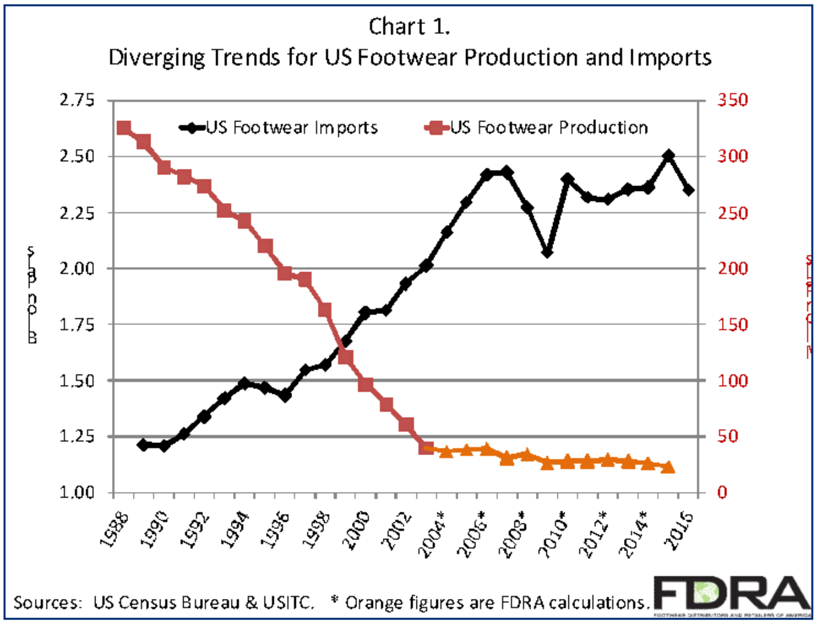
FOOTWEAR DISTRIBUTORS AND RETAILERS OF AMERICA

FDRA is the footwear industry's business and trade association. It represents the majority of domestic footwear manufactures, as well as over 80% of the entire industry from small family footwear businesses to global footwear brands and retailers.

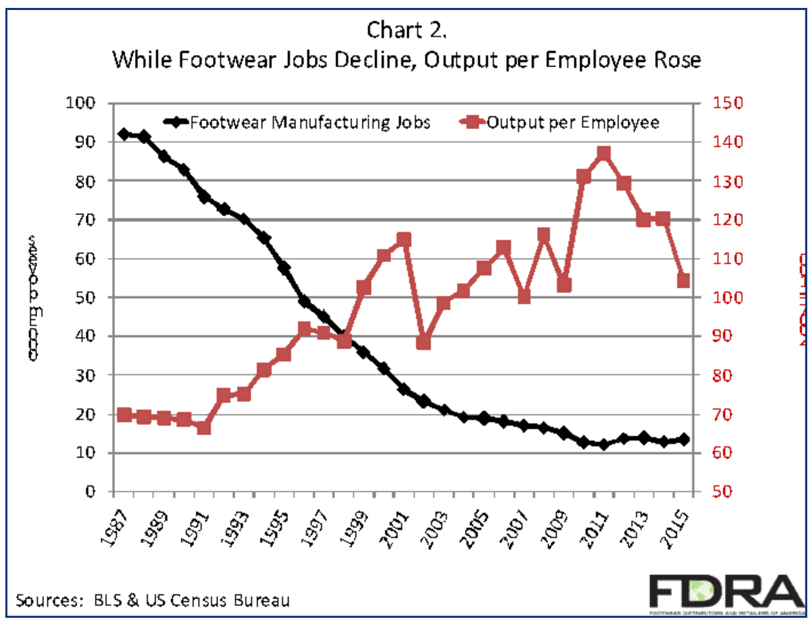
FDRA's 2017 Footwear "Made in America" Brief

DATA AND ANALYSIS ON PRODUCTION AND EMPLOYMENT TRENDS

In an increasingly globalized, mechanized world of rising competition, higher efficiencies, and tighter margins, the race often goes to larger manufacturers utilizing economies of scale and lower costs to supply commoditized products cheaper, often in larger volumes. This has certainly been the case in US apparel and footwear manufacturing, where just a few decades ago the bulk of Americans' wardrobes was produced domestically, but now only a small volume of clothing and shoes is manufactured locally. Chart 1 illustrates this phenomenon, showing in the late 1980s relatively high domestic production of footwear and relatively few imports. But over the years imports surged and US footwear output collapsed, effectively reversing these roles witnessed earlier. Indeed, studies indicate that currently some 98% of the apparel and footwear sold by US retailers is sourced abroad.



As this share has risen while the domestically-produced share has fallen over the years, the number of domestic footwear jobs naturally has contracted by more than 80% over the last quarter century, bottoming at 12,000-14,000 each of the last several years. At first blush, this trend suggests it is only a matter of time before the withering domestic industry shutters its remaining factories. But a deeper look suggests otherwise; that the smaller, more nimble domestic industry actually is producing more per employee and diversifying output across a range of bespoke, higher-value footwear. To be clear, domestic footwear manufacturing has contracted over the years, implying less demand for workers, two unmistakable trends. But remaining firms--and workers--are producing relatively more with less, as the footwear industry's output per employee has trended higher over most of the last three decades (chart 2). We believe this trend is due to a combination of increased mechanization and a move to producing more value-added footwear. First, the increased



mechanization is in the form of 3-D printing, utilizing knitted fabrics, mobile commerce channels and growing digital sales, as well as incorporating non-traditional construction materials such as ocean waste, wool, and other novel materials.

The second trend occurring in the domestic footwear industry is production of relatively more value-added footwear. While there are fewer firms employing fewer workers than in earlier decades, many new, nimble companies have entered the market in recent years, preferring to stay small and agile with a focus on custom-made craftsmanship one pair at a time. In fact, of the 233 footwear manufacturers across the country tracked by the US Census Bureau, nearly 64% employ fewer than *ten workers* (chart 3). Hinting at the higher worth of these skilled artisans, chart 4 below shows the typical annual salary paid at smaller domestic footwear producers is well above the wages paid at larger manufacturers often engaged in mass-produced footwear.

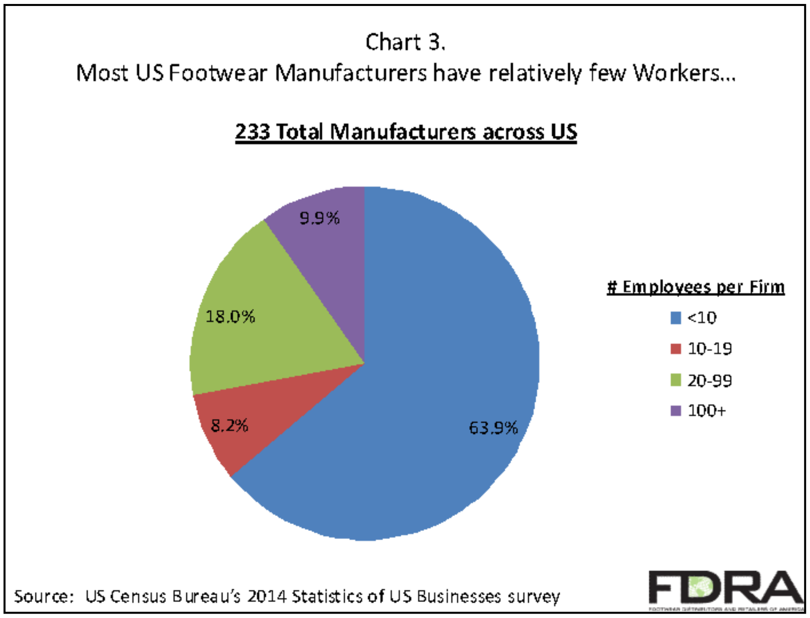


Chart 3.
Most US Footwear Manufacturers have relatively few Workers...
Source: US Census Bureau's 2014 Statistics of US Businesses survey

US manufacturers--and workers--cannot compete for long on a cost-only basis with many less expensive foreign suppliers in producing large volumes of commodity footwear. But by innovating the production process and utilizing highly-skilled local labor to produce limited runs of high-end footwear, the domestic industry is carving its own niche to stay competitive.

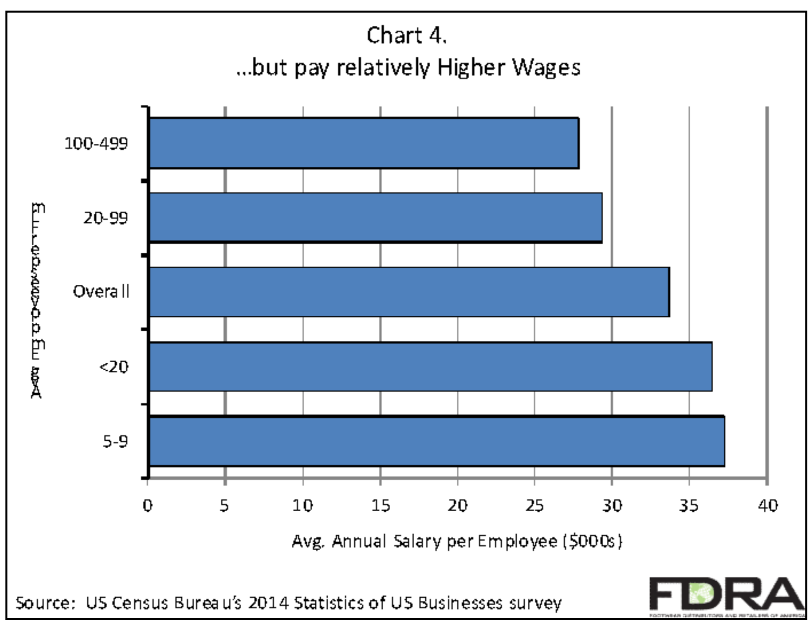


Chart 4.
...but pay relatively Higher Wages
Source: US Census Bureau's 2014 Statistics of US Businesses survey