

# **FORMIFICIO VEREGRA s.r.l.:**

## **The differentiation as promoter of internationalisation”**

**In the technical phrasing “half-finished goods” means every element which is the productive combination of a company. For the company the “finished goods” is used in an another productive combination and incorporated in a good which has to be sold to the customer.**

**Shoe lasts do not belong to this definition because they are used as tools for the production of the finished shoe, in which they are not assembled and so they are not sold to the customer.**

**We believe that the technical definition is quite reductive to qualify the real function that the shoe last has not in the production of shoes but as an element of the general area of the creation of a “Fashion Component”.**

**To understand the very importance adopted by the shoe last in this area, it is necessary to present the general process of the shoe design in its outline. This process is realized and managed for contacts with the different companies by the shoe designer (internal or external to the shoe factory).<sup>1</sup>.**

**As we have already written in the third chapter the elements which define “the stylistic idea” in the footwear area are basically three: the mould, the shoe last and the outsole. The outsole represents a material characterization, instead of the other two are elements which mainly connote “the immaterial dimension” of the shoe.**

**None of them was born before the other one, they enter in one idea, fixed by the characteristics of fashion trends or by the necessity of satisfying precise needs of the market. It might be said that the idea of the product is, at the very beginning, a character made of sensations and perceptions. This character is passed on from the shoe designer to the shoe last designer. Together they create the wooden mould, which**

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<sup>1</sup> The description of the process of engineering is based on the explanations provided by Geremia Chiurchiù, owner and shoe last designer of “Formificio Veregra srl” Montegranaro (AP) and by Vincenzo Fonti, shoe designer at the shoe factory “Aldo Bruè spa”, Monte San Pietrangeli (AP).

after a retouch-job with polyester putty and rasp, would represent the best material approximation of the idea of the designer.

Different models will be designed on the wooden mould. The models were born in a secondary position with regard to the shoe last for technical needs. The shoe last is realized when we think about a line of models to build on it.

At the same time, it is designed or chosen after a precise research the outsole which, if prefabricated or set-up, it has to be adapted to the shoe last, or because of the lower costs, the shoe last is adapted to the outsole through the adjustment of the template.

The shoe last is the element which makes appear a pair of shoes very different from the other one when the mould has the same style. The shoe last can give those immaterial characteristics which generally make the Italian style.

We know that shoes are not only bought to satisfy the primary need of cover the foot but to satisfy other needs, for example belong to a social group, like a status symbol.

These needs transcend the material dimension to reach the material's one.

The shoe last is one of the most important elements.

We can also say that its most important utility is bought by the customers under the name of "Italian style". So the utility of the shoe last is incorporated in the finished goods and sold to the customer, like any other half-finished good.

The proof of what I have already written is evident from the analysis of the particular kind of internationalisation realized by the Formificio Veregra srl, from Montegranaro.

"Formificio Veregra srl" was established in 1962 in one of the first footwear town of Marche region and also of Italy. With its annual sales of EUR 800.000,00 and thirteen employees Fveregra is a small supplying firm that even if it has to be affirmed that there is a difference in respect to other sectors, the owner<sup>2</sup> doesn't hesitate to define its company medium.

Only 10% of the global amount of the annual sales is realized abroad through a way of internationalisation entirely "commercial".

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<sup>2</sup> The interview had been made with Angelo Stizza, the owner of Formificio Veregra and Geremia Chiurchiù who is also shoe last designer.

**We have to distinguish two kinds of trading that Formificio Veregra realizes: or it is only for moulds or it is only for the production of shoe lasts.**

**The shoe designers of overseas companies, visit Formificio Veregra and they realize the wooden mould; some of them they come to Italy and they buy the mould which will be reproduced by other shoe last factories, considering that the process of production is to reproduce the wooden mould through the turning-lathe in which the plastic moulds are refined in order.**

**In general the companies which only buy the mould come from emerging countries (Russia, China, Romania) where through a simple technology it is very easy to develop the range.**

**Other companies demand all the production. They are European Countries: French, English, Spanish or Portuguese which do not find it advantageous to produce them in their land, because of the similar costs of the raw materials.**

**The problem is the high costs of the shipping, which represent the high cost fraction which is the main difficulty for the overseas export. In fact even if there is a low cost for each pair of shoe last, there is a high cost for shipping because of the weight of them which is the standard for determining price of shipping.**

**After the problem of the high cost fraction the owner explain that there are other difficulties of logistic reason; as we have already said, the process of realization of a mould, needs more time, of lots of adjustments to realize time after time. That demands continuous transfers of the shoe designer in Italy or a long stay to verify the work did and to consider the necessity of further changes.**

**The internationalisation is not very relevant, but we believe that it is important and it is important to understand the realization, the future perspectives and above all the possible effects on the district of Fermo and Macerata.**

**The owners themselves show their doubts concerning their contacts with the foreign nations and, in general, the future involvements of the present-day internationalisation of the companies which produce shoe accessories (like shoe lasts).**

**The majority of the shoe last's work is provided by local shoe factories in Marche region; the selling, especially the engineering of an important element like the shoe last, with regard of overseas shoe factories, will contribute to the diffusion not only of the technical know how but of the capacity of perceiving, or sometimes,**

creating ex novo, the stylistic trends which satisfy of latent needs. That is the capacity of synthesizing the superiority of Italian fashion items.

This diffusion will contribute to the growing of the ability of emerging footwear districts all over the world with eroding what is the real advantage of our companies and their skill. The fact is that these emerging districts are placed in Countries characterized by the cheap labour allows them to obtain an “absolute advantage” with regards to our shoe factories which are losing ground, they will captivate with themselves all the local supplying firms.

The present-day argument developed by the owners of Formificio Veregra is coherent with their logical assumption and so it will be considered valid if it would have to be thought other hypothesis.

We tend to confuse two elements which are distinct: on the one hand the technical know how of the shoe last designer, on the other hand the skill and the “Made in Italy” style. The previous argument involve that overseas shoe factories would acquire, after long-term relationships with shoe last factories and the continuous purchase of moulds, the real abilities, becoming structures similar to Italian companies, but with the advantage of the cheap labour. We do not believe that could not be impossible.

The technical know how, which is basically material, could be reproduced by overseas competing companies because of the transfer of the knowledge from Italian companies to overseas’, even if after a long time, it will be only concerning to the skill of transforming a stylistic idea in a wooden or plastic tool .

As we have already said, this phase is realized through the tight collaboration between shoe designer and shoe last designer.

In this process join not only technical knowledge but also some expressions of lots of variations which underline the skill and they find together the origin of their continuous renewal in the sedimentation of cultural characteristics based on a particular iteration of a various number of variables.

All to say that it will be probable the diffusion of an international technical knowledge during all production phases. It will be impossible the appropriation of the globalisation of all cultural variables which make the Italian style.

The innovative skill is not based on technical knowledge but on creativity, according to particular trend lines.

That explains why a traditional sector, characterized of low technology and of breakable obstacles, has always remained under the control of only one country, and during the time, this leadership will have grew up even the economic trend of labour cost.

Considering these elements, the activity of engineering of a shoe last factory has another role, after the internationalisation, comes to show as a promoter of the internationalisation of the productive shoe factories.

As we have already underlined the meaning of internationalisation is very wide and so we speak about supplying firms. In this term could be understood the capacity of promoting the international operability of the customer companies, without considering the direct presence of the supplying firm on the overseas market.

The analysis of potentialities of differentiation is made through the use of the Porter's chain . However we can say that for a supplying firm which is operative in the fashion sector, the utilities which can be provided to a customer are a reduction of cost.

The continuous growth of the half-finished goods of every kind of supplying firms, facilitated by the flexibility of the productive phase, has augmented the possibilities of their combinations, making of the differentiation the unique advantage to reach in the sector of shoe industry.

The appeal of "Made in Italy" is the main responsible of the growing and big request of our fashion products in the foreign countries. As we have already mentioned the shoe last is the main accessory which can give the shoe a particular utility.

In this case the shoe last, as accessory which determine the differentiation, will have to be able to enlarge the trend of being part of a social group, which can be concrete in the individuation of different typologies of international customers.

Through this argumentation our thinking has to be changed, because not only the foreign shoe factories will not become perfect repetition of the Italian's, but the competition on a right direction, to allow the small or medium companies of the Italian fashion sector to create the possibility of exploiting a suitable and renewable advantage, like the one of differentiation.

**This is the reason why lots of footwear companies have oriented their strategy on the exploitation of an advantageous cost which come mainly from emerging economies of scale.**

**To maintain low cost it is required a stable attention to the operative efficiency and a continuous research of small reduction of cost in the whole activity of the company.**

**The standardization for the benefits of economies of scale, reduces the disposition; of the customer to recognise advantages of prices fundamental for the differentiation. That is not completely true for the footwear industry, in fact the flexibility of the productive process of lots of half-finished goods, allows it to obtain a relevant differentiation without having a wise decrease of the production.**

**The standardization in this sector is concentrated on the smallest manufacturing process of the products.**

**In spite of everything we can understand, from the questionnaires answered and from the interviews that the attention to the cost is not only very high but the chief problem.**

**The attentions to the material components of the product are a direct consequence of the cultural conformation mainly techno-productive of the entrepreneurs of the footwear district.**

**The cost is the most important and more recognizable element of marketing and e, and also the element which can be modified very fast.**

**As we have already said the differentiation is hardly practised. The high activity of all the local shoe last factories emphasize this thesis, however we have the impression that it is used as a support for the cost.**

**As Grant wrote “ in the sector of goods, the maturity involves the differentiation which is no more concentrated on th material characteristics of the products but on its image”.<sup>3</sup>**

**From this point of view we can say without any doubts that the footwear sector is absoltely poor. The data of the annual accounts show the unit fated for advertising is about 2% <sup>4</sup> for the shoe factories, for the supplying firms the unit is about 0%.**

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<sup>3</sup> Grant continues writing that: “ the strong motivations which have pushed the customers to chose Coca Cola and Pepsi, come from the capacity of realizing long-term campaigns and of make different the same products”  
(GRANT R. M., op. cit., 1994, pag. 312).

**The big differentiation has not been supported by an activity of marketing and all the operating costs have always been concentrated on the achievement of further advantages of cost to meet the erosion, which come from the international competition. Big endeavours have been supported by all the footwear companies, so they have less product than their real potentialities. This is probably because a trading activity like that of differentiation, has only been developed under a techno-productive perspective.**

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<sup>4</sup> From the empirical analysis of Ordanini in ORDANINI A., op. cit., 1995, pag. 56.