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Allen-Edmonds Keeps Its Shoes on an American Factory Floor

By AARON NATHANS

PORT WASHINGTON, Wis. - The rumble, hum and clack of the Allen-Edmonds shoe factory went quiet in late December. Many of the machines that helped workers pack insoles, trim the leather and buff the finished men's dress shoes were gone by New Year's Day.

But John Stollenwerk, the president of the company, was not preparing to send his operations overseas. Instead, Mr. Stollenwerk gambled on staying put and reconfiguring his factory floor, which reopened on Jan. 5, with a new manufacturing method that could increase production and cut down on mistakes. The moves required an investment of \$1 million, or 1.1 percent of the company's 2003 sales.

Mr. Stollenwerk is resisting a tide that has decimated the American shoe manufacturing industry: About 98.5 percent of shoes sold in the United States are now made abroad, according to the American Apparel and Footwear Association, which is based in Arlington, Va.

But the numbers behind Mr. Stollenwerk's decision to stay show the stark economic choices facing manufacturers. He hopes the million-dollar refitting will save the company 5 percent on each shoe. He could save 60 percent tomorrow, he acknowledged, if he moved his manufacturing to China.

"It's costly to stay here because of the wages we're paying, the benefits, the rules and regulations of the government for having a safe workplace, for having a clean workplace, the emissions permit, taxes, health care," Mr. Stollenwerk said. "They're all good things, don't get me wrong."

Allen-Edmonds, founded in 1922, gained much of its following by providing the Army and Navy with shoes during World War II. Many men continued to wear the shoes for the rest of their lives. The company, which makes small batches of men's dress shoes in a variety of widths that sell for upwards of \$200, claims both presidents named Bush as customers.

But patriotism will get a shoe manufacturer only so far these days. In 1968, just before worldwide tariffs on footwear were reduced, 642 million pairs of shoes were manufactured domestically. In 2003, that number was down to just 60 million, mostly specialty products made in the Upper Midwest, Southwest and North Carolina, according to the association.

Most shoe retailers need quantity, said Fawn Evenson, president of the association's footwear division. The rise of chain stores like [Sears, Roebuck](#) and [J. C. Penney](#), and later [Wal-Mart Stores](#) and Target, increased the demand for mass production, she said.

"You just can't beat it," Ms. Evenson said of Chinese shoe factories, where she said workers make as little as \$100 a week and put in 10-hour days. "These plants are modern, clean, they are unbelievably efficient, and they get a very good price."

New Balance once made all its shoes in the United States, but as they became more popular, the company added plants in China, said the chief executive, Jim Davis. Today, New Balance makes 25 percent of its shoes domestically, he said. Allen-Edmonds may have to make the same hard decisions if the shoes prove popular enough, Mr. Davis said.

"It might be hard for them to increase sales over time unless they change," he said. "They'll make more shoes, but they might not make enough."

Another company with domestic manufacturing, the Minnesota-based Red Wing Shoe Company, makes work boots, typically for union laborers who would not stand in anything imported, said Peter Engel, the director of marketing.

Michael Atmore, editorial director of the trade publication Footwear News, said patriotism did not often extend to buying shoes.

"Consumers today are less concerned about where something's made than ever before," he said "In part, they've been conditioned to accept that products come from all over the world."

The most obvious competitive disadvantage at Allen-Edmonds is that it pays its workers well, even by domestic standards. The average worker in the Port Washington plant makes about \$15 an hour before benefits, Mr. Stollenwerk said.

Ms. Evenson said the company's loyal following flowed from its unique manufacturing process. The company stitches a strip of leather, known as a welt, to the sole, negating the need for a rigid metal shank. The company says that makes for a more comfortable fit, as well as more ease in getting through airport security screeners.

The company takes special orders, which it can turn around fast, said Jim Kass, director of operations. A customer can send his shoes to be resoled and get them back in three or four weeks, Mr. Kass said. That speed would be impossible if the shoes were sent abroad, he said.

Mr. Stollenwerk, who works in a cubicle alongside his employees, said his company made a nice profit, but declined to discuss specific earnings figures. Sales reached their highest point in 1999 at \$95 million. Sales in 2003 are estimated to reach about \$88 million, up 10 percent from 2002, according to previously published figures confirmed by the company. The company has cut about 10 percent of its work force through attrition over the last five years, but turnover dried up recently as workers realized they did not have many options left in the manufacturing sector, Mr. Stollenwerk said.

To keep things in the black, Mr. Stollenwerk is making big changes at his main factory. He is shutting down one of four Allen-Edmonds plants and consolidating it with the Port Washington site. The company will maintain plants in Milwaukee and Lewiston, Me.

The old assembly line in Port Washington is being replaced by a system of employees working in groups, with each person doing several jobs, each trained to do the other's tasks. The new method will cut down on time wasted on picking up and putting down shoes, as well as mostly eliminating overtime, Mr. Kass said.

Under the new system, the worker who flattens the welt will then fill in the shoe's bottom with a layer of hot cork, before sending it on. That should cut down on spoiled shoes, allow workers to fill in for sick colleagues with more ease, and lessen repetitive strain, said Tim Goetsch, lead worker at the

factory.

The changes will also include installing computerized machinery left behind by the Dexter Shoe Company, which left Maine for China in 2001.

Mr. Stollenwerk said the women in Maine who performed the fancy, detailed side stitching on Allen-Edmonds penny loafers were nearing retirement age, with no one to replace them. That work may someday have to be sent to the Dominican Republic, he said.

Mr. Stollenwerk acknowledged that he has felt tempted to move operations to China, but said that could lead to a decline in quality. If his company ever went to China, he said, it would have to open its own factory there.

He said it was sadly amusing to see university students marching against low wages, factory closings and other social problems brought on by globalization. "Those very people are walking around with shoes made in China with 64-cent-an-hour labor and no benefits," Mr. Stollenwerk said. "The very thing they're marching against, they're supporting."

But do they have a choice?

"No," he said. "It's more and more difficult. Therein lies the problem."