

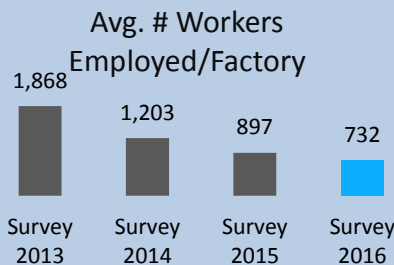
FDRA Factory Survey Analysis 2016

In March 2016, the Footwear Distributors and Retailers of America (FDRA), in partnership with ELEVATE, invited footwear manufacturers to participate in the association's annual factory survey for the 7th consecutive year. In response to the widely publicized labor strikes in China and Vietnam and increasing challenges for factories managing and retaining workers, the FDRA also invited 10 factories to participate in a worker and supervisor survey program in China and Vietnam, with the purpose to provide bottom-up insight into the footwear manufacturing industry. This brief summary provides some of the key findings.

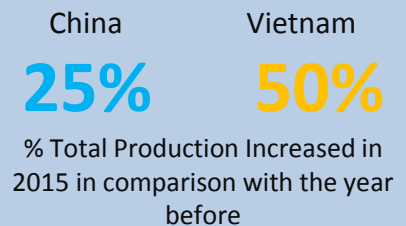
INCREASING BUSINESS COMPETITION



The percentage of large Chinese footwear factories shows significant drop.



Vietnam continues to capture a greater share of the U.S. footwear import market.



MAJOR BUSINESS CHALLENGES

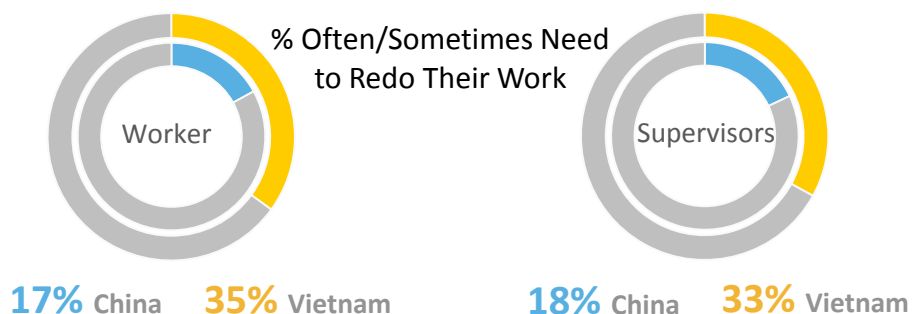


Challenges	Chinese Factory							
	Survey 2016		Survey 2015		Survey 2014		Survey 2013	
Raw Material Cost	1	74%	1	56%	1	59%	1	76%
Wage & Compensation	2	70%	2	53%	3	40%	2	74%
Business Competition	3	42%	3	30%	5	19%	8	10%
Economic Downturn	4	25%	6	15%	8	8%	9	7%

REWORK AND EFFICIENCY



Worker and Supervisor Survey data shows room for efficiency improvement.



WORKING HOURS AND WAGES



Controlling working hours continues to be chosen as the biggest compliance challenge.

% of Workers Who Work >6 Days in a Row Without Rest

China

41%

Vietnam

11%

13% of Surveyed Chinese factories still lag behind on paying legal wages.

WORKER COMMUNICATION



13% of Chinese and 8% of Vietnamese workers have brought forward feedback over the past 12 months.

Among those workers, the vast majority think their feedback has been partially or not at all addressed.

China

72%

Vietnam

48%

WORKER RELATIONSHIP



Supervisors are not always equipped with the necessary skills.

57% of workers feel supervisors listen to their issues at work.

37% Chinese workers choose "helpful" as their supervisor's managerial style

SUPERVISOR CAPACITY



Supervisors are tasked with a wide range of responsibilities. Yet they are not always equipped with the necessary skills to manage and communicate with workers.

70%

Feel They Have Sufficient Skills and Capacity to Handle & Process Feedback

65%

Feel They Have Sufficient Support and Authority to Handle & Process Feedback

IMPACT OF AUDIT



Average audits factories experienced per year: 6

Factories are experiencing more audits, however, those that are assessed more are not necessarily better off than factories who receive less assessments.

Factory survey results show that factories continue to struggle with increasing business competition and with meeting working hours and legal wage requirements. Worker and supervisor survey provides new insights on improvements. Data suggests that supervisors play an important role in worker-management dialogue and relationships. Investing in supervisor capacity is an area of opportunity for improving factory productivity and compliance performance.