

# SME EXPORTATION STRATEGY FOR THE DEVELOPMENT OF THE MEXICAN LEATHER FOOTWEAR INDUSTRY

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**Abstract** - The fundamentals of international competitiveness justify the development of a national exportation strategy to increase the economic development of the countries. In this research, the competitive situation of the SMEs (Small and Medium Enterprises) that conform the Mexican footwear leather industry was considered to develop a strategy, at an operative level, that can be used to promote the exportations. The roles of the most important stakeholders (Companies, Chambers and Associations of the Industry, Educational Institutions and Research Centers, Government and Financial Institutions) were proposed; also the specific contributions to decrease the international trade barriers were identified. The SME Internationalization strategy consists of five Components: Observatory of Commercial Opportunities, Acceleration of Companies' Exportations, Multiple Promotion, International Demand Attention and International Negotiations that should be implemented by the entrepreneurs of SMEs jointly supported by the analyzed stakeholders as key elements of the optimal function to achieve a real and sustainable increase of the national competitiveness of the sector.

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**Index Terms** - Competitiveness, Exportations, Strategy, SME.

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## I. INTRODUCTION

Globalization has intensified competition and over time, national borders and regulations will become less and less important in international markets. The globalized economy offers new technologies, competencies, markets and sources of financing to companies in developing countries, that is, prospects of growth and opening to the outside more auspicious than ever. At the same time, it exposes them to strong competition from low-cost imports and the products of subsidiaries of foreign companies. All products or services offered by companies in developing countries have to correspond more and more to the demands of price, quality and delivery of international markets. The process of globalization is irreversible and has profound consequences for companies and their links with the governments of developing countries. The main difficulty that companies must face is to take advantage of new resources and markets, in a context of strong and growing global competition. For governments, the problem is how to formulate and implement the corresponding support policies and strategies. Both companies and authorities need to strengthen their collaboration in order to create and consolidate commercial competitiveness. In the creation of business competitiveness - especially for export markets - governments and trade support institutions have an important role because they must support competitiveness with coherent strategies. Converting these strategies into concrete measures will depend on close and active cooperation between companies and governments. [1] The fundamentals of international competitiveness justify the development of a national export strategy to increase the economic development of the countries. The development of exporting SMEs must be considered as an indisputable key to success in national growth programs. At the

international level, it is clear that the mechanism to achieve economic and social growth is the promotion and strengthening of SMEs that constitute the largest number of economic units and generating employment worldwide. [2]

In this sense, Milesi indicates that the exports of the footwear and textile sector are characterized by the weight of the commercial dimension in the determination of export success, which could be related to a sectoral profile in which activities of low technological intensity predominate -as clothing and leather manufactures - which, in general, need to consolidate a long-term commercial image, have a continuous presence in fashion and design events, develop and update good advertising material, and maintain a fluid contact with the customer to adjust the products to your design. [3]

As Manzo mentions, exports are the most significant variable for the determination of competitive advantages. This variable has a positive impact, since the staff through the appropriate use of ICT facilitates the realization of commercial activities, the search for new niches or markets, the way of doing business with other countries and greater contact with customers and suppliers. All this leads to an increase in the volume of exports of footwear, which allows exporting companies to be more competitive. [4]

In this research, the competitive situation of the SMEs (Small and Medium Enterprises) that conform the Mexican footwear leather industry was considered to develop a strategy, at an operative level, that can be used to promote the exportations. The roles of the most important stakeholders (Companies, Chambers and Associations of the Industry, Educational Institutions and Research Centers, Government and Financial Institutions) were proposed; also the specific contributions to decrease the international trade barriers were identified.

## II. LITERATURE REVIEW

In the analysis of the evolution of the Mexican footwear industry Ortiz & Martínez identify that the commercial opening during the decade of the 90's was a hard blow for the sector given its low level of competitiveness, only some companies managed to get ahead thanks to its adaptation to the demands of consumers and the possibility of entering international markets remains an opportunity to grow and penetrate important markets. [5]

Currently, the crisis in the industry has led companies to develop strategies for commercial survival, not the development of the sector. One of these strategies is to identify the market segments most likely to face competition from China, and the development of competitive advantages, as well as the integration of suppliers. [6]

In the study by Duana & Gonzalez, it is identified that currently the Mexican footwear industry is threatened by low-priced synthetic footwear segments from China and Brazil, but also by high-end items from Italy and Spain. For the Mexican footwear industry, the price remains the axis of competition for the sector and it is identified that the strategy of the companies is still to reduce costs, and an important part of savings falls on the labor force. [7]

On the other hand, in the study of Morales and Ayala it is stated that in general there is confidence in the business relationship between clients and suppliers, however, it is necessary to strengthen it by formalizing the business relationship through contracts or agreements, where seek to cultivate long-term relationships. The lack of programs and joint projects between clients and suppliers limit the competitiveness of the footwear leather chain, therefore, the entrepreneurs or those responsible for these companies must expand their purely economic vision. [8]

Export activity requires specific management and certain organizational and marketing skills [3]. In the research carried out Velázquez-Duran & Rosales-Ortega it is identified that the productive system of footwear is constituted by two opposed and simultaneous processes. In the first, medium and large companies have achieved successful internationalization processes. In the second, the micro and small enterprises constitute a socio-productive fabric strongly disarticulated by the low levels of cooperation and institutional support they present and which prevents the coordination of the system as a whole. Although local producers share a socio-territorial identity that impels them to establish informal networks of cooperation and socialize the trade, there are coordination difficulties due to the emergence of conflicts related to selfishness and lack of awareness of the advantages of the action collective to organize local production and deal better with international competition. This socio-productive fragmentation is also favored by the use of tacit

knowledge as a resource for the individual benefit of producers, which generates isolation from the system due to its inability to respond to changes in the international market. This is exacerbated by the weak relationships that exist between this type of companies and local institutions that promote economic development. In addition, these companies have high levels of informality in their labor relations, which translate into precarious working conditions due to the lack of training and benefits for employees, which, together with their limited technological development, leads to limited competitiveness. [9]

Finally, the Arredondo-Hidalgo & Caldera-González investigation considers that the incursion into international markets represents an opportunity for the SMEs of Leon dedicated to the manufacture of footwear, but only for those that have established themselves in a solid way in the local market and they develop the Uppsala model and add that internationalization is an appropriate option for the MSME given that it considers the capabilities of this type of organizations, circumscribing a gradual process, based on the trade off, which compensates for the lack of knowledge or an offer exportable that can be increased from obtaining resources, growth, both production and experience until the company is mature enough to face the challenges that the global market considers. [10]

## III. METHODOLOGY

Based on the diagnosis of the shoe industry in the city of Leon, both the characteristics of the organizations and the main barriers that have to be overcome for the development of an export culture in SMEs in the region were defined. With these elements, a proposal was designed with the purpose of facilitating to the companies the mechanisms to achieve competitive exports of their products in international markets.

The proposal has as references the contributions of authors and organizations to establish the viability of the suggested actions to achieve the elimination of barriers to foreign trade (Knowledge, Exogenous, Cultural, Private and Logistics Support, Tariffs, Resources and Market Adaptation) that imply a challenge for organizations in the internationalization process.

## IV. RESULTS

The SME Internationalization strategy consists of five Components: Observatory of Commercial Opportunities, Acceleration of Companies' Exportations, Multiple Promotion, International Demand Attention and International Negotiations that should be implemented by the entrepreneurs of SMEs jointly supported by the analyzed stakeholders as key elements of the optimal function to achieve a real and sustainable increase of the national competitiveness of the sector.

For the following proposal of export strategy for SMEs to be effective, companies must be contained within an internationalization macro-strategy, supported by a series of complementary strategies that promote industrial competitiveness.

In Fig. 1, a pyramid is outlined as part of the strategy, where the degree of evolution and organizational maturity is presented, which the company must reach in order to aspire to a successful implementation of the export strategy

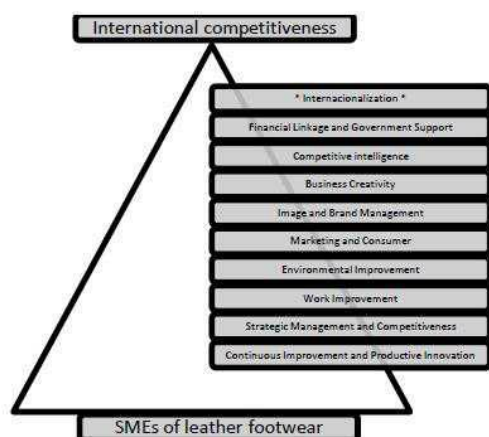


Fig. 1 SME Evolution Stages Toward International Competitiveness

The five fundamental components of the strategy of internationalization of the SMEs manufacturing footwear of Leon leather are described below:



Fig. 2 Components of the Exportation Strategy

First component: Observatory of Commercial Opportunities.

The main objective of this component is to boost the natural markets of the chain and seek the internationalization of the innovated export supply, supported by information on demand, asymmetric competitiveness, market intelligence, preliminary demand analysis and the product-market matrix.

In general, the actions must be implemented by the Chambers and Associations of the Leather-Footwear Sector, the Employers, the Educational Institutions and Research Centers, as well as the Federal and State

Governments.

Second component: Acceleration of Companies for Exportation.

The main objective of this component is to promote business development and the acceleration of companies with export potential, through the construction of a development network with programs to focus on the export business and the establishment of a program of part-time export management.

In general, the actions must be implemented by the Chambers and Associations of the Leather-Footwear Sector, the Employers, the Educational Institutions and Research Centers, as well as the Government and particularly the financial sector as an indispensable element for the effective development of this strategy.

Third component: Multiple Promotion. The objective is to design multiple promotion strategies through reverse promotion, attraction of buyers, new export services, points of sale abroad and specialized networks of international representatives. These actions must be implemented by the Chambers and Associations of the Leather-Footwear Sector, the Employers, the Educational Institutions and Research Centers, as well as the Government.

Fourth component: International Demand Attention. The objective is to promote a culture of innovation in all areas and processes, strengthening marketing channels and capacity to respond to international demands.

The actions must be implemented by the Chambers and Associations of the Leather-Footwear Sector, the Employers, the Educational Institutions and Research Centers, as well as the Government.

Fifth component: International Negotiations.

The objective is to participate in the consultations and negotiations of the new trade agreements, providing the Secretariat of Economy with the technical and judgment elements to obtain the best conditions for the footwear industry.

In general, the actions must be implemented protagonically by the Government supported by the Chambers and Associations of the Leather-Footwear Sector, the Employers, the Educational Institutions and Research Centers.

## CONCLUSION

The work done in this research has a special significance to diagnose and understand the reality of the footwear industry in Leon, Guanajuato and with it, to begin the much needed transformation, which should start with the willingness, not only of the businessmen and businessmen's guild, but, especially, of the government and of the academic institutions that count on the knowledge and resources to stimulate it. In particular, it is necessary to recognize that one is facing a double and urgent demand: the updating of

knowledge and the restructuring of the forms of in the footwear industry in Mexico and particularly in Leon, Guanajuato, in which and as a premise, to be able to socialize and implement these strategies, it is necessary to apply and disseminate the result.

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