

# Trailblazers

How footwear is forging a new path toward sustainability, charting a course for a more diversified supply chain and taking steps to meet consumers' comfort mandate



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# WRITING A NEW PLAYBOOK

**W**e're living in a casual moment. And the long-standing trend has shoppers opting for athleisure footwear at rates that are both disrupting shoe sales and influencing design overall. The category is so bullish, in fact, that it's blamed for sidelining performance sneakers, which are seeing softer sales and fewer standouts. Even basketball, which historically has been a slam dunk, started the year on a losing streak with sales down 21 percent. (Read "New Blood Could Shake up Top-Heavy Performance Market" on page 14.)

And just as yogawear made stretch mandatory in apparel, casual sneakers have made comfort the MVP in footwear. As a result, the material innovation playbook centers around providing a barely-there feel. (Read "Floating as Air" on page 28.) Gone are the days of heavy, bulky performance shoes and boots. Brands have put midsoles and outsoles on a diet in a quest for the lightest weight components possible. New TPU and EVA compounds cater to everyone from rugged outdoorsman to recreational runners.

Not only are the shoes themselves lightening up but so is the industry's impact on the planet. Scoring loyalty and sales now means exploring new ways to reduce, recycle

and reuse. Some footwear firms are focused on the circular economy, either by using post-consumer waste as inputs or by ensuring the products they make can be broken down and reused for future kicks. Meanwhile, others are swapping in comparable components for the chemicals and plastics that typically come into play. For these new materials, shoe companies are plumbing the depths of the ocean and the far reaches of the fridge, coming up with new uses for castoffs like algae, rice husks and even milk. It's a winning combination that's allowing the industry to lessen its impact on the planet while preserving the technical aspects consumers demand from their shoes.

Even as the industry attempts to move forward with a slate of newness, a heavy cloud continues to loom. The on-again, off-again trade war between the U.S. and China has been top of mind for footwear executives, who thus far have been spared a direct hit with what could be up to 25 percent in new tariffs on a sector that already carries an inequitable burden. The threat has started a possible mass migration, as companies seek other production options. In "Supply Chains Under Pressure" (page 24), supply chain leaders from companies like Washington Shoe, All Black and Faryl Robin share their game plans for outmaneuvering the trade war and positioning themselves to compete in the years ahead.

—Caletha Crawford, publisher,  
*Sourcing Journal*

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# TWO HOURS AND COUNTING

## NIKE PINS MARATHON RECORD-BREAKING HOPES ON ZOOMX VAPORFLY NEXT%

Throughout history, athletes and competitors have always sought a technical advantage that could allow them to train harder and longer, to reach the pinnacle they seek. Along that path, science and engineering has often played a role in finding whatever leg up exists.

But, despite scientific advancements in footwear, racing surfaces and training techniques, one victory still eludes even the most gifted athletes: the sub-two-hour marathon. For decades, it seemed that dream might never be reached.

Then, Nike unveiled the Zoom Vaporfly 4% Flyknit. The Vaporfly was the culmination of long hours of labor in a lab and looked like it. The sole was oblong and uncentered, its heel peaked with a sharp point. There was a springy carbon fiber plate running through the full length of the midsole.

But, still, there was a method to the madness. Every element of the Vaporfly was designed, from the ground up, to break the two-hour barrier.

Nike named the shoe after the fact that, in order to bring the world record marathon time under two hours, the record-breaking

runner would need to be made roughly 4 percent faster than was currently achievable. It failed.

In 2018, Kipchoge donned a pair of Vaporflys to break the world marathon record in Boston. He ran the 26.2 miles in just 2 hours, 1 minute and 39 seconds, an improvement of 1 minute and 18 seconds over the previous record, the most ever improved by in a single run. His time was close, but still not there.

Kipchoge kept running and Nike kept engineering faster shoes. In the meantime, those who were not so single-minded started to wear the shoes to marathons around the world. In just a few short months, Nike's Vaporfly became the most popular footwear choice for marathon runners. According to the brand, 46 percent of marathon runners that finished in the top three spots in 2017 wore the Nike Vaporfly 4%. In 2018, 63.8 percent sported Nike's marathon shoe, including 58.3 percent of the World Major Marathon winners.

Earlier this year, Nike announced to the world that it had a successor for the Vaporfly: the Nike ZoomX Vaporfly NEXT%.

Nike said it compiled what it learned from Kipchoge and other runners and applied that to the previous Vaporfly design. The result is a shoe that features 15 percent more Nike ZoomX foam for improved energy return, while retaining the exact weight of the original. It also incorporates a material technology Nike calls "Vaporweave." Similar to Flyknit, the new fabrication is lighter, more breathable and less apt to absorb liquid.

The new Vaporfly takes its name from the next percentage point to be chipped away from humanity's athletic limitations.

But Nike knows its best review will come from the racetrack. On the day of the Nike ZoomX Vaporfly NEXT%'s release, April 28, Kipchoge won the London Marathon in 2 hours 2 minutes 37 seconds for the second-fastest marathon time ever recorded—but, unfortunately, still below the barrier.

—Christopher Hall



“**OLYMPIAN ELIUD KIPCHOGE CAME CLOSE TO BREAKING THE 2-HOUR BARRIER IN VAPORFLYS AT 2 HOURS, 1 MINUTE AND 39 SECONDS IN 2018.**

runner would need to be made roughly 4 percent faster than was currently achievable. After months of engineering and testing, the brand believed Vaporfly was ready to break the record. All Nike needed was a runner.

Enter Eliud Kipchoge, the Kenyan long-distance runner who won the Olympic Marathon at the Rio Summer Games in 2016. Kipchoge's first attempt was an assisted marathon, with Nike pacemakers in a phalanx

# FLEET FEET BRINGS ‘WOW FACTOR’ WITH FIT TECH

Volumental and Superfeet, two of the leading organizations in the field of 3-D footwear scanning, have partnered to combine their two platforms to create a new retail experience for footwear consumers.

The partnership expands the footwear scanning solutions for footwear retailer Fleet Feet, the first U.S. retailer to adopt the technology.

Volumental's Fit ID platform, which was already present in the retail chain, doubles as both a convenient and quick footwear recommendation platform that generates a 3-D scan of the user's foot and creates a profile that associates can then match with the perfect shoe. Brent Hollowell, vice president of marketing and vendor management at Fleet Feet, called the technology "irresistibly attractive" to consumers and said it brings a "wow" factor to the sales floor.

"Volumental puts the power of AI right at



your feet," the company explained. "In one click and five seconds, our 3D scanner gathers all the data needed for the AI-driven Fit Engine to offer you personalized footwear recommendations."

Now, Volumental will be joining with Superfeet, an insole manufacturer that had

partnered with HP to create its Fitstation technology. Fitstation functions a bit differently than Fit ID, with more of a focus on analyzing gait, pressure points, propulsion and knee placement. The final purpose is slightly different, too, as Superfeet uses its technology to outfit its own ME3D Custom Insoles and then ships the product directly to the consumer.

The new project marries those two ideas, bringing the scientific accuracy of Fitstation to the consumer-friendly footwear platform already available at Fleet Feet stores by way of Volumental. Superfeet's Fitstation had previously only been available at fewer than 30 boutique footwear stores nationwide.

In 2018, Superfeet opened the doors of a mass customization factory it calls "Flowbuilt" that promises industry-leading speed-to-market capabilities and collaborated with Brooks Running Company for a capsule.

—Christopher Hall

# NIKE FIT DESIGNED TO CURB E-COM RETURNS



According to Nike, three out of every five people are likely wearing the wrong shoe size, leaving over half a million people to lament their footwear purchases in North America alone.

With the announcement of its new digital footwear sizing solution—Nike Fit—the brand says it is aiming to fix that problem for good.

Nike says its new sizing solution will be accessible in-store and directly from the Nike app and will use "computer

vision, data science, machine learning, artificial intelligence and recommendation algorithms" to provide a unique foot size—not shoe size—that will be able to migrate across the app to provide sizing recommendations for every available style it carries.

By measuring the user's actual foot and not simply adhering to the somewhat outmoded standard sizes, Nike claims its Fit program can help to both limit returns and improve the customer experience.

"Using your smartphone's camera, Nike Fit will scan your feet, collecting 13 data points mapping your foot morphology for both feet within a matter of seconds," Nike wrote in a statement. "This hyper-accurate scan of your unique foot dimension can then be stored in your NikePlus member profile and easily used for future shopping online and in-store."

In 2018, Nike acquired Invertex, a tech startup that specializes in computer vision. Since then, it has seemed like only a matter of time before it put the tech firm's new capabilities to use. Nike's acquisition may

turn out to be a smart investment. Returns, especially in footwear, can be brutal for brands with a large e-commerce presence like Nike. Just over the past holiday season, consumers were expected to return an estimated total of \$1.39 billion in goods with poor fit being a common complaint.

With Nike Fit, shoppers will be able to purchase footwear with a much higher degree of confidence and accuracy. The sizing recommendations provided by the app even change depending on the intended purpose of an individual shoe. Nike records and saves each user's footwear data on the app in order to apply this information to each style.

Because many consumers shop for people outside of themselves, Nike designed the app to handle sizing data from multiple individuals. For example, a father can use his Nike app to collect fit data for his son prior to purchasing a pair of sneakers. For in-store sizing, Nike says visitors can step onto a "specially developed Nike Fit mat" and pass on their fit information to store employees.

—Christopher Hall

# CASHING IN ON THE \$6.5B 3-D FOOTWEAR OPPORTUNITY

With an eye on the future, footwear companies are anticipated to invest billions of dollars in 3-D printing technology and manufacturing over the next decade, with billions more in revenue up for grabs.

According to a report from SmarTech Analysis on the future of 3-D printing in footwear manufacturing, the footwear industry's interest in the technology will continue to grow, eventually accounting for \$6.5 billion in yearly global revenue by 2029 at a compound growth rate of 19.5 percent.

Otherwise known as additive manufacturing (AM), 3-D printing holds a great deal of promise for footwear producers—along with those that provide brands with the technology required to properly implement it into their supply chains.

Revenue from 3-D printed footwear currently represents roughly 0.3 percent of total global footwear revenue, says SmarTech, but that number is set for growth.

“This value—which is inclusive of AM hardware, AM software, prototyping and tooling as well as end-use products related revenues—is expected to grow to about 1.5 percent of overall global footwear revenues by 2029,” the firm said in a statement.

Revenues associated with additive manufacturing in the footwear industry are expected to rise predictably over the next 10 years.

The growth will not be relegated to what's so far been typical of 3-D printed footwear, i.e. a Croc-like slip-on made from a single piece of material that strongly resembles plastic or rubber. SmarTech says the market for 3-D printed footwear components will be the first to grow, including “additively manufactured insoles, midsoles and uppers.”

In fact, their analysts predict that individual 3-D printed footwear parts will generate \$1 billion in revenue as early as 2023.

“Midsoles 3-D printing is expected to be the most significant revenue opportunity, generating as much as \$1.5 billion by the end



of the forecast period and growing at a 24% CAGR,” researchers said.

The biggest obstacles to growth in 3-D printed footwear are its dependence on 3-D data capturing technologies and the fact that most AM production has already been

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**THE 3-D PRINTED FOOTWEAR SEGMENT IS EXPECTED TO BECOME THE LARGEST 3-D PRINTED CONSUMER PRODUCT SEGMENT—ALONG WITH HOUSEWARES.**

— SmarTech Analysis

outsourced to Asia along with the majority of footwear manufacturing. However, SmarTech says brands will be more likely to bring production in-house as demand grows.

Additionally, the availability of AM materials (typically a powder) is likely to contract as interest in the technology increases, although the report anticipates that material prices

will fall once the industry matures. Overall, SmarTech expects demand for AM materials to reach 3.7 thousand metric tons by 2029.

Regardless of the challenges involved in implementing the technology and creating a supply chain for its unique material needs, the advantages of 3-D printing are perfectly suited for the footwear industry, researchers contend. Already, brands consistently use 3-D printing to create prototype footwear during the design process, a trend SmarTech expects to grow over the decade.

“The 3-D printed footwear segment is expected to become the largest 3-D printed consumer product segment—along with housewares,” SmarTech said. “This is the only segment today where cases of mass production through AM processes have proven to be viable solutions and cost-effective solutions. SmarTech expects that this trend will continue to increase as the cost of materials decreases and the speed and productivity of AM technologies increases.”

—Christopher Hall

# NIKE RELAUNCHES ‘BY YOU’ CUSTOMIZATION



Nike brought its real-time, 3-D customization to its online storefront earlier this year with the relaunch of its design personalization program, Nike By You, complete with new features and its very own sneaker drop.

The new Nike Air Max 720/95 Heron Preston By You released not as one of the sneaker industry’s famous limited drops, as one might expect from a collaboration between Nike and an up-and-coming designer. Instead, the sneaker

launched with a new and improved version of Nike By You, the brand’s online customization tool that allows shoppers to create their own custom sneakers directly from their browsers.

The service, launched in 2012 as NikeiD, has been popular with online shoppers since its inception—perhaps none more important than Heron Preston, the designer behind Nike By You’s exclusive sneaker drop.

“NikeiD was a first-of-its-kind experience from a brand that allowed consumers to take their product and make it their own,” said Preston, who had previously worked for Nike until leaving to create his own label with Virgil Abloh, in a statement on the news. “Early on, I was able to put my own spin on an iconic classic, the AF1. Today, the capabilities are being pushed so far.”

Those capabilities were expanded when Nike upgraded its tech earlier this year. Along with expanded customization options, the tool’s interface was upgraded from a simple, customizable static picture to a fully 3-D model. Users can manipulate their creations,

viewing them from every angle and zooming in to inspect each detail.

“With Nike by You’s 3D builder, customization goes from a fixed state to dynamic experience,” Nike said. “Zoom functionality also allows for close-up views of the product details. When an idea is completed, a unique, sharable snapshot of the finished shoe is quickly rendered.”

Integrating a social component into its customization process is just another step toward the complete digitization of its business that Nike has aspired to in recent years. Preston expects users of the new tool to simply enjoy the act of building a custom sneaker in their own image, challenging fans of the customization tech to create the most eye-catching and potentially wacky designs possible.

“It is really exciting and for me to be at the start of this magic toolbox of putting things together and taking things apart,” Preston said. “People are tired of seeing things that are so perfect. It’s almost a competition—who can deliver the most outrageous?”

—Christopher Hall

# ADIDAS, STELLA MCCARTNEY TAKE CRUELTY-FREE INTO THE FUTURE

Appealing to both sneakerheads and animal lovers, Adidas teamed up with vegan designer Stella McCartney to launch a new iteration of the AlphaEdge 4D, a sock-knit sneaker with a 3-D printed midsole.

Digital manufacturer Carbon, which began its partnership with Adidas on its Futurecraft 4D midsole technology late last year, again lent its expertise to the Stella McCartney collaboration. True to the British designer’s ethos, the Stella McCartney x Adidas x AlphaEdge 4D model uses only cruelty-free materials.

The shoe features a black mesh upper with the Stella McCartney logo woven into the throat of the sock. McCartney chose a muted off-white tone for the midsole to complement the black upper, moving away from the light green color that distinguished

prior AlphaEdge 4D products in the Adidas line. The limited-edition women’s sneaker dropped in the spring, retailing for between \$350-\$450.

McCartney, who debuted her eponymous label in 2001, has been a vocal pioneer in the movement to end animal cruelty in the fashion world. The brand is committed to only using vegan materials and textiles in its line of ready-to-wear apparel and footwear.

McCartney’s designs—often sleek, sporty silhouettes—provide a complementary aesthetic to streetwear giant Adidas. The two brands have worked together for more than a decade on the Adidas x Stella McCartney line of activewear, and strive for sustainability by utilizing recycled polyester, ocean plastic and cotton in the collection.

This foray into 3-D printing for footwear



is new for McCartney, though Adidas’ collaborative efforts with Carbon to form its Futurecraft 4D technology began in late 2018 with the launch of its first AlphaEdge 4D model. According to the brand’s website, the 3-D printed midsole’s “single-component design is precisely tuned for controlled energy return,” and the technology was crafted “based on 17 years of athlete data.”

Analyzing the gait and strike pattern of athletes in motion helped determine where wearers would need the most support.

—Kate Nishimura



## SPONSORED CONTENT

# ACHIEVING SPEED REQUIRES A QA OVERHAUL

In today's demand-driven market, poor quality is no longer acceptable at any price point. **Jose R. Suarez**, founder and CEO of **Impactiva**, shares the crucial role that quality control plays in a brand's long-term value.

### **Often brands have to pick between speed, quality and price. But today, consumers demand all three. How can footwear brands deliver?**

As engineers we see huge resources invested in our industry in data science and artificial intelligence, but the most under-utilized and overlooked asset is human intelligence. As an industry we do not do a good job of training, developing, educating or tapping into the human intelligence in our supply chains.

By implementing change management techniques, we help factory leadership execute new behaviors which translate into sustainable habits that instill the values of accountability, discipline and transparency, ultimately creating a new leading-edge manufacturing culture. We must activate

the hearts and minds of the artisans in the factories. As a result, factories achieve double-digit reductions in defects, lead-time and costs as well as a significant increase in flexibility.

### **How can quality assurance play a significant role in advancing speed to market in footwear specifically?**

Recently, at a class A factory we were able to increase the percentage of products produced Right from the Start™ from 78 percent to 94 percent in only 15 weeks.

By eliminating issues when your product moves from one manufacturing workstation to another, you can generate huge improvements in your speed to market. It is essential to have reliable handoffs from artisans and supervisors who clearly understand your quality expectations. To achieve this, you need to ensure your teams understand how to identify a defect, perform self-inspection at each workstation and embrace a zero-defect quality mentality.

### **How can companies design in quality rather than policing it at the end?**

By implementing a Right from the Start™ system, you will ensure product expectations will trickle down from the designers to the artisans in the factory. First it is essential to provide feedback on quality from the very beginning, at the product development stage. Then it is necessary to set clear guidelines with your factory by conducting pre-production meetings and trials to detect and remedy issues before production begins. Finally, it is important to perform professional in-process production monitoring to raise accountability and discipline ensuring the higher quality of your products.

### **How can brands use better QA metrics to mitigate the number of returns?**

We are a metric driven organization and know that you cannot fix what you do not measure. If we engage our artisans by gamifying their work and providing them with real-time data on their performance, we can solve the quality issues we suffer as an industry.

## CHINA FEELS IMPACT OF DIVERSIFICATION

China's market share of U.S. footwear imports continues to slide, as the sector's fate amidst the trade war hangs in the balance.

For the first five months of the year, China's share of U.S. footwear imports fell to 48.2 percent in value terms to \$4.96 billion year over year, down from 49.5 percent year to date through April, according to new data from the Commerce Department's Office of Textiles & Apparel (OTEXA).

While China still holds a 65.28 percent market share in volume terms, the 645.28 million pairs shipped to the U.S. for the year through May is still 14.5 percent less than the same period a year ago, according to OTEXA. At the same time, the next five top suppliers posted increases in the value of footwear shipments to the U.S., as sourcing patterns have been impacted by the U.S.-China trade war and the continued threat of steeper tariffs still to come.



However, at least one major importer isn't shifting its strategy.

Nike Inc. said that it currently sources roughly 25 percent of its product from Chinese producers and will continue to do so. The athletic gear retailer said it expects any exposure to footwear tariffs would be "relatively modest."

"The short of it is we've got a relatively agile approach to sourcing multiple nodes from a production and distribution perspective," Andy

Campion, executive vice president and chief financial officer of Nike, said.

Footwear imports from No. 2 supplier Vietnam rose 10.5 percent in value to \$4.96 billion, giving it a 26.7 percent market share, compared to 25.6 percent last month. When looking at volume, Vietnam's market share rose to 21 percent, as the country shipped 207.29 million pairs in the period, a 15.31 percent increase from the year-ago period.

Footwear imports from Indonesia were up 0.75 percent to \$744.87 million for the year through May, Italy's shipments rose 4.3 percent to \$621.19 million, India's were up 6.5 percent to \$183.54 million and Cambodia's increased 29.3 percent to \$167.51 million.

Among second-tier suppliers, footwear imports from Mexico and the Dominican Republic were down, while shipments from Spain and Brazil were up.

—Arthur Friedman

# CASUAL TREND DRIVES MEN'S PURCHASES



Annual footwear sales now top \$81 million in the United States, according to the latest data from the FDRA.

For men, the styles that were important in 2017 remained important throughout 2018—and there is even evidence that the athleisure and comfort segments are still gaining steam. In particular, athletic-inspired styles grew double digits over the year, according to data from NPD.

“Athletic is still the biggest fashion trend out there, particularly for men,” Beth Goldstein, NPD executive director and industry analyst for accessories and footwear, said. “The men’s sports leisure category was up about 19 percent last year.”

Over the past year, athletic-inspired silhouettes have continued to evolve, leading to a wider adoption from luxury brands and the sneaker’s new role as a featured item in sustainable collections. However, Goldstein said athletic styles—especially sneakers—are becoming more commonplace thanks to a wider acceptance of the style in more formal environments. Sneakers now make up one-

third of all spending in men’s footwear.

“Men’s footwear used to be oxfords and loafers and those categories are continuing to decline,” Goldstein said. “There are pockets within them, providing comfort and innovation, that have helped. But the new dress shoes for men are sneakers.”

In 2018, a sizable portion of footwear sales was driven by millennials, which NPD says made up more than 40 percent of all footwear sales over the year. And more than millennials, older Gen-Zs are gaining purchasing power, too, as they enter into full employment.

The same impetus that made sneakers so popular with consumers has also given life to the rise of comfort trends, according to Goldstein, with a lot of that growth being found in the bridge and designer segments at the upper end of the price range. Luxury brands like Gucci are now being driven by sneakers and slides, even if they are considered luxury styles rather than actual athleisure.

The biggest change over the year when it comes to footwear spending, according to NPD,

has been the strength of Vans. The brand’s popularity has begun to leech business from Converse, which Goldstein said is struggling to provide newness to consumers, and could even be over-distributed.

The average transaction value for footwear is around \$55, well within the bounds of mainstream brands’ price ranges. But, the most significant change in the market occurred in the \$150 to \$200 range in 2018, driven by a combination of factors, including the rise in popularity of higher-end athletic silhouettes and the ongoing rise of sneaker resale.

—Christopher Hall



# WHY GREATS' 'BUY BETTER' MESSAGE IS GOOD FOR THE PLANET



Greats has been making its best-selling Royale Knit sneaker to great acclaim for years and this spring it unveiled the newest innovation for the silhouette: an upper knitted entirely of recycled ocean plastic.

The upcycled silhouette will be available for both men and women and Greats says that this first release will be responsible for removing around 75,000 plastic bottles from the oceans and dumps of the planet. While this is not a completely new idea—Adidas famously has its own line of ocean plastic sneakers and Sperry also recently unveiled a collection—Greats came to it with its own unique perspective.

"We're never going to be a zero-impact company; we make things," Greats CEO and founder Ryan Babenzien told Sourcing Journal. "But we can be more responsible and have a lower impact and that's what we continue to do."

Babenzien said his sneaker company, which he calls the world's first digitally native sneaker brand, focuses on sustainability by making sure its products are built to last. In that way, he said, consumers do not have to

trade comfort and style to get a better deal for the environment.

"I don't think you can make something that is the 'most sustainable' that isn't also good-looking and comfortable," Babenzien continued. "Those factors still have to be part of the equation. We think we've made something that people really like. It has a fantastic elasticity in terms of how you can wear it, it's super comfortable and it's really well priced at \$119."

The sneaker brand founder believes that the industry has moved toward thinking of sustainability only in terms of materials used—from recycled ocean plastics to coffee grounds and more—and that this approach won't necessarily solve footwear's sustainability challenges.

"If you make something that lasts long and is trend-resistant, there's a sustainability to that," he explained. "We've always used premium quality materials; we've always made things that have a high value proposition in terms of quality."

That's why Greats produces its sneakers in Italy at one of the world's highest-rated factories for footwear in terms of environmental impact. In this way, sustainability has always been a part of Greats—long before it released a line of sneakers made with recycled ocean plastics.

But sustainability doesn't stop with product design. The entirety of a business, from top to bottom, must consider sustainability in order for a company to truly be committed to the cause. That's why Babenzien said he no longer thinks simply being a participant in sustainability is enough; it's a "requirement."

That's why Greats has never used single-use plastics in any of its packaging, he added. In fact, the new upcycled Royale Knit is sold in packaging made from 100-percent recycled cardboard and featuring biodegradable ink.

Greats plans to ship all of its products in this packaging going forward, Babenzien said.

"We're seeing a trend now, and I hope this trend continues, of people buying really high-quality products within a budget," Babenzien said. "Consumers are starting to realize fast fashion was not a good thing. Buying trends constantly for things that didn't last very long, in both physical and style form, is wasteful compared to buying better and buying less."

—Christopher Hall





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# NEW BLOOD COULD SHAKE UP TOP-HEAVY PERFORMANCE MARKET

CHRISTOPHER HALL

Performance footwear sales are in a downturn.

According to NPD's VP and senior industry advisor for sports Matt Powell, analysts began to notice this trend in 2015—right at the beginning of athleisure's rise, which is no coincidence. Since then, no single performance footwear category has shown anything resembling marked improvement, and brands have struggled to adapt.

According to the latest data available from NPD, overall performance footwear sales were down in the mid-single digits in the first quarter of 2019. Although most footwear categories suffered under industry headwinds in the quarter, including the later release of tax refunds, performance footwear was hit especially hard. Baseball shoes were the only category that didn't experience a loss in the first quarter, staying flat from a year ago.

“

**FOOTWEAR BRANDS HAVE ENJOYED STRONG BRAND EQUITY AND THE RIGHT SNEAKER IS SOCIAL CURRENCY FOR MANY YOUTHS AROUND THE WORLD.**

— Coresight Research

Running shoe sales were down 6 percent, year-over-year (possibly due to a long winter), and golf shoes were down 5 percent under similar circumstances. However, it was the fall of basketball shoes that proved to be the most shocking outcome in the first quarter. Despite iconic basketball events like March Madness and the NBA regular season both occurring during the quarter, basketball

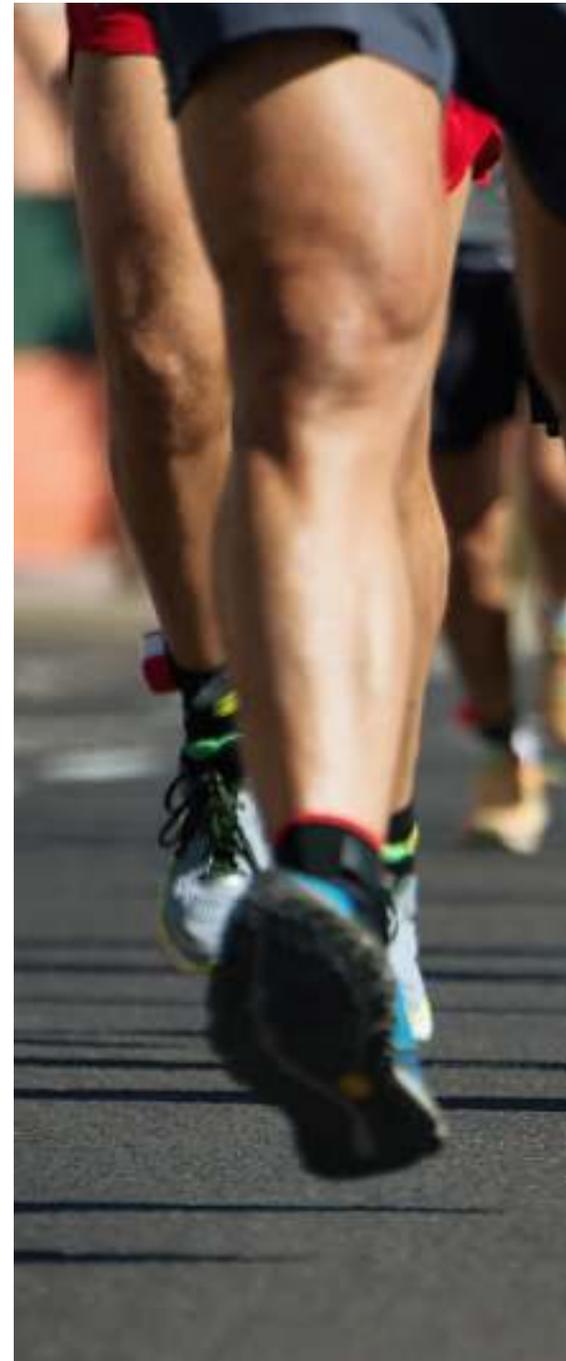
shoe sales were down 21 percent in Q1.

Powell told Sourcing Journal this was all part of a larger trend that has caused a major blurring of footwear categories, lessening the importance of performance factors.

“Since the middle of 2015, we haven't had a single major performance category that is trending positively. We are very much in an athleisure phase in footwear and apparel, and people want to wear athletically-inspired shoes and clothes but they really don't intend to use them for sports,” Powell said. “We asked our consumer panel last year: ‘You bought a pair of sports shoes—now what do you intend to do with them?’ Only 16 percent who responded said that they were going to use it for sport. That's down from 25 percent five years ago.”

According to Powell, this likely has more to do with the influence of fashion in performance footwear rather than lower activity rates. Looking at youth sports, participation has actually risen thanks to more girls participating in competitive activities. According to the most recent data available from the National Federation of State High School Associations (NFHS), 15,009 more girls enrolled in competitive athletics in 2017-2018 than those who did the previous year, and competitive athletics participation for both boys and girls increased.

However, the answer to performance footwear's ills becomes more clear when looking at participation in specific sports. Soccer, for instance, is fast becoming one of the nation's most popular competitive sports. In fact, it received the largest individual gain in participation, year-over-year, among males in



2018 and was almost as popular with females. Yet, footwear sales for the category still fell by 2 percentage points in a year where more young athletes should have been buying soccer cleats.

## Something Missing

There is something missing from these sports, according to Powell, that led the market in years past.

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“For the first 50 years or so in the sport shoes business, we always had at least one performance category that was in fashion,” Powell explained. “In the early ‘70s, tennis was the sexy sport. People wore tennis shoes and tennis apparel on the street as sportswear. Then jogging shoes came along and running became a thing. Then it was basketball shoes and then training. Then, over the last 20 years

or so, it’s just cycled through all of those categories.”

However, NPD’s data now shows that those cycles have lost their power; the forces that once drove the market are no longer in the driver’s seat. Instead, performance footwear is stagnating, waiting for consumers to give the industry an answer.

Coresight, a market research firm,

told Sourcing Journal its data shows the performance footwear industry is excessively top-heavy, with the top 20 companies accounting for 29.4 percent of global footwear sales. Nike and Adidas, alone, make up 15.3 percent. In comparison, the apparel industry’s top-20 rake in a combined 15.3 percent. A top-heavy industry can result in less innovation, Coresight suggested, referencing data from a

Feb. 2019 report—even without headwinds.

“Footwear, especially brands tied to sports activities and outdoor experiences, have fared better than apparel brands, but they too have been vulnerable to the vicissitudes of retail channels with bankruptcies and store closures,” Coresight noted. “Footwear brands have enjoyed strong brand equity (Nike, Adidas, Vans) and the right sneaker is social currency for many youths around the world.”

However, the reality has been different for smaller brands, with larger market issues presenting challenges that few can overcome—and low margins won’t help.

“Digital disruption is bifurcating the traditional wholesale apparel and footwear market into those companies and brands with adequate brand power to go direct to the consumer and those that don’t have the brand relevancy to make it on their own,” Coresight wrote. “The alternative for those brands which lack the power to go it alone can use Amazon,

Zappos, Alibaba and Tmall as well as other online marketplaces. But customer data is king, and direct-to-consumer brands must also have retail, fulfillment and return expertise on top of a desirable brand at an attractive price. Industry margins have been impacted by growing consumer expectations and are likely to remain under pressure for all but the most sought-after apparel and footwear brands for the next few years.”

### Success Stories

NPD’s data does suggest there are some brands that have been able to make moves in this crowded market, with gains seen at Brooks, Fila, Puma and Vans in Q1. Powell told Sourcing Journal that, absent any positive trends, the industry can look to those brands (and others like Hoka and ON) for clues on how to move forward.

Most of all, he said, they need to be looking at a traditionally underserved demographic.

“When we look at the total footwear market, the women’s portion of the marketplace is much larger than the men’s piece,” Powell said. “Only when we look at athletic sales do men have a larger portion of the spend. It really says to me that brands have not focused enough on their women and women’s assortments. They tend



**BRANDS HAVE NOT FOCUSED ENOUGH ON THEIR WOMEN AND WOMEN’S ASSORTMENTS. THEY TEND TO BE TAKEDOWNS, REINTERPRETATIONS OF MEN’S SHOES.**

— Matt Powell, NPD Group

to be takedowns, reinterpretations of men’s shoes. They aren’t really developing women-specific product. That’s really the reason we see predominant women’s brands like Lululemon and Athleta taking share.”

## SPONSORED CONTENT

# STEPPING UP SUSTAINABLE EFFORTS IN FOOTWEAR

While the footwear industry may have been slower than other industries to advance on the sustainability front, it’s certainly making up for lost time. Birgit Schnetzlinger, footwear manager for Lenzing AG, shared an inside view of what’s driving brands to be more proactive about their efforts,

For Lenzing, that means leveraging the versatility of its Tencel™ fibers to be used in nearly every part of a shoe. The more components that are made with Tencel™, the better it is for the environment—and the easier it is for brands to communicate the benefits.

### **Beyond the eco-friendly theme of “being good by doing good,” what’s motivating brands to develop footwear using responsibly sourced materials?**

There is definitely an ongoing shift in consumer demand—the new consumers think more critically. They want to know where a product is coming from, and they ask for transparency. Social media gives consumers

a voice, and it is a strong tool to share opinions and influence. Ethical consumerism is just at its beginning.

### **What can manufacturers do to take a more holistic approach to sustainability?**

A lot. The innovative power of manufacturers is crucial to adapt new materials. A traditional shoe consists of many different components, glued together. Reduction of components, the design and techniques to combine materials make a big impact. Automation is a great opportunity for local sourcing and bringing back some production (or on-demand production) to the consuming countries, what results in less shipping and less disposal of non-sold items.

There is also a lot going on in terms of digitalization. Millions of shoes are produced every year just for prototyping and end up in landfill before they have even seen a shelf.

### **How can retailers support brands’ efforts to become more sustainable?**

Brands have a big responsibility when it comes to sustainable offerings. They are responsible for the product philosophy, which includes design, responsible sourcing, control of supply chain and the brand’s message. Retailers are often closer to the consumer and have direct interaction—they play a very important role when it comes to conveying the message and educating the consumer.

### **Price is always a consideration at the cash register. How can sustainable materials selection, specifically, add to the perceived value of footwear?**

Consumers often express their personal attitude—such as eco-consciousness—by the brands they wear. Moreover, sustainable materials do not always have to end up in high costs. A sustainable approach is only sustainable when it is available for the mass and not for an elite segment. Therefore, our Tencel™ fibers can be found in all price segments, from fast fashion to high end.

# CASUAL DOMINANCE

FASHION AND COMFORT DRIVE SHOE SALES IN THE U.S. AND AROUND THE GLOBE

VICKI M. YOUNG

**T**here appears to be a long runway ahead for the footwear sector—particularly as more companies keep an eye on new technology and its role in comfort—with the fashion and athleisure trends continuing to merge and evolve.

According to Joe Pelligrini, managing director and investment banker at Baird, the footwear category is at least \$80 to \$90 billion in size in the Western world, and even larger when one adds in Asia and other emerging countries. “Anyone who carves out even a tiny slice, for example, one-half of 1 percent of almost \$100 billion, is still a large company,” the investment banker said.

“It used to be that it was a women’s closet that was full of footwear. Guys now have many different pairs,” he said. “The casualization of the workplace makes it hard to wear very formal footwear when dressing down. Guys have been expanding their closet, whereas women had always been doing that with footwear as an accessory of choice.”

And with casualization and the continued interest in athleisure, many firms, such as

Lululemon Athletica, have elected to push further into footwear. Comfort sneakers that are also fashionable—think direct-to-consumer brand Allbirds—have also seen their fortunes swell as consumers gravitate toward what’s new and innovative in the marketplace.

That shift in lifestyle has not only baby boomers searching for comfortable footwear that no longer resemble old, clunky orthopedic options, but also outdoor enthusiasts on the hunt for fashionable mountain boots that have some performance features, are sustainably sourced and feature a good balance of value versus quality—even if they don’t plan to do any actual hiking.

According to Zion Market Research, North America currently dominates the market, with 34 percent of the revenue share of the global footwear market. Europe is expected to show significant growth due to changing fashion trends and the rise in popularity of sports footwear. Asia Pacific, which had 29 percent of total market share in 2017, is also expected to see growth due to an escalation of sports activities and the adoption of Western culture.

While the Middle East, Africa and Latin America are expected to see the least advancement when compared to other regions, the report concluded that continued economic development will aid their progress in the years to come.

That has Zion projecting that the global footwear market will reach \$320.44 billion by 2023, up from \$246.07 billion in 2017, with a compound annual growth rate of 4.5 percent between 2017 and 2023.

With that kind of headway, it’s no wonder Baird’s Pelligrini thinks there’s a greater chance

# 4.5%

THE PROJECTED COMPOUND ANNUAL GROWTH RATE FOR THE FOOTWEAR INDUSTRY BETWEEN 2017 AND 2023

## GLOBAL FOOTWEAR OUTLOOK

# \$320.44 billion

The projected size of the global footwear market by 2023

### ITALY, SPAIN AND PORTUGAL

Where two-thirds of the total E.U. footwear production is concentrated

### EUROPE AND ASIA PACIFIC

Growing markets due to changing fashion trends in Europe and escalating sports activities in Asia Pacific



# 13.1 billion

Pairs of shoes produced in China in 2017



### RECYCLED PLASTICS, WOOL, PLANT MATERIALS

The top sought-after sustainable fabrications in footwear



The ratio of footwear sold in stores versus online



### SNEAKERS

The most sought-after style in men's, women's and children's footwear

of footwear becoming a bigger component of the mergers and acquisitions space as the sector enlargens. Multiples in M&A for the footwear space have a fairly wide range, but a company that's strengthening and has demonstrated a predictable growth rate might be able to garner a multiple of 10 times sales, the banker said. He noted that even with the increasing attention from consumers in what they put on their feet, the category itself is not an easy one.

"At the end of the day, everyone gets excited about the direct-to-consumer business models. There will be some that are very successful because they are able to reduce the pain points for consumers," Pelligrini said. "New, fresh marketing has helped Allbirds garner attention, but Toms, which has been around, has struggled a bit,"

"Footwear is not easy to do," he added. "It's very difficult, and returns are steep. One out of every four or five pairs are returned. Then you have to layer in the costs for return shipping, plus keeping your website cutting edge, and the costs of social media to onboard consumers to your site."

According to Pelligrini, what can help is being agnostic to where the product gets purchased, whether on Amazon, specialty retailers or the better department stores. That's already happening with the digitally native brands, which are starting to open retail doors. The investment banker said becoming "maniacal about product innovation" can also help footwear brands escalate.

Companies can't rest on their laurels, he added, especially not those in the athletic footwear sector where consistent product innovation can help a brand develop a following. Small, specialized firms, such as those focused on running or other activities, tend to grow at "breakneck speed" because of their ability to connect emotionally with customers and the product innovations that provide a "better mousetrap for the consumer," he said.

### Innovation Ahead

It appears that footwear firms are already trying to figure out how to innovate on the athleisure front to give it some fashion credibility, and still be mindful of technological advances at the same time.

B. Riley FBR equity analyst Susan Anderson said the Fashion Footwear Association of New York's June Market Week conference saw

streetwear and retro as the prevailing trends, which also matched up with the broader fashion cycle in apparel. "Steve Madden and Skechers are leaning into this trend, increasing their sneaker penetration and re-releasing retro styles from their back catalog," she said.

While the retro sneaker offerings emphasized chunky, vintage, rhinestone and fluorescent styles, the analyst said that many companies were also re-releasing past shoe styles with new innovations, such as lighter weight materials. Anderson also noted that athletic footwear inventories were much healthier in the first quarter, helped by "cleaner offerings from Nike and Under Armour."

A strategic growth initiative at Wolverine World Wide, which owns brands such as Merrell, Chaco and Saucony, is about becoming "faster and more innovative" in its product creation engine, said Anderson, while Skechers is re-emphasizing the walk category that it created and is now doubling down in that segment, particularly in its women's offerings.

At Steve Madden, meanwhile, Anderson noted that the company is "seeing continued

# 34%

## NORTH AMERICA'S REVENUE SHARE OF THE GLOBAL FOOTWEAR MARKET

success with their Blondo acquisition, doubling sales since buying the business in 2015." Blondo is best known for its waterproof footwear offerings.

And if comfort is key for many consumers, don't expect interest in athleisure to go away anytime soon. Matt Powell, VP and senior industry advisor for sports at The NPD Group, described athleisure as being in full force. "Consumers are wearing athletically inspired shoes that are not intended for sport," he said, noting that smaller brands are growing much faster than their larger counterparts.

So how does that compare with non-athletic fashion footwear? According to Beth Goldstein, NPD executive director and industry analyst for accessories and footwear, "Casual sneakers remain the hottest category, taking share from all others. However, we have started to see a turnaround in true fashion styles as brands incorporate the elements that consumers love in their athleisure—comfort and athletic styling. Consumers want to be just as comfortable when they aren't wearing sneakers as when they are."

That said, even as brands incorporate comfort elements in their footwear, Goldstein noted that dress footwear options for both men and women have become a much smaller business than it had been in the past. She's also seen growth in the use of sustainable materials, such as recycled plastics, wool and plant materials.

As for what shoe brands are doing to set themselves apart from competitors, Goldstein said they are using comfort as a selling point and differentiator, but she cautioned, "That will start to become a commodity, so brands will need to figure out what relevant innovations are next."

### SPONSORED CONTENT

## INNOVATION DRIVES SALES & SUSTAINABILITY

Beyond exclusive drops and greener manufacturing, it's new technology that's generating excitement. Hisham Muhareb, founder of American Events, which produces The Materials Show, cited Nike's futuristic-looking self-lacing shoes as just one example of a product with the technological bite to drive consumer demand.

### What role does materials selection play in perceived value?

New materials and new technology add to the perceived value for the consumer when compared to traditional styles and production methods. What's new and what's next will always drive up the perceived value, even when it's not a driving factor in increasing manufacturing costs.

Another aspect affecting perceived value is scarcity. Even major footwear brands are able to emulate a boutique feel by doing limited releases. The "uniqueness" of a shoe adds

greatly to the value, so designers are always looking for a new material or technology to can help a shoe be perceived as "rare."

### What new advancements in materials and technology are promoting sustainability?

Companies like Material Exchange allow designers and manufacturers to virtualize the prototyping process—keeping waste down before the product even makes it to the factory. Sustainability is also being built into raw materials. Used plastic bottles are transformed into textural fibers that can go into any product or form. e.dye has created a textile coloring process that puts the color directly into the yarn, requiring 75 percent less water, fewer harmful chemicals, less energy and lower CO2 emissions than traditional piece dyeing.

### How are manufacturers taking a more holistic approach to sustainability?

We're seeing "end-to-end" sustainability plans from many of today's manufacturers. They are sourcing non-depletable materials and optimizing the way resources are used. One example is Nike's Flyleather, which looks to have a low carbon footprint and uses significantly less water than Nike's premium leathers, with the same fit and feel. Closed-loop systems are becoming more common—cutting waste is being kept in-house, manipulated or reformed, then repurposed into other products at the factory.

### Why are you partnering with Première Vision and what does it say about the market?

Première Vision Sport will bring new fabric mills, trims, print and pattern studios, and high-performance textiles to The Materials Show. Cross pollination between apparel and footwear materials sourcing offers a vibrant and valuable exchange of ideas, materials and trends.



# MOVING TAR

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## THE TRADE WAR BETWEEN THE U.S. AND CHINA HAS THE FOOTWEAR INDUSTRY CANVASSING THE GLOBE FOR WAYS TO MITIGATE THE IMPACT.

CHRISTOPHER HALL

**T**he ongoing trade war between the U.S. and China has had consumer goods companies in disarray for more than a year; with each new tariff tranche, more products produced in China have fallen victim to additional duties. Although apparel and footwear have been largely spared, that doesn't mean the categories haven't felt effects. Clothing and shoe brands are on high alert, drawing and redrawing contingency plans, accelerating supply chain changes and calculating the potential hit to the bottom line. The uncertainty alone has been costly.

"The threat of potential tariffs essentially has the same impact as activated tariffs," Matt Priest, president of the Footwear Distributors and Retailers of America (FDRA), told Sourcing Journal, quoting a member of his organization.

And now with these goods included in the fourth tariff list, the worst-case scenario looms and the industry is bracing for what could be additional tariffs to the tune of 25 percent.

For footwear, in particular, additional tariffs could be devastating. According to the FDRA, shoe companies already pay an onerous amount of duties that outweighs the burden other products face. For much of the last 25 years, footwear duties have averaged around 11 percent under current tariff law, with some reaching well over 50 percent depending on the classification.

Considering that many of these products offer very low margins, the FDRA believes that an additional 25 percent tariff could end up limiting and, in some cases, eliminating the production of some low-cost footwear entirely.

### Exiting China

To protect their companies, footwear executives have been looking for ways to insulate themselves from a direct hit. While the most logical first thought may be to exit China, moving a supply chain is easier said than done, even under the best of circumstances. Some are finding that making a hasty retreat is nearly impossible, leaving

them vulnerable in the short term.

"We will continue to reduce our dependence on China as a sourcing country, but the effect of further migration will not impact our cost structure until early 2020. [Our] brands will raise prices in the short term to offset higher landed cost pricing due to increased duties," Mike Jeppesen, president of global operations at Wolverine Worldwide Inc., told Sourcing Journal. "The higher duties will, in effect, result in higher product prices being passed on to the consumer."

In the meantime, the company, which produces the Sperry, Saucony, Keds and Merrell brands among others, is attempting to mitigate the fallout.

"We have proactively expedited the shipping from China of available product," Jeppesen said, adding that the logistics of moving out of China will also have an effect on lead times and shipping costs. "We're prepared to customs clear and pay duties on product in our free



**I DON'T THINK MANY FULLY APPRECIATE THE PAIN AND SUFFERING THAT WE ARE GOING TO SEE AT RETAIL FROM ALL THIS.**

— Gary Raines, FDRA

trade zone DCs prior to a duty increase."

While reducing exposure to China is a logical reaction, the industry is finding that it may not be a realistic one—at least not for everyone.

Places like Vietnam and Bangladesh could be attractive from some aspects, but the added cost of doing business away from China is difficult to recoup.

"The average landed cost of footwear from the world as a whole last year was about \$10.79 a pair. In China, that was \$8.26," said FDRA chief economist Gary Raines. "Looking at Vietnam, even though they were 18 to 19 percent of the pie, the average cost was \$13.40. So if you are thinking you are just going to move production from China to save that 25 percent—not at all. You're going to see your

# GETS

costs increase substantially just moving from China to Vietnam.”

Even for those that stay in China, the NRF said costs will rise. In June, the trade group released a report prepared by Trade Partnership Worldwide that outlined the impact of the tariffs, including how the increased costs out of China would impact sourcing around the globe. Ultimately it found that retail prices would rise by 8 percent no matter the origin of the goods and by 21 percent for footwear imported from China.

But Laura Baughman, president of Trade Partnership Worldwide, said the model shows a general average overall. Every retailer will have a different strategy for dealing with the tariff.

“It depends on the product and whether the retailer is a direct import or an indirect import,” she said, providing an example of how a store could opt to insulate certain products. “So if you go into a store today and see a sweater from China for \$10, it won’t necessarily be \$12.50. It might be \$11 because they have spread that extra \$2.50 to other products that are less price sensitive than the consumer will buy if that price goes up.”

Additionally, stores could opt to delay markdowns as a way to recoup some of the increased costs.

According to the FDRA, China currently accounts for 57.5 percent of the world’s total footwear production. Combined the rest of the world makes up less than 75 percent of China’s total capacity, pouring cold water on the idea of replacing Chinese production in any one area.

Further, for brands that offer low price shoes, the issue is even bigger.

“The challenge is for mass retail,” Priest said. “For those types of shoes, it’s almost 100 percent China with price points that scream a need to be in China because the American consumer demands it from a price perspective.”

“To some degree, a shoe may not be worth moving,” he said. “If it moves from a 67.5 percent duty to a 93 percent duty and it’s a \$3 shoe at the border, there’s really no incentive. You’re going to double the price.

The consumer isn’t going to pay for that at a Target or a Walmart. You might just kill that production.”

Raines agrees, saying the result would be a classic example of deliberate destruction of demand.

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### THE THREAT OF POTENTIAL TARIFFS ESSENTIALLY HAS THE SAME EFFECT AS ACTIVATED TARIFFS.

—Matt Priest, FDRA

“I don’t think many fully appreciate the pain and suffering that we are going to see at retail from this,” Raines concurred. “It’s picking on the mass-merchant shoppers that are accustomed to spending five bucks for a children’s shoe. You’re going to see a lot of consumers that can’t or won’t fork out the additional money.”

## Looking Closer to Home

Beyond the most talked about production options, Hady Jawhar, apparel project manager for Sealand Maersk, a container shipping company that serves North and South America, Central America and the Caribbean, said brands have been looking to countries in the Western Hemisphere.

“We’ve been exposed recently to a lot of suppliers, brands and companies that deal with this cargo. What we’ve been hearing are rising concerns from increased tariffs in China,” Jawhar said. “Then, it’s the outlook for the next five years on sourcing and the preparation and capacity for Central America to take such a load.”

Jawhar said that countries like Honduras and Guatemala are likely destinations for production that could potentially move westward. Although labor is more expensive, Sealand Maersk believes there are several built-in advantages to this kind of diversification.

## TARIFF MATH

### The trade war has the industry sharpening its pencils—and looking for someone to absorb a potential cost increase.

The apparel and footwear industries are bracing for a direct hit in the trade war.

Retail executives everywhere have been running the numbers ever since President Trump started placing tariffs on goods coming out of China. Until now, those calculations have been theoretical for the apparel and footwear industry. Soon they could be a reality. What everyone wants to know is how bad could it get and who’s going to absorb these higher costs?

Former senior executive at May Department Stores

Jan Rogers Kniffen crunched the numbers to determine just how a worst-case 25 percent tariff on footwear from China would impact retail prices. As the current CEO of J.Rogers Kniffen WWE retail investor consultancy, he explained what consumers have to worry about and how other industries stand to gain.

#### Sourcing Journal: With a 25 percent tariff, what would be the potential impact at retail?

Jan Rogers Kniffen: I was selling my average shoe at \$9.99. It landed in California

at \$3.56. That’s what I paid the tariff on. That \$3.56 at 25 percent would be 91 cents. If added onto \$9.99 at its full selling price, it would be a 9 percent increase.

That all depends on your cost of goods sold. My cost of goods sold was lower as a percentage of the business than others, but almost everybody’s is 50 percent. So let’s say you buy it for 50 cents and sell it for \$1: You pay the tariff on 50 cents, and 25 percent of that is 12.5 cents. 12.5 cents on a dollar would be a 12 percent increase, not a 25 percent

"Proximity is very obvious," Jawhar continued. "[For products coming from China] transit time is not less than 30 to 35 days—versus a 3-to-4-day service from Central America. With that transit time on the water, there's not much exposure to currency fluctuation, market fluctuation, jobs, etc."

However, there is simply no comparing Central America's capacity with China, and Jawhar admitted that the discrepancy is such that a 1 percent impact in Chinese production is equal to 10 percent impact in Central America.

"A factory in China has 3,000 workers whereas, here, it's 150 to 200 people," he continued. "I don't think Guatemala and Honduras can take a sudden shift in sourcing away from China. But they can definitely lean more on those countries, and we are seeing that."

With all of the what-if scenarios, information might be the most valuable commodity.

Vincent Iacopella, the executive vice president of growth and strategy for Alba Wheels Up, a

customs broker and freight forwarder, contended that until recently, some apparel and footwear brands had been "on autopilot" when it came to customs issues. Today, they're hungry to learn as much as they can.

"We want to be very careful; we don't have a magic wand. We can't make the tariffs go away," said Iacopella. "One thing that we've done from very early on [is] we've leveraged tariff trackers from regional trade groups. We've created tools where importers can put their HTS numbers in and get the status of that number in China. We've educated our customers about retaliatory tariffs, and we've tried to centralize that data into one place. In the absence of being able to lower costs, at least we can be very accurate with that information."

As talks continue regarding the new tranche of tariffs, brands will likely have to adapt even further to trading conditions that have at times been described as both "unprecedented" and "inevitable." Looming always in the

background is the possibility that they could simply be struck from the record, much like the potential tariffs that the Trump administration threatened Mexico with in order to make a deal on immigration.

However, it doesn't seem like the China situation will be resolved as quickly, which means the strategizing over how to handle the potential threat continues. According to Iacopella, many brands have no way of maneuvering in the short term, leaving holiday sales at the end of the year vulnerable to tariffs without much recourse. In the opinion of Priest and the FDRA, this period of transition is more likely to lead to a new world order for trade, rather than a return to form.

"If someone makes a deal at dinner over the next couple of weeks and then all this goes away, we'll all be super-duper relieved," Priest concluded. "But [the situation] isn't without its consequences, and I think it has forever changed the relationship."

increase. Nobody's going to see a 25 percent increase because nobody except Costco buys it for the price they sell it for.

**SJ: Since the volley began between China and the U.S., apparel and footwear executives have been taking a lot closer look at some aspects of their business to try to find ways to mitigate the impact. In some cases, they're realizing they have been unnecessarily paying too much in tariffs all along. How is this the case?**

**JRK:** In truth, 100 percent of what you buy it for isn't tariff-able because you can exclude shipping and all kinds of other things. So it might be less than 9 percent. It could be 8 percent.

First sale is the concept of how you can get the price down as low as you can to pay the tariff. We used to do this when I was at May, and we stripped out anything that was legitimately not tariff-able. It usually amounts to 10 percent, so if you were buying

something for \$3, you can strip out 30 cents, which doesn't change the numbers by much ... but it's worth doing, especially if you're buying a lot.

**SJ: But no matter what, the cost of doing business will rise. Who will pay for this, the consumer?**

**JRK:** No way are [retailers] passing anything onto the consumer. We've had a worldwide oversupply of goods for several years now. That's the reason there's been 0 inflation no matter

what's happened. The CPI [consumer price index] is going nowhere. Why? Because when you have a worldwide oversupply of goods, someone will sell it cheaper than you are if you raise your price. And there are plenty of people selling goods now that have 0 cost of capital. Amazon would be a good example and so would every other online-only guy who has been inundated with investment money and doesn't make a profit. They have a 0 cost of capital

Pushing [the tariff increase] through to the consumer, other than very temporarily, is not going to happen because the minute you do, your volume is just going to drop. And the products that they're about to put the tariff onto, it's apparel, shoes and accessories. You don't need it—you want it. You don't have to buy it. If they raise the prices, you'll buy something different. It'll push more dollars into restaurants, trips and experiences.  
—Caletha Crawford

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# SUPPLY CHAINS UNDER PRESSURE

BRAND EXECUTIVES SHARE INSIGHTS INTO THE FORCES SHAPING FOOTWEAR'S FUTURE, HOW THEY FIND THEIR FOOTING DURING TIMES OF INSTABILITY AND WHAT KEEPS THEM UP AT NIGHT.

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KATE NISHIMURA



**A**s modern trends shift at a breakneck pace, brands are stretching to meet the demands of young consumers who crave novelty.

But behind the scenes, manufacturing costs are rising, and uncertainty over trade issues with China has forced brands to re-examine the way their businesses are run, along with where their operations are based.

Even in a world that seems increasingly

dominated by automation, technological innovations only offer a partial solution, brands said. Instead, they still struggle with the age-old issue of coordinating efforts between product teams, suppliers and factories, all of whom are now working to gain unprecedented agility to pump out more SKUs than ever.

And not just any product will do. Brands are now also expected to be beacons of ecological and social change, by developing responsible materials and processes. Millennial and Gen

Z shoppers want to know where products are coming from, what they're made of, and how their purchases will impact the world around them.

The confluence of competing demands has left footwear insiders with mixed emotions. Change is imminent, they all agreed, but the waters are yet uncharted.

Here, senior footwear executives discuss the state of the footwear supply chain in the face of evolving technology, environmental concerns and tariff threats.

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**KARL MOEHRING**  
CEO  
Washington Shoe Company

**On automation and the future:**

**KM:** The nature of footwear manufacturing as it stands today is very labor intensive. Footwear manufacturing is ripe for some automation—in the near term, possibly helping with packaging. As the technology matures, it will make its way into other parts of the manufacturing process.

**On the impact of the political upheaval:**

**KM:** Prior to the tariff threat we had started expanding our manufacturing base to the Dominican Republic. The added benefit to the D.R. is the environmental savings of being closer to the production base in terms of shipping.

**On his company's sustainability strategy:**

**KM:** I believe any responsible business has to be looking at sustainability. We are looking at production processes to reduce waste, and utilizing more sustainable raw materials. A

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**WE ARE SPENDING A LOT OF TIME WITH OUR FACTORIES TO REDUCE WASTE, IMPROVE FLEXIBILITY AND OVERALL PRODUCT QUALITY.**

— Jim Biolos, Faryl Robin

lot of our production starts with sustainable rubber. Our packaging is something we look at every season on how to reduce and recycle. We moved to shippable shoe boxes to reduce the need for a shipping box for single-pair shipments to our customers, and we use recyclable paper tape.

**On how tech and culture affect speed to market:**

**KM:** Technology is helping clear those hurdles, be it communication tools that help improve translation or the ability to have video calls every day with the supply chain. Personally, I find that I couldn't operate without the messaging apps we have today.

**On what keeps him up at night:**

**KM:** This year, it is the threat of tariffs. My customers are worried, my suppliers are worried—in every conversation, it's mentioned. I see a silver lining of the tariff threat in the fact that we are diversifying our manufacturing base.

Businesses need stability to plan and thrive. Thus, the trade war is depressing investments by companies. If this continues, the economy will slow and hit consumers' pocketbooks.



**MARTY ROSE**  
Agent and Distributor  
All Black

**On automation and the future:**

**MR:** Automation is for the massive brands. The design culture of All Black is a focus on handmade and especially hand-finishing. We use automation when it fits into our culture, such as laser-cutting machines and 3-D printers. When we find automation that complements our handmade process, we will jump on it.

**On the impact of the political upheaval:**

**MR:** All Black is made by the Taiwan-based ACL Footwear Company. ACL is looking into options to move more aspects of production from China to Taiwan. The challenge is to find affordable and talented labor in Taiwan vs. China.

**On his company's sustainability strategy:**

**MR:** ACL addresses sustainability by adjusting our design and manufacturing process. We started this change two years ago. The new process is called minimalist styling. We use fewer cuts and a reduced number of seams. This process reduces waste, reduces labor time and results in improved comfort, better fit and a sleek style element.

**On how tech and culture affect speed to market:**

**MR:** Our hurdles related to speed to market trace back to our handmade and hand-finishing culture. This strength is also a weakness when it comes to time management. We are proud of this weakness and use it as a point of difference. Our customers refer to All Black as a well-made brand that looks higher priced than our actual retail price. The reason for the brand's success is the careful attention to detail, as well as cutting-edge design. We cannot rush this process and achieve the same results.

**On what keeps him up at night:**

**MR:** Being innovative. What is the next big idea that will continue to set All Black

apart from the competition and keep our loyal customers coming back? Our team is constantly sharing and brainstorming; many nights I wake up and write down an idea to share with our design team.



**JIM BIOLOS**  
President  
Faryl Robin

**On automation and the future:**

**JB:** Because we don't own our factories, we have to work with them to build in lean and agile manufacturing techniques. Before those factories can take advantage of the many technologies and automation available, they need to first create better processes to automate. We are spending a lot of time with our factories to improve their processes—to reduce waste, improve their flexibility and overall product quality. Then we will work with them to automate where appropriate.

**On his company's sustainability strategy:**

**JB:** We think about sustainability as a business model that ensures that our customers, the company, our suppliers and the environment are all better off because of the work we do. Inputs are actually not our primary focus today. Treating our workers—and those in the factories who make our shoes—so that they are happy, healthy and productive will have the most sustainable impact on our business. Our child care facility at a few factories in China is a good concrete example of our efforts. Minimizing environmental impacts is also of high importance to us.

**On how tech and culture affect speed to market:**

**JB:** Speed to market, in our view, is more a mindset than a tech initiative. Of course, there are some key technologies that are radically improving our ability to get our retailer clients (and their consumers) the footwear they want, when they want it. But it is the consumer-focused, agile mindset—and an integrated approach with our retail clients—that we think determines speed to market. Not simply a fancy app.

**On what keeps him up at night:**

**JB:** The “short-termism” of so many players in the supply chain keeps me up at night. Consumers—and the retailers that serve

“**OUR MOST INVALUABLE RESOURCE MAY BE OUR B2C E-STORES, WHERE WE TEST, GATHER AND ANALYZE DATA AND APPLY TO OUR LINE.**

— Frank Cammarata, Camtrade

them—have higher standards than so many suppliers assume. Many supply chain partners want to continue to do business the way they have over the past 20 years, which now results in a product that is of higher cost, lower perceived value, that takes too long to deliver.

Rather than working with companies like ours to reinvent their processes for this new industry context, too many prefer not to change and extract whatever short-term value they can out of the system. We think this is a losing proposition, and it has caused us to re-evaluate our supply chain and the companies we partner with.



**FRANK CAMMARATA**  
CEO  
Camtrade

**On automation and the future:**

**FC:** We are already realizing the benefits of these efficiencies and added-volume capabilities. Over the last 10 years, our factory base has ramped up and implemented a much more significant infrastructure mechanism for automation—from machinery and equipment technology impacting cutting, lasting, stitching and finishing, to fit-testing [and] quality control, as well as more sophisticated factory worker training.

Design and development capabilities, as well as speed to market, have been greatly improved. Also, the people at our facilities are still the most invaluable component, as they implement and oversee this very critical process function for our business.

**On the impact of the political upheaval:**

**FC:** We are running our business today as if these tariff increases will go through, although they very well may not. It looks like we will know quite soon, one way or the other. About a year ago, when this news was first announced, we had to explore some other alternatives, which we are ready with should this happen. Overall, our production costs have risen by approximately 6 to 8 percent over the last 2 to

3 years on our core products due to increased material and labor costs, as well as increased inbound ocean freight expenses.

Therefore, we have been forced to look at other areas of the company to trim costs so that we can offer our retailers outstanding product and value while maintaining their margin requirements and keeping ours in a reasonable range.

**On how tech and culture affect speed to market:**

**FC:** Our business has matured enough over the last 2 to 3 years that we are now able to consistently obtain direct information from our key retailers on what styles, materials, colors and price points are performing at their consumer level. We internally analyze that information very carefully after the season and come to a consensus on what direction to follow for the next season, while adding touches of newness and freshness to our collections.

Naturally, we also shop European retail markets one season in advance to observe and obtain all of the latest fashion trends to implement. We also did a focus-group initiative this year that we are still evaluating the benefits of. In the end, our most invaluable resource may be our own B2C e-stores, where we can test a range of products in 52 states, then gather and analyze the data which we apply to our line-building process for the following year. This has proven to be a very useful initiative for inputs.

**On what keeps him up at night:**

**FC:** I would say the condensing and displacement of traditional brick-and-mortar retail stores into e-commerce venues. Footwear tends to be a quite personal and fit-related shopping experience, and it will be interesting to see how that plays out in years to come. One door closes and another one opens, I suppose is the right view of this. So, we see it as an opportunity. We will have to navigate it carefully while maintaining a nice blend of both.



**NATHAN CRAY**  
SVP, Supply Chain & Operations  
Aldo

**On automation and the future:**

**NC:** Trade uncertainties, rising global labor costs and increasingly complex supply chains

will push for manufacturing improvements to lowers costs and provide some stability. Automation certainly has a place in the future of footwear manufacturing, but I also see a more attainable opportunity in pushing lower tech productivity improvements in the fashion footwear world. Athletic companies have been all over this for years, but fashion footwear manufacturers have lagged.

**On the impact of the political upheaval:**

**NC:** Aldo has been looking for opportunities to diversify for years now. Our first option is to look at Southeast Asia with our existing manufacturing partners—providing some measure of stability while seeking cost opportunities. We are also looking at expanding in regions that have been more niche for us. Finally, we have partnered with strong suppliers on improved planning, material positioning and manufacturing processes to manage costs regardless of country of origin. That said, we have not and will not compromise product quality.

**On his company's sustainability strategy:**

**NC:** The Aldo Group is the first fashion footwear and accessories company in the world to be climate neutral—our sustainability platform is strong and growing. We recently announced that our Call It Spring brand is fully vegan. Our materials and sustainability teams are collaborating on sustainable materials, and exciting announcements on that front will be made later this year. From a transportation point of view, we have packaging optimization in place to maximize carton volumes—reducing shipping costs while lowering carbon emissions.

**On how tech and culture affect speed to market:**

**NC:** It's culture for most companies. Technology is always pushing the envelope, but people are used to working in a certain way and must adapt to make the best use of technology.

**On what keeps him up at night:**

**NC:** Uncertainty. Variability. We are living in times of change—from customer preferences to the retail marketplace, balancing strong planning to manage costs while everything around you is shifting. Sourcing and the supply chain's role have not changed. Deliver the best product at the best cost as fast as possible. It's just gotten more complex.



# COMFORT

## BEYOND EXPECTATIONS

Today, consumers are responsible eco-citizens of the world, and they demand the same from the brands they purchase. OrthoLite® Recycled™ lets you increase the total eco-content in your insoles to 98% with our recycled postproduction waste material to achieve the highest eco-standards and sustainability goals. The recycled solution offers support, stability and under-foot comfort in single-density and dual-layer options, and is also ideal for Strobel and upper applications. OrthoLite® means your brand can deliver the comfort and performance your consumers expect—with the eco-friendly features they demand.

**COMFORT & PERFORMANCE — AT THE CORE OF EVERY INSOLE.**



OrthoLite® Recycled

**OrthoLite®**  
comfort foam insoles

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# FLOATING

OUTDOOR FOOTWEAR BRANDS LOOK TO SHED WEIGHT WITH LIGHT-AS-AIR FOAMS.

KATE NISHIMURA

**T**he popularization of outdoor activities like hiking, trail running and urban exploring has led to an explosion at retail, resulting in new opportunities for the outdoor market.

But this wave of fresh air enthusiasts comes with a new set of expectations.

Consumers are increasingly looking for footwear that serves all of their needs—and not just the technical ones.

“Door to trail is definitely a thing,” Katie Pyle, product line manager at Saucony, told Sourcing Journal.

The focus of the brand’s SS20 collection will be applying new outdoor-ready features to its heritage line, “so that you can wear it casually, you can wear it on the trail, or you could wear it on the road.”

Modern consumers are getting out in new and different ways, she explained, “whether it’s hiking, running, fast packing or just a day trip through your local park.”

Pyle is seeing more consumers than ever hitting the dirt and the pavement, and she noted that women ages 18 to 24 are a growing demographic for the brand. “We’re seeing more people getting out as a way to disconnect.”

The new mindset is manifesting in more wearable silhouettes, Pyle said, pointing to some of the company’s newest lines of active sneakers.

“[As] a technical trail brand, our focus is more in the rugged area. But these would be great-looking shoes with jeans, though they’re super functional from a performance standpoint.”

The wearability of these forthcoming styles doesn’t just come from their streamlined designs and eye-catching color palettes, though. A focus on lightweight foam midsoles has gripped the category, in a large departure from the clunky-yet-durable hikers of yesteryear.

Saucony’s Power Run Plus is a TPU

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**WHAT WE’RE SEEING AS AN ASK FROM THE MARKETPLACE IS VERSATILITY. THE MORE APPLICATIONS FOR USE, THE MORE PEOPLE GET INTO THE FOOTWEAR.**

— Jared Smith, Hoka One One

compound that will make up the midsoles of some of the SS20 season’s trail running offerings. The beaded material is 25 percent lighter than the brand’s current high-end cushioning system, and Pyle said it offers an ultra-plush, cushioned feel underfoot.

The brand’s original Power Run compound is also still a favorite for mid-range performance styles throughout the line. An EVA blend that’s

responsive and lightweight, Power Run is used in Saucony’s standard road and trail products.

In addition to new innovations in midsole foam, brands are reducing the weight of their products by rethinking the configuration of a shoe’s outsole lugs.

Saucony’s Power Track compound—a “very sticky, very grippy” rubber compound provides traction “in a variety of conditions,” and the company has a number of styles where EVA shows through open areas of the sole.

“Lessening the amount of rubber used allows for a more lightweight effect,” said Pyle.

Foam aficionados at Hoka One One are also playing with lug configuration as a means to reduce weight, said Jared Smith, the brand’s product line manager.

“We’ve zoned the rubber strategically to minimize weight but maximize durability on areas where you’re going to see wear and tear on the shoe,” he explained.

The foam that shows through those exposed areas is the brand’s proprietary blend of rubberized EVA, Smith said, which provides “durability, resilience and rebound.”

“You have something with a little more structure where the shoe is interacting with the trail,” he said of the rubber-infused foam.

What gives Hoka’s sneakers their iconic, boosted silhouette is the stacking of compounds to make up the midsole. Levelled

# ON AIR

on top of the rubberized EVA is a layer of “comfortable, plush, supportive cushioning” made from another blended EVA compound, Smith said.

The effect is an extremely lightweight yet substantial silhouette that helps runners maintain momentum and reduces impact on the joints.

The brand’s standout style for the next spring season is the Challenger ATR 5, said Smith. “It’s a really versatile shoe in terms of crossover from road application to trail,” he explained, and “weight saving” through the use of lighter compounds helps promote use in varied terrains and situations.

“What we’re seeing as an ask from the

marketplace is versatility. The more applications for use, the more people get into the footwear,” Smith elaborated. “Whether it’s out on the trail for a light hike, on a pretty gnarly technical run, or just out and about in the city, our products are going to fit those uses.”

## Components

The consumer’s growing propensity to spend time outdoors is not just affecting brands, but also the component companies bringing them their performance technology.

“These compounds are evolving as quickly as the demand from the consumer,” commented Bill Ells, VP of sales for Vibram. The world-renowned Italian rubber outsole company

also deals in foam midsoles, and has seen skyrocketing demand from brands looking to lighten things up.

“I think what’s driving the whole mindset of the consumer today is, ‘make my life less heavy,’” Ells said. “Emotionally and physically, we just want to shed what’s weighing us down.”

Ells referenced the evolution of another outdoor staple, the puffer jacket, as a way of explaining the trend.

Once bulky and heavy, the modern iteration can be folded or rolled to a fraction of its size, and stuffed into a pack without adding much weight or volume. For hikers and campers, a few grams can add up to a mountain of inconvenience.



► FROM LEFT: HOKA ONE ONE WOMEN'S SPEEDGOAT MID 2 GTX; MEN'S STINSON MID GORE-TEX; CHALLENGER ATR 5 MEN'S; AND WOMEN'S CHALLENGER LOW GORE-TEX

But when it comes to footwear, Ells said, there was a reason that compounds and constructions became weighty, for a time. Durability and performance were top-of-mind for footwear companies and their suppliers.

“Once you start to blend EVAs with other materials—other polymers, maybe some rubbers or some urethanes, maybe some other plastics—then you can get into some much more functional properties, like better rebound, better shock absorption. But as you start to do that, things get a little heavy,” he explained.

“While we have been an industry that has been trained and educated in EVAs, we’re now seeing urethanes, which have greater longevity and often other better physical characteristics that can meet the same density ranges of EVAs. So you’re now able to take a combat boot and make it feel like an athletic shoe.”

When asked how suppliers like Vibram are attaining the light-as-air feel, the answer is, quite literally, air.

“There are products made where gas is infused. In a typical EVA, you have what’s called a blowing agent—think of it as yeast in a cake,” Ells explained. “Some of the materials use gas infusion, which changes the cell structure, the rebound technology, the shock absorption.”

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**HOW LIGHT CAN YOU GET WITHOUT AFFECTING LONGEVITY? WE CAN GET LIGHT AS A FEATHER, BUT WHAT’S THE INDUSTRY LOOKING FOR IN TERMS OF EXPECTATIONS?**

— Bill Ells, Vibram

Though he’s excited about the fact that lightweight foams are giving people the freedom to enjoy their surroundings, Ells believes there’s a trade-off to the new iterations on the technology.

“How light can you get without affecting longevity? That’s where the diminishing returns come.”

With the whole industry wanting to shed weight, Ells cautioned that consumers might also



► FROM LEFT: BIRKENSTOCK ARIZONA AND SAUCONY MAD RIVER TR

have to shed preconceptions about performance.

“We can get light as a feather, but what’s the industry looking for in terms of expectations?” he asked. “A runner, for example, might be looking to get 300 miles out of a shoe. The outdoor enthusiast might be looking for two years.”

Outdoor products, like footwear, are expected to last. And until now, they were built almost entirely to service that objective.

But now that priorities have changed, consumers can no longer expect their footwear to weather the elements, along with the wear-and-tear incurred by pounding the pavement or the trail, indefinitely.

## Casual

Trail runners and hiking boots aren’t the only outdoor shoes getting a foam makeover.

A favorite of earth lovers for generations, Birkenstock has revamped some of its most iconic styles with a material twist.

Using injection-molded EVA, the brand has created shockingly light, full-foam versions of its core line, which is usually made from cork and leather.

“All traditional Birkenstocks are made from cork and, naturally, cork is not meant to be sunk in water,” said Dania Shibliq, the company’s senior PR manager. She added the brand’s standard sandals can’t get wet without degrading the adhesives that hold the shoe together.

“We wanted to create a style for our customers that was water-friendly,” she said, explaining that consumers were increasingly

asking for sandals they could wear to the beach, pool or spa.

Unlike the brand’s regular offerings, the EVA versions can be hosed off if they get sandy or muddy during outdoor excursions.

“There’s 100 percent a lightweight play to be made here, too,” Shibliq said emphatically. “If you’re a hiker or a backpacker and you need something to strap on that you can wear lake-side or river-side and not add much weight to your pack, this is the perfect style.”

Birkenstock which currently carries the Arizona and Madrid styles in colorful EVAs, will release the Barbados and Honolulu (both sporty slides) next spring.

As for the material inspiration, Shibliq said that the new styles—which all retail for below \$50—are constructed from the same EVA that makes up the outsoles of the brand’s standard sandals.

Though the formulation’s density was tweaked (there’s not as much gas infused into the full-EVA styles), it’s a material the brand has long been using to support its contoured footbeds.

When asked whether the shoes’ lower price point and bright colors speak to a different consumer than the brand’s core demographic, Shibliq said the brand has definitely enjoyed some newfound attention from Gen Z shoppers.

“There’s a lot that speaks to that consumer. They’re fun, bright colors that we’re playing with,” she said.

Shibliq also thinks that the full-foam styles’ versatility speaks to the active, outdoor-loving set more clearly than ever before.

## SPONSORED CONTENT

## ORTHOLITE'S GREEN INVESTMENTS PAYING OFF

Higher quality product—and goods that meet consumers' sustainability demands—are what's leading the market.

Even in this price sensitive landscape, investment in innovation has an ROI that goes beyond dollars and cents, according to CB Tuite, Chief Sales Officer of OrthoLite. Here's how the company is meeting the green mandate and exceeding consumer expectations, wear after wear.

#### What's the catalyst toward more sustainable footwear components?

A unified commitment from brands, suppliers and factories driven by consumer demand. There is more awareness around the benefits of delivering sustainable solutions to the end user—this consumer is letting their wallet speak, and it has created a halo effect throughout the supply chain. If suppliers and brands are not focused on delivering product that performs and has eco-benefits, they will be left behind.

#### How is OrthoLite "greening" its practices?

Presently, OrthoLite uses solar power in our facilities, has created our own wastewater treatment facility, and has built our own proprietary recycling facilities to reuse post-product waste in patent-pending insole technologies. From a packaging standpoint, we deliver insoles in reusable boxes instead of corrugate and use biodegradable bags instead of poly bags. We've worked hard to ensure we're being eco-conscious every step of production process.

#### What other trends are important, and how are they shaping footwear design?

Brands focusing on higher quality footwear are winning, while those that are more focused on cost cutting have clearly lost market share. This investment benefit trend is gaining tremendous momentum. An investment into product is an investment into both brand equity and the consumer, and the return has been extremely positive.

Yes, brands need to hit target costs in this price sensitive market, but working collaboratively with best-in-class component suppliers to drive both innovation as well as cost efficiencies will benefit in the long run.

#### When it comes to comfort, what do consumers value the most?

Consumers absolutely value long-term comfort. Yes, step-in comfort drives product off the shelves, but consumers will keep coming back for that second pair when their footwear meets and exceeds expectations. That is why the investment benefit trend is important to brands.

OrthoLite is the least expensive way for brands to upgrade the overall quality and comfort of their shoes. The insole is the first thing your foot touches and brands recognize the importance of this. Today, OrthoLite is found in over 500 million pairs of shoes annually, and the focus on insole comfort by brands is not going anywhere.

## DR. SCHOLL'S OFFERS COMFORT WITH A CONSCIENCE

The longtime leader in comfort footwear threw its hat in the sustainability ring with a sneaker capsule for men and women.

Dr. Scholl's new line of sneakers feature a proprietary rice husk-infused outsole, which the brand said cuts down on the use of petroleum-based rubber. The styles are "crafted from heel to toe with eco-conscious, sustainably sourced materials," the brand said in a statement.

In addition to the husk outsoles, the shoes feature algae-based EVA foam midsoles, uppers made from 80 percent recycled plastic bottles, chrome-free leathers and non-synthetic, all-cotton linings. The complementary styles, called the Howe and the Herzog, each retail for \$100.

"We were given the opportunity to explore every possible option to create more sustainable shoes," said Andee Burton, the brand's product development manager. "This



shoe is our beacon of light."

Earlier this year, Dr. Scholl's collaborated with St. Louis-based rapper Mvstermind on a limited-edition men's sneaker that tested the recycled bottle knit upper and algae-based midsole. Burton said the process diverts algae from ecosystems in China and the U.S. that are being negatively impacted by overgrowth, saving fish and other wildlife.

While the brand admitted that it's at the beginning of its foray into sustainable materials, Dr. Scholl's said it's committed

to incorporating environmentally-friendly elements into all of its forthcoming collections. The brand will also be reworking its packaging, and plans on creating boxes made from recyclable materials and soy-based inks.

Dr. Scholl's said the recent efforts have already yielded measurable results. The company has invested in planting more than 6,000 trees, recycled over 8,000 landfill-bound plastic bottles, used more than 100,000 yards of sustainable materials and saved more than 1 million square feet of plastic.

"We understand that sustainability is a journey, not an end destination," said Jay Schmidt, division president of Caleres Brand Portfolio, adding that Dr. Scholl's has "continued goals for the future" when it comes to redefining both materials and processes.

—Kate Nishimura

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# VIVOBAREFOOT HARNESSSES PLANT POWER



Vivobarefoot, makers of minimalist footwear, believes there is power in plant-based sustainability—so much so that they've created a new sneaker, 30 percent of which is manufactured using renewable plant materials.

Vivobarefoot has made a name for itself in the footwear industry as a disruptor, thanks to its atypical and often innovative approach to footwear design. In 2017, for example, Vivobarefoot released a minimalist smart shoe powered by artificial intelligence, and it later partnered with algae-based performance materials company, Bloom, to create EVA foam. Vivobarefoot's new sneaker, The Primus Lite II Bio, is one of the first to be made with a thermoplastic polyurethane (TPU) created by Bloom's algae, yellow dent field corn and natural rubber—instead of a petroleum product.

According to Vivobarefoot, Bloom harvests the algae from freshwater sources at high risk of algal bloom, a natural event that can have devastating effects on an ecosystem. As a result, the brand says that Bloom actually "cleans and restores the environment" during the collection process.

Along with being environmentally-friendly, Vivobarefoot said the material is both lightweight and durable, reducing the overall weight of the shoe by about 10 percent.

"The launch of the Primus Lite Bio represents an exciting step away from the industry's reliance on single-use petroleum-based materials and towards a promising future of plant-based alternatives," Asher Clark, design director at Vivobarefoot, said. "We want to challenge the world's relationship with shoes, the materials they are made from and the impact they are having on us and our environment. Our ultimate goal is complete circularity."

The company has already collected some compelling evidence that using plant-based materials in a product can attract consumer interest. In April, Vivobarefoot commissioned an independent consumer study and found that 67.5 percent of people think the use of plant-based materials in a product is a "key factor" in determining whether or not it is sustainable. This means using plant-based materials could become a key differentiator, as one-third of all

consumers have already reported switching brands for sustainability reasons.

"The less you put between your feet and the environment, the better. Just like our other styles, Primus Lite II Bio was designed to let people's feet do their natural thing, while providing maximum sensory feedback from your body to your brain," Clark said, adding that

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**WE WANT TO CHALLENGE THE WORLD'S RELATIONSHIP WITH SHOES, THE MATERIALS THEY ARE MADE FROM AND THE IMPACT THEY ARE HAVING.**

— Asher Clark, Vivobarefoot

while there's still "significant" amount of non-plant based materials in the shoe, the company believes it's better to make incremental steps than none at all.

The brand said it is "on a mission" to phase out petrochemicals from its entire production line over the next two years.

—Christopher Hall

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## EVERLANE TO ‘TREAD’ LIGHTER ON THE PLANET

Everlane's Tread by Everlane is a new unisex sneaker brand the company is touting as the world's lowest-impact sneaker.

The sneaker market's impact on the environment results in billions of pairs ending up in landfills annually. Athletic footwear also has one of the largest carbon footprints, as it's made largely from virgin plastic.

Last year, Everlane set out to eliminate virgin plastic from its supply chain by 2021 with the introduction of ReNew, an outerwear collection made using recycled polyester derived from roughly 300 million plastic bottles.

"With Tread by Everlane, we're taking the next step forward in sustainability to better the sneaker industry and our environment with the mission to create a zero-impact sneaker," Alison Melville, Everlane general manager of footwear and accessories, told Sourcing Journal.

"Sneakers are filled with plastic, plastic that is impossible to break down and causes hundreds of millions of pairs to end up in landfills,"

Melville said. "To add to that, sneaker growth has grown tremendously over the last few years and it's largely a hype-driven style, only adding to the consumption and production of plastic. This is where we saw the need for a sustainable style in design and engineering."

It took two years for the brand to create the Tread by Everlane low-impact trainer. The brand enlisted two third-party firms to measure the trainer's carbon footprint and offset 100 percent of those emissions.

The biggest challenge with sneakers, Melville said, is the number of components in their construction. Plastic is lightweight and durable, "which is maybe great for sneakers, but not so great for the environment," she said, adding that the company was challenged with finding a material that could deliver on those traits with a lesser impact.

"Our solution was to develop a sole made by blending natural and post-industrial recycled rubber, and use recycled plastic

in every element that we could, from the lining to the laces," Melville explained. "From there, we looked to alternative materials and components, and the right factory partners."

The choice of alternate raw materials results in 18,000 pounds of rubber kept out of the landfill each year, and 54 percent fewer greenhouse gas emissions, Everlane noted. Tread by Everlane uses leather because of its aesthetic, comfort and durability, but the company needed a responsible supplier, which it found in Saigon TanTec. —*Arthur Friedman*



## REFORMATION STEPS UP ITS SHOE GAME

Reformation's launch of a dedicated shoe collection was a first in the Southern California brand's history.

The Ref shoes range features sustainably crafted espadrilles, flats and sandals for hot summer days "when you're wearing less and sweating more," according to the It Girl favorite.

The shoes were a long time coming. Though Reformation collaborated with the likes of Bulgarian footwear maker By Far in the past, those co-branded kicks were available for only a limited time. And shoes, the company discovered, are its customers' No. 1 requested item.

In keeping with Reformation's ethos, Ref shoes boast eco-friendly elements such as chrome-free leather and jute. Compared with most shoes sold in the United States, they save an average of 52 percent carbon emissions, 70 percent water and 65 percent waste, the brand notes. They also include strategic cutouts to "show some skin and make you look a little extra hot."



The inaugural 11-piece collection, which offers a "nod to the '90s," serves up feminine yet minimalist silhouettes in a bevy of metallics and playful pops of color. Prices start at \$128.

"Our mission at Reformation has always been to show that fashion and sustainability can co-exist," Yael Aflalo, founder and CEO at Reformation, told Sourcing Journal. "With that in mind, we're excited to launch our first Ref shoes collection and bring our sexy, vintage-inspired designs to your feet."

In addition to schooling shoppers about fashion's impact through content on its site, the fashion brand has also partnered with Arcadia Power, a clean energy company that optimizes home energy usage. To entice shoppers to switch to wind energy, the brand is offering \$100 gift cards for each sign up, a tactic it openly refers to as "a bribe." More than 586 Reformation fans have enrolled, according to the company, equating to taking 680 cars off the road for a year.

—*Jasmin Malik Chua*

# ADIDAS FINDS ITS (RE)PURPOSE WITH FUTURECRAFT.LOOP



Adidas is pushing the limits of upcycling with its new 100 percent recyclable sneaker, the Futurecraft.Loop—a high-performance running shoe designed to be worn, returned and remade.

Drawing from the experience gained from its partnership with Parley for the Oceans, Adidas will attempt to close the loop as tightly as has been seen in footwear. The Futurecraft.Loop will be composed of a single material,



thermoplastic urethane or TPU, and Adidas said it can be broken down entirely for repurposing into the next generation Loop products.

“Taking plastic waste out of the system is the first step, but we can’t stop there,” Eric Liedtke, executive board member responsible for global brands at Adidas, said in a statement. “What happens to your shoes after you’ve worn them out? You throw them away—except there is no away. There are only landfills and incinerators and ultimately an atmosphere choked with excess carbon or oceans filled with plastic waste. The next step is to end the concept of ‘waste’ entirely. Our dream is that you can keep wearing the same shoes over and over again.”

According to the brand, the biggest hurdle in the design process was getting around the traditional pitfalls that normally prevent footwear from being recyclable—namely the fact that most shoes are made by gluing multiple components together, resulting in a product that can only be downcycled.

To get around that, Adidas ditched the glue

and instead constructed the Futurecraft.Loop to be, essentially, a knitted upper molded and clean-fused directly to a Speedfactory-produced Boost midsole. Adidas said it will compel wearers of the Futurecraft.Loop to

“**TAKING PLASTIC OUT OF THE SYSTEM IS THE FIRST STEP. OUR DREAM IS THAT YOU CAN KEEP WEARING THE SAME SHOES OVER AND OVER AGAIN.**

— Eric Liedtke, Adidas

return the shoes to Adidas to be deconstructed and have its TPU repurposed. Each shoe will be washed, ground into pellets and melted down to return the material to its base state.

Adidas said it will use input gained from its global beta program to inform a second generation of Futurecraft.Loops, which should be accessible by the general public around Spring/Summer 2021. —Christopher Hall

## SPERRY'S HOLISTIC APPROACH TO SUSTAINABILITY

Sperry is doing its part to help the world's ocean pollution problem.

The brand has had a strong connection with the ocean ever since its first model, the Top-Sider, was designed by founder, Paul A. Sperry, to prevent accidents on slippery boat decks—now the footwear brand is looking to help protect the seas with a new collection composed of plastic recovered from oceans around the world.

The collection's release coincided with the announcement of Sperry's new, ongoing sustainability platform, "Look Good. Do Good." and was the first major initiative for the program. The line was produced in partnership with the Waterkeeper Alliance, an ocean sustainability NGO that will recover the plastic through its Ocean Plastic Recovery Initiative, and Bionic, a materials company that will make the yarn.

Featuring popular styles like the Authentic Original, the Captain's CVO and the women's Crest Vibe Sneaker, the collection is wide-ranging and offers options for men, women and children. However, the designs for

Sperry's Bionic collection differ from its more traditional styles and are, instead, inspired by "multi-colored sailboat sails with patchwork pieces and stitching details."

Taking a truly holistic approach to sustainability with the collection, Sperry packages its ocean plastic footwear in shoe boxes made from 100 percent recycled paper material. The brand has also pledged to use only vegetable ink and water-based glue in its packaging.

Sperry and the Waterkeeper Alliance have also partnered on a "voice-controlled experience" found on Amazon Alexa-capable devices. Consumers can ask for the experience by requesting that Alexa activate the "Sperry Waterkeeper" skill, which offers hints to keep plastic use down.

Sperry says its support of the Waterkeeper Alliance and Bionic will help clean up beaches and marine environments around the world, hopefully helping to curb the 8 million tons of plastic that find their way into oceans every year. —*Christopher Hall*

## NATIVE BOWS CONSUMER COMPOSTABLE FOOTWEAR

Native Shoes' latest project blends sneakers and science.

Athletic footwear are among the most toxic contributors to footwear waste. These styles and their myriad components can linger in landfills indefinitely, refusing to break apart or decompose.

With the release of its new Plant Shoe, a casual lace-up made entirely from plant-derived components, Native promises to be the first waste-free sneaker.

According to the brand's creative director, Mike Belgue, the new design was spurred by the company's commitment to becoming "100 percent life-cycle managed" by 2023. The Plant Shoe is made from totally biodegradable, animal-free materials—and its consumer-compostable, he said.

"The next step beyond our current recycling initiative was to create something that wouldn't need to be reused or recycled, but instead, generate zero waste. Something that was born from the earth and could go back into it," Belgue explained.

After two years of research and material testing, the sneaker materials list reads like a grocery list.

The shoe's upper is woven from carded pineapple husk and organic cotton, while an organic linen sock liner covers its kenaf and corn felt insole. The outsole is made from natural lactae hevea or "rubber milk," with a cork and sisal-based midsole. The shoe's components are held together by olive oil-soaked jute thread and natural latex glue.

The Plant Shoe follows Native's Remix Project, which also addresses post-consumer footwear waste. Consumers can drop off their worn Native shoes at select locations or send them in through the Zappos for Good platform. Through a proprietary process, the shoes are reground into material for playground flooring, insulation and more.

—*Kate Nishimura*





## PUMA'S NEW LINE MAKES PLASTIC (WASTE) FANTASTIC

Puma is joining the fight against plastic pollution.

The brand announced a new collaboration with First Mile, a producer of recycled polyester sourced from plastic refuse collected in low-income communities, to create a new sportswear capsule for Spring/Summer 2020.

With the addition of the new capsule, Puma is entering the ranks of brands that have begun to fight back against the inundation of plastic in our environment by reconstructing it into usable apparel.

"Plastic pollution is one of the most pressing environmental problems the world faces today," Adam Petrick, global director of brand and marketing for Puma, said. "That is why we are very excited to join First Mile and be a part of the solution while supporting low-income communities and transparency in supply chains."

Turning plastic into raw materials for footwear has caught on in recent years and companies are ramping up their intake of the new input.

Adidas recently announced plans to double the production of footwear it produces with recycled plastic and Sperry launched a collection of recycled polyester footwear earlier in March. In the past couple of months,

retailers like Inditex, Target and Walmart have also pledged to reduce the amount of plastic in their packaging and products.

First Mile, Puma's partner in this new venture, collects the raw materials for their recycled polyester yarn from plastic bottles picked up from the "streets, canals and landfills" of towns in Haiti, Honduras and Taiwan. It's collection network, which the organization says is about 4,000 people strong, helps to keep those areas free of unwanted plastic while also providing a unique sourcing opportunity for brands like Puma.

Puma said the capsule will be another aspect of its 10for20 sustainability campaign, which began in 2016 and is based on the United Nation's Sustainable Development Goals. Aside from the Puma x First Mile collection, Puma has made a number of sustainability-minded improvements to its company—including the implementation of sustainable cotton into its supply chain two years ahead of its initial schedule.

The new capsule will include footwear and apparel with a focus on outdoor elements and practical features like utility pockets. Puma says it will be released in either Q1 or Q2 of 2020. —*Christopher Hall*

## NAT-2 UPCYCLES SOUR MILK

Got milk? Nat-2 certainly does.

The Munich-based shoemaker recently partnered with German microbiologist Anke Domaske (of Qmilk fame) to engineer a "100 percent natural" sneaker upper derived from soured milk no longer fit for human consumption.

Two million tons of milk are disposed of in Germany alone, according to Domaske, who extracts the milk protein casein and spins it into yarn using a water-efficient process that requires no toxic chemicals and leaves behind zero waste.

The resulting fabric is silk-like in hand and appearance, with properties that reportedly include moisture and temperature management, bacterial resistance and reduced skin irritation.

Nat-2's Milk line marks the first time milk fabric has been applied to shoes. To increase the material's durability, the company blended 30 percent casein fibers with 70 percent wool to create a first-of-its-kind "milk felt" that is compostable at the end of its life.

"The milk material is 100 percent [natural] and shows improved skills towards regular felt," it wrote on its website. "Due to the mix of wool and real milk fibers the touch is soft and silky,

**“ THE NEW NAT-2 LINE SETS OUT TO SOLVE AN ENVIRONMENTAL PROBLEM: TWO MILLION TONS OF MILK ARE DISPOSED OF IN GERMANY ALONE.**

while peeling is eliminated, dirt does not get a hold and the strength is improved.”

The shoes, which start at 299 euros (\$338), come in unisex high-top and low-top styles and colors such as off-white, greige and navy. Handmade in Italy, each one comprises a cork insole, a rubber outsole and a vegetable-tanned leather lining.

Nat-2 is a veteran at dabbling with unusual materials. In the past, the brand has experimented with mushroom "leather," coffee grounds and even grass.

—*Jasmin Malik Chua*





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