces for international business

Marketline	Strategic & non-strategic products (e.g. paper, stationery, computer technology products, office equipment and vehicles, etc.) and related services associated with these, such as marketing, travelling and logistics.	Hungary	Global with focus on Hungary
HungaroTex	"Made in Hungary" Fashion and Textile products	Hungary	Global for buyers, focus on Hungary for sellers
Konsult	The goods and services traded through the site belong to a wide variety of industries, including health care services, rubber, plastics, machinery and food.	Latvia	Global with a focus on the Baltic markets
Impexbobiz	A wide variety of products from agriculture to cosmetics and hardware	Poland	Global
Nadwyzki	Wide variety of products and services are traded through the platform, ranging from building, chemicals and clothes to furniture, health & beauty and machinery.	Poland	Poland and Eastern Europe
OpenKontakt.com	Several products and services within several categories: automobile, vehicles, machinery, home appliances, garment, fabrics, food&beverages, wood, paper, furniture, decorating, cosmetics, children clothing, etc.	Poland	Global

Sources and disclaimer

Several sources were used to find information regarding the sport footwear sector in the 8 Eastern European countries who last entered the EU. As official data was unavailable interviews with local players were conducted. The information contained in this report is general in nature and does not pretend to be comprehensive, complete, accurate or up to date. Moreover it does not represent professional or legal advice. If readers need specific advice, we suggest they should always consult a suitably qualified professional. Finally, as difficulties were met in finding reliable data, we do not warrant or assume any legal liability or responsibility for the accuracy, completeness, or usefulness of any information contained in the document.