

# Chapter 5

## Analysis of the Quality of Relationships in the Footwear Sector:

### A Study of the Footwear Producers of the Province of Tungurahua, Ecuador

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#### **ABSTRACT**

*The objective of the study is to propose a methodology and measures for the assessment of relationship quality between producers and clients and between producers and suppliers of the footwear sector. For this purpose, a principal component factor analysis (PCA) has been applied on a sample of footwear producers of Tungurahua, Ecuador. The PCA analysis included the seven dimensions of relational coordination theory and other three dimensions, such as trust, cooperation, and satisfaction. Results show that the quality of relationships is composed by two factors, one related to communication and one related to relationships. Some changes occur in these dimensions depending on the stakeholders involved in the relationship. The scores of the components resulted from the PCA analysis were used to calculate communication and relationship indexes. Additionally, a correlation analysis has been performed showing a positive correlation between communication and relationships dimensions in both producers-clients relationship and producers-suppliers relationship.*

## **INTRODUCTION**

According to World Footwear Production 2017 report (APICCAPS, 2018a), footwear production recovered its growth reaching 23.5 billion of pairs in 2017, which represents an increase of 2% compared to 2016. This report underlines that the footwear production growth is due to a mixture of factors, such as the increase in flows, the average prices of exports and the increase in consumption in the main Asian countries. In this period, footwear production was led by Asia Pacific region, represented by countries like China, Vietnam and Indonesia; with a production share of more than 75% of the total worldwide production. This region is followed by South America with 5%, Europe with 4% and North America and Africa, both with the a quota of 2%.

Regarding footwear consumption, India ranked second in 2017, surpassing United States, while China led the rank of the 10 largest footwear consumers countries. Asia is also the leader of the footwear consumption market with a 53% share, followed by Europe with 16% and North America with 15% (APICCAPS, 2018b). However, at the country level, the per capita consumption of the number of pairs looks different, United States being the leader with an average consumption of 7.6 pairs, followed by three European Union countries (Germany, France and United Kingdom) with 6.69 pairs, South America (Brazil) with a consumption of 3.79 pairs and, finally, Asia (China, India, Japan and Indonesia) with 2.44 pairs (Knego & Delić, 2017).

Regarding the worldwide footwear exports, an increase of 0.7% in relation to quantity and 3.7% in terms of value have been recorded in 2017 (APICCAPS, 2018a). Leather footwear represented 52 million dollars, showing a decrease of 6% compared to 2016. Asian countries concentrate 50.7% of leather footwear exports, while Europe maintains a 44.8% share, Americas a 3.8% share and, in the last place, Africa and Oceania with 1% and 0.1% respectively (Workman, 2018). Finally, it is mentioned that the largest footwear production is located in Asia, while exports are focused on Europe and worldwide footwear consumption is concentrated in countries from Asia, Europe and North America.

In Ecuador, the national production capacity is 28 million pairs annually, of which 50% of the total production is destined to national consumption and the remaining 50% is destined to exports (Cámara de Industrias de Tungurahua, 2016). The improvement of production chains for the growth of productivity is one of the objectives of the Ecuadorian Government (Senplades, 2017). In order to create value, the production chain does not only need public financial support and policies, but also the development of relationships between stakeholders, as high quality relationships are the basis for long term business relationships (Friman, Gärling, Millet, Mattson & Johnston, 2002).

The objective of this chapter is to propose a methodology for the evaluation of relationship quality in the footwear value chain. For this purpose, a sample of footwear producers of the province of Tungurahua, Ecuador, has been analyzed. The province has been chosen for this study because it concentrates 44% of Ecuadorian footwear production and it also has a wide range of micro, small and medium-sized footwear producers (Cámara de Industria de Tungurahua, 2016). Based on the results, some recommendations have been additionally made for the footwear sector of Tungurahua.

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