

South Korea's footwear industry

Investigating the development and challenges of shoemaking within this affluent Asian country.

by Vivien Hsieh



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South Korea has developed into one of Asia's richest countries since the Korean peninsula's partition in 1948. Two separate governments – the Communist-aligned Democratic People's Republic of Korea (DPRK) and the First Republic of Korea – aligned with the west – each claimed to be the legitimate government of all Korea. South Korea received UN-backed support from the USA after it was invaded by the North in 1950.

The Korean War ended in 1953 without a peace agreement having been signed – a situation that exists to this day. The following four decades were marked by an authoritarian rule in South Korea, during which government-sponsored schemes encouraged the growth of family-owned industrial conglomerates, including the Hyundai and Samsung groups. Such companies helped to transform the nation into one of the world's major economies and a leading exporter of cars and electronic goods.

Seoul is the capital and the largest city in South Korea. Busan is the second largest city and this has become an industrial centre where many footwear companies are located. Today, as one of the world's wealthiest nations, South Korea is a member of the Organisation for Economic Cooperation and Development (OECD) and the G-20 major economies. A developed country with a high-income economy, its market economy is ranked 15th in the world by nominal GDP.

South Korea – the facts and figures

Official name: Republic of Korea
Population: 51.6 million
Capital: Seoul
Land area: 100,339 sq km (38,741 sq miles)
Major languages: Korean, English
Currency: Won
Main exports: Semiconductors, petrochemicals, automobile/auto parts, ships, wireless communication equipment, flat displays, steel, electronics, plastics, computers
Main export partners: China, Hong Kong, Japan, USA, Vietnam

A history of the South Korean footwear industry

South Korea's footwear industry can be traced back to when rubber shoes production began in 1919. Domestic shoe manufacturing technology developed between 1940 and 1960, and South Korea's exports began to expand in the following year, aided by a governmental policy designed to promote the nation's businesses.

The South Korean footwear industry began to grow rapidly in the early 1970s. Foreign buyers flocked to its shoe factories, attracted mainly by the low cost of footwear and the operations' high rates of productivity. Cooperation with international sports footwear brand owners such as adidas, Nike and Reebok increased the development of footwear technology in South Korea. Footwear became a key export for the country, which was one of the world's leading exporters of sneakers during this decade of economic growth.

The peak period for exports

In 1980, textiles, clothing, and leather products made up about 24 per cent of South Korea's manufacturing output. The nation was a new entry into the top ten list of footwear producers, ranking ninth in the world and producing 283 million pairs per year. By 1990, 535 million pairs were being manufactured, making footwear the third-largest export industry in South Korea after electrical products and textiles. South Korea was also the third-largest footwear producer in the world after China and the Commonwealth of Independent States, which comprised nine of the 15 former Soviet republics.

Investing overseas during the 1990s

The labour-intensive South Korean footwear industry was flying high on the international stage in 1990. However, situations within the business world can change rapidly, and the nation's shoemaking industry declined in the 1990s. Buyers began to bypass South Korea in favour of other footwear-producing countries in south east Asia which had lower labour costs. This, combined with cost rises in raw materials and overheads, as well as challenges to the Korean won, caused the Korean footwear industry to struggle on the international market and soon fall behind.

National production reported a dramatic 34.6 per cent drop between 1990 and 1995, and by 2000 South Korea had slipped from the top ten of footwear-producing countries. Mainland China became the world's top footwear producer, followed by India, Brazil and Indonesia.

During the 1990s, South Korean shoemakers took steps to avoid increasing wage bills, land prices and taxes. Footwear manufacturers – especially in the Busan area – began to move their productions and facilities to China, Vietnam and Indonesia. Many of these overseas factories are very big, sometimes employing over 15,000 workers.

Despite the overall shrinkage of the South Korean footwear industry in the 1990s, and the fact that many manufacturers have moved their operations overseas, the country's shoemakers still enjoy global competitiveness in terms of production technologies, materials and 'know-how'.

Busan

Companies in Busan – the shoe city of South Korea – have concentrated on developing hi-tech products and the creation of their own brands. The city has played a key role in the history of South Korean shoemaking for 100 years, and has become a centre for overseas manufacturers and international buyers.

Busan (formerly Romanised as 'Pusan') is geographically located in the south east corner of the Korean Peninsula. It is South Korea's second most-populous city after Seoul, with 3.6 million residents. It is the economic, cultural and educational centre of South Korea, with world-class ports providing access to the world, and also has a growing reputation as a world-class tourism destination.

Busan has also been the host city for a number of international events, such as the 2002 FIFA World Cup, the annual Busan International Film Festival, and the Busan International Shoe Show (BISS). It is also home to 'Shinsegae Centum City' – reportedly the world's largest department store.



SATRA's Peter Allen (left) and Vivien Hsieh (second from right) with exhibition organisers at the Busan International Shoe Show

By 1990, around 65 per cent of the footwear manufacturers in South Korea were located in or near Busan. The previously-mentioned reversal in fortunes faced by the nation's footwear producers during the subsequent decade was tempered in part by Busan's shoemaking experience and technical understanding. These foundations supported the region's footwear manufacturers, which led to the successful transformation of these enterprises from the production of low-cost goods to high-quality finished footwear and components. In addition, the key organisations which support the South Korean footwear industry are all based in Busan, such as the footwear association, the footwear research institute, the shoe industry promotion centre, the shoe training high school and the university. Likewise, most of the Korean offices of the overseas shoe companies are still based in Busan.

Overseas factories returning to Busan

Although many South Korean footwear companies relocated their manufacturing facilities from Busan elsewhere during the nineties, they generally kept their head offices and research and development centres in Busan. Today, the cost of footwear production in China and many other Asian countries is not as low as it once was. This has resulted in some South Korean companies contemplating moving their factories back home or reducing their overseas investments.

As global footwear trends move toward more advanced technology and greater added value products, Busan seems to have the conditions to meet this challenge by providing skilled workers and efficient production. The return of investment from overseas companies would undoubtedly enhance the city's economic development and employment, and these manufacturing plants could also take advantage of South Korea's free trade agreements.

South Korean footwear companies

The four largest international South Korean-headquartered footwear companies produce sports shoes for international brand owners. These are Hwaseung (which has plants in Indonesia and Vietnam), Parkland (with an operation in Indonesia), ChangShin and Taekwang (both of which manufacture in South Korea, China, Indonesia and Vietnam). Other large companies include Haksan Vitro and Treksta, which produce well-known domestic shoe brands.

ChangShin Group, founded in 1981 in Busan, specialises in producing sports shoes. The company's name translates as 'doing something new every day', and since 1990 it has been the core supply partner for a major brand owner. In the nineties, ChangShin started to establish overseas factories, the first being in Ho Chi Minh City, Vietnam in 1994 and in Qingdao, China the following year. An Indonesia factory was set up in 2010 in Karawang. The ChangShin Group currently employs some 45,000 workers in offshore factories and produces an average of 80 million pairs of shoes per year. The company has announced plans to expand this annual capacity to 160 million pairs by 2026.

Taekwang Industrial Co Ltd has 48 years of experience in sports shoe production, and has what is described as a state-of-the-art research and development centre in Busan. The company has grown to become one of the world's leading supply partners for a major brand owner, and strives for the continual development of technology and quality innovation. Taekwang Industrial started to establish overseas plants in 1995, Taekwang VINA being set up in Dong Nai, Vietnam and Qingdao Taekwang in Qingdao, China both beginning operations in that year. Vietnam Moc Bai – marketed as an 'eco-friendly factory' was established in Tay Ninh,

Vietnam in 2010, with TK Industry being established in the Indonesian town of Subang three years later. The company employs a total of 72,000 workers. Taekwang Industrial has reportedly invested in advanced facilities and management systems for its research and development facility to enhance product quality and to maximise manufacturing efficiency.

Descente is a lifestyle sportswear producer with an innovation studio complex located in the Gangseo district of Busan which officially opened in October 2018. The company currently employs 100 members of staff in this facility, comprising the innovation team, designers and support staff, who work on developing concepts through to commercial products. The two-story building has a total floor area of 16,000 square metres and features a design studio, dedicated to concept development and engineering design, in addition to a research laboratory where trend and consumer research is conducted, as well as human performance studies involving ergonomics and biomechanics. The facility also has a materials laboratory for material development and testing, and a product laboratory where members of staff make samples and are engaged in the development of innovative products. The Descente innovation studio complex also has indoor and outdoor tracks to carry out research on materials, footwear prototypes and finished sports shoe production models for real-life simulation.



Descente's innovation studio is located in Busan

Treksta, which was founded in 1988, is an outdoor sportswear manufacturer with production facilities in South Korea and China, and was reputedly the first in the world to develop 'light trekking boots'.

Haksan Limited, which began trading in 1988, produces a wide range of footwear for a number of applications, including running, walking, hiking and hunting, as well as safety boots and water-resistant shoes for international footwear brand owners. The company's own VITRO brand is one of the leading names in sports footwear and apparel in South Korea. An overseas factory – Haksan Vina – was set up in Binh Duong Province, Vietnam in 2002. This facility currently employs 2,000 workers and produces 1.5 million pairs per year. Its productivity is growing and is expected to reach 2 million pairs in 2020.

National PPE manufactures industrial personal protective equipment – from safety shoes to protective clothing. Having been originally established in the 1950s when it was involved in other business, the company started to manufacture toecaps for safety shoes in 1970. For the past five decades, National PPE (as it was renamed in 2016) has been involved in the production of steel toecaps and steel perforation-resistant inserts for the South Korean domestic safety footwear market, as well as for customers in Japan and the USA.



National PPE produces protective footwear and apparel

Nanotech Ceramics – established in 1999 in Busan – specialises in producing special functional rubber compound and protective footwear for wear in a variety of occupations. The company manufactures footwear under the STICO brand, and has an announced goal to develop new technology through investment in research following the establishment of a material technology research laboratory. STICO shoes are marketed as providing high quality and resistance against a number of risks, including slip, oil, flame and electric shock. The company's products are distributed throughout South Korea as well as in international markets.

Domestic markets

The four main product categories of footwear purchased in South Korea are sports, outdoor, dress and specialised applications. South Korean-made sports-inspired footwear is growing in popularity, and this has become the largest market. The country has also become a leading Asian influence in fashion, and this has helped to create a range of sportswear for both functional and fashionable daily wear.

South Korea is the second-largest market for outdoor footwear, and this trend has influenced Koreans who enjoy outdoor activities. Hiking and golf shoes are particularly popular. Domestically-manufactured dress shoes are popular in South Korea. In addition, imported luxury brands form a considerable market and sell at high price in department stores. Due to the legal

obligations, the market for specialised footwear – such as safety boots, military footwear and nurses' shoes – is growing and currently takes about 20 per cent of the South Korean domestic market.

Domestic distribution

The four main sales channels for South Korean footwear markets are department stores, retail chains, online and TV home shopping and traditional marketplaces. Department stores and retail shops are the two most popular classifications and cover more than 60 per cent of the sales for domestic distribution. However, online shopping is growing in popularity as consumers appreciate lower prices and fast delivery. Sales of footwear and apparel will undoubtedly continue to record positive growth in the future.

The future of South Korean footwear

South Korea footwear exports have declined over the last three decades. Although the main reason has been the increase in the cost of domestic labour, there has also been too much reliance on making products for international brand owners. When buyers started to look elsewhere, manufacturers have had to relocate to the lower labour cost countries. Another problem was the scarcity of South Korean brands, resulting in a reduced channel to the international market.

Between 1970 and 1980, South Korean producers took a huge share of the global footwear production. This helped to create a confidence among the nation's manufacturers that is still present today, and these companies are once again trying to boost the South Korean footwear industry. With the support of the government and industry organisations, South Korean footwear companies are making a recovery by devoting themselves to manufacturing specialised products and developing the necessary technology through innovation and automation, as well as using the new materials favoured by global brand owners. In addition, South Korean fashion and the owners of designer brands have influenced the worldwide trends in recent years. 'Korean wave' is reportedly starting to affect the fashion world.

Today, South Korea – although not the world's leading footwear producer – plays an important role in the world footwear stage. The nation's footwear companies have made a success story by constructing strong manufacturing bases both at home and abroad. This provides a good example to other labour-intensive Asian producers on how to upgrade their industries if their low-cost conditions have changed.

How can we help?

Please email membership@satra.com for further information on the footwear industry in South Korea.

Publishing Data

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