

LINEUP

- MATT PRIEST TALKS
 TARIFFS, TALENT
 AND DIVERSITY p27
- ANDY POLK DIVULGES DETAILS ON FDRA'S CONTINUED EVOLUTION p30
- TIT'S A NUMBERS
 GAME, WITH DATA
 ON EVERYTHING
 RELATED TO SHOES p32
- MEMBERS REVEAL WHY FDRA IS THE GROUP FOR THEM p35
- LISTEN UP AS A PODCAST SERIES PROBES THE BIG ISSUES p38
- PARTING SHOT WITH PRESIDENT DWIGHT EISENHOWER p40



SVP Andy Polk (L) and president and CEO Matt Priest

HOUSES



THEY'RE VOCAL.
AND THEY KNOW
HOW TO NAVIGATE
D.C. POLITICS.
MATT PRIEST
AND ANDY POLK
ARE EVOLVING
THE FDRA TO BE
MORE RELEVANT
THAN EVER — AND
MAKING SURE THE
INDUSTRY'S MOST
PRESSING ISSUES
GET HEARD ON
THE HILL.

BY BARBARA SCHNEIDER-LEVY

> Photographed By **Shawn Hubbard**

PEAKERS

THRILLOF THE HILL

THE FDRA HAS SERVED AS THE VOICE OF THE INDUSTRY'S MOST PRESSING ISSUES IN WASHINGTON, D.C., FOR 75 YEARS. NOW IT'S USING ITS CLOUT TO RALLY FOOTWEAR EXECS, EMBRACE SOCIAL AGENDAS AND CREATE MEANINGFUL CHANGE IN THE NATION'S CAPITAL

By Barbara Schneider-Levy

Matt Priest, the president and CEO of the Footwear Distributors and Retailers of America, has loved sneakers ever since he snagged his first pair of Air Jordan 3s in 1987. But the 41-year-old executive knows that splurging for kicks — or any shoes, for that matter — could become much more expensive in the coming weeks as the yearlong escalating trade war between the U.S. and China goes into effect. And that could cost Americans \$7 billion more a year for shoes, according to the FDRA.

The Trump administration this month imposed a tariff increase from 10% to 25% on \$200 billion in Chinese imports. (That list didn't include footwear.) After that, China said it would retaliate with tariffs on \$60 billion of U.S. imports. Then the Office of the U.S. Trade Representative proposed further tariffs on all remaining imports from China, including footwear and apparel.

"We're concerned about using the American consumer as leverage in these negotiations," Priest told FN from his office in Washington, D.C. "There's a fundamental misunderstanding by the Trump administration that duties are paid by foreign governments or entities, but they are actually paid by American consumers."

In the last few weeks, large players such as Macy's, Walmart, the Outdoor Industry Association — which represents more than 1,300 manufacturers, suppliers and retailers — and 170 shoe companies have similarly voiced their displeasure with the proposed tariffs, saying a trade war will hurt their businesses and American consumers even more.

That's why the efforts of Priest and the FDRA, the voice and lobbying arm of the footwear arena, are more crucial than at any time in the organization's 75-year history.

Priest said the FDRA aims to consistently rally the industry to "collectively respond to government regulations and federal policies."

But the group's efforts also go way beyond lobbying Capitol Hill. It offers members training and consulting on footwear design, sourcing and sustainability, advocacy and sales trend analysis.



What's more, it has initiatives to help companies address workforce diversity and hosts a weekly podcast, "Shoe-In," with industry insiders. The FDRA even helps members secure tickets for a White House visit.

"It's how we build relationships," said Priest.
"It's easy for companies to write a corporate check, but when you have relationships with FDRA staffers, you're brought into the organization."

Here, the head of the group talks about trade regulations, alliances with overseas partners and tapping a new generation of talent.

What are the leading issues facing the footwear industry?

MP: "Since consumers have the ability to purchase product anywhere in the world from any device, retailers are trying to figure out the magic number between brick-and-mortar, what their e-commerce presence looks like and how they are delivering product. Couple that with how dramatically sourc-

footwear innovation, where we post videos that critically think through material choices. We're focused on what can we do on the back end to help eliminate waste and trash in production, particularly in China. We recently had a Working Group Call — [a conversation among FDRA executives companies can access] — on a shoe waste proposal we're pulling together to show the return on investment for Chinese factories to recycle their waste in shoe production."

What are some new initiatives FDRA has in place to assist companies in production?

MP: "We're helping companies navigate issues such as digital design development with our Materials Exchange, a digital database of materials to help digitize the supply chain. Suppliers can reach their customers by importing materials via an [online] database. It's a nominal fee of several thousand dollars a year for companies. We also offer free digitized classifications. If you have a

"WE ALWAYS BEAT THE DRUM ON TARIFF ELIMINATION, AND WE'RE ... TRYING TO GET FOOTWEAR ADDED TO THE GENERAL SYSTEM OF PREFERENCES."

ing is changing and the seasonality issue whereby [brands] are designing smaller runs more rapidly to push fresh product. Beyond these, it's about how companies interact with third-party platforms like Amazon and eBay."

With FDRA's eye on Capitol Hill, how is today's political climate impacting the shoe industry?

MP: "Tariff codes are one of the biggest challenges, and we're constantly trying to find how to chip away at it. This administration has used them to create leverage in negotiations with the Chinese on intellectual property theft. We absolutely support the government leaning on and engaging with the Chinese on stealing these. It's a huge issue [compared] to counterfeit shoes. However, we're concerned about using the American consumer as leverage in these negotiations."

Can high tariffs encourage more companies to produce in the U.S.?

MP: "The answer is no. Everyone thinks duties are the elixir that cures all domestic production issues. The reason consumers stopped buying American shoes is, they got too expensive resulting from [issues] such as the quality of life of factory workers. While it's not a bad thing, we priced ourselves out of the market."

Sustainability is top of mind among companies today. How is the FDRA working with its constituency on this issue?

MP: "We have a site powered by FDRA called FootwearInnovation.com, a hub for all things

shoe and want us to classify it, members can take a picture of the shoe, fill out a small form with information about its materials, and within a business day, we classify for tariff coding."

In what ways is FDRA engaging with factories abroad?

MP: "We have about 40 to 50 foreign member factories, mostly in Asia. We have newsletters in Chinese, workshops and events in Asia, as well as factory training. I was in Asia a month ago speaking to 150 factories about what a brand's priorities are today. They were keen on meeting these expectations, such as [fair labor practices]. The factories are audited four or five times a month. There are laws in China dictating these practices, but at the same time, brands are ensuring factories treat their workers properly."

What will it take for the industry to recover from the collapse of the Trans-Pacific Partnership agreement?

MP: "I was crushed because I spent 10 years of my life on this issue. We had launched preliminary negotiations in the Bush administration and started talking about engagement with the Vietnamese and others. TPP would have meant elimination of about \$6 billion over the first decade in duties a year. They would have gone down permanently, and now it's in a holding pattern. The No. 1 way we could have boxed up China economically was to pass TPP. Since they weren't a member, we could have engaged in free trade with every one of their neighbors, and they wouldn't have been a part of it."

On the issue of trade, what is the next big push for the FDRA?

MP: "The administration is engaged in a number of bilateral agreements. We're on advisory committees that help [steer] government on what they should pursue, so we'll be involved in that. We always beat the drum on tariff elimination, and we're part of a coalition trying to get footwear added to the Generalized System of Preferences, a program that Congress unilaterally allows countries to ship products to the U.S. duty-free. These are lesser-developed countries such as Cambodia. Right now, apparel and footwear are prohibited, so we're pushing to have footwear added. It won't be a huge impact, but it's another tool in the toolbox."

How can the FDRA work with companies to promote more diversity in their workforce?

MP: "I'm friends with D'Wayne Edwards, founder of Pensole Design Academy. One morning, I was running by the National Museum of African American History and Culture in Washington and realized they had this amazing space where we could convene an African American footwear forum to talk about these issues. D'Wayne loved the idea. FDRA raised the funds to support the event, which will be held twice a year, while D'Wayne came up with speakers and content."

As unemployment continues to hit an alltime low, in what ways can retailers lure employees?

MP: "For younger people, retail is a face-to-face social exercise. It's about customer service, engagement and relationship building, particularly at the independent level. I'm not very optimistic about the social skills of those who are always looking at their phones and putting something on social media."

What can FDRA do to get more constituents involved?

MP: "Usually it takes a crisis. I liken us to your local gym. Some people come every day and use the nutritionist, sauna, work out and shower, while a few of Trump's China tariffs [inspired] others to participate. During the last year of the Obama administration, we were working on a timetable [regarding TPP] since candidate Trump was antitrade and Secretary Clinton was moving toward it. We felt time was short for those of us who believe in trade liberalization. We created an online letter that individuals could send to their representatives on the Hill asking them to consider TPP and blasted it out to our full database."

Where can the next generation of shoe talent find the most opportunities?

MP: "For me, it's the golden era of footwear development, with more [young] people interested in that side of the business. The athletic industry doesn't have any problem attracting people. However, I think the opportunities are becoming fewer with the issue of consolidation, so if you want to design and break in, there are less doors to knock on."

ALL FOR ONE

SINCE WORLD WAR II, THE INDUSTRY HAS STOOD TOGETHER TO PROTECT RETAILERS AND MANUFACTURERS.

By Barbara Schneider-Levy

It was 1944, and sugar and butter were not the only things being rationed by the U.S. government — footwear had also been added to the list. To stand up to these regulations, the shoe industry banded together to create the National Association of Popular Price Shoe Retailers. Its mission was to help ease regulations on rationing and allow millions of pairs of lower-priced shoes to enter the market through the hard-hit chain stores.

Today, the organization, known as the Footwear Distributors and Retailers of America, continues to make lobbying a top priority. However, it has expanded its services to include information on product safety and sourcing opportunities, as well as professional development and advocacy. It boasts a membership of 500 companies and brands worldwide, representing 80% of total U.S. footwear sales.

"We're a microphone for the industry," said Andy Polk, SVP. "In order to provide members' value, we needed to move beyond providing govprovides a synopsis of related happenings. "We strengthen the industry by providing these connection points. When we find there's an [area] lacking, we develop a product around it, whether it's a report, podcast or webinar series."

Looking ahead, FDRA is working to provide information on new technologies in footwear development. "We're moving at light speed to go to digitization," said Polk. "Not everyone understands what it means or the tools available. We're also talking about sustainability and the recyclability of shoes. These things aren't about a quick fix or quick sleight of hand. You have to reimagine the entire [shoemaking] process."

A more recent initiative of FDRA has been the creation of the Materials Exchange, launched in response to the challenges of finding supplies in a timely manner that will allow designers to speed up the product development process.



ernment regulation services. We're building out programs that help the industry and its bottom lines."

Among FDRA's new initiatives is the Intel Center, which houses key updates, reports, documents, memos, letters and other critical information on a range of footwear topics such as customs and imports, intellectual property, product safety and retail. Special events include the upcoming July Sourcing & Sustainability Summit and Fashion Footwear Design Summit in November. FDRA also hosts a weekly podcast, "Shoe-In," which features leading footwear executives as well as experts outside the industry discussing key business and fashion trends. (For more, see page 38.)

"We're connecting with accountants and marketing teams, as well as those that don't necessarily touch or develop shoes," Polk said of the diverse range of services, including a weekly newsletter, "Footwear Week in Review," which brands to analyze, optimize, provide transparency and digitize the material supply chain.

FDRA also serves as an open platform for the exchange of ideas and issues between labels. "A lot of times, brands don't want to talk to each other because they don't want to give away their secrets," noted Polk. "We're the safe space. Everybody should know everybody is dealing with the same stuff. But we can help each other."



Moments in Time

Noteworthy FDRA initiatives over 75 years.

1944

FDRA is founded as the National Association of Popular Price Shoe Retailers in Chicago in the face of the federal government's rationing policy of World War II. It soon changes its name to the National Association of Shoe Chain Stores.

1971

The group rebrands as the Volume Footwear Retailers of America



1989

The organization officially becomes Footwear Distributors of America.

1990

Merging with the International Footwear Association, an organization of distributors, importers and agents, the Footwear Distributors and Retailers of America is born.

2009-'16:

The group participates in multiple rounds of Trans-Pacific Partnership negotiations, leading to an agreement that would have generated \$6 billion in savings for footwear companies over the first decade.



FDRA engages in advancing legislation that gives the president the authority to negotiate free trade agreements.

2016

The organization launches its first Materials Summit.

2016-'18

FDRA helps pass and enact the Miscellaneous Tariff Bill Act of 2018, which provides immediate temporary tariff relief for 65 types of shoes.

2016-'19

The group fights the rise of counterfeit footwear on online platforms, testifying as a witness in the April 2019 U.S. Senate hearing on the role of intellectual property in sports.

2017

FDRA works to defeat the Border Adjustment Tax in the House tax reform plan that would have added a new 20 percent tax on every import that crossed U.S. borders; it testifies before the U.S. International Trade Commission in a key hearing examining the economic impacts of significant U.S. import restraints.

2017

FDRA debuts its podcast, "Shoe-In," dedicated to telling its story.

2018-'19

The group focuses its advocacy efforts on stopping added tariffs of "up to 25 percent" on footwear from China.

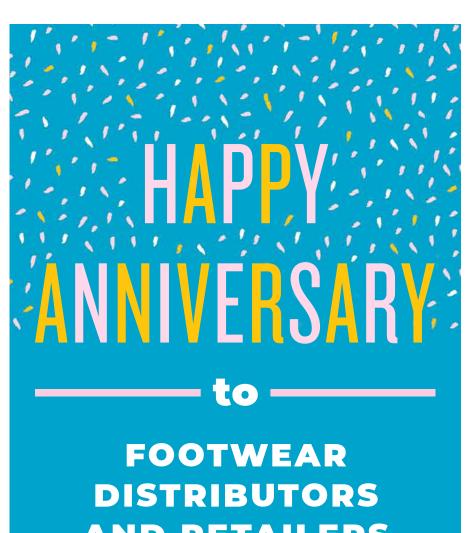


2018

FDRA launches its first Design Summit.

2019

The organization sees its membership hit over 500 brands, representing 90% of the industry.



AND RETAILERS OF AMERICA!

- W<mark>O</mark>W!

Kudos for 75 years of helping the footwear industry thrive! We couldn't do it without you!



XOXO,

POWERED by SERVICE®

STATISTICALLY SPEAKING

IT'S ALL IN THE NUMBERS, ACCORDING TO THE FDRA, WHICH TRACKS EVERYTHING FROM WORKERS' WAGES TO THE AMOUNT OF TIME IT TAKES TO MAKE A SHOE.

of all footwear sold in the U.S. is imported

\$1.21

average duty per imported pair of shoes in 2018

\$2.99

paid in shoe tariffs in 2018

design and develop an grage shoe prior to production

months

minutes to make a shoe in a factory from start to finish

436

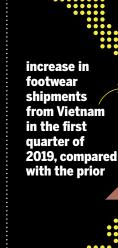
ways to classify a shoe imported to the U.S.

85 BILLION

estimated consumer spending on footwear in 2019



336.020 people employed in the





of all U.S. shoe imports came from China*



of all children's shoes sold in the U.S were imported from China*

*January 2019 - March 2019

2.5 billion

pairs imported to the U.S. in 2018, averaging about 7.4 new ones per year for each man, woman and child



SUPPORT SYSTEM

FDRA'S MEMBERSHIP WEIGHS IN ON THE ONGOING INFLUENCE OF THE ORGANIZATION AND HOW IT CONTINUES TO MOVE THE INDUSTRY FORWARD.

By Barbara Schneider-Levy and Peter Verry

JIM ISSLER, PRESIDENT AND CEO, BERKSHIRE HATHAWAY SHOE HOLDINGS INC.

FDRA board member and former chairman

"Berkshire Hathaway is a diversified group including domestic manufacturing, global sourcing, branded wholesaling and retail chains in the U.S. FDRA provides us with retail sales data, customs and compliance guidance, sourcing intelligence and a forum where we can meet with other industry executives to discuss the challenges that we face. To mitigate the massive tax on the horizon for consumers, the FDRA can be a pivotal force in organizing a cohesive effort to lobby our legislators and forging a public relations campaign to bring to light the unfair burden this move will impose on the average American family."

ANDY GILBERT, PRESIDENT GENESCO LICENSED BRANDS

FDRA chairman of the membership committee

"Most recently, the FDRA has been instrumental in advocating to keep footwear off of the latest targeted lists by the Office of the United States Trade Representative of Chinese manufactured products. Additionally, it's been a key voice advocating for the Main Street Fairness Act that promotes simplification and fairness in the administration and collection of sales taxes, which allows brick-and-mortar retailers the ability to compete on a level playing field.

"Beyond advocacy, it provides a broad range of services to include customs compliance, footwear sourcing data and an online Material Exchange platform that helps companies at all levels."



CLIFF SIFFORD, CEO, SHOE CARNIVAL INC. FDRA executive board member and treasurer

"I began to count on FDRA's leadership in 2008 with the enactment of The Consumer Product Safety Improvement Act. Matt Priest and his team walked us through the compliance issues and became a vital resource for us as we navigated our way through the complex issues within the law. They fight for the elimination or reduction in tariffs but also provide education through their podcast, "Shoe-In," report on retail trends, [conduct] consumer surveys and each week provide sales data that we use to measure our performance against other retailers. Going forward, I'd like FDRA to tackle enticing the next group of younger, diverse leaders to make the shoe business their career."

RICK-MUSKAT, PRESIDENT, DEER STAGS

FDRA ex officio chairman; member, executive committee

"The FDRA has helped us success-

fully resolve a major duty classification issue. It provides insights and thought leadership via its executive summits and programs such as networking events, while its working groups and web initiatives keep us up to date on changes affecting our supply chain management and government advocacy issues. We're part of a working group actively engaged



ED ROSENFELD, CEO, STEVEN MADDEN LTD.

FDRA former chairman

"In addition to being our voice in Washington, FDRA has provided Steve Madden with valuable information and insights in areas including customs, product safety and innovation. As an advocate for the industry, it's also been a business intelligence resource for companies. Right now, it's all about stopping the administration from implementing tariffs on footwear."

with sustainability issues across the supply chain. Once the tariff issue is resolved, I'd like to see the duty simplification project restarted."

MIKE JEPPESEN, PRESIDENT, GLOBAL OPERATIONS GROUP, WOLVERINE WORLD WIDE INC.

FDRA chairman

"We work closely with Matt Priest and his team on social compliance guidelines, our approach to restricted substance, product testing, as well as customs duty classifications. FDRA also provides us with weekly sell-through information from the U.S. market that helps us benchmark our own stores and ecommerce against the industry. Trade policy is obviously front of mind right now, and we need to encourage the Office of the United States Trade Representative

to lower barriers to entry rather than use our industry as a pawn to drive geopolitical policies. Speed to market is a huge focal point for us, not only from a manufacturing perspective but in our product creation process, while compliance-related legislation also continues to be a challenge."

DICK JOHNSON, PRESIDENT AND CEO, FOOT LOCKER INC.

FDRA board member

"The FDRA is a key voice of the industry, with a mission to advocate for lower cost solutions that ultimately allows us to sell more shoes and satisfy more customers. As with most industries today, there's a tremendous focus on compliance and sustainability. FDRA is a strong partner in developing platforms to share information and ideas around

compliance and sustainability. While it will continue to advocate against tariffs, it's also expanding its support of sustainability initiatives. Its efforts to expand education and help drive diversity and inclusion across the industry will certainly continue."

JOE PASSIO, DIRECTOR, GLOBAL DEVELOPMENT AND SOURCING, FILA

FDRA board member

"FDRA has always been a great resource for Fila, helping us to overcome challenges in areas such as compliance, tariffs and labeling by providing industry standards and metrics in sourcing. Compliance continues to be a challenge as states are starting to adopt policies that differ from one another. FDRA also brings us the latest advances in design and sourcing technology, which we hope progresses in the future."

JENNIFER BENDALL, VP, GOVERNMENT AND PUBLIC AFFAIRS, NIKE INC.

FDRA board member and treasurer "What people may not know is that FDRA saves its members money by helping our teams understand customs rules to design and produce shoes at lower duty rates. Beyond the current difficult environment on trade, the importance of materials development, sustainability and supply chain traceability is emerging, and FDRA is building tools to help brands better communicate with suppliers, trace materials and enhance sustainability through the Material Exchange. It's important that FDRA builds on its work to combat counterfeit footwear and the explosion of counterfeits online and via unauthorized third-party-platform sellers. It's also leading efforts to bring reason to the ways in which the U.S. government classifies footwear."



BOB CAMPBELL, CHAIRMAN AND CEO, BBC INTERNATIONAL

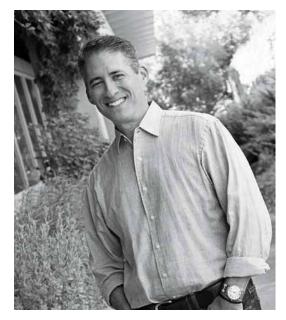
FDRA executive board member

"The rules and laws of footwear from Washington affect us on a daily basis. Matt Priest has done an incredible job with the team, getting the best lobbying we can to represent the industry, especially on behalf of family and discount chains. They're also trying to find ways to help us in the area of technology such as 3D printing to find easier ways to make shoes."

STUDIO TIME

FDRA'S WEEKLY PODCAST, "SHOE-IN," SPEAKS WITH INDUSTRY INSIDERS TO EXPLORE ISSUES IN AN ENGAGING, AT TIMES COMICAL, FASHION. HERE, THE BEST SOUND BITES.

By Barbara Schneider-Levy



"How a 245-Year-Old Brand Can Thrive in a Modern Market, With DAVID KAHAN, CEO, Birkenstock Americas"

May 6, 2019

"WE SELL PRODUCTS THAT BRING
PEOPLE HAPPINESS AND SATISFACTION.
THIS IS OUR CHANGE AGENT. YOU FIND
YOUR MICHE AND OWN THAT NICHE, AND
IF YOU LIKE IT, ODDS ARE, THERE ARE
OTHER PEOPLE WHO WILL LIKE IT, TOD.
IT'S LIKE DISCOVERING PIZZA; YOU'RE
NOT THE ONLY ONES WHO LIKE PIZZA."

"IN THE FOOTWEAR FAMILY, WITH RICK-MUSKAT, PRINCIPAL AND CO-OWNER OF DEER STAGS CONCEPTS"

July 11, 2016

"My father had very few rules about coming into the company. First, when we walked into the office, the only thing that mattered was what was right for the company. It was what fed all of us. Second, it's not a life sentence. If you find for whatever reason it's not right for you, do not feel obligated to be part of the company to be part of the family. Conversely, if you're not right for the company, they have to be free to ask us to leave without it affecting the family."

"THE EVOLUTION OF FOOTWEAR MEDIA, WITH THE ESTEEMED MICHAEL ATMORE, EDITORIAL DIRECTOR, FOOTWEAR NEWS"

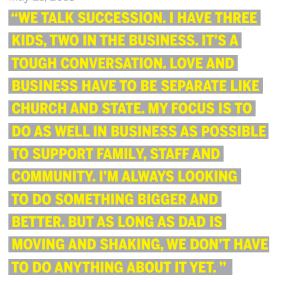
Feb. 26, 2018

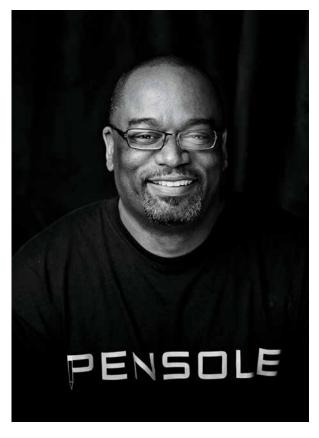
"With digital properties, it's putting out 30 to 35 pieces of content a day. We're talking about a very dynamic process of [story] assignment and execution that has no real beginning and end. Unlike the old days, you would have weekly meetings. Now this has to be done on the fly every morning. It's a 24/7 business. We've become an emergency room operating on an as-needed basis."



"Saxon Shoes Sits Down With GARY WEINER, President and Owner, Saxon Shoes"

May 21, 2018





"African American Footwear Series: Diversity Download, With D'WAYNE EDWARDS of Pensole, Part 1"

Feb. 4, 2019

"I SAW A SMALL AD IN THE L.A. TIMES
FOR A REEBOK DESIGN COMPETITION.
ENTERED AND WON. I'M J7, AND
THEY'RE EXPECTING SOMEONE IN
COLLEGE OR OUT OF COLLEGE. REEBOK
SENT ME ON MY WAY WITH A COUPLE
OF HUNDRED DOLLARS AND SAID,
"SEE US ONE DAY WHEN YOU FINISH
COLLEGE: THIS STARTED MY 'THANK
YOU' WALL OF THE PEOPLE WHO DIDN'T
BELIEVE IN ME AND GAVE UP ON ME. I
DEVELOPED A COMPETITIVENESS THAY
FUELED ME TO BE DILIGENT ABOUT
GOING AFTER WHAT I WANT."

"THE INSIDE SCOOP ON HOW ALLBIRDS BUILT THEIR BRAND WITH A TOTAL FOCUS ON SUSTAINABILITY, WITH JOEYZWILLLINGER, CEO"

Dec. 17, 2018

"Innovation is often thought about as adding a lot of new stuff and technology. We've taken the focus to differentiate ourselves by taking a lot of stuff away. One of the things we thought about was: How do we connect the brand to people focused on doing something a little bit different?"



PARTING SHOT

PRESIDENTIAL POWER

The FDRA has been front and center on Capitol Hill for 75 years. In the late 1950s, members of the National Association of Shoe Chain Stores, now the FDRA, met with President Dwight Eisenhower to discuss issues ranging from the relaxation of regulations post-World War II to improving the country's highways for faster delivery of shoes.