DEFENSE INDUSTRIAL BASE ASSESSMENT OF THE U.S. FOOTWEAR INDUSTRY

2017

PREPARED BY
U.S. DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
OFFICE OF TECHNOLOGY EVALUATION

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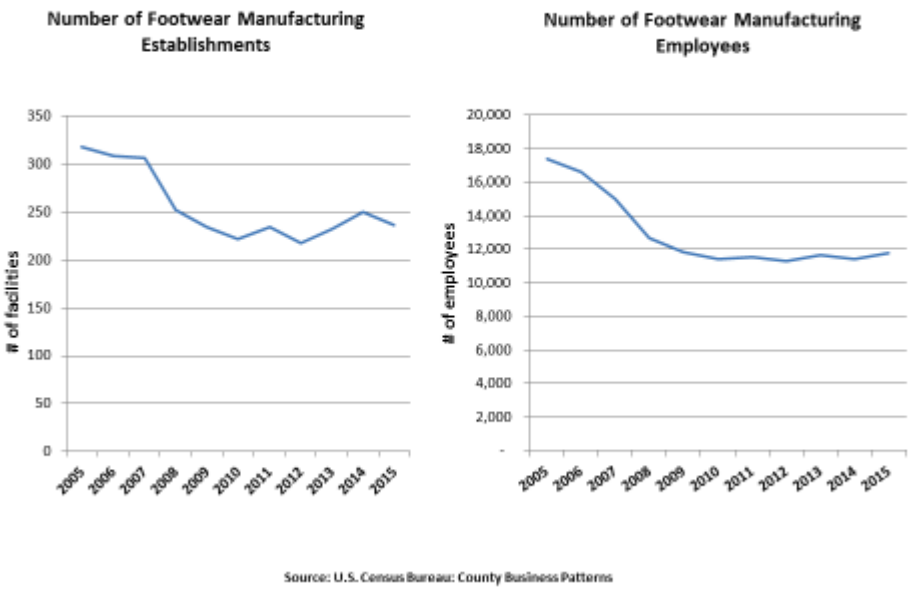
I. INTRODUCTION

The U.S. footwear manufacturing industry consists of companies engaged in the production of footwear product categories such as rubber and plastic footwear, house slippers, and men's or women's footwear designed for work, formal, casual, or other use. In 2015, U.S.-manufactured footwear accounted for only 1.6 percent of the U.S. footwear market.[1] According to U.S. Census Bureau's County Business Patterns (CBP) data, the U.S. footwear manufacturing industrial base continued to decline between 2005 and 2009, during which the number of manufacturing facilities fell by 26 percent – from 318 to 236 – and employment dropped by 32 percent – from 17,403 to 11,818 (see Figure I-1).[2] Since 2009, the number of facilities and employees have leveled off and remained consistent.

Figure I-1: U.S. Footwear Manufacturing Industry Patterns



Source: U.S. Census Bureau: County Business Patterns

[1] *See,* U.S. International Trade Commission, https://www.usitc.gov/research_and_analysis/trade_shifts_2015/footwear.htm

[2] The CBP is an annual series that provides economic data such as number of establishments and employment by industry. *See,* https://www.census.gov/programs-surveys/cbp.html

The United States imports over 98 percent of its footwear. U.S. imports of footwear totaled $27.7 billion in 2015, with China by far the largest supplier of footwear, accounting for 62 percent of imports.[3] However, the Chinese market share has steadily decreased from its peak of 74 percent in 2011, with Vietnam and Indonesia accounting for increasing portions of the U.S. import market.

While U.S.-produced footwear accounts for a small portion of domestic commercial consumption, a significant portion of U.S. footwear manufacturing is devoted to producing for the U.S. Government. Since the enactment of the Berry Amendment (10 USC, Section 2533a) in 1941, the U.S. Department of Defense has been required to purchase U.S.-made uniforms, textiles, and footwear. Some organizations view the Berry Amendment as essential to the viability of the U.S. textile, apparel, and footwear industrial base. Additionally, the Kissell Amendment (6 USC 453b) of 2009 expands the provisions of the Berry Amendment to U.S. Department of Homeland Security (DHS) procurement for textiles, clothing, and footwear products. While fewer organizations currently produce under the Kissell Amendment than under the Berry Amendment, many view the potential increase in sales volumes as stabilizing to their U.S. workforce and production lines.

In late 2015, the U.S. Congress requested that the U.S. Department of Commerce, Bureau of Industry and Security (BIS) update its 2003 assessment of the U.S. Textile, Apparel, and Footwear Industry. The updated assessment focuses on the health, competitiveness, and

[3] *See,* U.S. International Trade Commission, https://www.usitc.gov/research_and_analysis/trade_shifts_2015/footwear.htm; and World Integrated Trade Sol., http://wits.worldbank.org/CountryProfile/en/Country/USA/Year/2015/TradeFlow/Import/Partner/all/Product/64-67_Footwear

contribution of the industry to the U.S. economy. This report covers organizations that operate footwear manufacturing facilities in the U.S. The U.S. textile and apparel industry is covered in a separate BIS report.[4]

The following objectives were developed for this industrial base survey and assessment:

- Identify dependencies on foreign sources for critical materials;
- Evaluate potential threats to security due to foreign sourcing and dependency;
- Locate points of weakness within the domestic footwear supply chain;
- Measure the industry's capacity to increase production in a national emergency;
- Examine Berry and Kissell Amendments and other Buy-American provisions; and
- Explore concerns and issues faced by domestic footwear producers.

BIS performed this data collection and assessment under authority delegated to the U.S. Department of Commerce under Section 705 of the Defense Production Act of 1950, as amended, and Executive Order 13603. These authorities enable BIS to conduct surveys, study industries and technologies supporting the national defense, and monitor economic and trade issues affecting the U.S. industrial base.

Other industrial base assessments recently completed by BIS include: the U.S. Space Industry "Deep Dive," the Consumers of Electro-Optical Satellite Imagery, and the U.S. Strategic Material Supply Chain Assessment: Titanium.[5]

[4] View these and other industrial base reports on the BIS webpage: www.bis.doc.gov/dib.
[5] See www.bis.doc.gov/dib.

BIS worked with a number of U.S. Government agencies, including the U.S. Defense Logistics Agency (DLA), the U.S. Department of Commerce Office of Textiles and Apparel (OTEXA), the Congressional Research Service (CRS), and the U.S. Government Accountability Office (GAO), as well as with individual company executives and industry organizations. BIS also conducted site visits to a number of U.S. footwear manufacturers to gain a better understanding of operational and business practices specific to the industry. These interactions aided in the development of a mailing list and in designing a survey instrument that covered issues faced by both industry and U.S. Government stakeholders.

The content of the survey instrument, which primarily covers the periods 2012-2016 and 2017-2021, addresses multiple categories of respondent information, including sections dedicated to:

- Organizational Information
- Products
- Suppliers, Inventories, Inputs, and Sourcing
- U.S. Government Defense and Non-Defense Participation
- Operations and Challenges
- Sales and Financials
- Customers and Competitors
- Competitive Factors
- Workforce
- Research and Development (R&D)
- Capital Expenditures (CAPEX)

BIS distributed the footwear survey in November 2016 to 106 organizations identified by a combination of U.S. Government and industry sources. A total of 44 organizations representing 78 facilities responded and completed the survey. The response data was reviewed, tabulated, and analyzed for this report.

With respect to the 62 organizations that did not complete the BIS survey, 42 were exempted from the survey requirement as these organizations no longer/did not operate manufacturing facilities in the U.S. This included importers, distributors, and those who used non-U.S. contract manufacturers. BIS exempted 10 organizations and brands that shared a parent company or had merged with other organizations that submitted survey responses. Five organizations were exempted for being too small – BIS decided to provide exemptions from the survey requirement for organizations with less than 10 employees. Additionally, two companies were exempted for being out of scope of the assessment, and three companies were no longer in business. By comparison, 55 percent were exempt from the U.S. Textile and Apparel Industry study. In both studies BIS was surprised by the overall decline in overall U.S. manufacturing capabilities.

II. SELECT FINDINGS

- **Respondent Profile:** BIS received completed surveys from 44 footwear manufacturers operating a total of 78 manufacturing facilities – 65 in the U.S. and 13 outside of the U.S.

- **Sales and Financial Performance:** Respondents' total annual footwear-related sales rose from $7.2 billion in 2012 to $8.5 billion in 2016, or by 18 percent. Sales from finished pairs manufactured in the U.S. averaged 17 percent of total sales during this period, rising from $1.36 billion in 2012 to $1.51 billion in 2016. Much of this growth can be attributed to the growth in Berry Amendment-related sales, which rose from $141 million in 2012 to $253 million in 2016. In assessing the financial risk of footwear manufacturing organizations, no respondents received an overall high/severe financial risk score.

- **Capital Expenditures (CAPEX) and Research and Development (R&D):** U.S. footwear CAPEX and R&D spending both grew significantly between 2012 and 2016. Much of CAPEX, which grew from $139 million to $170 million during this period, was driven by "Land, Buildings, and Leasehold Improvements" spending. Future priorities listed focused on improving productivity through the purchase of machinery and equipment. R&D expenditures increased from $52 million to $83 million during the period 2012 through 2016 and were largely focused on product and process development, with the goals of expanding product ranges and innovation in the production process.

- **Workforce:** The count of footwear-related full time equivalent employees reported by survey respondents remained relatively steady during the 2012-2016 period, increasing from 19,078 to 20,503. Workforce-related issues ranked highly among U.S. footwear manufacturers' concerns, having been selected as three of the four top organizational challenges. Labor availability was a major concern for U.S. footwear manufacturers, which was exacerbated by an aging workforce and difficulties with attracting younger workers.

- **Products and Production Capabilities:** Total footwear pairs manufactured in the U.S. by the survey respondents decreased by 2.8 percent from 2012 to 2016, from 14.9 million to 14.5 million pairs. However, 2016 saw a 3.7 percent increase from 2015 in total production. The growth between 2015 and 2016 can be attributed to the increase of Berry Amendment-related footwear manufacturing, which increased by almost 800,000 pairs. While 61 percent of respondents were either "Very Confident" or "Somewhat Confident" that they could obtain the material necessary to ramp up production in the event of a national emergency, workforce issues like labor availability were cited as the primary concern for achieving such a surge.

- **Customers and Competitors:** A large majority of customers reported (both U.S. and non-U.S) by U.S. footwear manufacturers were identified as commercial enterprises, with Government entities accounting for less than 15 percent of responses. Regarding competitors, price was the major competitive attribute of non-U.S competitors listed. The leading competitive attributes of U.S.-based footwear competitors were both price and range of capabilities.

- **Competitive Factors:** In order to remain price competitive against domestic and foreign footwear manufacturers, respondents were most likely to be investing in technologies and "advanced manufacturing techniques" in order to reduce costs and increase production efficiency. Other respondents planned to improve marketing strategies to "promote the 'Made in USA' label" as a way to counter foreign competition.

- **Challenges and Outreach:** Workforce-related issues ranked highly among U.S. footwear manufacturers' concerns, having been selected as three of the four top organizational challenges. "Labor Availability/Costs" was the overall most common challenge, followed by "Healthcare Costs", Competition – Foreign", and "Worker/Skills Retention." The leading areas of interest among respondents in receiving further information and outreach were "Continuous Improvement/Lean Manufacturing," "Export Assistance," and "Vendor/Material Sourcing."

- **Supply Chain Network:** U.S. footwear manufacturers – especially those who produce Berry Amendment-compliant footwear for the U.S. Government – face a diminished U.S. supply base and increasing foreign dependencies for at least some products, services, materials, and machinery/equipment.

- **Cybersecurity:** Nearly 80 percent of respondents reported having defined cybersecurity policies and procedures for protecting Commercially Sensitive Information (CSI), although only 36 percent of respondents had increased their information security budgets since 2012.

Nearly one third of respondents reported experiencing cybersecurity events, such as "User idle time and lost productivity because of downtime of systems."

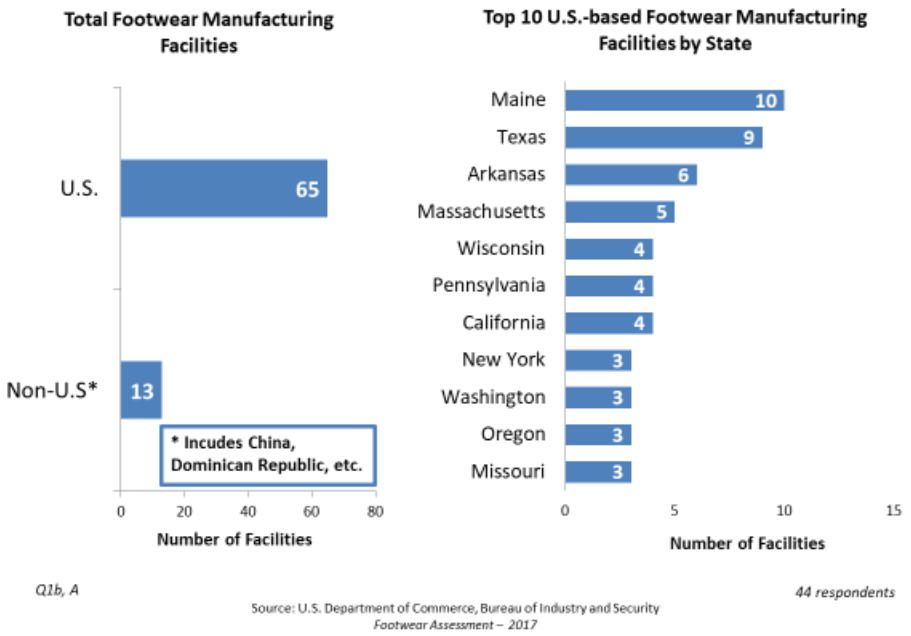
- **Participation in U.S. Government Programs and the Berry and Kissell Amendments:** Thirteen of 44 respondents reported that they manufactured footwear for the U.S. Government (USG) at some point between 2012 and 2016. They identified a combination of insufficient profit margins, infrequent orders, and demand volatility as factors affecting their interest in USG business. USG suppliers were positive about the impacts of the Berry Amendment on their business and largely supported expanding both the product groups and the number of USG agencies subject to it. The Kissell Amendment was viewed as "halfway to Berry" by respondents; its expansion and the elimination of exemptions would increase USG demand and could have a positive impact on the U.S. footwear manufacturing industry.

III. Respondent Profile

BIS received survey responses from 44 organizations that manufacture footwear in the U.S. In order to create organization profiles for further analysis, BIS asked a series of questions about organization size and type. Respondents were asked to list their organization's facility locations within the U.S. and outside of the U.S., if applicable. Additionally, the profile questions asked for organization type, lines of business, and whether manufacturing operations include defense-related production.

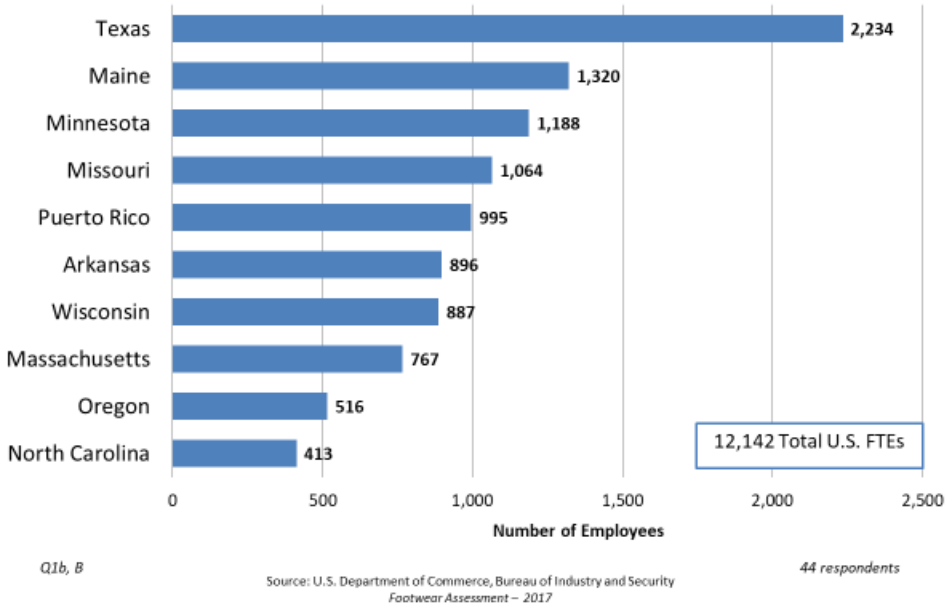
The 44 organizations reported operating a total of 78 manufacturing facilities (see Figure III-1). Of the 78 total facilities, 65 facilities (83 percent) were in the U.S. and 13 facilities (17 percent) were outside of the U.S. The 44 companies that manufacture footwear reported total sales of $8.5 billion in 2016. Maine, Texas, and Arkansas hosted the largest number of footwear manufacturing facilities. For organizations with non-U.S.-based facilities, China and the Dominican Republic were the two most-listed non-U.S. facility locations.

Figure III-1: Footwear Manufacturing Facilities by Location



The 44 survey respondents reported a total of 20,503 footwear-related full-time equivalent (FTE) employees in 2016. Of that total, 12,142 FTEs (59 percent) worked directly in manufacturing at 65 U.S. footwear manufacturing facilities. The remainder, employed at headquarters and other company locations, represented occupations such as administration and management, retail, sales, and distribution. The largest number of footwear-manufacturing employees were in the states of Texas, Maine, and Minnesota (see Figure III-2).

Figure III-2: Top 10 U.S. States - Full Time Equivalent (FTE) Footwear Manufacturing Employees



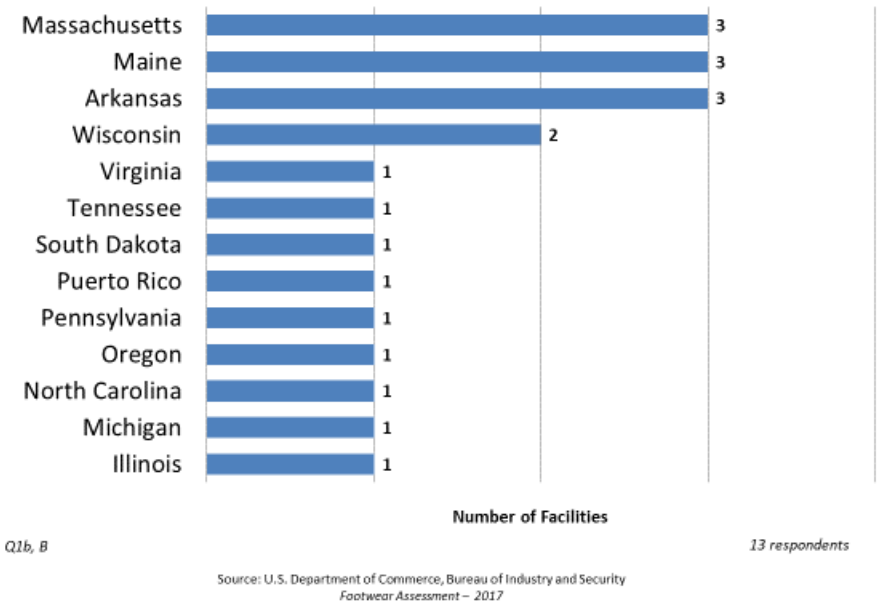
Q1b, B

44 respondents

Source: U.S. Department of Commerce, Bureau of Industry and Security
Footwear Assessment – 2017

Of the 65 identified footwear manufacturing facilities in the U.S., 20 facilities (31 percent) reported some defense-related production (see Figure III-3). The states with the highest number of defense-related footwear manufacturing facilities were Massachusetts, Maine, and Arkansas. The remaining facilities were located across nine other states and the U.S. Territory of Puerto Rico.

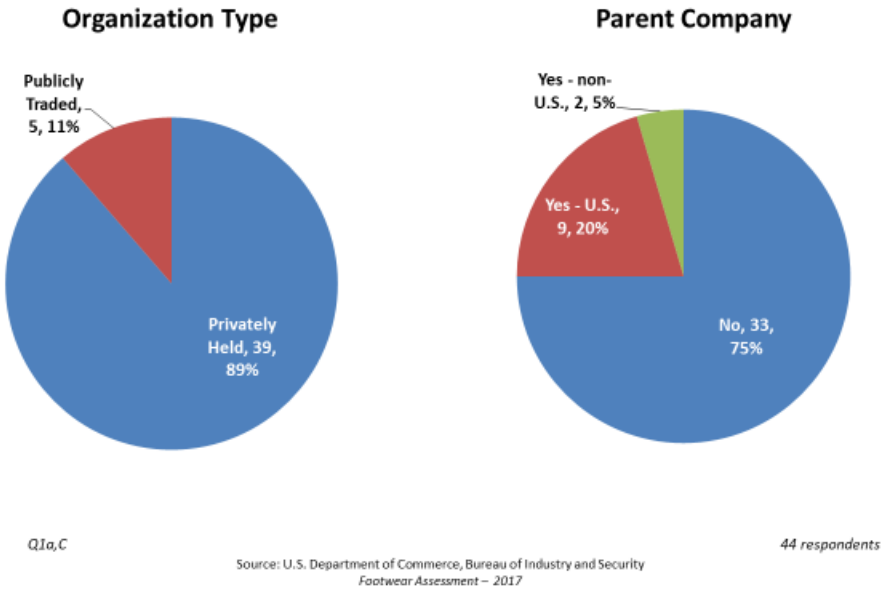
Figure III-3: Defense-related Footwear Manufacturing Facilities



Source: U.S. Department of Commerce, Bureau of Industry and Security
Footwear Assessment – 2017

A large majority of the responding organizations, 39 out of 44 (89 percent), were privately held (see Figure III-4). Eleven respondents (25 percent) reported having a parent organization - nine of which were based in the U.S., and two outside of the U.S. The two non-U.S. parent organizations represented two facilities each.

Figure III-4: U.S. Footwear Organizations - Ownership



Q1a,C *44 respondents*

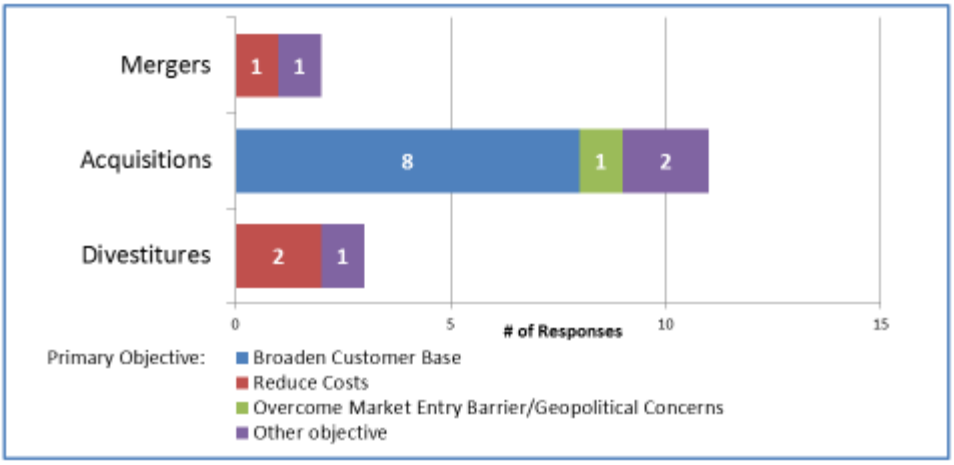
Source: U.S. Department of Commerce, Bureau of Industry and Security
Footwear Assessment – 2017

Of the 44 respondents, 11 reported a total of 16 mergers, acquisitions, and divestitures (M&As) from 2011-2016 (see Figure III-5). Thirteen of the 16 M&As (81 percent) were with U.S. companies; the remaining three M&As (19 percent) were with a Canadian, an Italian, and a United Kingdom (U.K.) company. When asked about the objectives of the M&A activities, respondents indicated that the main objective behind the acquisitions was to "Broaden Customer Base," with eight responses. The primary objective for mergers and for divestitures was to "Reduce Costs."

Figure III-5: Mergers, Acquisitions & Divestitures (2012-2016)

16 reported mergers, acquisitions and divestitures

- 13 with U.S. companies
- 1 each with Canadian, Italian and U.K. companies (all acquisitions)



Q2, A

Source: U.S. Department of Commerce, Bureau of Industry and Security
Footwear Assessment – 2017

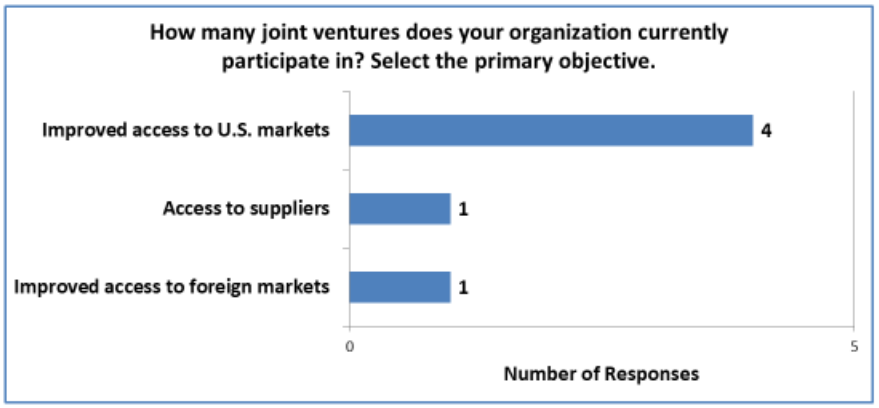
11 respondents

Three respondents reported a total of six joint ventures since 2012 (see Figure III-6). Two joint ventures were reported with one Colombian company. The remaining four joint ventures were with a British Virgin Island, a Hong Kong, a Mexican, and a U.S. company. The most selected objective of the joint ventures was "Improved access to U.S. markets," with four selections (67 percent), followed by "Access to Suppliers" and "Improved Access to Foreign Markets," with one selection each.

Figure III-6: Joint Ventures

Six joint ventures reported

- Two joint ventures with 1 Colombian company
- One each with British Virgin Island, Hong Kong, Mexican, and U.S. companies



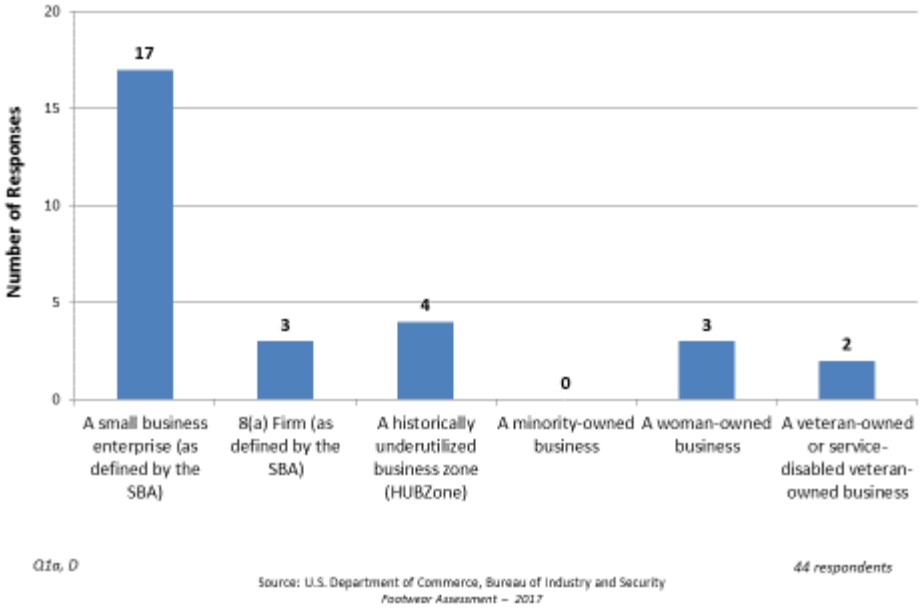
Q2, B *3 respondents*

Source: U.S. Department of Commerce, Bureau of Industry and Security
Footwear Assessment – 2017

BIS also asked respondents if their organizations qualified under any of the listed small or disadvantaged business types. Seventeen respondents (39 percent) qualified as a small business enterprise, as defined by the Small Business Administration (SBA)[6] (see Figure III-7). Four organizations (9 percent) were located in a Historically Underutilized Business Zone (HUBZone).[7] Three organizations (7 percent) were woman-owned businesses, and three organizations qualified as 8(a) Business Development Program Firms.[8]

[6] https://www.sba.gove/sites/default/files/files/Size_Standards_Table.pdf
[7] https://www.sba.gov/contracting/government-contracting-programs/hubzone-program/understanding-hubzone-program
[8] https://www.sba.gov/contracting/government-contracting-programs/8a-business-development-program/eligibility-requirements/8a-requirements-overview

Figure III-7: U.S. Footwear Organizations by Business Types



For the purposes of this assessment, respondents were categorized as small, medium, and large organizations based on their 2016 total sales from footwear manufactured in the U.S. (rather than their employee size or overall total sales). Small U.S. manufacturers were defined as respondents with sales under $10 million, medium as having sales between $10 million and $50 million, and large as greater than $50 million in sales. Using this method, 24 respondents (55 percent) were categorized as small. These small U.S. footwear manufacturers employed roughly six percent of the nearly 20,503 reported FTE employees. Medium-sized organizations accounted for 27 percent of responses and 22 percent of employees. Large organizations accounted for 18 percent of the survey responses, but employed 72 percent of the 2016 total reported employees (see Figure III-8).

Figure III-8: Respondent Size Categorizations by 2016 Annual Sales of U.S.-Produced Footwear

Size	2016 Annual Sales (U.S.-Produced Footwear)	Number of Respondents	Average Number of Employees
Small	Under $10 million	24	47
Medium	$10 million - $50 million	12	382
Large	Over $50 million	8	1,848

44 respondents

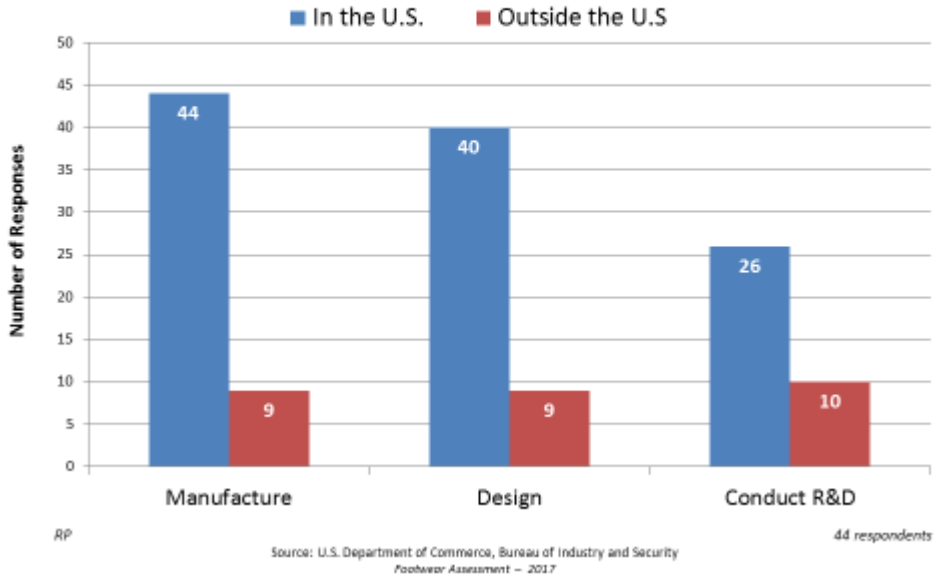
Source: U.S. Department of Commerce, Bureau of Industry and Security
Footwear Assessment – 2017

Many footwear companies in the U.S. are primarily owners of brands and brand names that contract footwear production to independent manufacturers in non-U.S. locations. They maintain design and research and development (R&D) capabilities in the U.S. as well as sales, marketing, and distribution operations. A number of large U.S. footwear companies make only a fraction of their footwear in the U.S. Some smaller operations manufacture all of their footwear in the U.S. As a result, some large, global companies are represented in the survey results as medium or small U.S. manufacturers, (or not represented at all) because they have a limited or non-existent U.S. manufacturing presence.

Because the scope of this assessment includes only those organizations that manufacture footwear in the U.S., all 44 respondents answered in the "Respondent Profile" section of the BIS survey that they have footwear manufacturing capabilities in the U.S. (see Figure III-9). Nine respondents (20 percent) indicated that they also manufacture footwear outside of the U.S. In

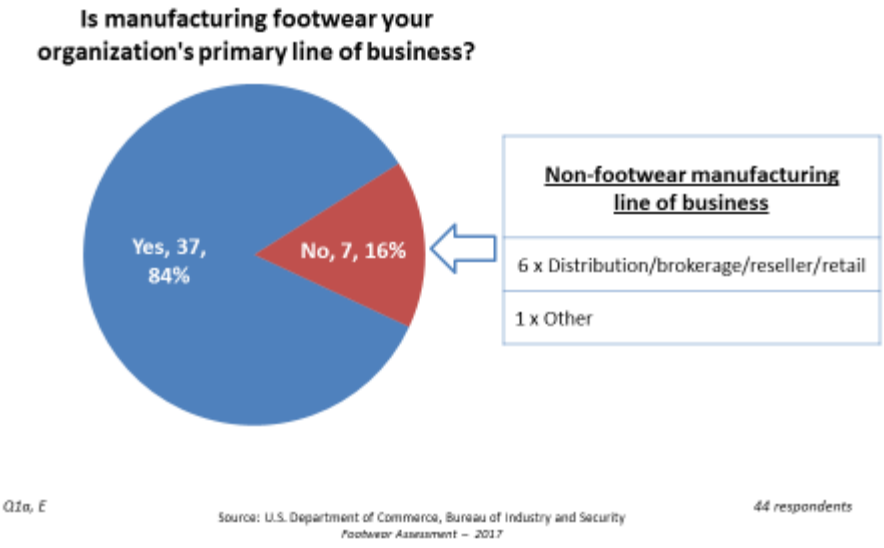
addition to manufacturing, BIS also asked if respondents designed footwear or conducted footwear-related research and development (R&D) in U.S. and non-U.S. locations. Forty respondents (91 percent) designed footwear in the U.S., and 26 respondents (59 percent) conducted R&D in the U.S.

Figure III-9: U.S. and Non-U.S. Footwear Operations Manufacture, Design, and R&D



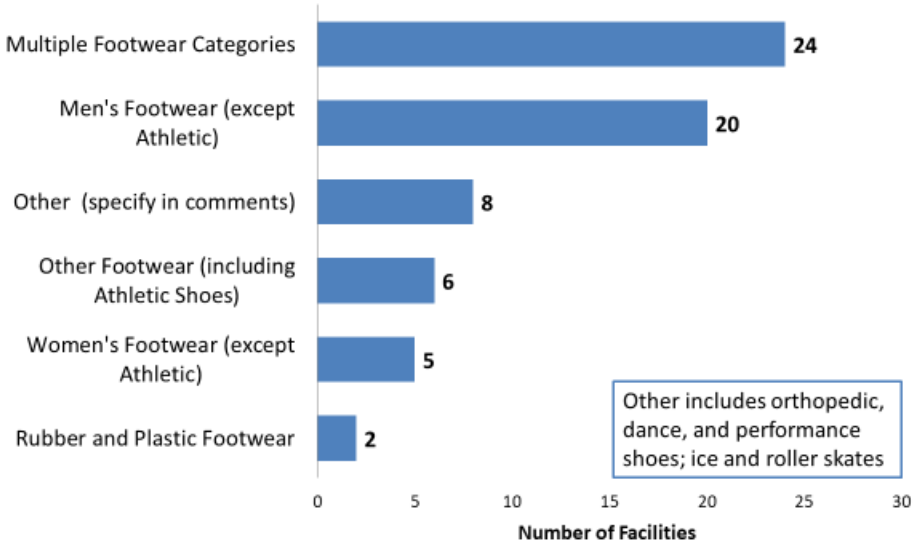
Thirty-seven respondents (84 percent) indicated that manufacturing footwear was their primary line of business (see Figure III-10). Out of these, ten also reported other lines of business, such as "Other Manufacturing (including Assembly)" and "Distribution/Brokerage/Reseller/Retail." Of the remaining seven organizations, six indicated that "Distribution/ Brokerage/Reseller/Retail" was their primary line of business.

Figure III-10: Primary Line of Business



Respondents were asked to identify the primary footwear product categories manufactured at their U.S. facilities. Seven footwear product categories were used, as defined and classified by the North American Industry Classification System (NAICS). The most common responses were "Multiple Footwear Categories" and "Men's Footwear (except Athletic)," with 24 facilities (37 percent) and 20 facilities (31 percent), respectively (see Figure III-11).

Figure III-11: U.S. Footwear Manufacturing Facilities - Product Lines



Q1b, B

44 respondents

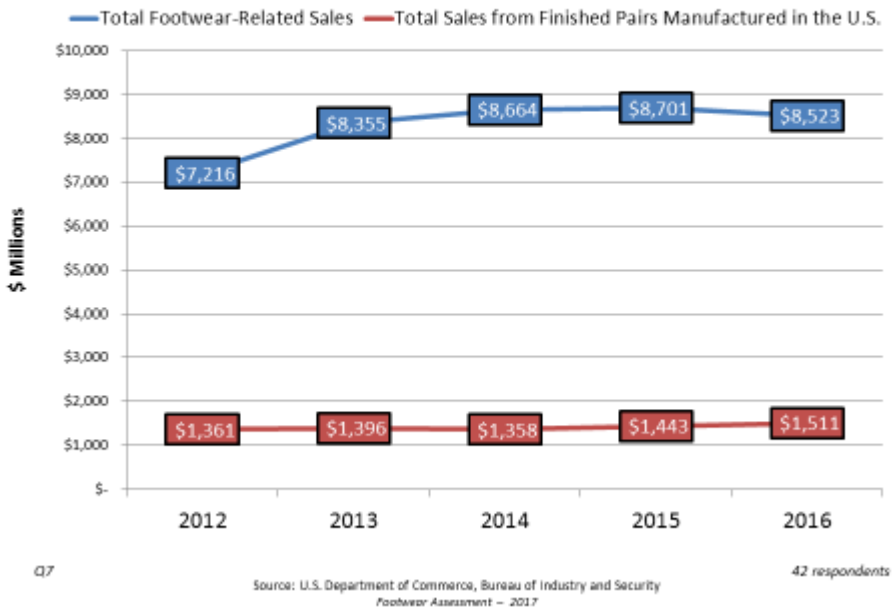
Source: U.S. Department of Commerce, Bureau of Industry and Security
Footwear Assessment – 2017

IV. Sales and Financial Performance

Sales

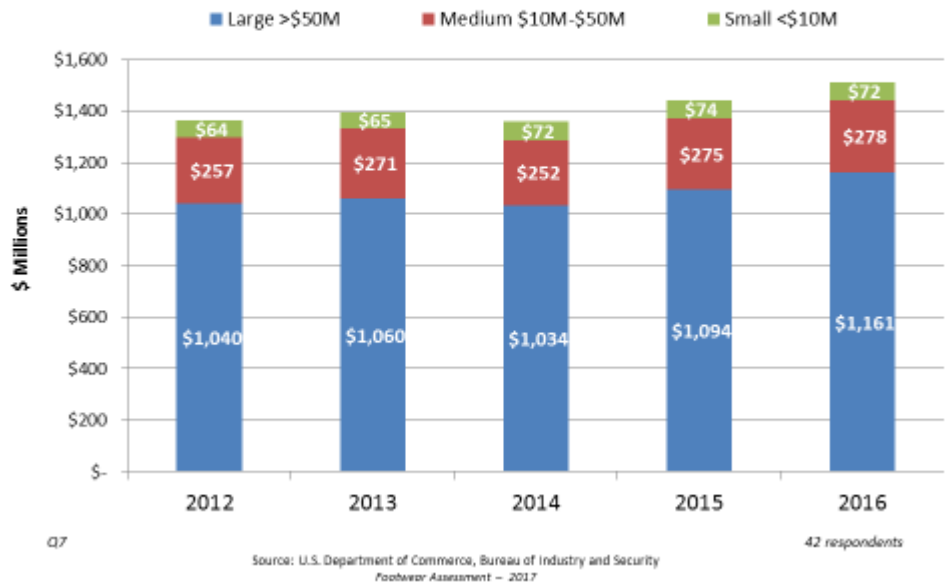
Respondents' total annual footwear-related sales (U.S. manufactured and imported) rose from $7.2 billion in 2012 to $8.5 billion in 2016, an 18 percent increase. Sales from finished pairs of footwear manufactured in the U.S. averaged 17 percent of total sales during this period, rising from $1.36 billion in 2012 to $1.51 billion in 2016 (see Figure IV-1). During the period, small and large organizations saw the highest growth in sales from footwear manufactured in the U.S., with 12.5 percent and 11.6 percent growth, respectively. Sales from footwear manufactured in the U.S. by medium-sized companies grew 8.2 percent.

Figure IV-1: U.S. Footwear Manufacturers Sales (2012-2016)



The eight large U.S. manufacturers (companies reporting over $50 million in 2016 annual sales from footwear manufactured in the U.S.) consistently comprised 76 percent of sales from U.S.-manufactured footwear for the period between 2012-2016. The 12 medium-sized U.S. manufacturers (companies with $10 million - $50 million in 2016 annual sales) averaged 19 percent, and the 24 small companies (less than $10 million in 2016 annual sales) averaged five percent (see Figure IV-2).

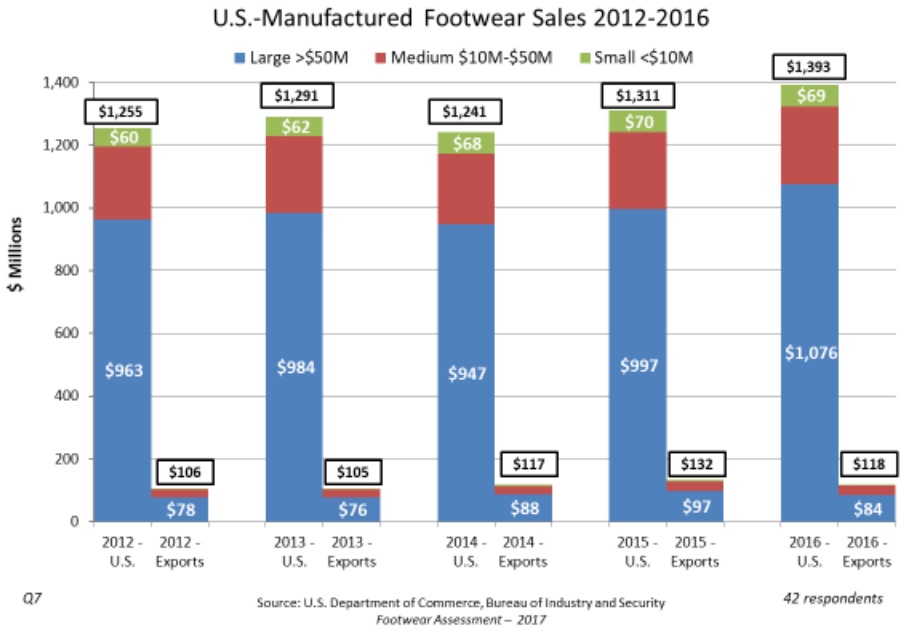
Figure IV-2: Total Sales from U.S.-Manufactured Footwear by Organization Size



Exports accounted for around eight percent, on average, of total sales from footwear manufactured in the U.S. Exports grew by 11 percent, from $106 million in 2012 to $118 million in 2016. The majority of export sales – 73 percent on average – were reported by large U.S. manufacturers (see Figure IV-3). Medium-sized manufacturers accounted for 24 percent of exports sales, on average, while small organizations were responsible for only three percent. U.S. manufacturers who produced defense-related footwear items under the Berry Amendment

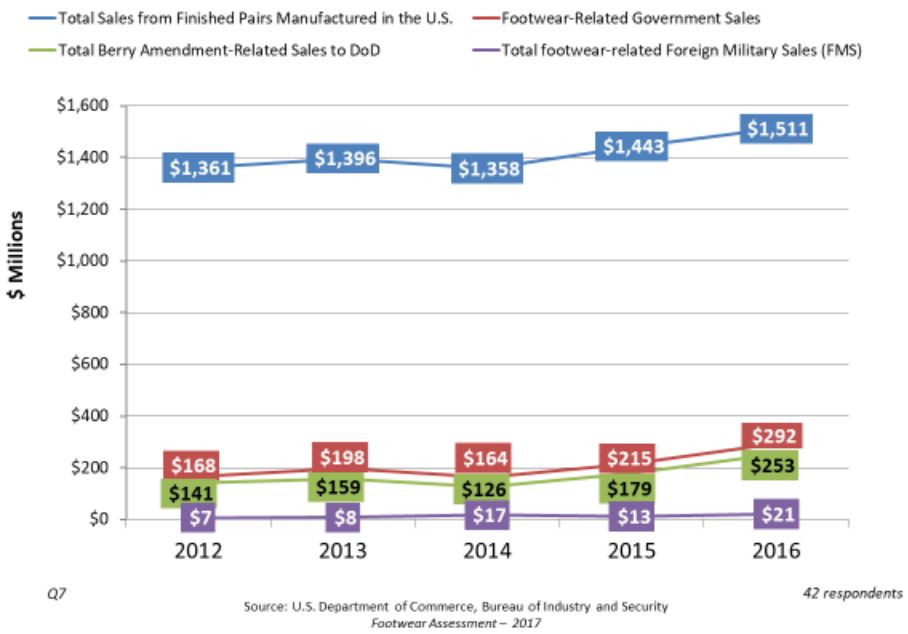
increased their share of exports every year, from 25 percent ($26.8 million) in 2012 to 61 percent ($71.5 million) in 2016.

Figure IV-3: U.S. Footwear Sales, U.S. and Exports: 2012-2016



In the period from 2012 to 2016, footwear-related Government sales (which includes Berry Amendment-related sales) increased from 12 percent ($168 million) to 19 percent ($292 million) of total U.S.-manufactured footwear sales (see Figure IV-4). Five companies reported that they depend on U.S. Government sales (Federal, State, and Local) for more than 25 percent of their total sales.

Figure IV-4: U.S.-Manufactured Footwear Sales: 2012-2016



Berry Amendment-related footwear sales accounted for the majority of Government sales from 2012 to 2016, with 82 percent on average. Berry Amendment-related sales increased from $141 million and 10.3 percent share of total U.S.-manufactured footwear sales in 2012 to $253 million and 16.8 percent in 2016. This 80 percent increase in Berry Amendment-related sales from 2012 to 2016 is responsible for 75 percent of the growth in total sales from footwear manufactured in the U.S. during the same period.

Foreign Military Sales (FMS) also grew significantly during this period, from $7 million in 2012 to $21 million in 2016, a 200 percent increase.[9] Israel and Mexico were the only FMS recipient countries listed by more than one organization (three and two responses, respectively). It is important to note that some sales to foreign governments were recorded under Berry-

[9] For more on the Foreign Military Sales program, see http://www.dsca.mil/programs/foreign-military-sales-fms

Amendment-related sales to the U.S. Department of Defense (DoD), due to the fact that the U.S. Defense Logistics Agency (DLA) brokers many FMS sales.

Financials and Financial Risk

Respondents provided data on select financial accounting items, including net and operating income, assets, liabilities, and inventories. BIS used this financial data and developed a customized financial risk metric to better capture the overall financial condition of respondents and their likelihood of bankruptcy. The model was based largely on standardized financial ratios covering profitability, liquidity, leverage, and default probability of the organizations over time. Additional select qualitative data were taken into account during the financial risk evaluation.

Respondents were assigned both annual financial risk scores as well as an overall financial risk rating for the period between 2012-2016. Based on this scorecard, respondents were categorized as low/neutral risk, moderate/elevated risk, or high/severe risk. Some respondents did not have data for all years or all measures and as a result could not be assigned a financial risk score. These respondents are included in the "Uncalculated" risk category.

For the five year period, BIS categorized 29 respondents as low/neutral financial risk and eight as moderate/elevated financial risk (see Figure IV-5). No respondents received an overall high/severe financial risk score, and a score could not be calculated for seven respondents. In terms of company size, almost all large and medium-size firms fell into the low/neutral risk category. Twelve small firms received a low/neutral financial risk score, and an additional eight small firms received a moderate/elevated risk score. Of the total respondents that produce footwear for the U.S. Government (USG), 11 out of 12 were in the low/neutral risk category (one

was uncalculated). The eight respondents categorized as moderate/elevated risk did not produce footwear for the USG.

Figure IV-5: U.S. Footwear Overall Financial Risk Rating (2012-2016)

A: Overall Financial Risk Ratings by Respondent Size

Financial Risk Rating	Small	Medium	Large	Total
Low/Neutral Risk	12	10	7	29
Moderate/Elevated Risk	8	0	0	8
High/Severe Risk	0	0	0	0
Uncalculated	4	2	1	7

B: Overall Financial Risk Ratings by USG Participation

USG Supplier	No	Yes	Total
Low/Neutral Risk	18	11	29
Moderate/Elevated Risk	8	0	8
High/Severe Risk	0	0	0
Uncalculated	6	1	7

Q8 *44 respondents*

Source: U.S. Department of Commerce, Bureau of Industry and Security
Footwear Assessment – 2017

In addition to calculating an overall financial risk rating, BIS also calculated annual scores for each respondent. The yearly financial health rating of respondents declined slightly during the 2012-2016 period. The number of respondents categorized as low/neutral risk on an annual basis fell from 33 to 31 companies (75 percent to 70 percent) from 2012 to 2016 (see Figure IV-6). Moderate/elevated risk companies remained at five (12 percent) during the same timeframe. While there was only one respondent with a high/severe risk rating in 2012, there were four in 2016. All four companies with the high/severe risk rating in 2016 were small and did not produce for the USG.

Figure IV-6: U.S. Footwear Annual Financial Risk Rating

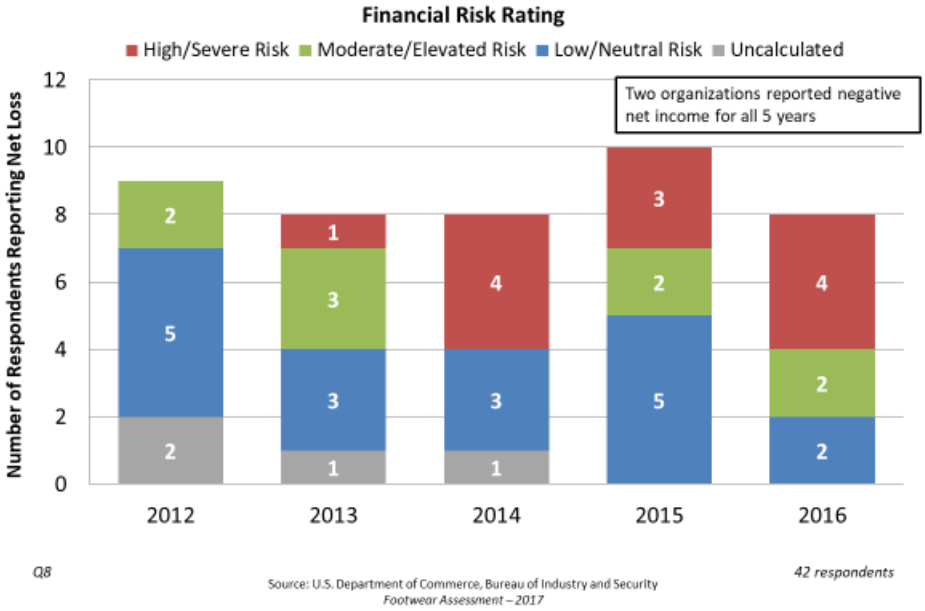
Financial Risk Rating	2012	2013	2014	2015	2016
Low/Neutral Risk	33	32	35	32	31
Moderate/Elevated Risk	5	6	3	6	5
High/Severe Risk	1	1	4	3	4
Uncalculated	5	5	2	3	4

Q8 *44 respondents*

Source: U.S. Department of Commerce, Bureau of Industry and Security
Footwear Assessment – 2017

Respondents reporting negative net income in a particular year were more likely to be categorized by BIS as having high/severe financial risk for that year. Between eight and ten organizations per year reported negative net income during the 2012-2016 period. Only two respondents reported negative net income every single year from 2012 to 2016 (see Figure IV-7).

Figure IV-7: Organizations Reporting Net Loss (2012-2016)



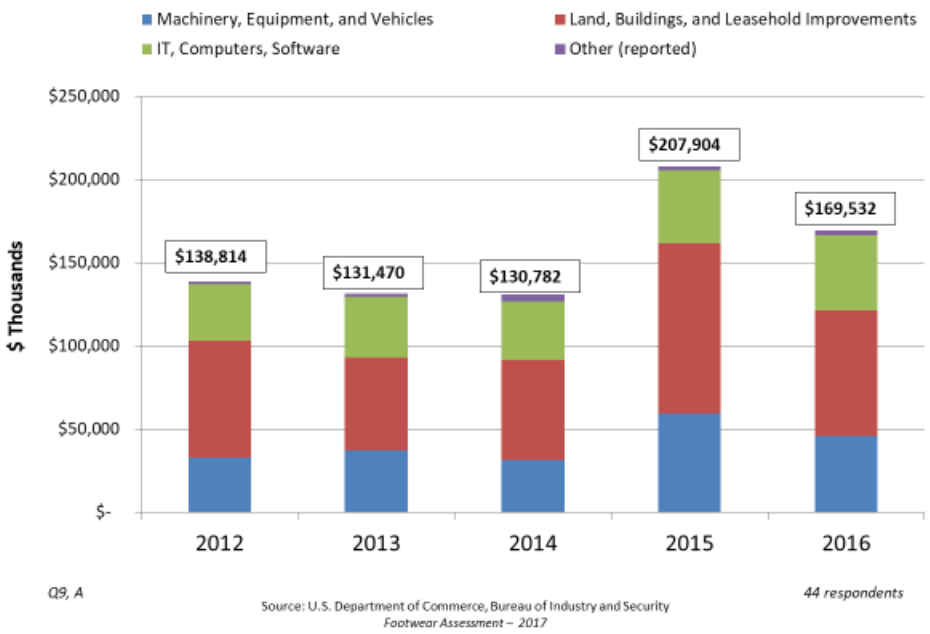
V. Capital Expenditures and Research & Development

In order to understand more about the financial investment priorities of U.S. footwear manufacturers and how they relate to competitiveness, BIS asked respondents a series of questions on the topics of Capital Expenditures (CAPEX) and Research and Development (R&D). Financial data was provided for both kinds of expenditures for the years 2012-2016, which was then categorized by type. BIS was specifically interested in the role of U.S. Government – especially U.S. Department of Defense (DoD) – spending and its impact on investment expenditures. Respondents were also asked to identify their footwear-related CAPEX and R&D expenditure priorities for the 2017-2021 period and to reflect upon any issues therein.

Capital Expenditures (CAPEX)

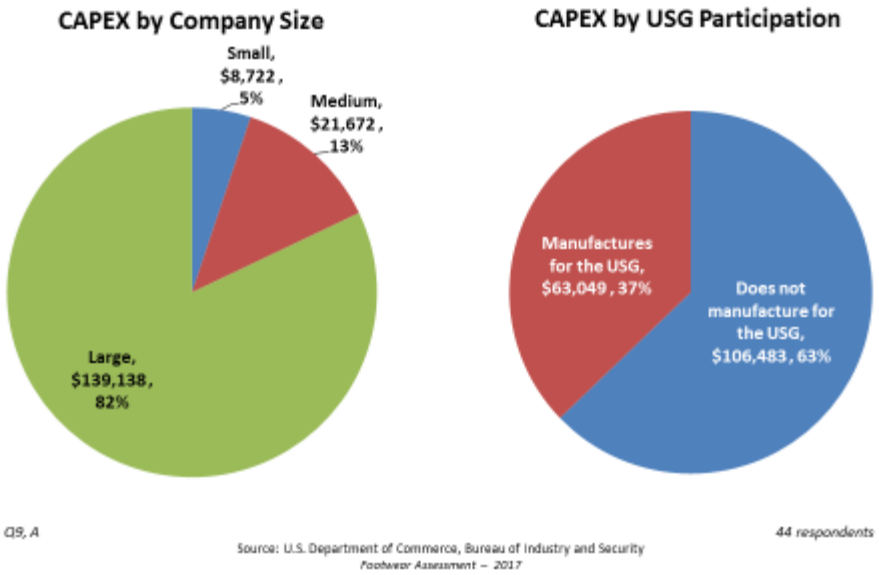
Total Capital Expenditures (CAPEX) of the 44 respondents rose 22 percent from 2012 to 2016 – from $139 million to $170 million (see Figure V-1). Total CAPEX peaked in 2015 at $208 million, in large part driven by industry consolidation and a surge in "Land, Buildings, and Leasehold Improvements" expenditures. Footwear-related CAPEX constituted an average of 81 percent of total expenditures by the respondents. Total CAPEX allocation for the five year period was "Land, Buildings, and Leasehold Improvements" (47 percent on average), "Machinery, Equipment and Vehicles" (26 percent on average), "IT, Computers, and Software" (25 percent on average) and "Other" (2 percent on average).

Figure V-1: Capital Expenditures (2012-2016)



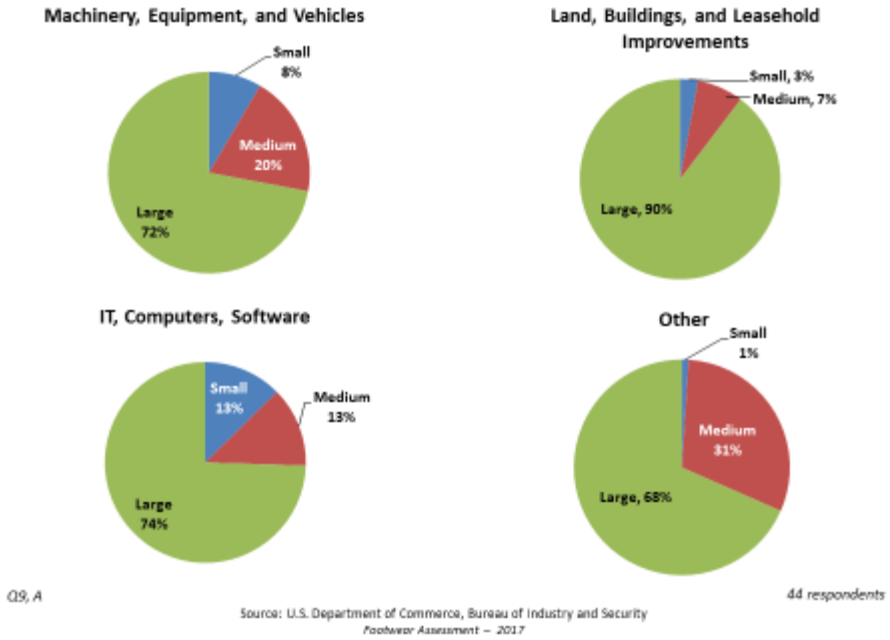
Large companies reported significantly higher CAPEX totals than their medium- and small-sized counterparts. While large companies constituted 18 percent of the respondents, they accounted for 82 percent of the CAPEX total in 2016 (see Figure V-2). Conversely, small companies constituted 55 percent of the respondents, but spent only five percent of the CAPEX total in 2016. Three companies, all small, reported zero CAPEX in 2016. Medium-sized organizations represented 27 percent of the respondent population and accounted for 13 percent of the 2016 CAPEX total. CAPEX was not affected much by whether respondents manufactured footwear for the U.S. Government (USG).

Figure V-2: Capital Expenditures by Type (2016), $ Thousands



Respondents' CAPEX allocation by category varied depending on the size of the company. Small firms were more likely to have invested in "Machinery, Equipment, and Vehicles" and "IT, Computers, and Software" (see Figure V-3). Large firms were more likely to prioritize "Land, Buildings, and Leasehold Improvements." Medium-sized firms spent proportionally more on the "Other" category, preferring to focus their CAPEX to specific needs such as tooling, molds, and marketing materials.

Figure V-3: CAPEX Categories by Company Size (2016)



Q9, A

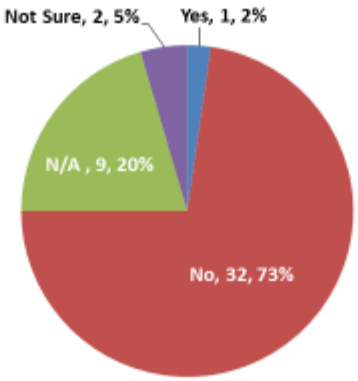
44 respondents

Source: U.S. Department of Commerce, Bureau of Industry and Security
Footwear Assessment – 2017

BIS asked respondents if their organization's footwear-related CAPEX was adversely impacted by reductions in USG defense spending over the 2012-2016 period. Only one respondent answered in the affirmative (see Figure V-4). Thirty-two respondents (73 percent) did not believe that their CAPEX had been affected by reductions in USG defense spending.

Figure V-4: Capital Expenditures and USG Spending

From 2012-2016, were your organization's footwear-related capital expenditures adversely impacted by reductions in U.S. Government defense spending?



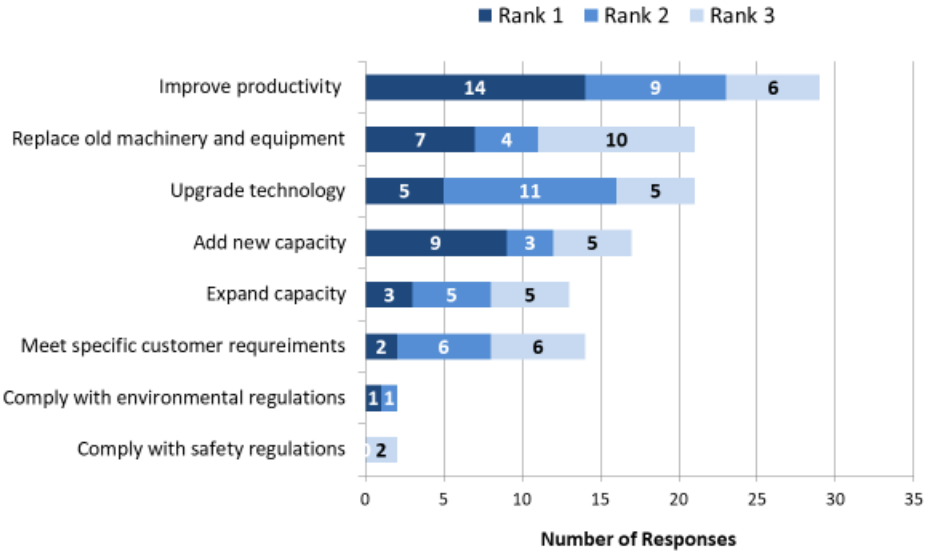
Q9, B

44 respondents

Source: U.S. Department of Commerce, Bureau of Industry and Security
Footwear Assessment – 2017

Respondents were asked to rank their organization's top three footwear-related CAPEX priorities for the 2017-2021 period. The most common response was "Improve Productivity," cited by 29 respondents, and ranked as the top priority most often (see Figure V-5). "Replace Old Machinery and Equipment" and "Upgrade Technology" were the second and third most-cited priorities, followed by "Adding and Expanding Capacity."

Figure V-5: Top 3 Footwear CAPEX Future Priorities (2017-2021)



Q9, C

44 respondents

Source: U.S. Department of Commerce, Bureau of Industry and Security
Footwear Assessment – 2017

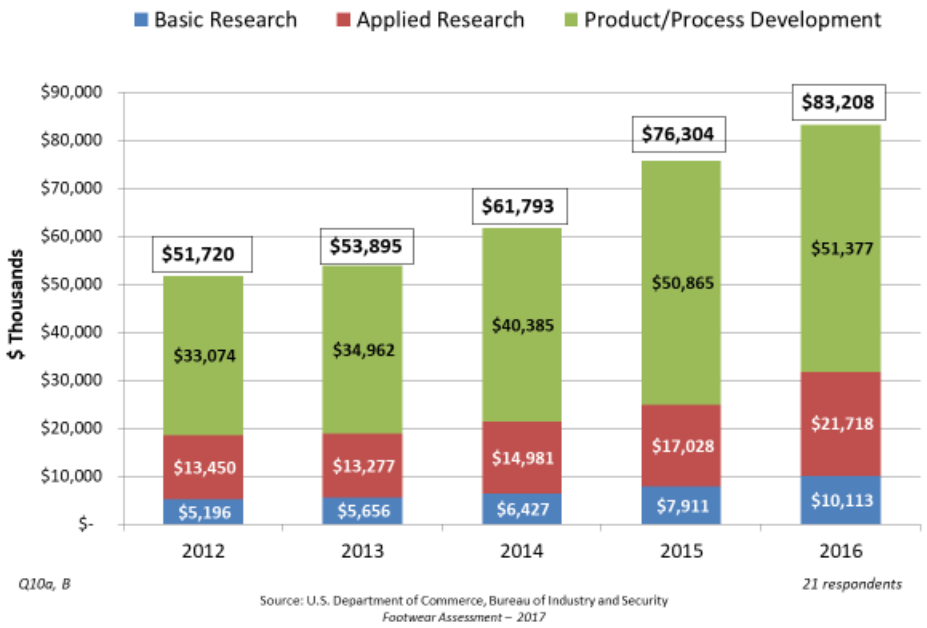
Respondents provided a number of descriptions and comments regarding their footwear-related CAPEX future priorities. On the topic of "Improve Productivity," respondents focused on "streamlining the production line" and "increased emphasis on speed to market." One respondent commented that, "Productivity needs to increase to manufacture footwear competitively [in the U.S.]." In the area of "Upgrade Technology," respondents focused on areas such as automation and digitization of certain processes (*e.g.*, remote fitting, cutting). Another mentioned that their organization planned to "add 3D technology" in the near future.

Research & Development

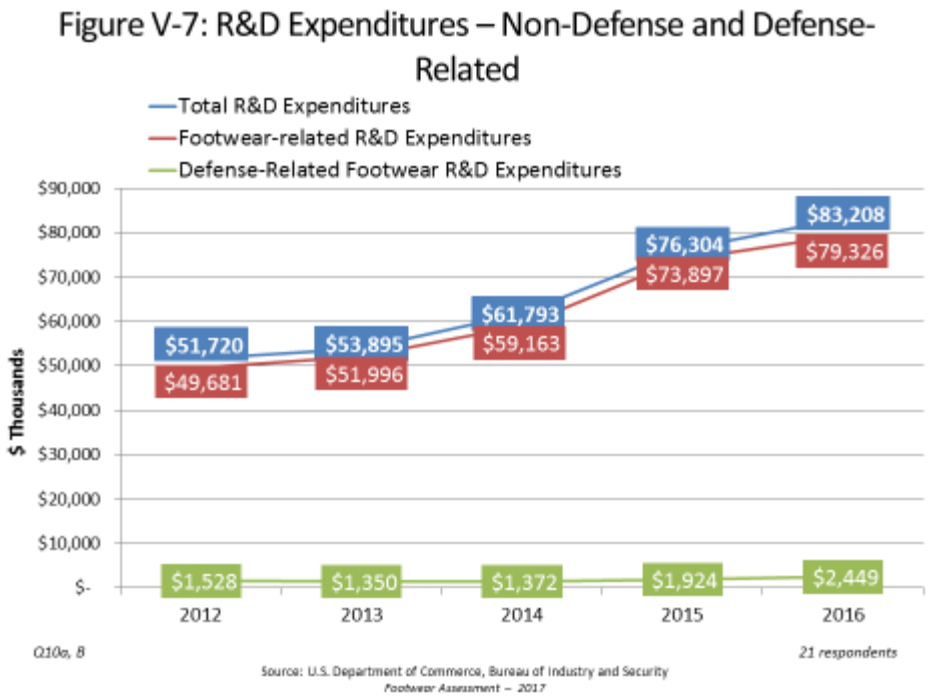
Just under half of respondents (21) reported conducting Research & Development (R&D) during the 2012-2016 period. Of those 21 respondents, six organizations were large, seven were medium, and eight were small. This represented 86 percent of large companies but only 35 percent of small companies. Out of companies that manufactured footwear for the USG, 77 percent (10 respondents) conducted R&D, while the number for commercial only manufacturers was 36 percent (11 respondents). Thus, R&D responses were skewed towards large organizations and towards USG manufacturers.

Total R&D expenditures grew steadily from 2012 through 2016, from $52 million to $83 million, or by 61 percent (see Figure V-6). BIS then asked respondents to divide their R&D expenditures by type – Basic Research, Applied Research, and Product/Process Development. A majority of R&D expenditures were invested in Product/Process Development, averaging 65 percent during the period.

Figure V-6: Total R&D Expenditures by Type (2012-2016)

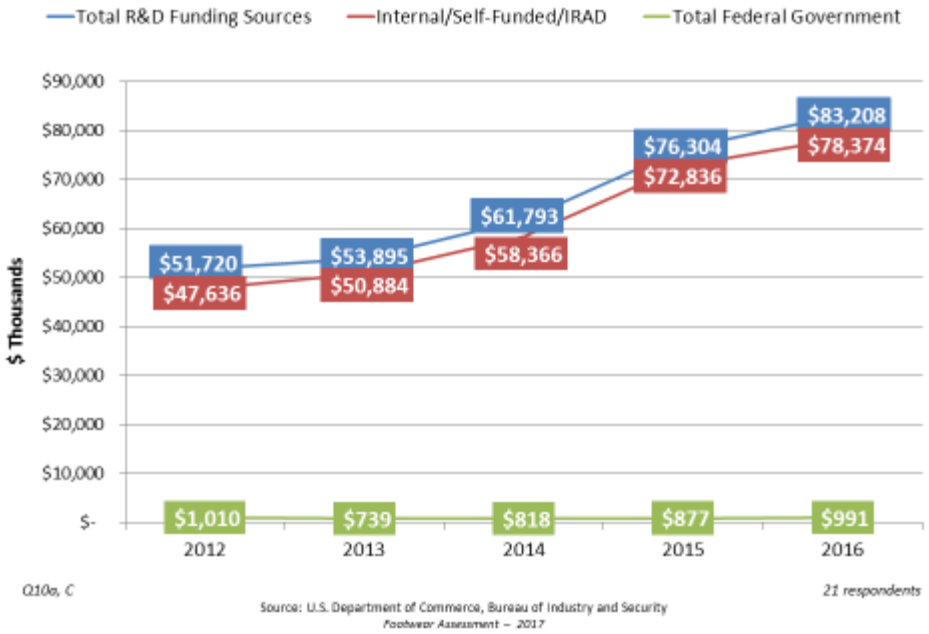


R&D conducted by the 21 respondents was almost exclusively footwear-related. Such expenditures constituted an average of 96 percent of total R&D expenditures (see Figure V-7). Defense-related R&D expenditures constituted less than three percent of the total and increased at a similar rate as overall R&D expenditures.



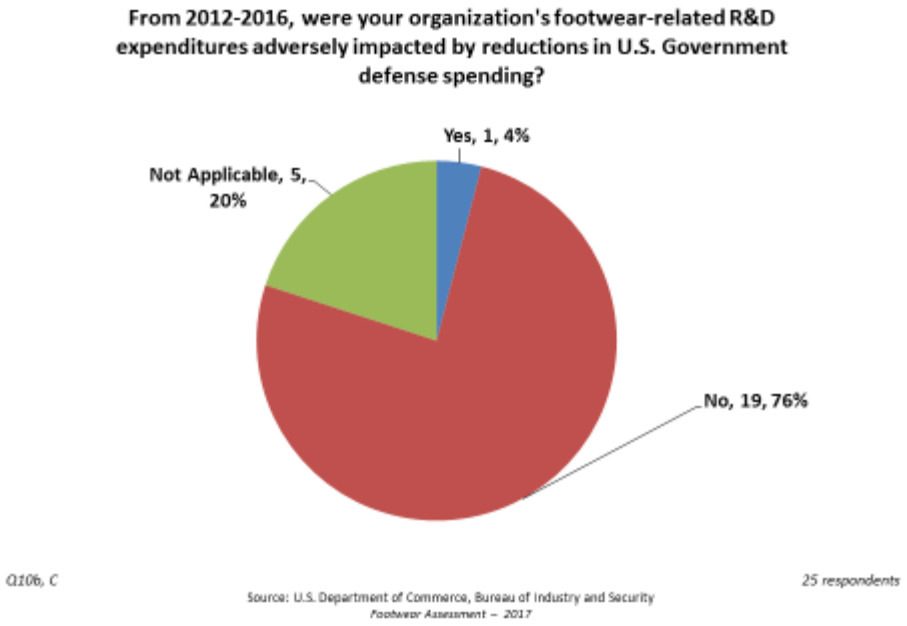
BIS also asked respondents to identify their R&D funding sources. Overwhelmingly, R&D expenditures were "Internal/Self-Funded/IRAD," averaging 92 percent between 2012 and 2016 (see Figure V-8). "Total Federal Government" funding slightly decreased during the period, dropping from two percent in 2012 to one percent in 2016 of total R&D funding sources.

Figure V-8: R&D Funding Sources



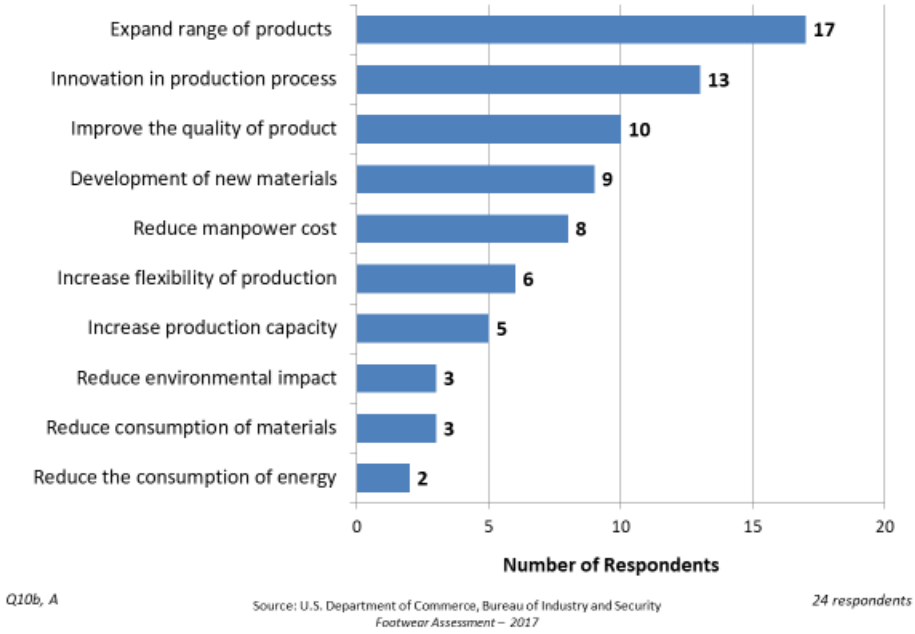
BIS asked respondents if their organization's footwear-related R&D expenditures were adversely impacted by reductions in USG defense spending. Only one respondent answered in the affirmative (see Figure V-9). Nineteen respondents (76 percent) did not believe that their R&D expenditures had been affected by USG defense spending. Comments provided explained respondents' positions: "If you are an industry leader, you always need to work on innovation to remain ahead of competition. Regardless of government spending." Another respondent commented, "Most of our R&D is done for our commercial items since defense footwear has set specifications for their boots."

Figure V-9: R&D Expenditures and USG Spending



Similar to the CAPEX priorities discussed earlier, respondents were asked to identify their top footwear-related R&D priorities for the 2017-2021 period. Respondents not currently conducting R&D were also encouraged to respond, if applicable to their organization, and three elected to do so. Seventeen respondents (71 percent) listed "Expand Range of Products" as their top priority (see Figure V-10). "Innovation in Production Process" and "Improve the Quality of Product" were the second- and third-most selected R&D priorities, with 13 and 10 respondents, respectively.

Figure V-10: Footwear-Related R&D Future Priorities (2017-2021)

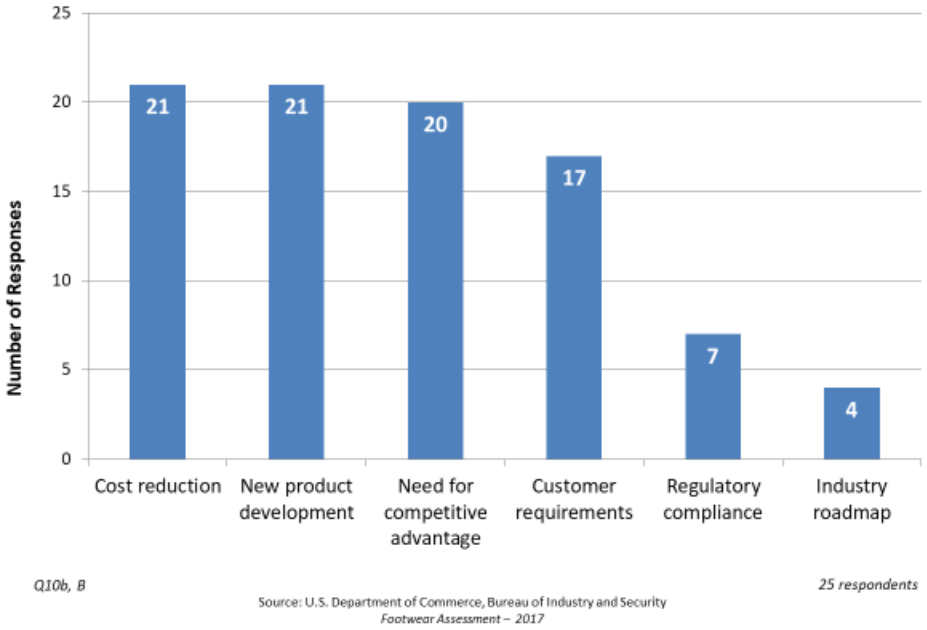


Respondents provided numerous explanations and comments concerning their R&D priorities for the near future. Regarding their efforts to expand their organization's range of products, one commented that they would "continue to grow new products to capture market share." Other respondents named specific products that they were developing, including the "Jungle Combat Boot" and a "Berry-compliant athletic shoe." Others discussed "lean manufacturing practices" and the introduction of new or innovative materials to "improve consumer comfort."

Respondents were further asked to identify the key factors driving their organization's investment in footwear-related R&D. "Cost Reduction" and "New Product Development" were the factors most often selected, each identified by 21 respondents (84 percent) (see Figure V-11). The third- and fourth-most cited factors were "Need for Competitive Advantage" and "Customer Requirements," with 20 respondents (80 percent) and 17 respondents (68 percent), respectively.

One company summarized their R&D priorities as, “Fashion and innovation are significant elements in remaining competitive in our industry.”

Figure V-11: Key Factors Driving R&D Investment

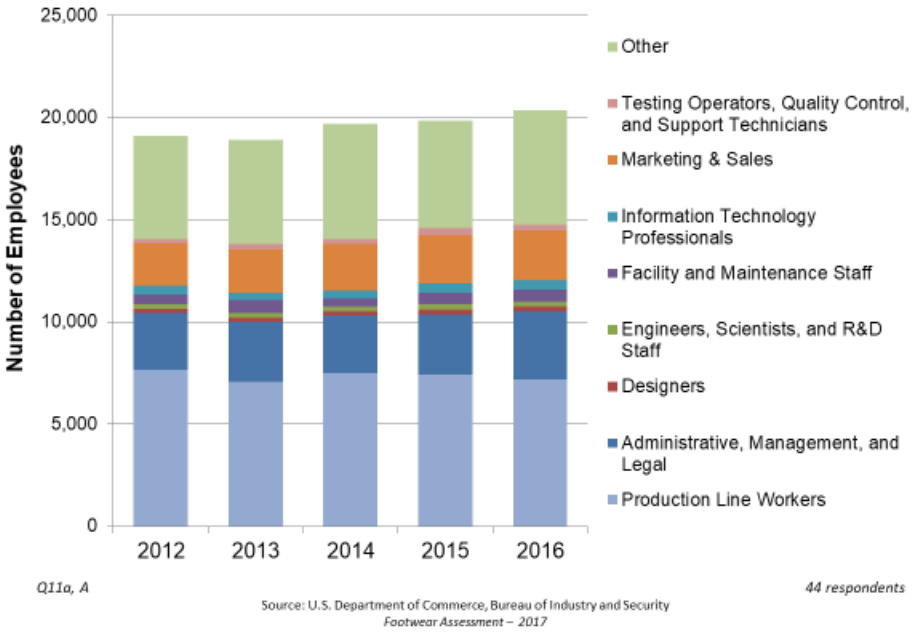


Source: U.S. Department of Commerce, Bureau of Industry and Security
Footwear Assessment – 2017

VI. WORKFORCE

Survey respondents employed 22,396 total full-time equivalent (FTE) employees in 2016, 20,503 (92 percent) of whom performed footwear-related duties.[10] Between 2012 and 2016, the total employee count increased slightly by four percent overall. The footwear-related employee count rose by six percent during the four year time period (see Figure VI-1).

Figure VI-1: U.S. Footwear Workforce by Job Category



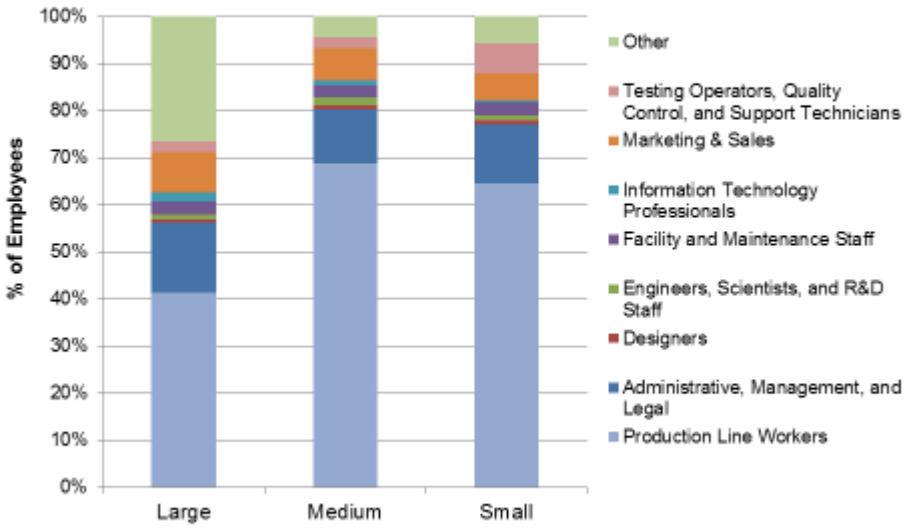
Large companies employed 75 percent of all FTE employees on average. Between 2012 and 2016, the FTE count at large companies rose from 15,874 to 16,566, or 4 percent. Medium-sized companies employed an average of 21 percent of all FTEs; their FTE employee count rose from 4,610 to 4,653, or by less than one percent. Small-sized companies employed an average of four

[10] A full time equivalent (FTE) employee was defined as 40 person-hours of work. Two employees working 20 hours per week would constitute one FTE.

percent of all FTEs; their employee FTE employee count rose from 950 to 1,177, or by 24 percent.

"Production Line Workers" constituted the largest percentage of the workforce, averaging 61 percent across respondents of all sizes. Medium-sized firms reported the highest percentage of "Production Line Workers" of their total workforce – 70 percent – while large firms employed the smallest percentage of "Production Line Workers" – 41 percent (see Figure VI-2). Employees in the "Other" job category were mostly employed by large firms in Shipping/ Receiving/Warehousing or Retail occupations.

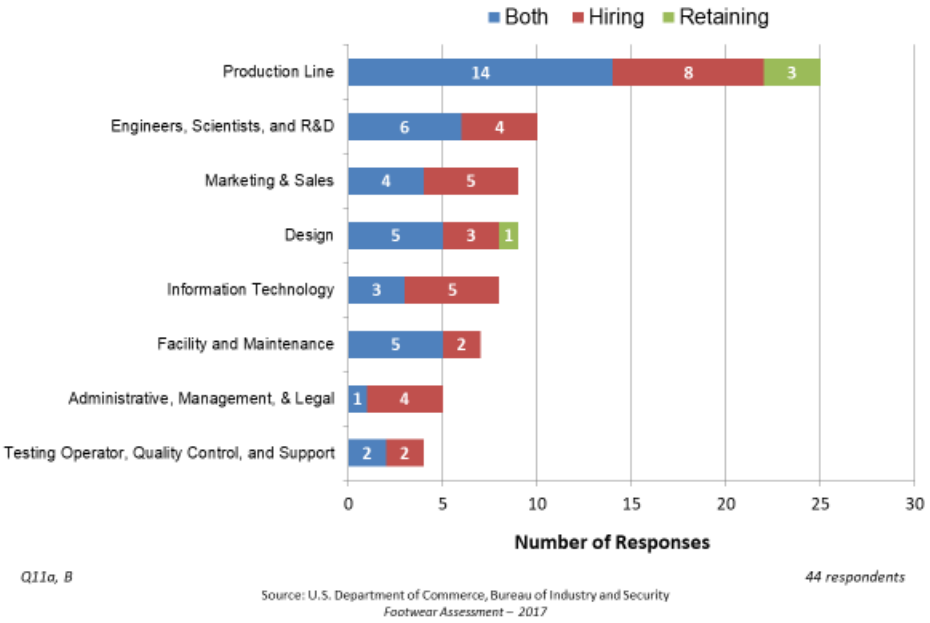
Figure VI-2: 2016 Workforce Job Category Percentages by Organization Size



Two-thirds of respondents, 29 total, reported difficulties in hiring and/or retaining employees in their footwear-related operations. In fact, labor availability was cited as the second-highest concern of U.S. footwear manufacturers in the Challenges section of the survey (see Chapter X). "Production Line Workers" were listed as the most difficult to hire and to retain, with 25 of the

44 respondents (57 percent) citing difficulty with this this employee category (see Figure VI-3). Respondents also reported difficulties in hiring and/or retaining employees in the categories of "Engineers, Scientists, and R&D Staff," "Marketing & Sales," "Design," and others.

Figure VI-3: Difficulty Hiring and/or Retaining Footwear Employees



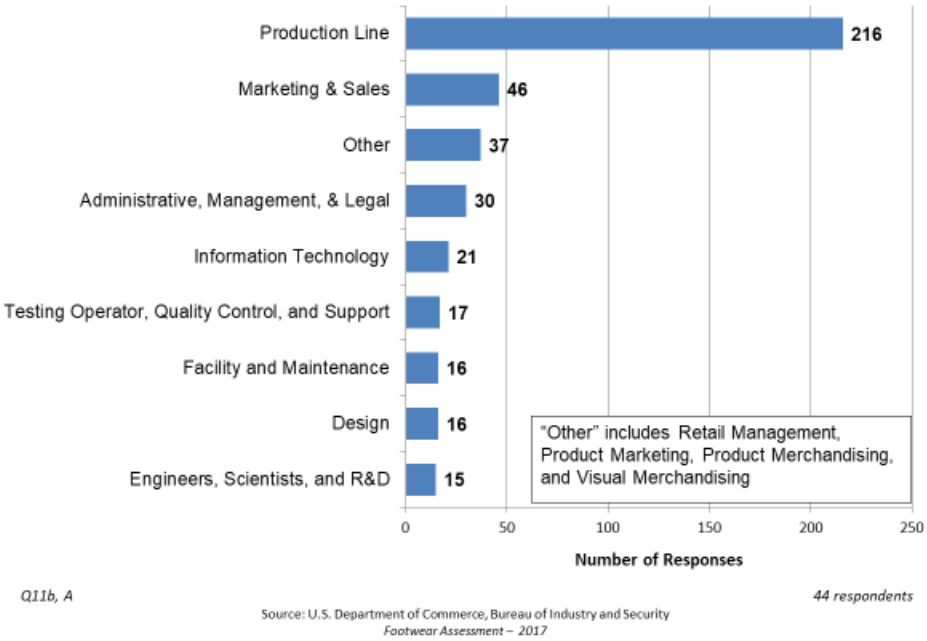
When asked to identify the most significant skills gaps in the labor market for their organization's footwear-related operations, several respondents discussed the lack of footwear-specific experience: "very few applicants available with prior factory/footwear experience;" "We train our workers. We have never been able to hire trained workers;" and [we] "must train all employees shoemaking skills- no experienced people available." Similar comments were offered in the "Engineering" and "Design" categories - "Automated footwear engineering skills are difficult to find," and "Footwear design is a special niche that many people are not interested in."

The number of open positions was also highest for "Production Line Workers", with 42 respondents estimating 216 such current open positions (see Figure VI-4). One hundred and forty

of those openings were in large companies, 35 were in medium-sized, and 41 in small-sized. Seventy-five openings were reported by respondents with defense-related footwear production.

While manufacturers of all sizes reported open positions for "Production Line Workers", large firms had more open positions that were focused on sales – Marketing, Merchandising, and Retail Management – than did small firms. This was due to the fact that a number of large firms retain in-house retail operations, while small firms rely on outside retail operators.

Figure VI-4: Estimated Open Positions by Type

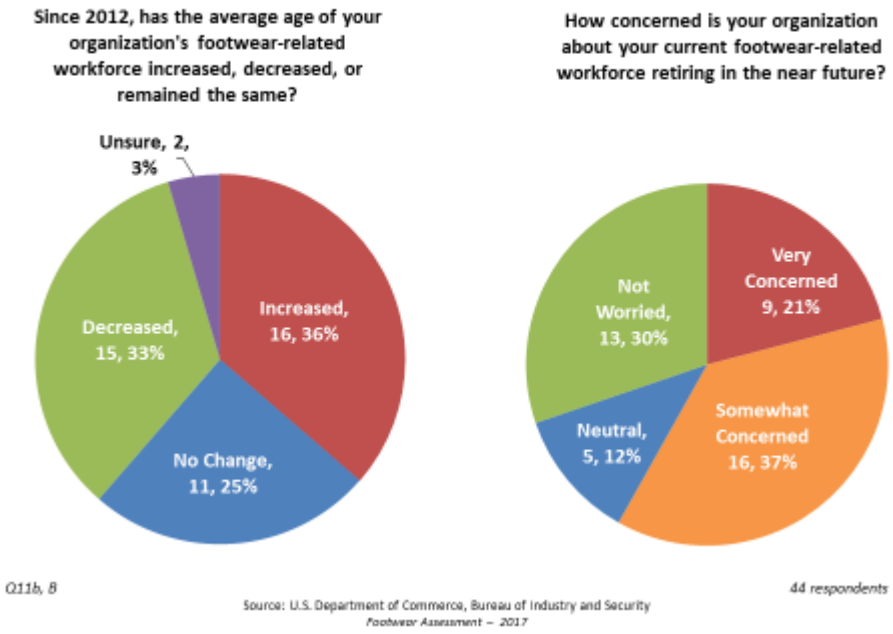


The average estimated employee turnover rate during the 2012-2016 period was 19 percent. Twenty-two respondents (81 percent) stated that the turnover rate was highest for "Production Line Workers". The average turnover rate was highest in medium-sized firms (22 percent) and lowest for small firms (9 percent). While a number of respondents commented on "constant turnover" in their U.S. manufacturing facilities, several also mentioned the loyalty and longevity

of some of their employees. For example, one respondent commented, "No turnover. Our employees are loyal, some with us for 20 years."

In addition to overall labor availability, the average age of the workforce was a prominent concern for U.S. footwear manufacturers. While 36 percent of respondents reported that the average age of their workforce had increased since 2012, 57 percent were either "Very Concerned" or "Somewhat Concerned" about their workforce retiring in the near future (see Figure VI-5). Respondents commented that they had a "high population of employees retiring" and that they had "retired many long-time employees." Several respondents reported that retirement had already caused a decrease in the average age of production workers, in particular: "Production has decreased as skilled operators retired;" and "We have a very young staff."

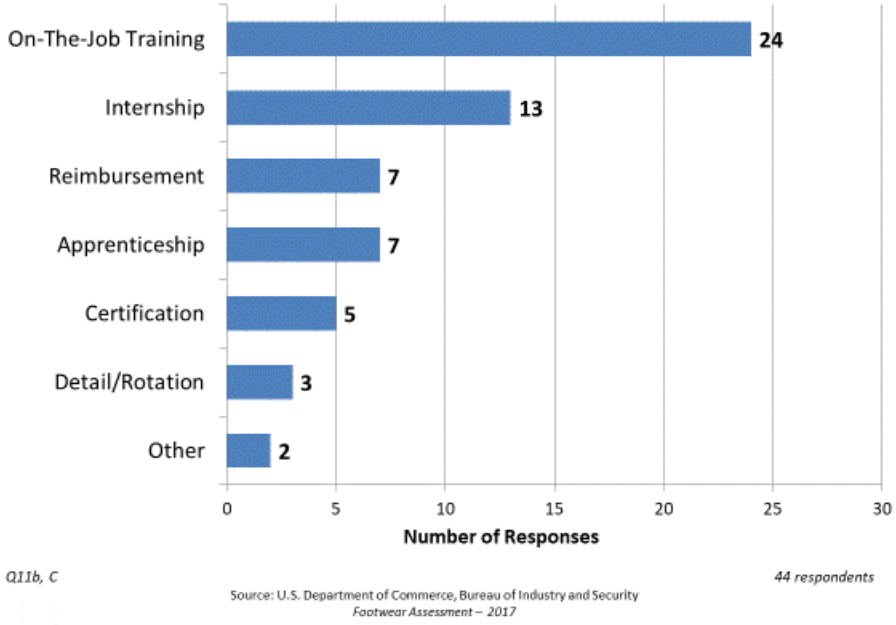
Figure VI-5: Workforce Age



Over half of respondents (55 percent) anticipated difficulties in finding and/or recruiting younger workers to fill the vacancies left by retiring employees. A number of factors that affected their ability to recruit younger employees were cited. The sewing machine operator "skillset is declining/vanishing," and "not too many young people [are] anticipating the shoe industry as a career choice." In addition, wage competition in areas with low unemployment was listed as another compounding challenge to recruiting: "With the unemployment rate lowering and salaries rising in other industries while our annual raises may lag behind, people may choose to pursue other opportunities outside of the industry."

In the area of workforce development programs, only 17 respondents (39 percent) answered that they worked with academic institutions (*e.g.*, high schools, community colleges, local trade schools, universities, etc.) on workforce development. However, 24 respondents (55 percent) offered on-the-job training as part of their workforce development strategy (see Figure VI-6). "Internships," "Reimbursements," and "Apprenticeships" followed "On-the-Job Training" as commonly sponsored workforce development programs. Companies of all sizes participated in workforce development programs at similar rates, with "On-the-Job Training" being the most popular for respondents of all sizes.

Figure VI-6: Workforce Development Programs - Footwear



Finally, respondents were asked to identify the key workforce issues they anticipated in the near future, between 2017 and 2021. "Quality of Workforce" was cited as the number one workforce issue, with 27 respondents (62 percent) (see Figure VI-7). Other top concerns were: "Finding Skilled/Qualified Workers," "Attracting Workers to Location," and "Finding Experienced Workers" (24, 23, and 21 responses, respectively). Comments varied from challenges stemming from the location of manufacturing facilities to the decline in skill sets as employees retire:

> "We are located in rural areas which can be difficult to obtain qualified candidates;"
>
> "We are in a small community with limited workforce resources;"
>
> "The generational skillset is declining;" and
>
> "Baby boomers getting ready to retire in the next 10 years."

Figure VI-7: Key Workforce Issues Anticipated (2017-2021)

Q11b, C

44 respondents

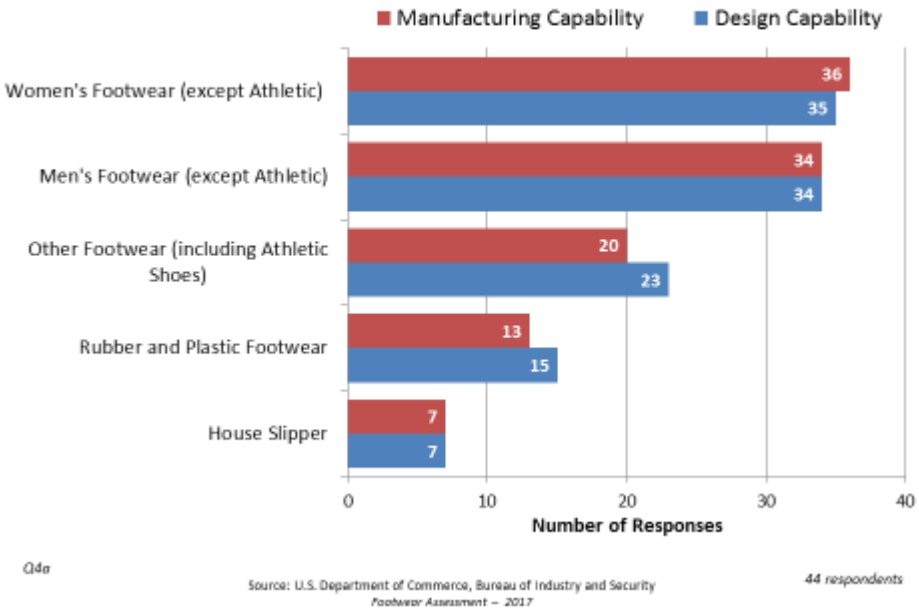
Source: U.S. Department of Commerce, Bureau of Industry and Security
Footwear Assessment – 2017

VII. Products and Production Capabilities

Products

BIS asked survey respondents to identify their U.S. footwear design and manufacturing capabilities across the five main footwear categories, as defined by the North American Industry Classification System (NAICS): Women's Footwear (except Athletic), Men's Footwear (except Athletic), Other Footwear (including Athletic Shoes), Rubber and Plastic Footwear, and House Slippers. The highest number of respondents reported design and manufacturing capabilities for "Women's Footwear" and "Men's Footwear," with 36 and 34 responses, respectively (82 and 77 percent) (see Figure VII-1). "Other Foowear (including Athletic Shoes)" had the third-most responses, with 23 respondents capable of designing and 20 respondents capable of manufacturing that category of footwear in the U.S.

Figure VII-1: U.S. Capabilities by Product Category



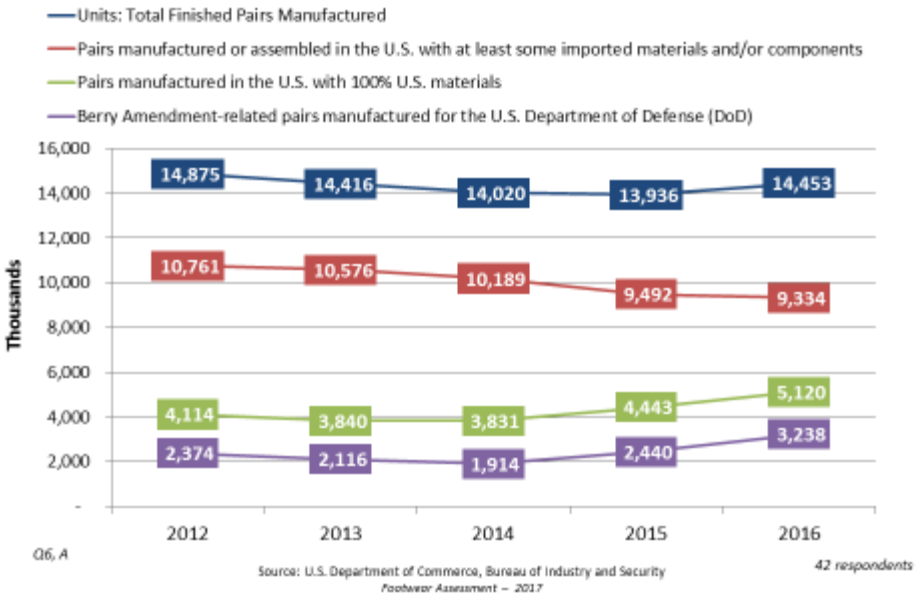
Respondents were also asked to select their primary business line for their U.S.-based footwear manufacturing facilities. The most common responses for primary business lines were "Multiple Footwear Categories" (39 percent) and "Men's Footwear (except Athletic)" (27 percent).

Production Capabilities

BIS also requested respondents to estimate their annual U.S. footwear production (in finished pairs) for 2012 through 2016. In addition, they were asked to differentiate between pairs manufactured in the U.S. with 100 percent U.S. materials and pairs manufactured or assembled in the U.S. with at least some imported materials and/or components. BIS also asked producers to estimate production of Berry Amendment-related pairs manufactured for the U.S. Department of Defense (DoD), which require 100 percent U.S. content.

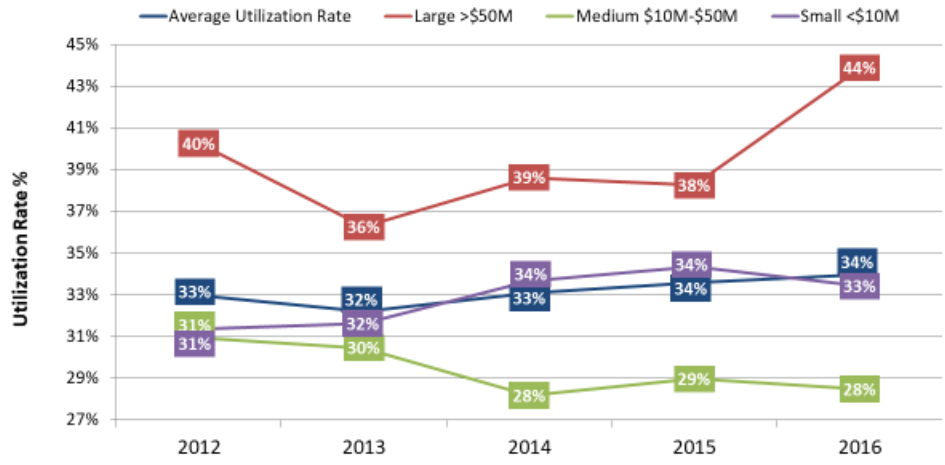
Total footwear pairs manufactured in the U.S. by survey respondents decreased by 2.8 percent from 2012 to 2016, from 14,875,138 to 14,453,332 pairs (see Figure VII-2). However, total production increased 3.7 percent from 2015 to 2016. This one-year growth can be attributed to the increase of Berry Amendment-related footwear manufacturing which increased by almost 800,000 pairs from 2015 to 2016. Berry Amendment-related production has increased 69 percent from its low point in 2014. The increase in such production also expanded the share of total pairs manufactured with 100 percent U.S.-sourced materials from 27 percent in 2014 to 35 percent in 2016.

Figure VII-2: Annual U.S. Footwear Production
(Finished Pairs, 2012-2016)



In order to better understand the production capabilities of U.S. footwear manufacturers, BIS asked for information regarding manufacturing utilization rate, ability to increase production levels, and limiting factors to increasing production. Respondents reported utilization as a percentage of maximum production possible under a 7-day-a-week, 24-hour-per-day operation (see Figure VII-3). The average utilization rate was consistently around 33 percent, which equates to roughly to one 8-hour shift, 7-days-a-week. The most common response, reported by approximately two-thirds of respondents, was a 25 percent utilization rate - the equivalent of a one 8-hour shift, 5-days-a-week schedule. Large manufacturers tended to have a higher utilization rate than the average, while medium-sized companies were lower than the average. Small companies reported figures in line with industry average, or 33 percent.

Figure VII-3: Average Annual U.S. Footwear Capacity Utilization Rate (2012-2016)



Average manufacturing utilization rate for years 2012-2016, as a percentage of production possible under a 7 day-per-week, 24-hour-per-day operation.

- Note: a 100% utilization rate equals full operation with no downtime beyond that necessary for maintenance. Assuming little maintenance downtime, one 8-hour shift, 5 days per week is approximately 25% capacity utilization; two 8-hour shifts, 7 days per week is approximately 65% capacity utilization.

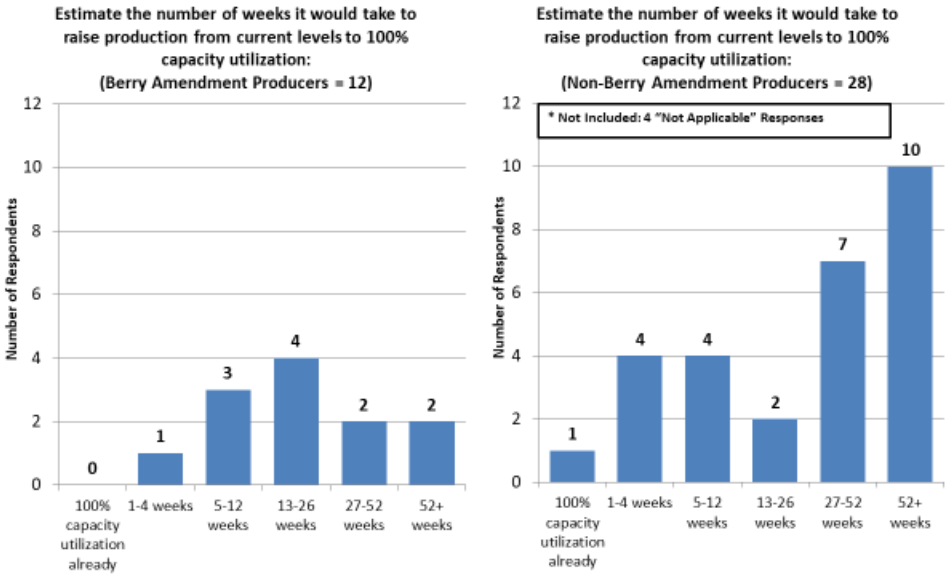
Q6, B

Source: U.S. Department of Commerce, Bureau of Industry and Security
Footwear Assessment – 2017

44 respondents

Respondents were asked to estimate the number of weeks it would take to raise production from their current levels to 100 percent capacity utilization. The most common reply was one year or more, accounting for 34 percent of responses. Fourteen percent of respondents claimed that they were either at 100 percent utilization already, or it would take them a month or less to get there. The rest of the responses were approximately evenly split between 5-12 weeks, 13-26 weeks, and 27-52 weeks (see Figure VII-4).

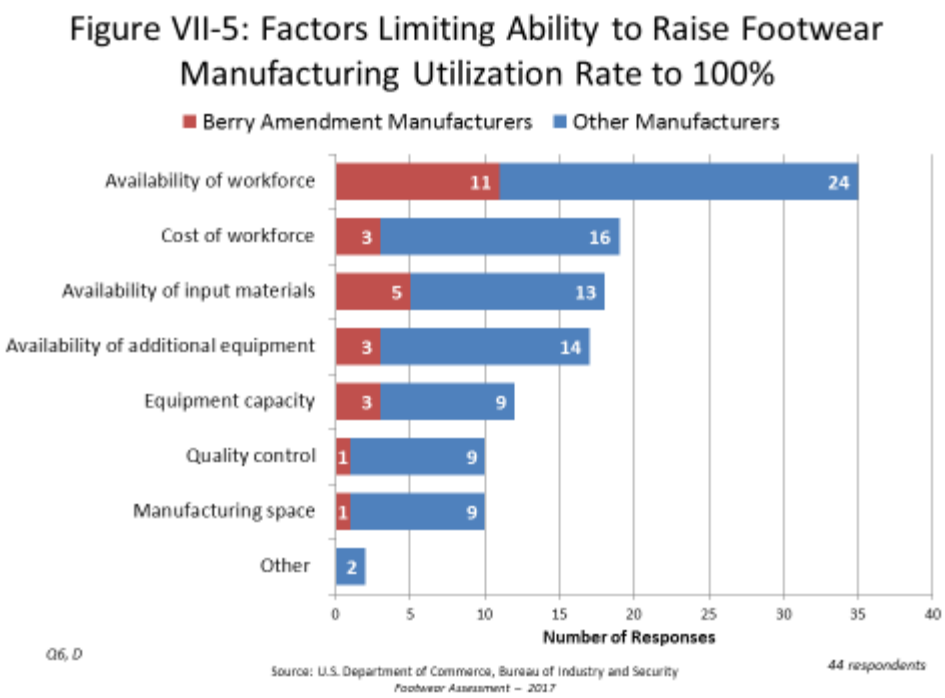
Figure VII-4: U.S. Footwear – Production Capabilities



Q6, B.3

Source: U.S. Department of Commerce, Bureau of Industry and Security
Footwear Assessment – 2017

When identifying the factors that would limit their ability to achieve 100 percent capacity utilization, workforce-related issues were the most common, followed by availability of inputs, and equipment-related concerns (see Figure VII-5).

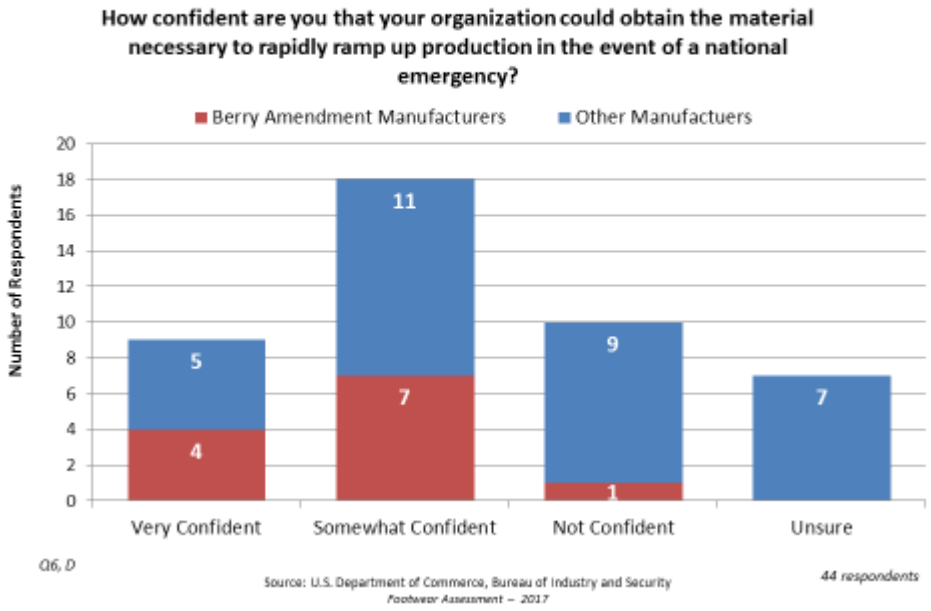


The biggest limiting factor, communicated by 80 percent of respondents, was the lack of availability of a skilled and trained footwear manufacturing workforce. Finding available labor willing to work in footwear manufacturing was a challenge for a number of companies in the industry, even during non-emergency situations. Additionally, as one respondemt commented, "It would take at least a year to train production labor, supervisors and mechanics." This sentiment was echoed by others and in BIS staff conversations with footwear manufacturers during site visits.

Availability of inputs and materials was a factor mentioned by 41 percent of respondents. Comments included concerns about U.S. suppliers being able to meet surge demand, including some single and sole source suppliers. One producer stated, "…some of our U.S. materials are made specifically for us and would take time and plant capacity of our vendors, since they [do] not normally stock items."

Despite the challenges of ramping up production, 61 percent of respondents were either "Very Confident" or "Somewhat Confident" that they could obtain the material necessary to ramp up production in the event of a national emergency (see Figure VII-6). Only 23 percent of respondents stated that they were "Not Confident" they could do so, and 16 percent were "Unsure." The vast majority (89 percent) replied that they would not be able to maintain normal operations beyond 12 weeks if they were no longer able to purchase products, materials or services from their suppliers, given current inventory levels.

Figure VII-6: U.S. Footwear – Surge Production Capabilities



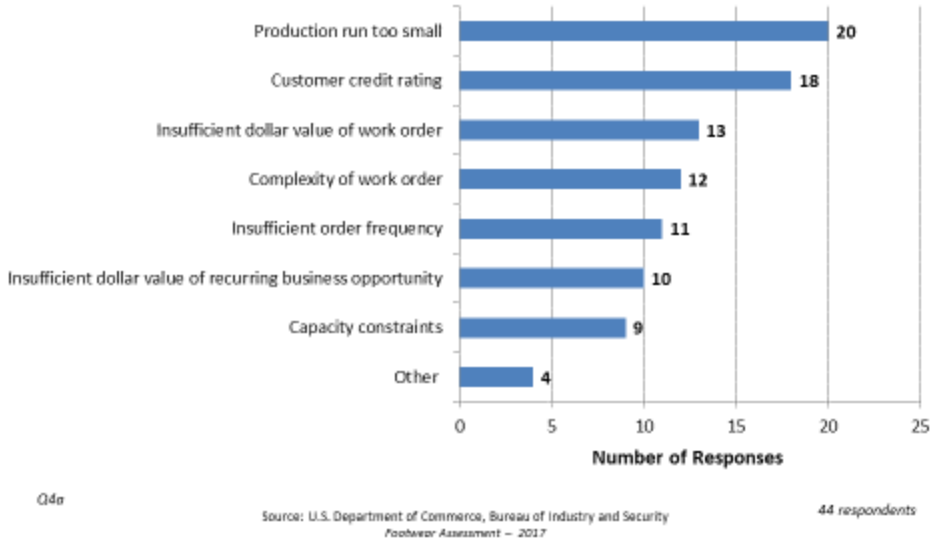
VIII. CUSTOMERS AND COMPETITORS

Customers

BIS asked respondents to identify their top U.S. and non-U.S. footwear-related customers. A total of 178 U.S. customers were identified by 38 respondents. Commercial customers accounted for 87 percent of responses with Government customers making up the remainder (10 percent defense-related, three percent non-defense). Non-U.S. customers numbered 131, with 88 percent being commercial and 12 percent Government (10 percent defense-related, 2 percent non-defense).

BIS asked respondents if they had decided not to pursue footwear-related business opportunities based on a list of limiting factors. Since 2012, U.S. footwear manufacturing organizations have not participating in a variety of footwear-related business opportunities for a number of reasons (see Figure VIII-1). The leading factors reported by approximately half of respondents were "Production runs being too small" (45 percent) and "Customers' credit rating" (41 percent). Other factors more related to production capabilities included "Insufficient value of work order," "Complexity of work order," "Insufficient order frequency," and "Capacity constraints."

Figure VIII-1: Since 2012 Has Your Organization Decided Not to Pursue Any Footwear-Related Business Opportunities Due to Any of the Following Factors?



Q4a

Source: U.S. Department of Commerce, Bureau of Industry and Security
Footwear Assessment – 2017

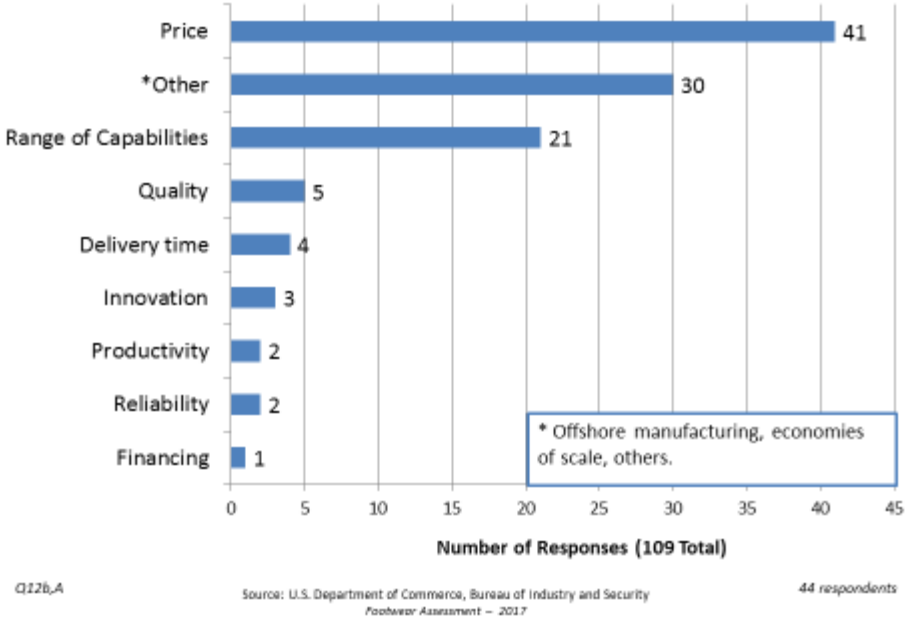
44 respondents

Competitors

Survey respondents were asked to identify their leading U.S. and non-U.S. competitors in the manufacture of footwear and to list their top competitive attributes.

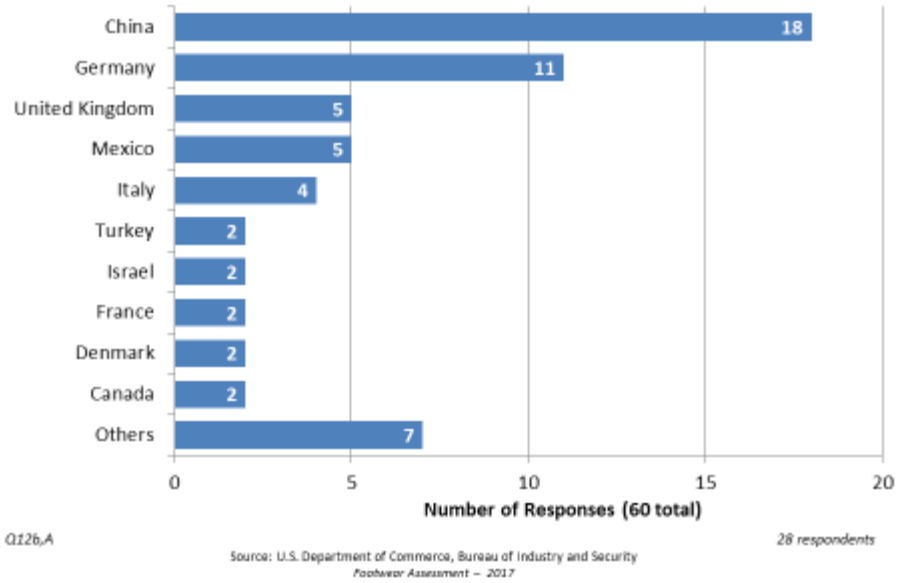
BIS received 109 responses identifying 67 unique U.S. competitors. The leading competitive attributes listed were “Price” (38 percent), “Other” (28 percent), and “Range of Capabilities” (19 percent) (see Figure VIII-2). A number of comments related to price advantage referred to U.S.-based competitors who import footwear or manufacture footwear outside the U.S. The most frequent comments related to “Other” competitive attributes stated that the competitor listed was manufacturing offshore at a lower cost or that they enjoyed advantages of economies of scale due to being a larger company.

Figure VIII-2: Primary Competitive Attributes (U.S. Competitors)

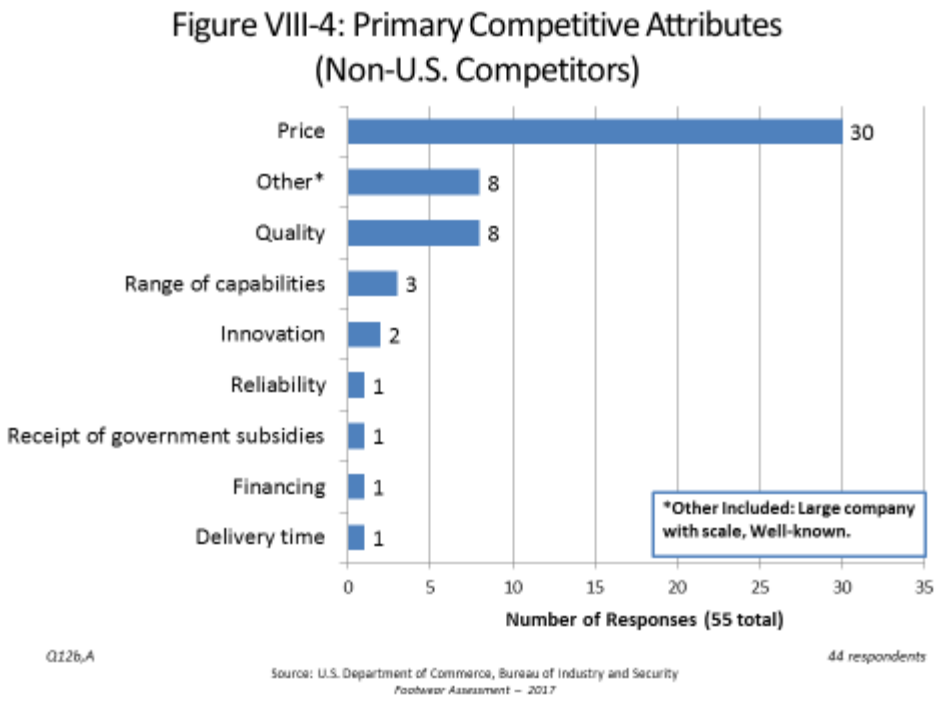


BIS received a total of 68 responses identifying 56 unique non-U.S. competitor companies. U.S. companies with manufacturing operations abroad accounted for eight of those 56 companies. Out of the remaining responses, Chinese competitors accounted for 30 percent (18 companies), German for 18 percent (11 companies), British and Mexican for eight percent each (five companies each), Italy for seven percent (4 companies), and others for 20 percent (seven companies) (see Figure VIII-3).

Figure VIII-3: U.S. Footwear – Non-U.S. Based Competitors by Country



"Price" was the leading response for all non-U.S. competitive attributes, accounting for 55 percent of responses (see Figure VIII-4). "Price" was listed as the primary competitive attribute for every Chinese competitor identified. Unlike the competitive attributes identified for U.S.-based customers, "Range of Capabilities" did not factor in as much for non-U.S.-based competitors, with only three responses listed (five percent).

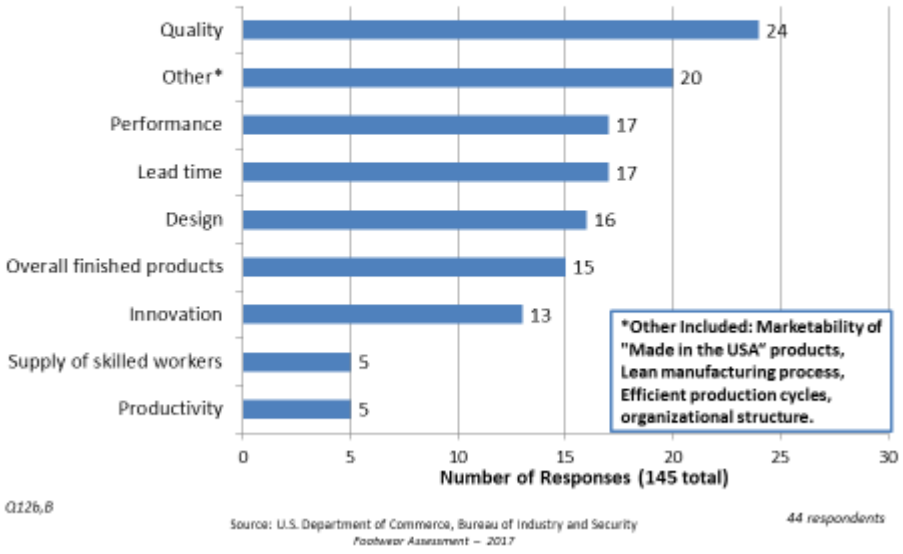


BIS asked respondents to identify the top competitive advantages U.S. footwear manufacturers possess as they relate to foreign competition. BIS received a total of 145 responses regarding the competitive advantages of U.S. footwear manufacturers. "Quality," "Performance," and "Lead Time" stood out as leading competitive traits of the U.S. footwear industry (see Figure VIII-5). Additional feedback revealed that "Product Quality" and "Performance" were achieved through quality of materials used, skilled workforce, and "demanding quality standards with internal lab services and external safety standard compliance."

Respondents stressed the importance and benefit of being close to the U.S. market when it comes to "Lead Time." One advantage of proximity is being able to deliver more quickly than foreign competitors. For example, transit times from Asian countries can often take over a month. "Innovation," including response to market needs, product design, and manufacturing process development, was cited in nearly 10 percent of responses. Comments related to the "Other"

category, accounting for 14 percent of responses, stressed the importance and marketability of "Made in the U.S.A." products. They further identified lean manufacturing processes, efficient production cycles, and organizational structure as competitive advantages.

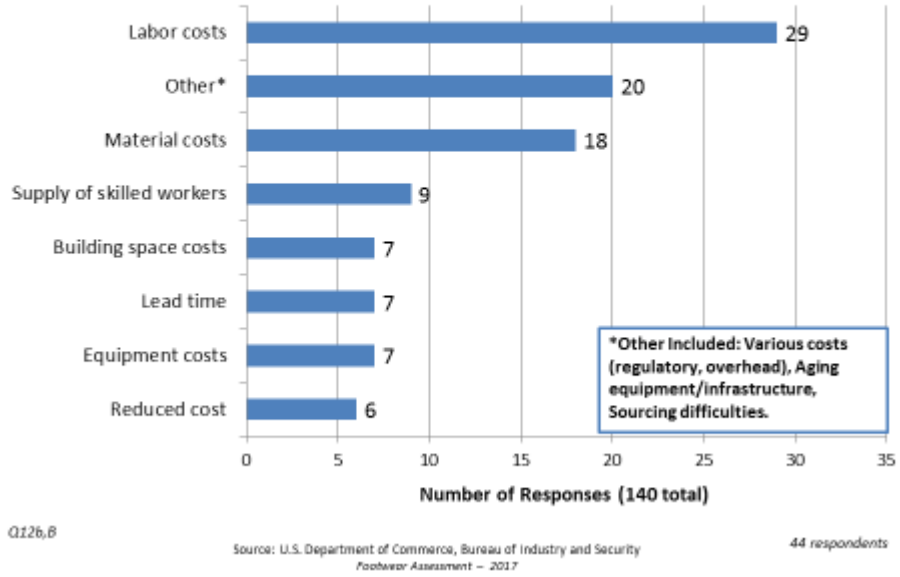
Figure VIII-5: Top 8 Competitive Advantages of U.S.-based Footwear Manufacturers Possess as they Relate to Foreign Competition



Conversely, survey respondents identified the top eight competitive disadvantages of U.S. footwear manufacturers as related to foreign competition (see Figure VIII-6). Costs of various types accounted for 56 percent of the 140 responses. "Labor costs" was the top factor identified, with over one fifth (21 percent) of total responses. Manufacturing footwear is a labor-intensive process, and a number of respondents asserted that they were at a disadvantage because foreign competitors pay much less in wages and benefits. "Material costs" was the second-highest cost factor mentioned, with 13 percent of responses. This was driven by the higher cost of U.S.-sourced (as compared to foreign-sourced) inputs and the effect of a limited U.S. supply chain base. This is especially pertinent to U.S. manufacturers producing footwear under the Berry

Amendment, which requires 100 percent U.S.-sourced materials. One respondent conveyed that the "…limited number of U.S. suppliers makes it very difficult to get competitive pricing." "Other" responses included a diverse set of disadvantages including cost-related factors (such as overhead and regulatory costs), aging equipment and infrastucure, and sourcing difficulties.

Figure VIII-6: Top 8 Competitive Disadvantages U.S.-based Footwear Manufacturers Possess as they Relate to Foreign Competition



In sum, U.S. footwear manufacturers stated that they had advantages over foreign competition in quality, performance, and lead time and disadvantages against those same competitors in labor costs, material costs, and the supply of skilled workers.

IX. COMPETITIVE FACTORS

The BIS survey of the U.S. footwear industry contained a section called "Competitive Factors," which encompassed a variety of topics affecting U.S. footwear manufacturers' ability to remain competitive or improve competitiveness in the U.S. and global footwear markets. Topics included specific actions taken to improve competiveness, the trend of reshoring, U.S. industry associations and information-sharing groups, and the impact of select government regulations on organizations' competiveness.

Respondents were asked to identify actions that their organizations had taken to improve their competitiveness between 2012 and 2016 or were planning to take between 2017 and 2021.

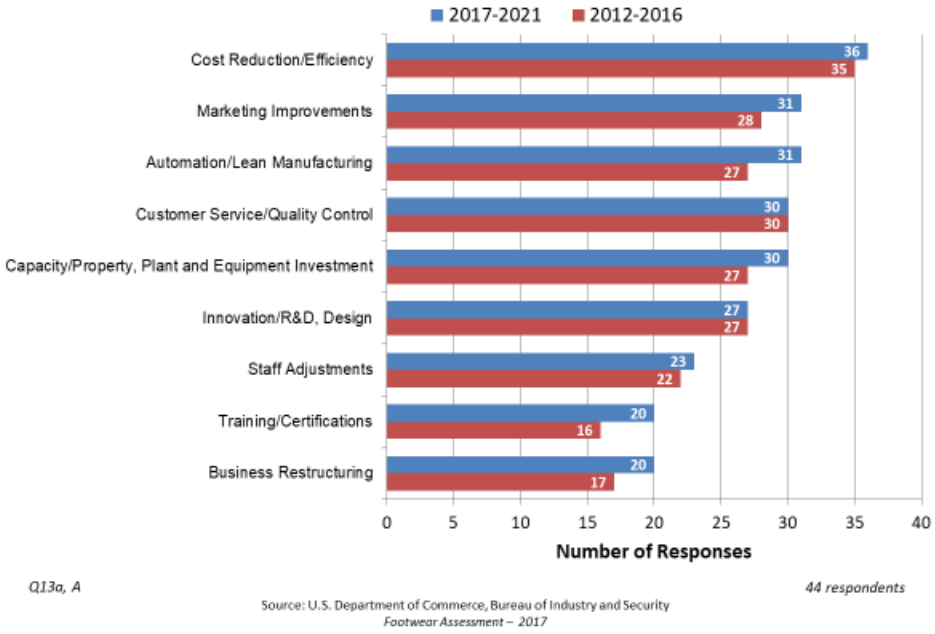
A large majority of responses focused on cost reduction and improving efficiency in the footwear manufacturing process (see Figure IX-1). Thirty-five of 44 respondents (80 percent) were currently undertaking "Cost Reduction/Efficiency" actions, the most common response, and 36 of 44 respondents (82 percent) were planning to do so in the future.

Organizations who were Berry Amendment producers were more likely than others to undertake "Automation/Lean Manufacturing" and "Capacity/Property, Plant, and Equipment Investment," with 11 of the 12 respondents (92 percent) planning to take those actions between 2017 and 2021.

Large firms were more likely to have taken or planning to undertake specific actions to improve their competitiveness. This was consistent in each of the categories of actions listed in Figure IX-1. Small companies, on the other hand, reported adopting such actions at much lower rates, while adoption rates for medium-sized organizations were in the middle.

Companies with a moderate/elevated financial risk score were more likely to say they were planning "Staff Adjustments," with six of seven of those respondents (86 percent) having selected that action, versus the 16 respondents (48 percent) with low/neutral risk.

Figure IX-1: Present & Future Actions to Improve Competitiveness



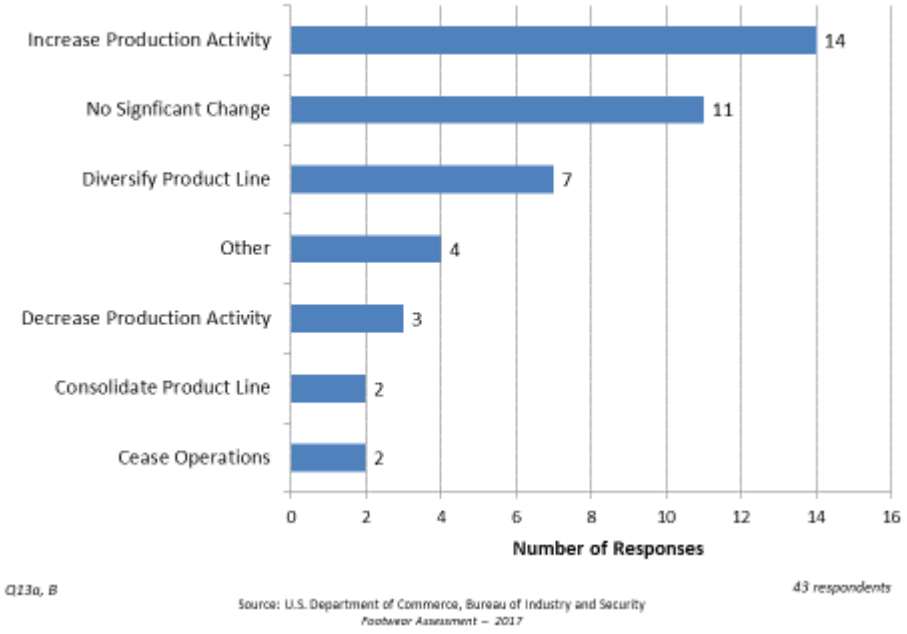
Q13a, A *44 respondents*

Source: U.S. Department of Commerce, Bureau of Industry and Security
Footwear Assessment – 2017

Respondents provided a variety of comments on their current and future plans to improve their organizations' competitiveness. In the area of "Automation/Lean Manufacturing," several firms discussed the imperative of continuous process improvements: "Lean is a continuous program which is required to maintain a competitive advantage;" "Added significant automation to factory over the past couple years and will continue if cost effective;" and "Automation our only hope but expensive." Comments on making "Marketing Improvements" focused on internet sales: "Marketing improvements for online sales;" "Using social media more…;" and "We are working on improving our web presence."

In order to better understand current organizational outlook, BIS asked respondents to indicate the most significant change expected in their footwear-related operations between 2017 and 2021. Approximately one-third of respondents (14 respondents) planned to increase production activity in the near future (see Figure IX-2). This production increase plan was shared evenly among organizations of all size and customer type. The firms anticipating no significant change in their footwear operations (11 respondents) tended to be small and not to produce for the USG. Seven organizations (16 percent) planned on diversifying their product lines. Seven out of 44 respondents (16 percent) reported that they either anticipate decreasing production, consolidating product lines, or ceasing operations altogether.

Figure IX-2: Anticipated Changes (2017-2021)

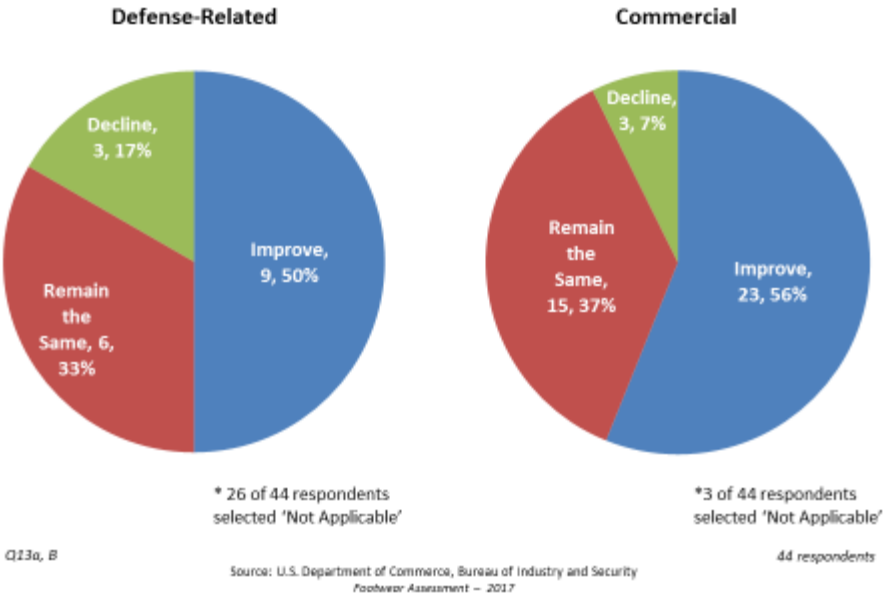


Organizations that planned to increase production activity were focused on lean and automated methods: "Lean and the new plant should allow us to triple production of handmade boots;" "…increase productivity thru innovative equipment." One respondent also discussed their

reliance on U.S. Government contracts: “We anticipate our production will increase based on the current DoD procurements; however, if not awarded any contracts, the results will most likely be ceasing operation of our domestic manufacturing facility.”

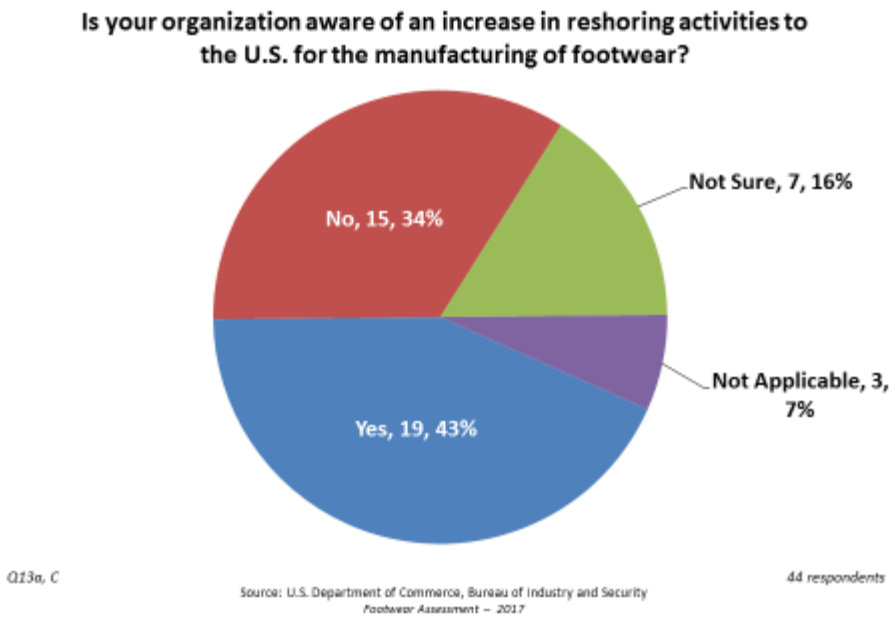
BIS also asked respondents whether they expected their competitive prospects, both commercial and defense-related, to improve or decline in the period 2017-2021. Twenty-six out of 44 respondents replied that defense-related competitive prospects do not apply to them. Of the remaining 18 respondents, nine (50 percent) expected their prospects to improve in the near future (see Figure IX-3). Six organizations (33 percent) expected that their business would remain the same, while only three organizations (17 percent) expected a decline. For those organizations who responded regarding their commercial competitive prospects (41 out of 44), 23 respondents (56 percent) anticipated improved business, and 15 respondents (37 percent) anticipated that their business would remain the same. Only three (seven percent) expected their competitive prospects to decline.

Figure IX-3: Competitive Prospects Outlook 2017-2021
(Defense-Related and Commercial)



BIS asked respondents if they were aware of an increase in reshoring activities to the U.S. For the purposes of this assessment, reshoring was defined as the practice of transferring a business operation that was moved to a non-U.S. location back to the United States. Nineteen respondents (43 percent) believed that reshoring was occurring in footwear manufacturing (see Figure IX-4).

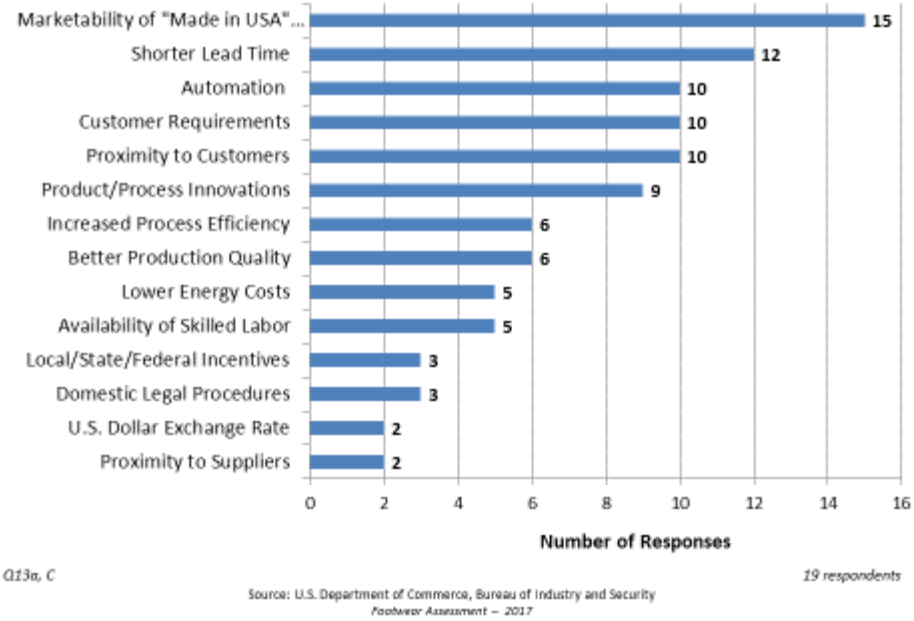
Figure IX-4: Reshoring



Many of the respondents who were aware of the reshoring trend provided comments and details. For example: "Multiple competitors increasing their U.S. capabilities." Some organizations observed that they were aware of reshoring but that it hadn't affected their business, "…have heard about it, but it hasn't directly impacted us." Several observed that reshoring was specific to athletic footwear, but for "traditional footwear we have not seen a significant increase." Respondents also commented that "Price competition continues to make domestic manufacturing a challenge."

Nearly all respondents who were aware of reshoring believed that the marketability of the "Made in U.S.A." label was the biggest driving contributing factor (15 of 19 respondents, 79 percent) (see Figure IX-5). "Shorter Lead Time" ranked second with 63 percent of responses. "Proximity to Customers," "Customer Requirements," and "Automation" were tied for the third-most selected factor, with 10 responses (53 percent) each.

Figure IX-5: Reshoring – Contributing Factors

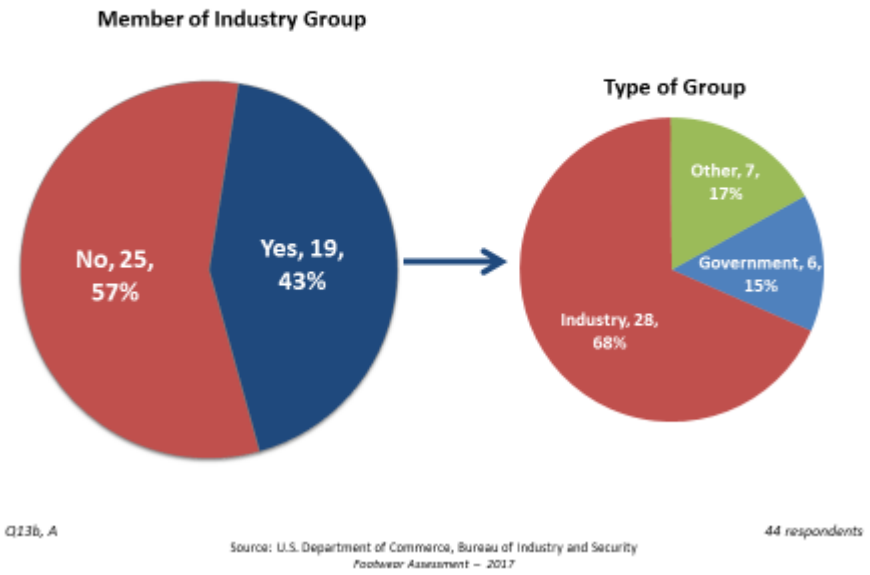


BIS asked those respondents who were aware of reshoring to discuss their organization's actions undertaken to benefit from the trend. Respondents were most likely to be investing in "technologies" and "advanced manufacturing techniques" in order to remain cost competitive. Others discussed marketing strategies to "promote the 'Made in U.S.A.' label."

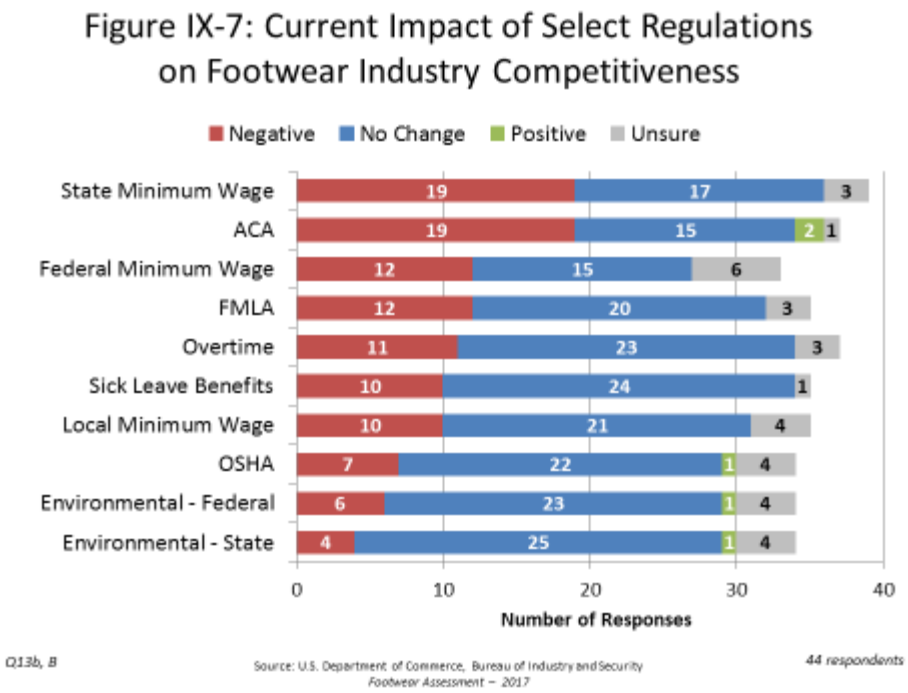
BIS also asked respondents whether they participated in any formal or informal government or industry footwear-related information sharing or related groups. Nineteen respondents (43 percent) indicated that they belonged to at least one group. The American Apparel and Footwear Association (AAFA) and the Footwear Distributors and Retailers of America (FDRA) were the most-often listed groups among the 41 responses, with ten and five responses, respectively. Most organizations which produced for the U.S. Government (10 respondents, 77 percent) listed at least one group, such as DoD Footwear Committee (five responses). Small-sized organizations

were less likely to belong to any information sharing groups; only six respondents (25 percent) answered in the affirmative (see Figure IX-6).

Figure IX-6: Information Sharing Group Participation by Type

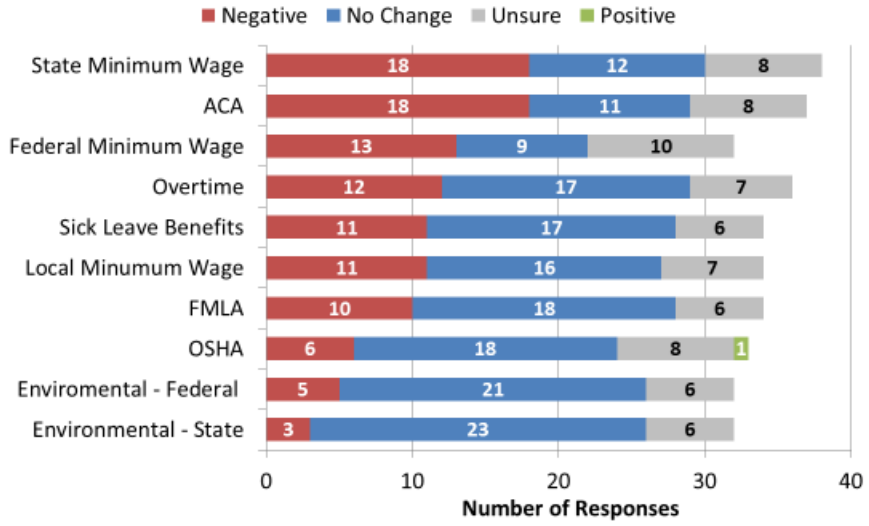


In an effort to better understand the impact of government regulations on the competitiveness of U.S. footwear manufacturers, BIS sought feedback on current and anticipated future impacts of select regulations and provisions. Respondents rated the impact of each regulation/provision as either "Positive", "Negative", "No Effect", or "Unsure". The Affordable Care Act (ACA) and State Minimum Wage regulations ranked the highest in current negative impacts on U.S. footwear industry competitiveness, with 19 respondents each (43 percent) rating those regulations negatively (see Figure IX-7). This was true for organizations of all sizes and customer types. The few who rated the ACA impact as "Positive" were small-sized firms. The other positive ratings – for Occupational Safety and Health Agency (OSHA) and Environmental regulations – were cited by large firms.



When asked to rate the anticipated future impacts of select regulations on their organizations' competiveness, respondents were overall more likely to select "Unsure" (see Figure IX-8). Effectively the same as the current impacts, the State Minimum Wage and ACA regulations were most often viewed negatively. Respondents were also concerned with the anticipated future impact of Federal Minimum Wage regulations. Only one respondent believed that any regulation would have a positive impact on their organization's competitiveness in the future.

Figure IX-8: Anticipated Future Impact of Select Regulations on Footwear Industry Competitiveness



Q13b, B

44 respondents

Source: U.S. Department of Commerce, Bureau of Industry and Security
Footwear Assessment – 2017

X. Challenges and Outreach

Challenges

BIS requested feedback on the organizational challenges of the 44 respondents in order to better understand the issues faced by U.S. footwear manufacturers. BIS provided a list of 28 potential challenges (including an "Other" category) and asked respondents to identify and rank those adversely impacting their organizations (see Figure X-1).

Figure X-1: Challenges to the Footwear Industry – Complete List

Aging equipment, facilities, or infrastructure	Environmental regulations/remediation - foreign	Intellectual property/patent infringement	Qualifications/ certifications
Aging workforce	Export controls/ITAR & EAR	Labor availability/costs	Quality of material inputs
Competition – domestic	Government acquisition process	Material input availability	R&D costs
Competition – foreign	Government purchasing volatility	Obsolescence	Reduction in commercial demand
Counterfeit parts	Government regulatory burden	Pension costs	Reduction in USG demand
Cybersecurity	Healthcare costs	Proximity to customers	Taxes
Environmental regulations/remediation - domestic	Health and safety regulations	Proximity to suppliers	Worker/skills retention

Source: U.S. Department of Commerce, Bureau of Industry and Security
Footwear Assessment – 2017

Twenty-four of the 28 challenges were selected as a top five concern at least once. "Labor Availability/Costs" was the overall most common challenge, with 28 respondents (64 percent) ranking that issue in their top five (see Figure X-2). Comments regarding "Labor Availability/Costs" included "It has been increasingly hard to find dependable laborers and maintain a competitive price with the rising costs of manpower;" and "Availability and affordability of skilled labor."

The second most common challenge was "Healthcare Costs," selected by 25 respondents (57 percent). Several respondents commented on high and rising healthcare costs:

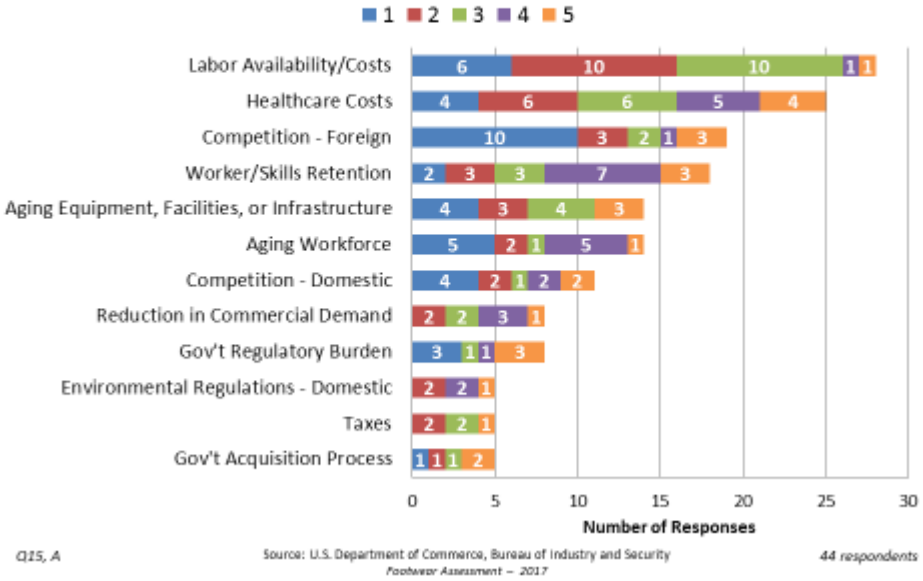
"This has become the number one concern for our work force;"

"Our single biggest cost outside of wages!"

"Healthcare costs continue to increase;" and

"…astronomically high rates for a small business."

Figure X-2: Top Challenges that Adversely Affect U.S. Footwear Manufacturers (Ranked 1-5)



"Competition – Foreign" was the third most commonly selected challenge. However, it was ranked number one most often, with 10 respondents (23 percent) ranking it first. Respondents also provided a number of comments on this challenge:

"Price disadvantage looms large;"

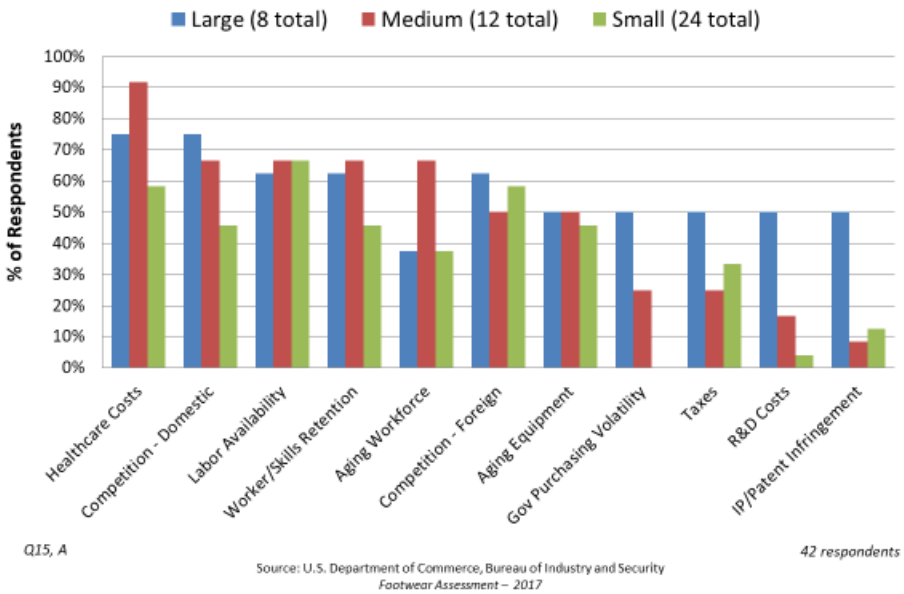
"Lower labor and overhead costs along with subsidies make it difficult to compete;"

"Increased cost of manufacturing in USA;" and

"China, and other countries produce lower cost goods."

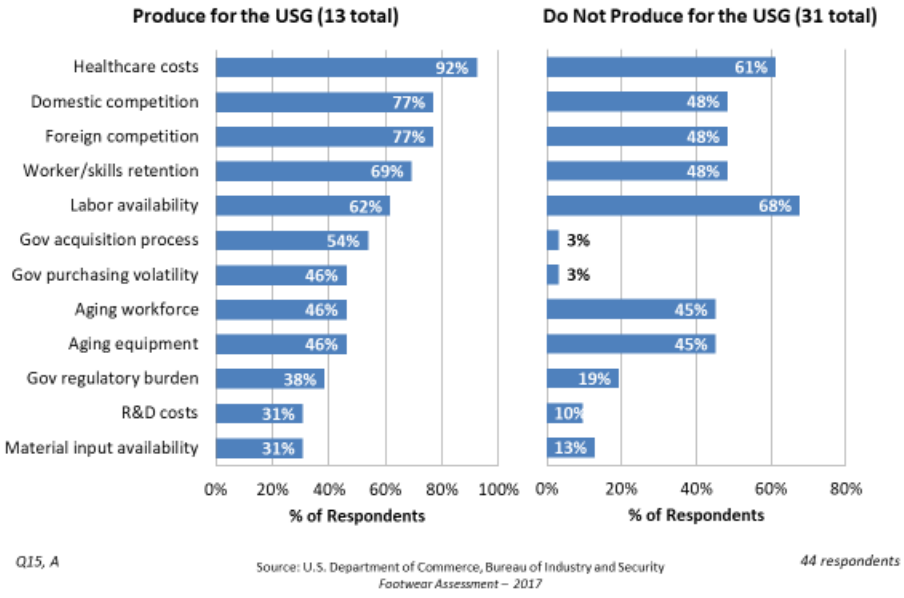
Company size had an effect on which challenges were selected by respondents (see Figure X-3). While firms of all sizes were concerned with "Labor Availability" and "Foreign Competition," large organizations were relatively more concerned with "R&D Costs" and "Intellectual Property/Patent Infringement" than medium or small firms. For example, one half of large firms (four respondents) selected "IP/Patent Infringement" while it was cited by only 16 percent of medium-sized firms and four percent of small firms. Medium-sized firms were more likely to identify "Healthcare Costs" and "Aging Workforce" as prominent challenges. Small firms were concerned by "Labor Availability", "Healthcare Costs," and "Competition - Foreign," with 67 percent, 58 percent, and 58 percent, respectively, having cited each of those challenges.

Figure X-3: Challenges that Adversely Affect Respondents by Organization Size



The challenges did not vary much among whether respondents manufactured for commercial or U.S. Government (USG) customers (see Figure X-4). The organizations who manufactured for the USG were more concerned with USG policies and actions. Roughly half of USG suppliers listed "Government Acquisition Process" and "Government Purchasing Volatility" as organizational challenges (54 and 46 percent, respectively), while only three percent of commercial suppliers listed either of those challenges. Respondents who did not produce for the USG were slightly more concerned with "Labor Availability," with 68 percent identifying that challenge.

Figure X-4: Challenges that Adversely Affect Respondents by Customer Type



Q15, A

Source: U.S. Department of Commerce, Bureau of Industry and Security
Footwear Assessment – 2017

44 respondents

Outreach

In addition to asking respondents to identify challenges that adversely affected their organizations, BIS provided them with an opportunity to request information on federal and state

services aimed at helping companies better compete in the global marketplace. Sixteen of the 44 respondents indicated they would like to receive information on at least one of the 14 areas of interest (see Figure X-5). BIS generated fact sheets covering programs from a wide variety of USG agencies, including the Small Business Administration, Department of Labor, National Science Foundation, State Department, and several Department of Commerce agencies, such as the National Institute of Standards and Technology's Manufacturing Extension Partnership (MEP), Bureau of Industry and Security, and the International Trade Administration. Selections across the outreach areas were broad, led by interest in "Continuous Improvement/Lean Manufacturing," "Export Assistance," and "Vendor/Material Sourcing."

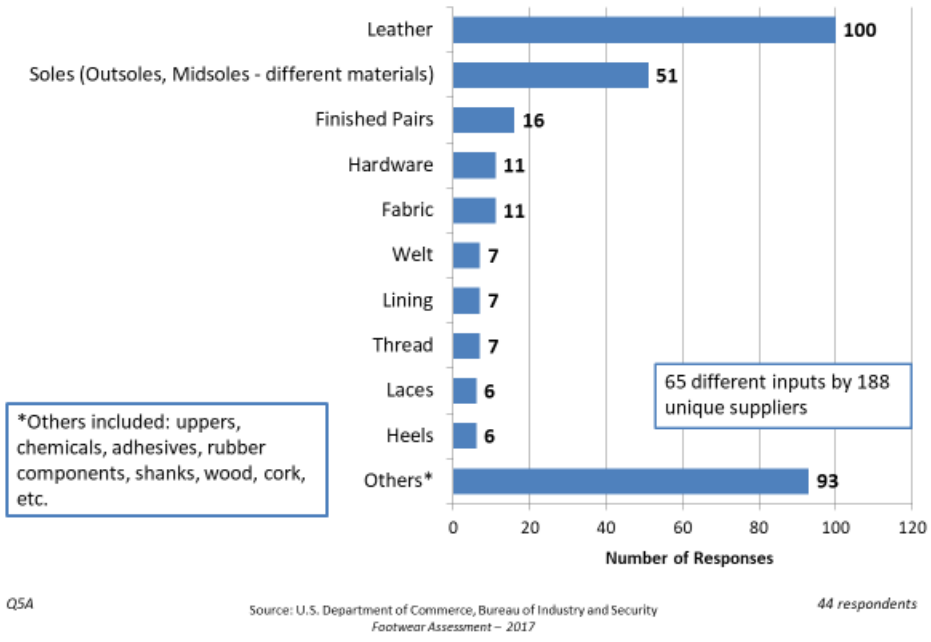
Figure X-5: Government Outreach Areas of Interest

XI. Supply Chain Network

Key Product, Material and/or Service Suppliers

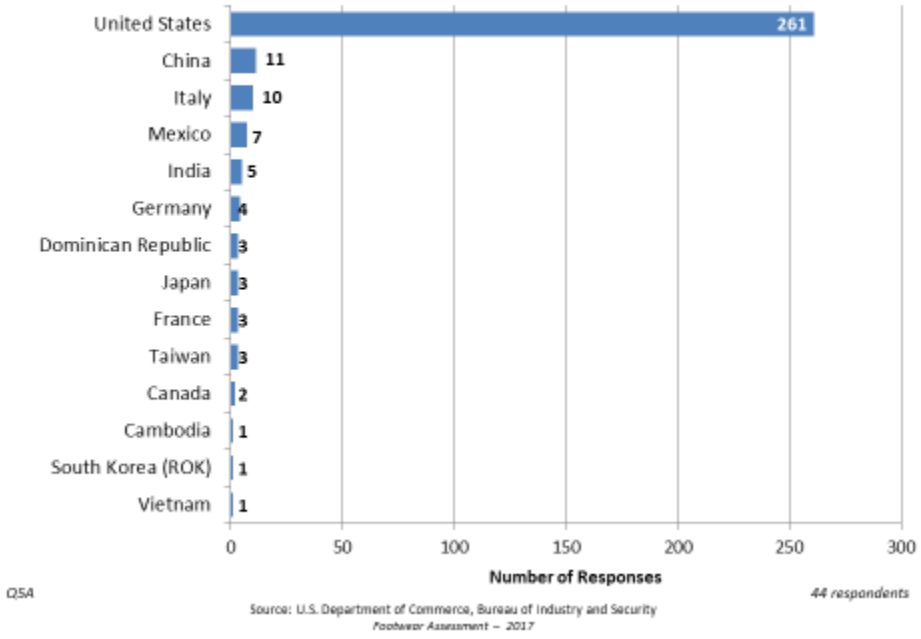
Respondents were asked to identify their organization's key product, material, and/or service suppliers for their footwear manufacturing operations. This elicited 315 total responses listing 65 different inputs and 188 unique suppliers. The unique suppliers were spread across 14 different countries, including the U.S. (29 States). The top 10 suppliers identified comprised 28 percent of total responses and were all U.S.-based. Leather and Soles (Outsoles, Midsoles, Insoles – from different materials) accounted for half of the input responses, with 33 percent and 17 percent, respectively (see Figure XI-1).

Figure XI-1: U.S. Footwear Suppliers - Top 10 Plus Other Inputs



U.S. suppliers accounted for 261 of the responses (83 percent), with China, Italy, and Mexico representing the most frequently listed non-U.S. supplier countries (two to three percent each) (see Figure XI-2).

Figure XI-2: U.S. Footwear Suppliers - Countries



Respondents were also asked to indicate whether listed suppliers were sole source (the only known supplier in existence) or single source (their only accepted/qualified source even though others with equivalent know-how and production capability may exist). Nineteen of the 315 total responses were sole source suppliers. They represented 12 unique companies, 10 of which were U.S.-based.

Ten of the 19 sole source supplier responses were listed by U.S. footwear manufacturers producing footwear under the Berry Amendment for the DoD. These 10 responses represented

four unique U.S.-based suppliers. One of these U.S. suppliers, whose parent company is based in Italy, accounted for seven of the 10 responses.

When asked if they had experienced any U.S.-specific supply chain sourcing issues since 2012, 48 percent of respondents (21 of 44) answered affirmatively. The supply chain sourcing response rate for Berry Amendment manufacturers supplying the DoD was 67 percent. Comments received through survey responses, and interviews with industry representatives and experts, indicated that there were only a limited number of domestic U.S. footwear materials and component suppliers. This creates challenges for U.S. manufacturers such as supply shortages and price volatility, especially for those manufacturing footwear under the Berry Amendment, which requires the use of 100 percent U.S. components. The supply and demand market dynamics can present suppliers with leverage over Berry manufacturers when it comes to pricing. One respondent noted, "Competitive pricing with sole source suppliers is a challenge with no other approved suppliers." Another said that a footwear component manufacturer "nearly went out of business one year and only substantial price increases enticed them to continue operating."

Additionally, survey respondents indicated that capacity constraints in the supply chain, especially by sole source suppliers, can also cause manufacturing and lead time delays. A bottleneck or a delay incident by a sole source supplier can have a ripple effect on several respondent's customers. For example, one respondent reported having undergone a loss in sales one year due to an issue at a sole source supplier manufacturing plant that delayed shipments by two months.

The reported state of the U.S. footwear supply chain could potentially create significant challenges if there was a surge in demand by the DoD for Berry Amendment-compliant footwear. As several Berry Amendment-compliant manufacturers shared with BIS during site visits, often there is only one supplier for key materials and components needed to manufacture such footwear. Usually, companies work with no more than two or three suppliers per component/material. The fragility of this supply chain is compounded by the fact that many of these suppliers are small businesses that are heavily dependent on Berry Amendment-related business.

By comparison, 25 percent of respondents (11 of 44) reported experiencing non-U.S.-specific sourcing issues in the last five years. The general sentiment was that it was easier to source materials from outside the U.S. due to the larger number of available suppliers. As the number of U.S. footwear manufacturers has decreased, so have the supply chains of businesses that support them. A large number of the vendors previously in the supply chain have gone out of business. Since the vast majority of footwear is manufactured outside the U.S., the supply chain networks that exist to support those manufacturers are primarily located outside the U.S. as well. The cited issues from the 11 respondents related to foreign sourcing of inputs included quality control, lead times, and other disruptions such as the West Coast Port labor dispute in 2015.

On average, 73 percent of respondents reported that their organization was dependent on foreign sources for at least some products, services, or materials. Respondent feedback conveyed that there are specific products and components that must be purchased from abroad, either directly or through a U.S. vendor, due to availability or other economic reasons. Examples include:

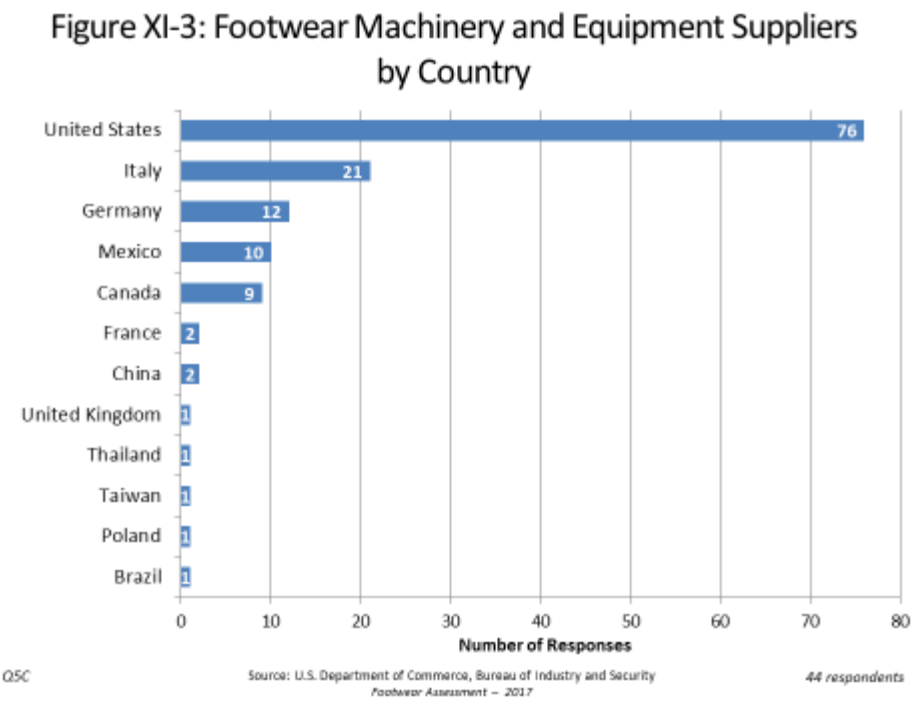
- Leather – specialty, fashion, exotic leathers as well as calf leather;

- Footwear components – plastic compounds, safety toes, sole components, uppers; "Some unique parts on specific styles that aren't readily available in the U.S." and
- Raw Materials – "Due to decrease in shoe manufacturing in the U.S. some specific raw materials no longer available in the U.S."

Machinery and Equipment

BIS also requested data related to key manufacturing machinery and equipment suppliers. The 44 respondents listed 137 total suppliers: 72 unique companies across 12 countries (including the U.S.) and 18 U.S. States. Only nine suppliers were listed more than twice, and 45 were listed only once. The responses received included a diverse range from generic machinery and machine parts to specific equipment such as sewing and cutting machines, cutting dies, and injection molding equipment.

Over half of the responses (55 percent) listed suppliers that were non-U.S.-based. Italy, Germany, Mexico, and Canada comprised 85 percent of the non-U.S. supplier responses (see Figure XI-3). The highest concentration of U.S. suppliers was in the Northeast (Maine, Massachusetts, and New Hampshire) – this accounted for 61 percent of responses. There were 21 sole source suppliers identified from the 137 responses: 12 U.S. suppliers, six from Italy, and one each from France, Germany, and Taiwan.



However, the numbers reported above do not accurately reflect the state of the machinery and equipment supply chain of the industry. In speaking with numerous industry experts and representatives, BIS received consistent feedback that U.S. footwear manufacturers are dependent on non-U.S. machinery. This was supported by a number of comments received where the survey respondent listed a U.S. supplier who was a broker or distributor of imported equipment. For example, one manufacturer stated, "The U.S. suppliers listed above are sales representatives although the machinery parts and pieces are not available within the U.S. and come from Europe." Another explained, "There are U.S. based distributors for much of the equipment but the manufacturers are non-U.S." In another example, the top U.S. supplier listed – accounting for eight percent of total responses – is the U.S. subsidiary of a foreign machinery manufacturer.

Furthermore, a number of organizations that listed U.S. suppliers had not purchased any new machinery or equipment in years. Comments included “Haven't bought any machinery for 20 years;” “Our equipment is 10-50 years old, always looking for PARTS and old used equipment;” and “We haven't bought new machines in the last 40 years.” While on a site visit to a footwear manufacturing facility BIS encountered sewing machines that were made in 1898. In lieu of purchasing new machinery, these respondents reported purchasing replacement and spare machine parts, die cutters, and used or rebuilt machines.

Thirty percent of survey respondents reported machinery and equipment sourcing issues, both U.S. and non-U.S. This was only nine percent among small companies, 42 percent among medium, and 75 percent among large companies. For organizations who manufactured under the Berry Amendment, the rate was 58 percent. The principal issues described were logistical and lead time issues, a diminished U.S. supply chain, and difficulty in finding replacement parts. The last point was especially pertinent to older equipment no longer manufactured or supported by the original equipment manufacturer (OEM).

Almost half (43 percent) of respondents reported that they were dependent on non-U.S. sourcing for machinery and/or equipment. The dependency rate for large and medium sized companies was 63 and 67 percent, respectively, while it was only 25 percent for small companies. Small companies were more likely to rely on older equipment and less likely to have purchased new machinery since 2012. Larger companies were more active in upgrading and investing in newer technology.

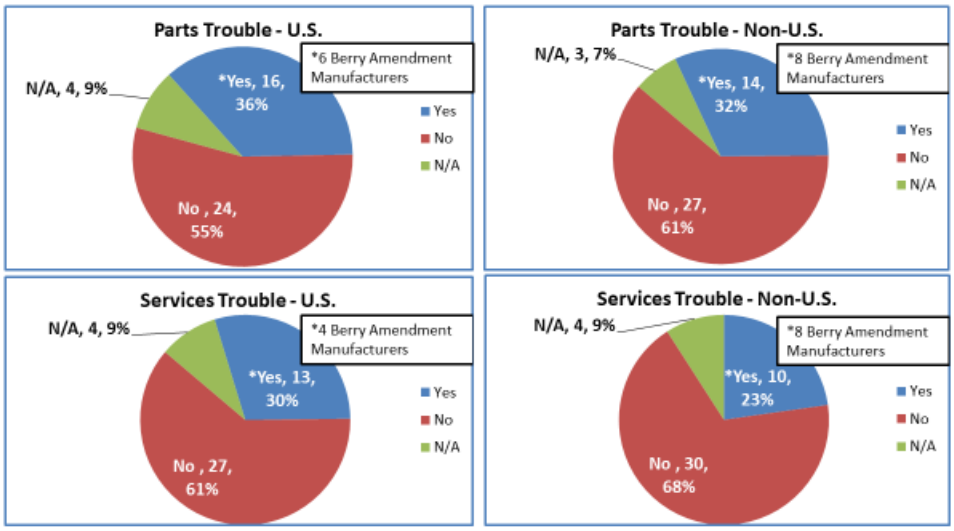
Additionally, 67 percent of organizations that manufactured Berry Amendment-compliant products reported foreign dependency. The majority of feedback and comments received

emphasized that most of modern footwear manufacturing equipment and technological leadership resides outside the U.S., with Europe leading the way and East Asia beginning to develop and expand capabilities in this area. Comments received included: "We would be unable to manufacture without the machinery/equipment being procured from non-U.S. sources;" "All the technology is being developed outside the U.S.;" and "Practically all equipment is foreign and the movement from European made to China/Taiwan made continues."

BIS asked survey respondents to report whether they had trouble obtaining parts or service (including software) for U.S. or non-U.S. manufacturing equipment. Between one quarter and one third answered positively (see Figure XI-4). Again, the trend pointed to larger companies and manufacturers who produce under the Berry Amendment reporting more difficulties than small companies. A majority of comments focused on older equipment, sometimes obsolete, where finding parts or technical support was a challenge. Many parts for older equipment are not standard inventory and are manufactured as needed which increases the cost. Some footwear manufacturers fabricate certain replacement parts themselves since the parts are no longer in production.

Figure XI-4: Machinery and Equipment

Has your organization had trouble obtaining parts or service (including software) for U.S. or non-U.S. manufacturing equipment?



Q5, D3

Source: U.S. Department of Commerce, Bureau of Industry and Security
Footwear Assessment – 2017

44 respondents

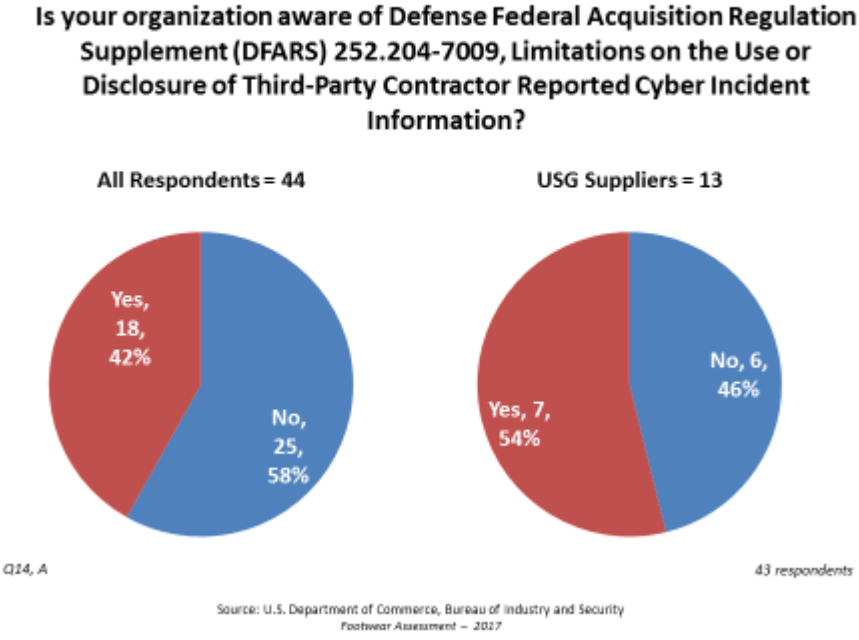
Since most newer footwear heavy equipment and machinery is sourced from outside the U.S., obtaining parts and service can also be a challenge. For example, getting service representatives from abroad can be both costly and difficult, as obtaining a U.S. visa for non-U.S. technicians can take time and is sometimes problematic. These delays can have a dramatic effect on productions levels as new equipment is temporarily shelved and replaced with more labor-intensive production processes. The state of affairs for machinery and equipment was summarized by one respondent: "There is a very limited supply chain for the footwear industry in the U.S.A. Parts are sometimes difficult to find and repair services are not available."

XII. CYBERSECURITY

In order to better understand how cybersecurity issues and policies are affecting U.S. footwear manufacturers, BIS asked a series of questions about current cybersecurity procedures, protecting Commercially Sensitive Information (CSI), network administration, and the number and types of cyber incidents.

BIS asked respondents if their organization was aware of the Defense Acquisition Regulation Supplement (DFARS) 252.204-7009, Limitations on the Use or Disclosure of Third-Party Contractor Reported Cyber Incident Information.[11] Overall, 18 of 43 respondents (42 percent) were aware of the regulation (see Figure XII-1). Of the 13 respondents who manufactured footwear for the USG, only seven (54 percent) were aware of the regulation.

Figure XII-1: U.S. Footwear Awareness of DFARS 252.204-7009



[11] *See,* http://www.acq.osd.mil/mil/dpap/dars/dfars/html/current/252201.htm

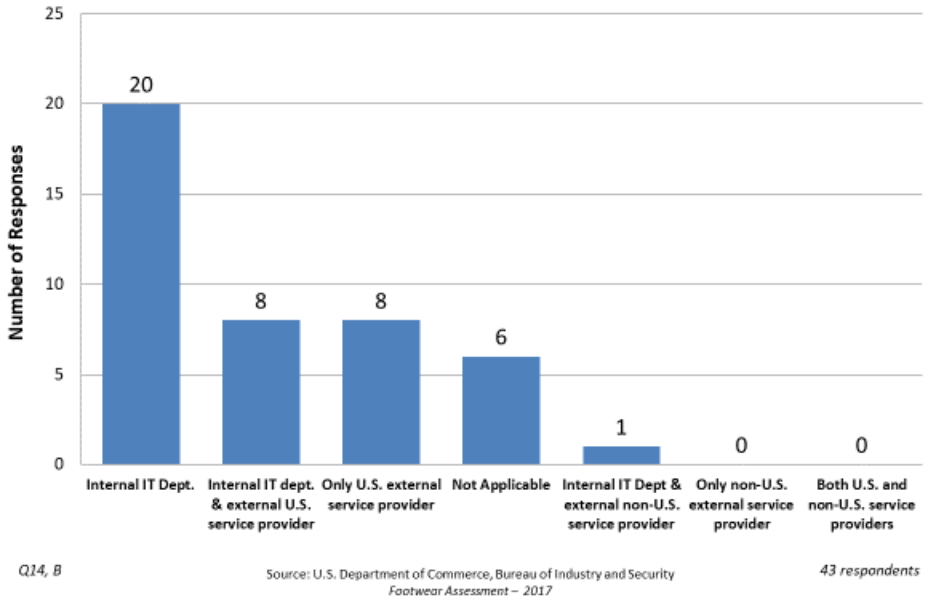
For the purposes of the survey, BIS defined Commercially Sensitive Information (CSI) as privileged or proprietary information which, if compromised through alteration, corruption, loss, misuse, or unauthorized disclosure, could cause serious harm to the organization owning it. Thirty-three of 43 respondents (77 percent) reported that their organization's CSI was stored on computers that connect to the internet. Several commented that this connection was through a firewall.

Thirty-three of 42 respondents (79 percent) affirmed they had defined, structured methods of actively protecting CSI; nine respondents (21 percent) did not. Most of those who had defined methods stated that they utilized some combination of software protocols, firewalls, encryption, anti-virus, or anti-malware systems. Several also mentioned the importance of being "[Payment Card Industry] PCI compliant for consumer sensitive information."

Fifteen of 43 respondents (36 percent) reported having increased their information security budget due to cyber incidents since 2012. Comments highlighted initiatives to improve cyber security, including increasing IT budgets, developing new security systems, and improving corporate policies.

When asked who was responsible for administering their organization's internal computer networks, 20 of 43 respondents (47 percent) reported that they were administered by the company's internal IT department (see Figure XII-2). The second-most common responses were "Only U.S. External Service Provider" and "IT and External U.S. Service Provider" (eight respondents each, 19 percent).

Figure XII-2: Identified Administrator for Internal Computer Network(s)



Q14, B

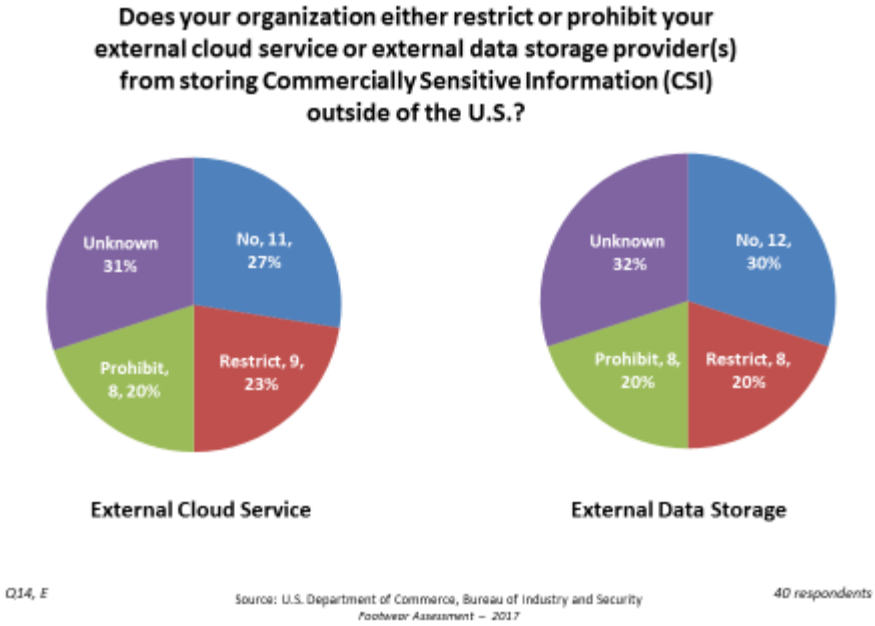
Source: U.S. Department of Commerce, Bureau of Industry and Security
Footwear Assessment – 2017

43 respondents

Similarly, respondents were asked who was responsible for administering their organization's external computer networks. This question was not applicable to 16 respondents (37 percent). Most of those with external networks (27 respondents, 63 percent) relied on their internal IT department, an external U.S. service provider, or a combination of both. Two respondents (five percent) utilized a combination of their internal IT departments and an external, non-U.S. service provider.

Slightly less than a third of respondents reported not storing any of their organization's CSI with either external cloud service providers or external data storage providers. Seventeen respondents (43 percent) either restricted or prohibited their external cloud service(s) from storing CSI outside of the U.S. (see Figure XII-3). Sixteen respondents (40 percent) either restricted or prohibited their external data storage provider(s) from storing CSI outside of the U.S. Twelve respondents (32 percent) did not know.

Figure XII-3: Storing CSI Outside the U.S.



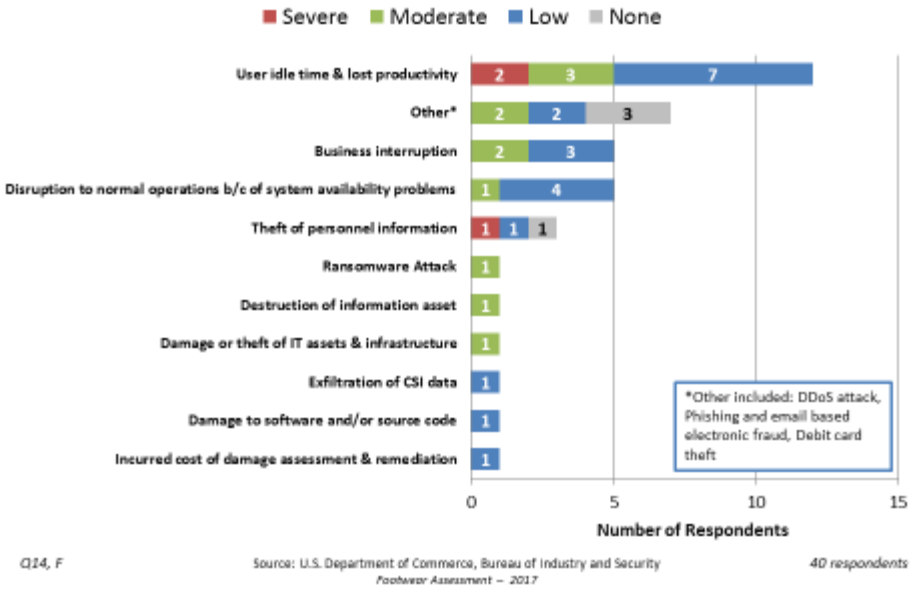
Q14, E

Source: U.S. Department of Commerce, Bureau of Industry and Security
Footwear Assessment – 2017

40 respondents

Finally, respondents were asked to list any disruptive cybersecurity events experienced by their organizations since 2012 and to indicate their level of severity. The most frequently listed was "User idle time and lost productivity because of downtime of systems" incident, with a total of 12 respondents (32 percent) reporting some level of severity of this event (see Figure XII-4). One respondent reported a theft of personnel information that had a severe impact on their organization. Just over half of the cybersecurity events reported (53 percent) had a low impact.

Figure XII-4: Cybersecurity Events and Levels of Impact (2012-2016)



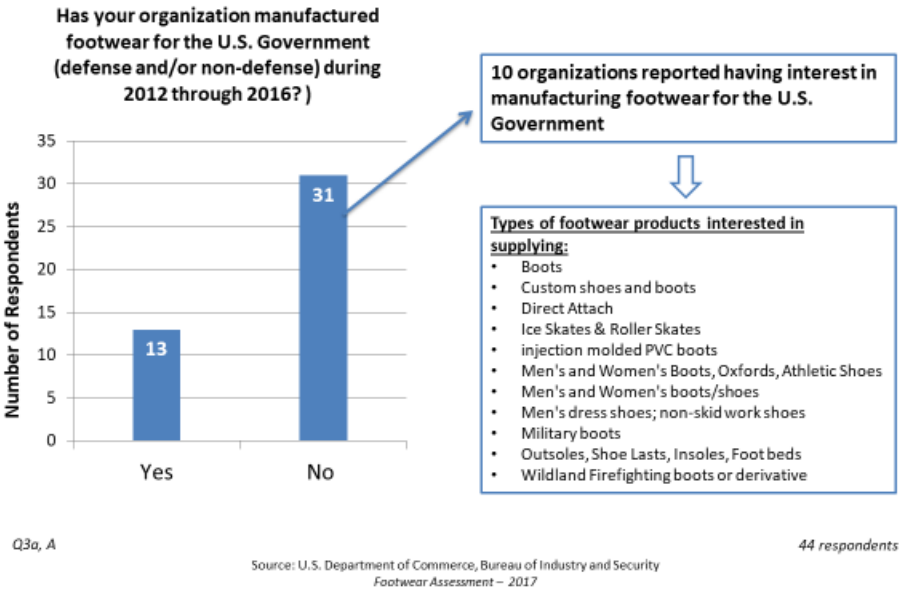
Other event descriptions provided included: “We've lost hours of operation due to breaches but recovered fairly quickly.” Respondents also described breaches targeting their online retail operations. Almost all reported events were resolved without much loss to productivity.

XIII. Participation in U.S. Government Programs and the Berry and Kissell Amendments

Participation in USG Programs

Of the 44 total respondents, 13 organizations manufactured for the U.S. Government (USG) between 2012 and 2016 (see Figure XIII-1). Of the 13 organizations that produced for the USG, four were large, eight were medium, and one was small. None had a moderate/elevated financial risk score. Of the 31 organizations that had not manufactured for the USG between 2012 and 2016, 10 were interested doing so. Potential products included boots, oxford and dress shoes, athletic shoes, and footwear components such as outsoles, shoe lasts, and insoles.

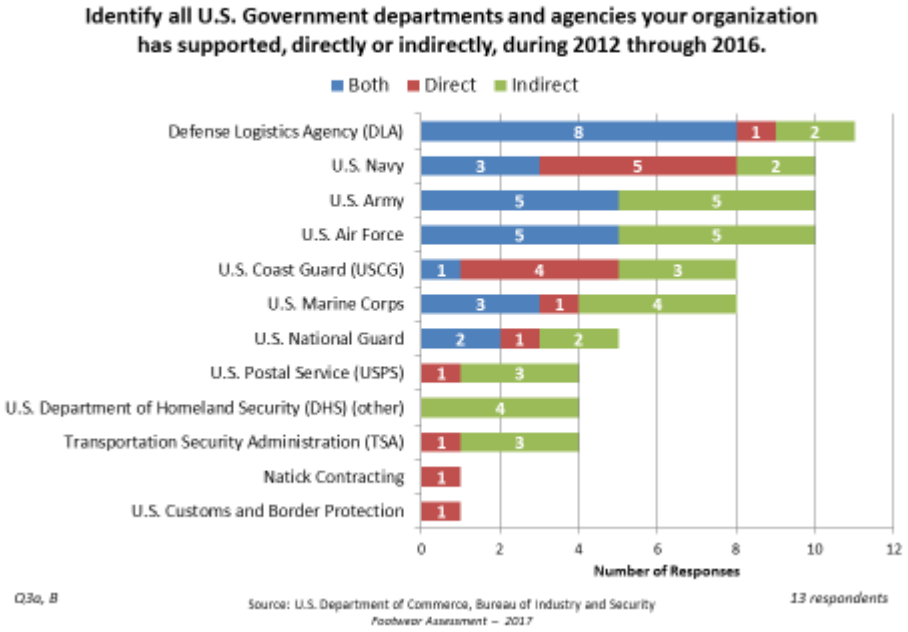
Figure XIII – 1: Participation in U.S. Government Programs (2012-2016)



Source: U.S. Department of Commerce, Bureau of Industry and Security
Footwear Assessment – 2017

Respondents were asked to identify all USG departments and agencies that their organization had supported – directly or indirectly – between 2012 and 2016. Direct support aligns with the role of prime contractor, and indirect support aligns with sub-contractor. The Defense Logistics Agency (DLA) was the most-cited footwear customer, listed by 11 of the 13 respondents (see Figure XIII-2). The U.S. Armed Forces (including the U.S. Coast Guard) ranked second through sixth, followed by the U.S. National Guard and the U.S. Postal Service.

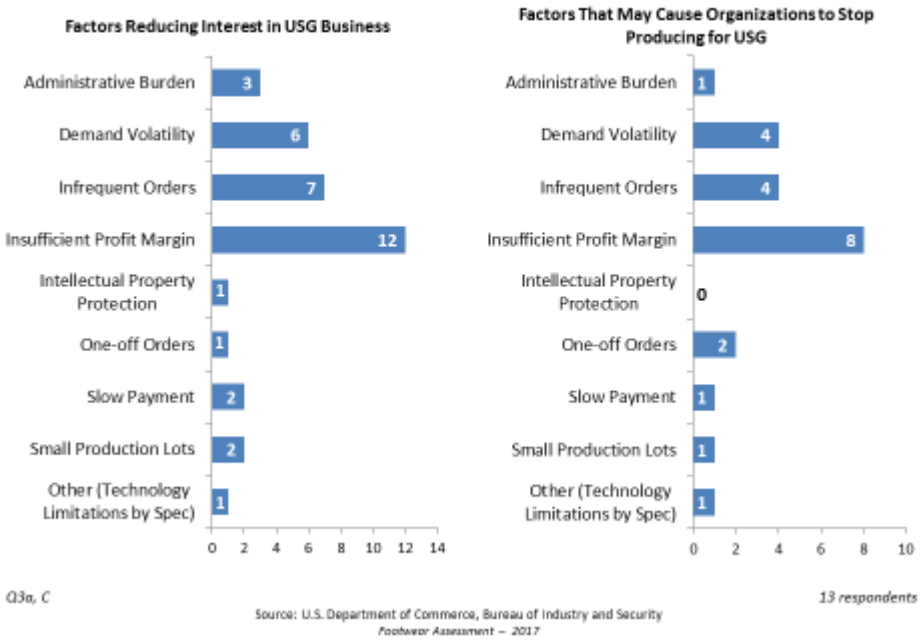
Figure XIII-2: Type of Support for USG Departments and Agencies



In order to better understand the nature of footwear manufacturers' participation in USG programs, BIS asked respondents to identify factors that would reduce their organization's interest in USG business or may cause the organization to stop producing for the USG. In both cases, respondents listed "Insufficient Profit Margin" as the number one factor (see Figure XIII-3). Twelve respondents (92 percent) selected "Insufficient Profit Margin" as a factor that reduced their interest in USG business, and eight (62 percent) claimed that it may cause their organization

to stop producing for the USG in the future. "Infrequent Orders" and "Demand Volatility" were the second- and third-most selected factors.

Figure XIII-3: Factors Affecting Interest in USG Business



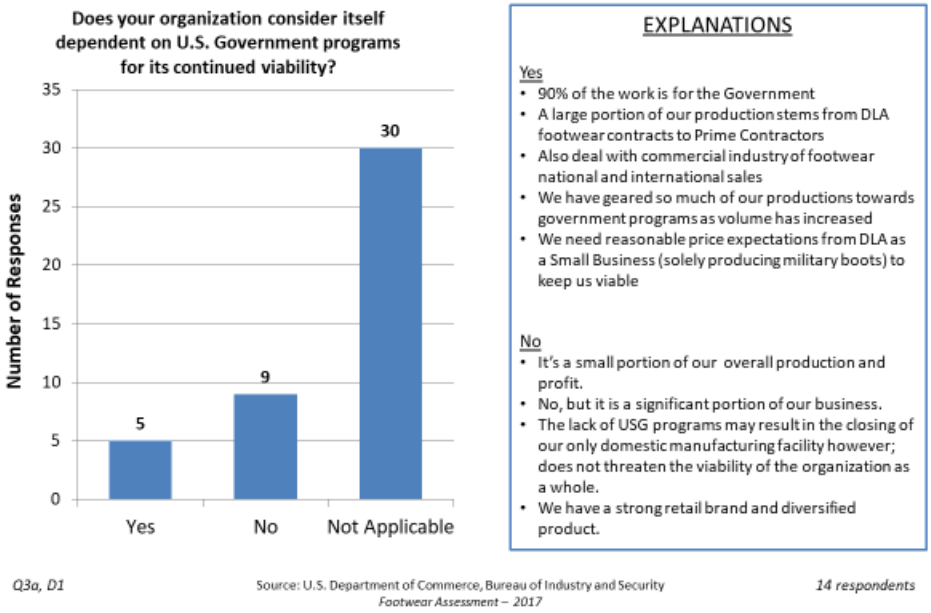
Regarding profit margin, respondents commented: "If adequate and predictable volume is not available, our business cannot control the profitability required to remain in business;" and "Margin must [be] reasonable to facilitate investment." The inter-related factors of demand volatility and infrequent orders also received much attention: "Consistent demand is critical to maintaining industry base." Overall, the comments on this topic were best summarized as:

> "The USG business opportunity supports hundreds of jobs for our company but minimal profits. If administrative burden and overall procurement structure continue to challenge business efficiencies, our company will be forced to examine long term viability of participating in government orders."

"Demand Volatility" and "Infrequent Orders" were also points of concern for future USG business. Companies were asked how they anticipated their overall USG business would change over the next five years (2017-2021). Eight companies (62 percent) were unsure, while only two organizations selected "Increase" and "No Change." Those who were unsure of their future USG business commented that it "depended on future awards," and they were "…unsure how Berry Amendment will affect current USG business." Those that anticipated an increase in USG business commented on expanded product lines (such as "jungle boots" and "athletic trainers") and "larger buys for non-DLA footwear" coming from the U.S. State Department and other federal customers.

When asked if their organizations considered themselves dependent on USG programs for their continued viability, five out of 13 answered yes (see Figure XIII-4). This aligned perfectly with the sales data collected by BIS. The same five companies were also calculated by BIS as USG dependent. For the purposes of this assessment, BIS considers a sales percentage to the USG of more than 25 percent to be dependence.

Figure XIII-4: Dependence on U.S. Government Programs



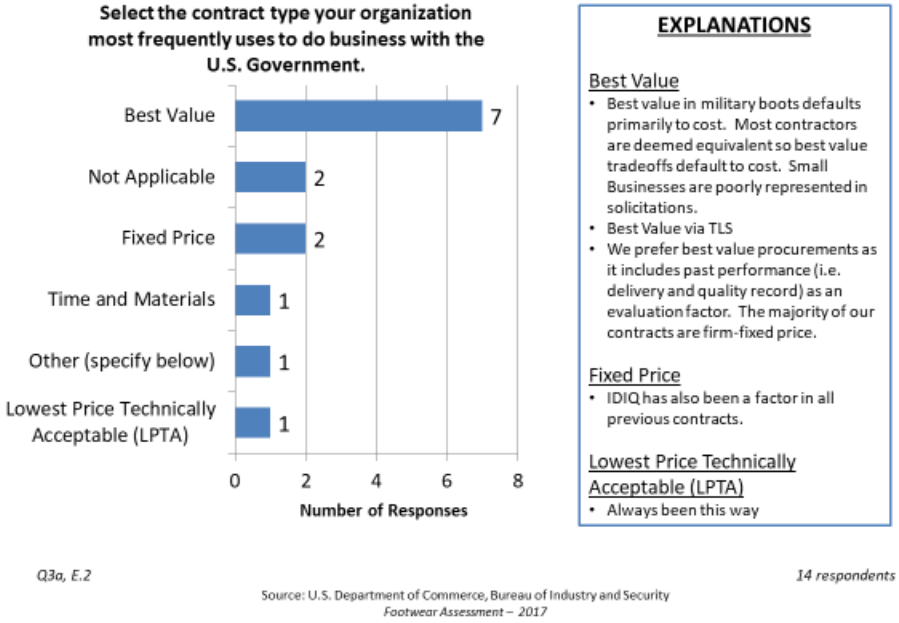
BIS asked a series of questions about the overall acquisition process in an effort to learn more about the contract-related issues facing the USG footwear manufacturers. First, respondents were asked how their organizations learned about footwear-related contract opportunities with the USG. Seven respondents (50 percent) selected "Federal websites," with FedBizOpps being the most frequently mentioned website (see Figure XIII-5).[12] U.S. Department of Defense (DoD) queries and industry associations were also regarded as helpful for learning about business opportunities. One respondent commented, "The websites have become very useful, but the DoD queries also inform of any upcoming requisitions."

[12] https://www.fbo.gov/

Figure XIII-5: U.S. Government Contracting Opportunities

In order to understand more about the types of contracts utilized in USG footwear procurement, BIS asked for further details about the source selection approach and the type of contract most frequently used. Examples of source selection approach included “Best Value” and “Lowest Price Technically Acceptable (LPTA)”, and contract types examples included “Fixed Price” and “Time and Materials”. Seven respondents (54 percent) identified the “Best Value” source selection approach as most frequently used. “Fixed Price” contracts were the second most common type (see Figure XIII-6).

Figure XIII-6: U.S. Government Contracting by Type



Source: U.S. Department of Commerce, Bureau of Industry and Security
Footwear Assessment – 2017

Most respondents preferred the "Best Value" selection approach over "LPTA" because low cost is not the only evaluation criteria for a bid proposal. Comments included "LPTA should not be utilized for footwear procurements;" and:

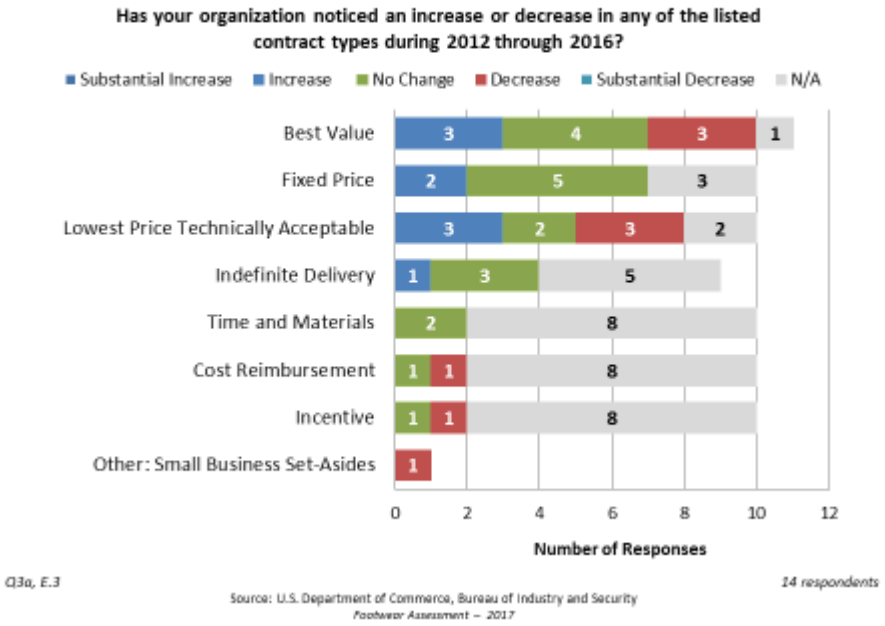
> "We prefer best value procurements as it includes past performance (*i.e.*, delivery and quality record) as an evaluation factor. The majority of our contracts are firm-fixed price."

However, not all respondents agreed that the overall switch from "LPTA" contracts to "Best Value" really changed the overall downward pressures on price:

> "Best value in military boots defaults primarily to cost. Most contractors are deemed equivalent so best value tradeoffs default to cost. Small Businesses are poorly represented in solicitations."

Further data collected did not provide a definitive conclusion on this subject. When asked if they had noticed any changes in the use of source selection approaches, an equal number of respondents observed increases and decreases in the use of "Best Value" and "LPTA" (see Figure XIII-7). The shift in reported contract types elicited few responses. According to respondents, "Fixed Price" and "Indefinite Delivery (IDIQ)" contracts had increased between 2012 and 2016 (three responses), while "Cost Reimbursement" and "Incentive" contracts had decreased (two responses).

Figure XIII-7: U.S. Government Contracting Changes



A particular point of contention among the respondents was the practice of small business set-asides during contract solicitations. Small-sized organizations saw the practice and associated pricing adjustments as vital to their viability of their businesses. For example, one respondent commented:

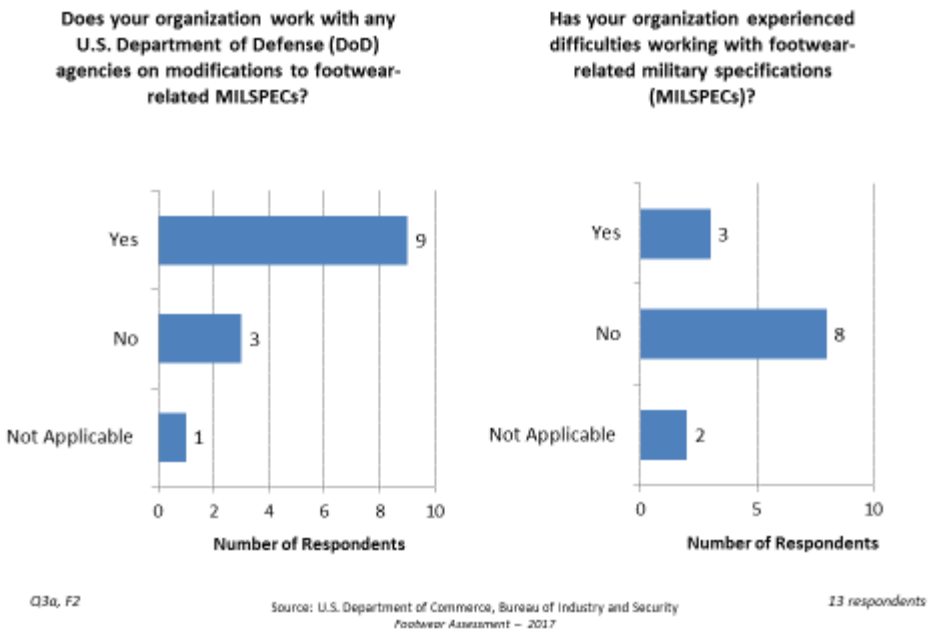
> "…decreasing government contracts within our category (Set-Aside for Small Business) prohibit our company from participation. Without the ability to participate it increases the probability of our company no longer being able to sustain the resources required to participate in government contracts."

However, when asked if they had any recommendations to improve the overall USG acquisition process for footwear, some suggested eliminating "pricing advantages" offered by small business set-asides and HUB Zone utilization.[13] The most common recommendation to improve the USG acquisition process was to shorten the time between solicitation bid closings and contract award. Four of the seven recommendations (57 percent) directly addressed this topic. In addition to shorter turn-around times for contract awards, one respondent added that "Longer lead times are needed from award to the initial delivery of product."

In order to further understand how U.S. footwear manufacturers interact with the USG, BIS asked a series of questions on Military Specifications (MILSPECs). For the purposes of this assessment, MILSPEC is defined as a U.S. DoD specification that states design requirements such as materials to be used, how a requirement is to be achieved, or how an item is to be fabricated or constructed. Production Descriptions (PDs) are included in the MILSPEC topic. Overall, nine of the 13 respondents who manufactured footwear for the USG have worked with DoD agencies on modifications to footwear-related MILSPECs, including all of the large organizations (see Figure XIII-8).

[13] For more information on Historically Underutilized Business Zones (HUB Zones), see https://www.sba.gov/contracting/government-contracting-programs/hubzone-program/understanding-hubzone-program

Figure XIII-8: Footwear Military Specifications (MILSPECs)



BIS also asked if respondents had experienced difficulties working with footwear-related MILSPECs. A majority of respondents (eight or 62 percent) did not report difficulties. Only three (23 percent) reported difficulties and provided the following comments:

> "Military specifications are very outdated and need to be updated to include any amendments/modifications the DoD has made prior to procurement issuance. A single, updated and finalized document needs to be issued to industry prior to the procurement to allow adequate time for response at time of procurement release. We would recommend the USG provide finalized specifications to be utilized in upcoming procurements at a minimum of 30 days in advance of the procurement."

> "Only as it related to construction method. No other issues have been noticed."

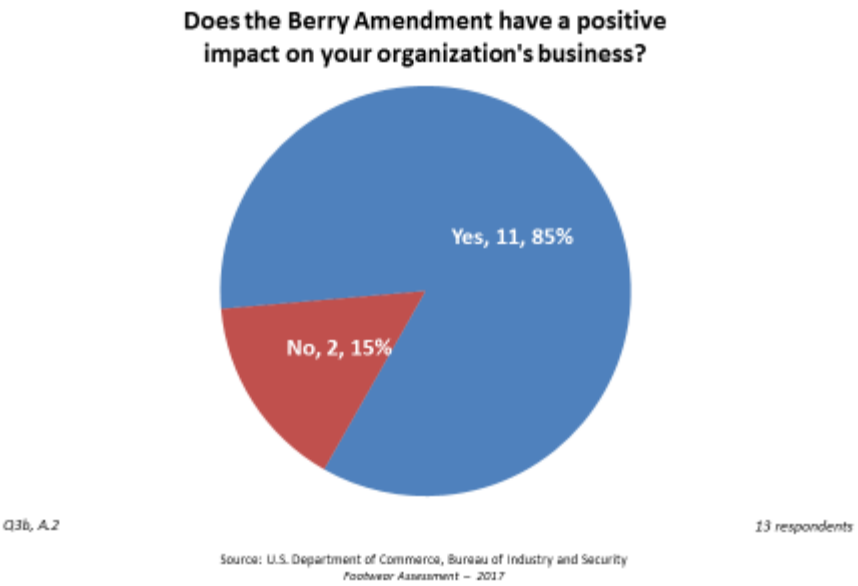
> "Raw material suppliers should not be allowed to contact government agencies and push for their components. They should be required to work with a prime contractor so they are sure the component will work properly in the manufacturing process. Another major issue with this is the selection of sole source providers."

Eleven of the 13 respondents (85 percent) reported having recommended modifications to footwear-related MILSPECs. In this small sample where MILSPEC modifications were suggested to DoD agencies, seven of the 11 respondents (64 percent) reported that their modifications were accepted. Two recommended modifications were not accepted, and two recommendations were still in process at the time. There was disagreement among the footwear manufacturers who produce for the USG: some believed that the majority of their MILSPEC recommendations have been adopted, while other respondents commented, "… the majority of the time the USG is reticent to make the changes."

The Berry Amendment

The Berry Amendment (10 USC 2533a) of 1941 requires the U.S. Department of Defense to procure textile, clothing, and footwear products that are wholly manufactured in the United States and made from 100 percent U.S.-origin materials. Of the 13 organizations that produce footwear for the USG, 12 (92 percent) reported that they currently produced footwear that is Berry Amendment compliant. The 12 organizations producing Berry Amendment-compliant footwear represented all size cateogiries - four organizations were large, seven organizations were medium, and one organization was small. Eleven of those 12 organizations believed that the Berry Amendment has a positive impact on their organization's business (see Figure XIII-9).

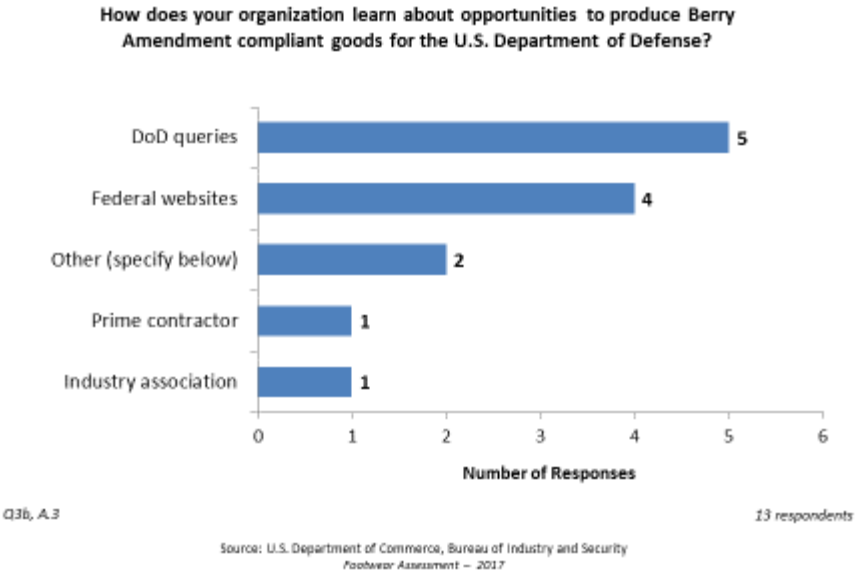
Figure XIII-9: Berry Amendment Impact



Those organizations with positive views of the Berry Amendment described their dependence on the restriction: "Without Berry the future of our company would be uncertain;" "This requirement keeps us in business;" and "[The Berry Amendment] allows for us to maintain our single domestic manufacturing facility." The two organizations that did not believe that the Berry Amendment had a positive impact on their businesses also commented: "[It's] difficult to find materials;" and, "It limits what we can offer technology-wise to the U.S. Government but does protect against foreign competition."

BIS asked respondents how they learned about opportunities to supply Berry Amendment compliant goods for DoD. Nine of the 13 respondents (69 percent) utilized a combination of Federal website and DoD queries (often made through websites) (see Figure XIII-10). FedBizOpps was again the USG website most often cited. Other responses included "Prime Contractor," "Industry Association," and personal contacts.

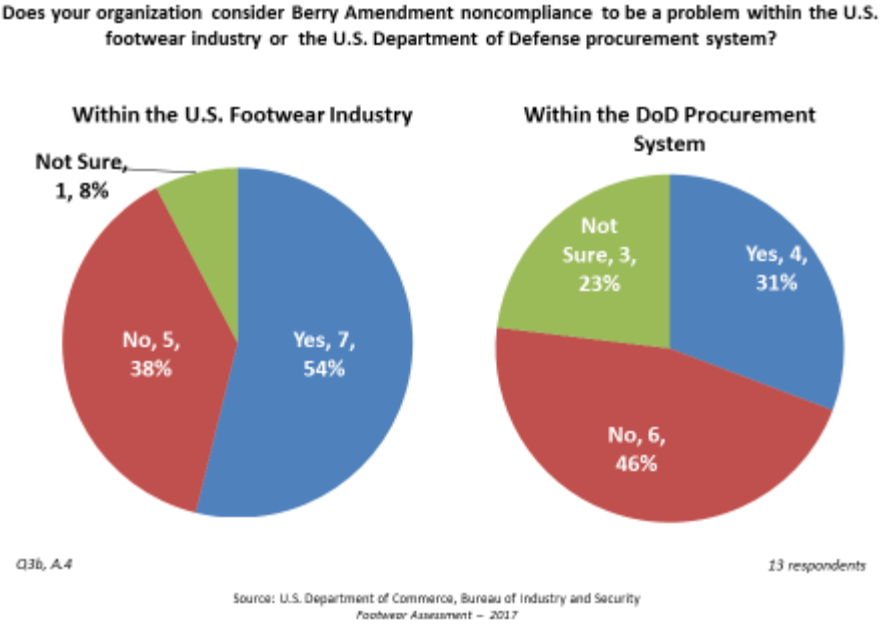
Figure XIII-10: Learning About Berry-Amendment Business Opportunities



In order to better understand the administration and compliance of the Berry Amendment, BIS asked a series of questions regarding suspected violations, USG agency interactions, and compliance training. Seven respondents (54 percent) considered Berry Amendment noncompliance to be a problem in the footwear industry (see Figure XIII-11). Five respondents (38 percent) did not. Regarding the DoD procurement system, four respondents (31 percent) believed that noncompliance was a problem, while six respondents did not. Regarding overall Berry Amendment noncompliance, one respondent commented:

> "The Berry Compliant footwear industrial base is very fragile and relies on a relatively small amount of volume to support the entire supply chain. Whenever government entities procure non-Berry Compliant product it further erodes the volume base and increases the probability of a supplier or a prime manufacturer (most of which are small businesses) of going out of business."

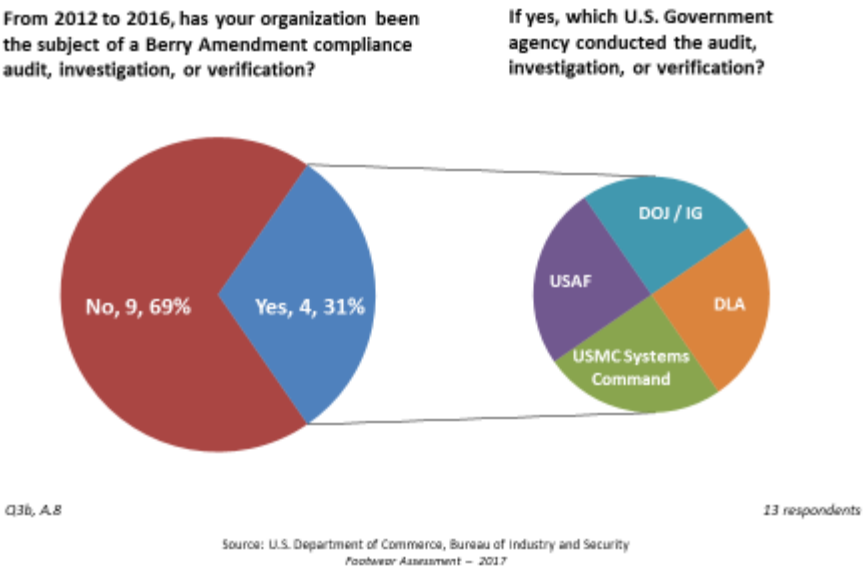
Figure XIII-11: Berry Amendment Noncompliance - Footwear



BIS asked respondents if they had reported any instances of suspected Berry Amendment violations between 2012 and 2016. Twelve (86 percent) had not reported any instances while two (14 percent) had. Of the two reported violations, one had been resolved.

BIS also asked if respondents had been the subject of a Berry Amendment compliance audit, investigation, or verification between 2012 and 2016. Nine respondents (69 percent) reported that they had not been audited or investigated, while four respondents (31 percent) had (see Figure XIII-12). Each of the four reported audits or investigations was conducted by a different USG agency: DLA, the U.S. Air Force, the U.S. Marine Corps Systems Command, and the U.S. Department of Justice Inspector General (DOJ/IG).

Figure XIII-12: Berry Amendment Compliance Audits, Investigations, and Verifications - Footwear



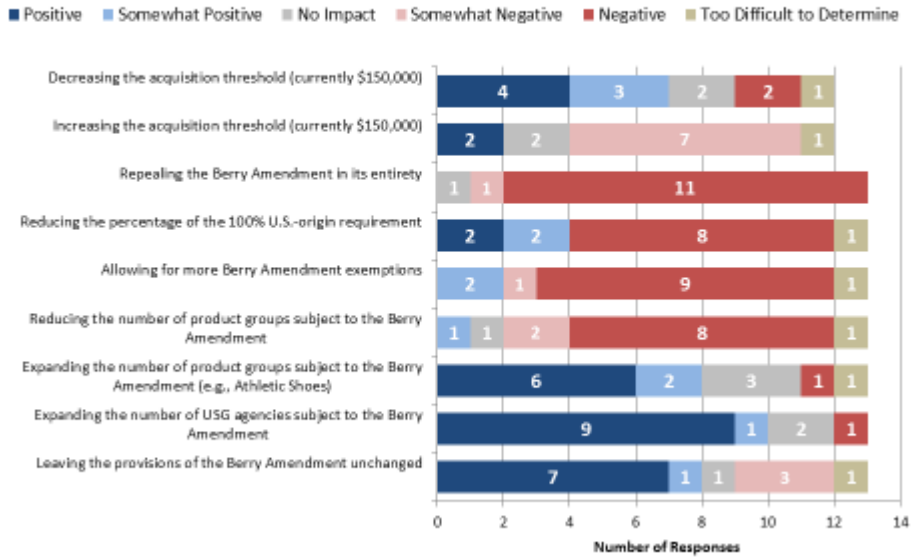
BIS staff raised the issue of USG Berry Amendment compliance training and asked footwear manufacturers if it was a part of the contracting process. Eleven of the 12 organizations (92 percent) that currently produce Berry Amendment compliant footwear had not been offered or taken part in any Berry Amendment-specific compliance training. Six organizations (55 percent) expressed interest in taking part of such training if offered.

In order to better understand the impacts of the Berry Amendment on the U.S. footwear industry, BIS asked respondents to react to a series of hypothetical changes to the Berry Amendment. They were then asked to comment on how the changes might impact their organization. "Expanding the number of USG agencies subject to the Berry Amendment" had the most positive responses, with 10 respondents (77 percent) selecting "Positive" or "Somewhat Positive" (see Figure XIII-13). "Expanding the number of product groups subject to the Berry

Amendment (*e.g.*, Athletic Shoes)" and "Leaving the provisions of the Berry Amendment unchanged" were the second- and third-most positive actions (eight respondents each).

Conversely, "Repealing the Berry Amendment," "Allowing for more Berry Amendment exemptions," and "Reducing the number of product groups subject to the Berry Amendment" were the hypothetical actions that would most negatively impact U.S. footwear manufacturers. Additionally, a majority of respondents were in favor of decreasing the acquisition threshold of the Berry Amendment (currently $150,000).

Figure XIII-13: Impacts of Possible Changes to the Berry Amendment on U.S. Footwear Manufacturers



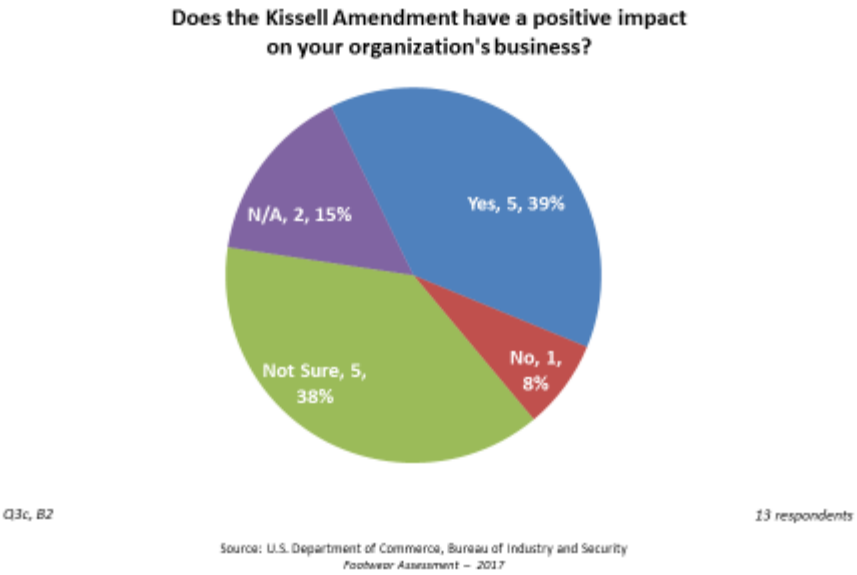
Comments provided reiterated the importance of the Berry Amendment to U.S. footwear manufacturers: "Berry is critical to at least providing a base of production within the U.S. Any lessening of Berry will have a negative impact on the already fragile industry," and "Reducing the 100 percent U.S. requirement to 80-85 percent would greatly expand the opportunity for increased performance and technology to the U.S. Military."

The Kissell Amendment

Additionally, The Kissell Amendment (6 USC 453b), in place since 2009, expands the provisions of the Berry Amendment to U.S. Department of Homeland Security (DHS) procurement for textiles, clothing, and footwear products for the U.S. Coast Guard (USCG) and other DHS agencies, such as U.S. Customs and Border Patrol (CBP), U.S. Immigration and Customs Enforcement (ICE), National Protection and Programs Directorate (NPPD), the Transportation Security Administration (TSA) and the U.S. Secret Service. However, unlike the Berry Amendment, the Kissell Amendment contains a number of exceptions to its Buy-American provisions such as a provision requiring that it be applied consistently with U.S. international trade agreements. Of the 13 organizations that produced footwear for the USG, six organizations (46 percent) reported that they had worked under the provisions of the Kissell Amendment. USG customers mentioned by these respondents included the USCG, the TSA, and CBP.

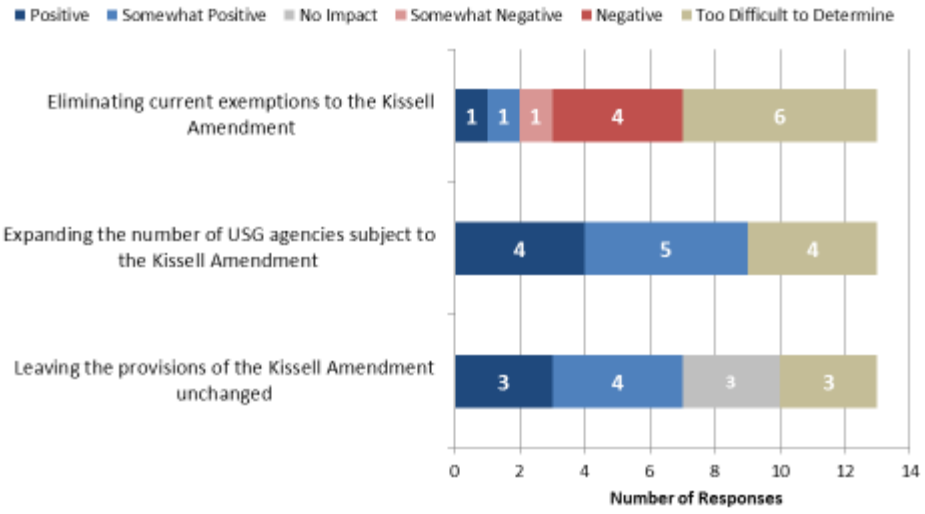
Five respondents (39 percent) believed that the Kissell Amendment has a positive impact on their organization's business: "[it] would provide for a potential increase in volumes and employment." (See Figure XIII-14.) Equally, five respondents (39 percent) were unsure of the impact of the Kissell Amendment on their business: "Not sure that it has provided a positive effect one way or another."

Figure XIII-14: Kissell Amendment - Footwear



BIS also asked respondents to react to a series of hypothetical changes to the Kissell Amendment and to comment on how the changes might impact their organization (see Figure XIII-15). "Expanding the number of USG agencies subject to the Kissell Amendment," elicited the most positive responses, with nine of the 13 respondents (69 percent) selecting "Positive" or "Somewhat Positive." Four respondents noted that "Eliminating current exemptions to the Kissell Amendment" would have a negative impact on their organizations.

Figure XIII-15: Impacts of Potential Changes to the Kissell Amendment on U.S. Footwear Manufacturers



Q3c, B3

Source: U.S. Department of Commerce, Bureau of Industry and Security
Footwear Assessment – 2017

13 respondents

Kissell Amendment-related comments included:

> "USG agencies complying with the Kissell Amendment as they should (as many now do not) would increase demand for Berry Compliant products. However, the volume may not be significantly relevant to the entire industrial base."

> "[We] view Kissell as going halfway to Berry. Berry is key for U.S. manufacturing expansion."

XIV. FINDINGS

Respondent Profile: BIS received completed surveys from 44 U.S. footwear manufacturers.

- The 44 organizations manufacturing footwear reported operating a total of 78 manufacturing facilities - 65 facilities in the U.S. and 13 facilities outside of the U.S.
- The U.S. operations of the 44 footwear manufacturers reported $8.5 billion in total sales for 2016 and employed a total of 20,503 footwear-related fulltime equivalent (FTE) employees in the same year.
- For the purposes of this assessment, respondents were categorized as small (less than $10 million), medium ($10 million - $50 million), and large (over $50 million) based on their 2016 total sales from footwear manufactured in the U.S. Using this method, 24 organizations were categorized as small; 12 were categorized as medium; and 8 were categorized as large.

Sales and Financial Performance: U.S. footwear manufacturers reported 11 percent growth in sales from finished pairs manufactured in the U.S. between 2012 and 2016. Much of this growth can be attributed to gains in Berry Amendment-related sales. In assessing the financial risk of footwear manufacturing organizations, no respondents received an overall high/severe financial risk score. BIS categorized 29 respondents as being at low/neutral financial risk and eight at moderate/elevated financial risk.

- Respondents' total annual footwear-related sales rose from $7.2 billion in 2012 to $8.5 billion in 2016, or by 18 percent. Sales from finished pairs manufactured in the U.S.

averaged 17 percent of this total during this period, rising from $1.36 billion in 2012 to $1.51 billion in 2016, an increase of 11 percent.

- Exports accounted for around 8 percent, on average, of total sales from footwear manufactured in the U.S. Exports grew by 11 percent between 2012 and 2016, from $106 million in 2012 to $118 million in 2016.
- In the period from 2012 to 2016, footwear-related Government sales increased from 12 percent to 19 percent of total U.S.-manufactured footwear sales. Berry Amendment-related footwear sales accounted for an average of 82 percent of all USG sales. Berry Amendment-related sales increased from $141 million in 2012 to $253 million in 2016.
- The 80 percent increase in Berry Amendment-related sales from 2012 to 2016 is responsible for 75 percent of the growth in total sales from footwear manufactured in the U.S. during the same period.
- Foreign Military Sales (FMS), while a small portion of USG sales, also grew significantly during this period, from $7 million in 2012 to $21 million in 2016, a 200 percent increase.
- BIS used financial data provided by survey respondents to develop a customized financial risk metric. This was done to better capture the overall financial condition of respondents and is based largely on standardized financial ratios. BIS categorized 29 respondents as being at low/neutral financial risk and eight at moderate/elevated financial risk. No respondents received an overall high/severe financial risk score. Seven respondents did not have data for all years or all measures and as a result could not be assigned a financial risk score.

Capital Expenditures (CAPEX) and Research and Development (R&D): U.S. footwear industry CAPEX and R&D spending both grew significantly between 2012 and 2016. CAPEX future priorities reported by respondents focused on improving productivity through the purchase of machinery and equipment. R&D expenditures were focused on product and process development, with the goals of expanding product ranges and innovation in the production process.

- The total CAPEX of the 44 respondents rose 22 percent from 2012 to 2016 - from $139 million to $170 million. Footwear-related CAPEX constituted an average of 81 percent of total expenditures. “Land, Buildings, and Leasehold Improvements” was the largest CAPEX category, with an average of 47 percent of total expenditures.
- Large-sized organizations accounted for 82 percent of the CAPEX total in 2016.
- “Improve Productivity” was the most frequently ranked footwear-related CAPEX priority for 2017-2021.
- Just under half of respondents (21 of 44) reported conducting R&D during the 2012-2016 period. Total R&D expenditures grew steadily from 2012 through 2016, from $52 million to $83 million, or by 61 percent. A majority (65 percent) of R&D expenditures were invested in product and process development. Ninety-two percent of R&D expenditures were “Internal/Self-Funded/IRAD,” with Federal Government funding accounting for less than two percent of expenditures.
- Seventeen respondents (71 percent) listed “Expand Range of Products” as their top R&D priority, followed by “Innovation in Production Process” and “Improve the Quality of Product.”

Workforce: Labor availability was a major concern for U.S. footwear manufacturers, which was exacerbated by an aging workforce and difficulties with attracting and retaining younger workers.

- Survey respondents employed 22,396 total full time equivalent (FTE) employees in 2016, 20,503 (92 percent) of whom performed footwear-related duties.
- Two-thirds of respondents (66 percent) reported difficulties in hiring and/or retaining employees in their footwear-related operations. In fact, labor availability was the most-often cited concern of U.S. footwear manufacturers in the "Challenges" section of the BIS survey. "Production Line Workers" were overwhelmingly reported as the most difficult to hire and to retain, followed by "Engineers, Scientists, and R&D Staff".
- Fifty-seven percent of respondents were either "Very Concerned" or "Somewhat Concerned" about their workforce retiring in the near future. Over half anticipated difficulties in finding and/or recruiting younger workers to fill the vacancies left by retiring employees.

Products and Production Capabilities: While overall U.S. footwear production declined from 2012 to 2016, Berry Amendment-related footwear was largely responsible for the recent (2015-2016) increase in U.S. footwear manufacturing production. Nearly two-thirds of respondents reported some level of confidence in their production capacity in the event of a national emergency. However, workforce issues such as labor availability were cited as the primary concern for achieving surge production targets.

- Total footwear pairs manufactured in the U.S. by survey respondents decreased by 2.8 percent from 2012 to 2016, from 14.9 million to 14.5 million pairs. However, 2016 saw a 3.7 percent increase from 2015 in total production.
- The growth between 2015 and 2016 can be attributed to the increase of Berry Amendment-related footwear manufacturing which increased by almost 800,000 pairs.
- Respondents reported capacity utilization as a percentage of maximum production possible under a 7-day-a-week, 24-hour-per-day operation. The average utilization rate was consistently around 33 percent for 2012-2016, which equates to roughly to one 8-hour shift, 7-days-a-week.
- When identifying the factors that would limit their ability to achieve 100 percent utilization, workforce-related issues (labor availability and costs) were the most common, followed by availability of inputs and equipment-related concerns.
- Despite the reported challenges, 61 percent of respondents were either "Very Confident" or "Somewhat Confident" that they could obtain the material necessary to ramp up production in the event of a national emergency.

Customers and Competitors: BIS survey respondents were asked to list their top customers and competitors. A large majority of reported U.S. and non-U.S. customers were listed as commercial. Price was the major competitive attribute of non-U.S competitors listed; U.S.-based footwear competitors challenged both on price and range of capability.

- Thirty-eight respondents identified a total of 178 U.S. customers. Commercial customers accounted for 87 percent of responses, with U.S. Government customers making up the rest (10 percent defense-related, 4 percent non-defense).

- Respondents listed 131 non-U.S. customers, with 88 percent being commercial and 12 percent Government (10 percent defense-related, 2 percent non-defense).
- BIS received 119 responses identifying 67 unique U.S. competitors. The leading competitive attributes listed were "Price" and "Range of Capabilities".
- Fifty-six unique non-U.S. competitors were listed. Chinese companies accounted for 30 percent, German for 18 percent, British and Mexican for eight percent each, Italy for seven percent, and others for 20 percent. "Price" was listed as the leading competitive attribute in over half of the responses.
- "Quality," "Performance," and "Lead Time" were listed as the leading competitive traits of the U.S. footwear industry as it related to foreign competition. Top competitive disadvantages were "Labor Costs" and "Material Costs".

Competitive Factors: In order to remain price competitive against domestic and foreign footwear manufacturers, respondents were most likely to be investing in technologies and "advanced manufacturing techniques" in order to reduce production costs and increase efficiency. Other respondents planned to improve marketing strategies to "promote the 'Made in USA' label" as a way to counter foreign competition.

- Foreign competition was the organizational challenge ranked number one most often by survey respondents, with 10 organiztions (23 percent) ranking it first.
- In order to remain competitive against foreign competition, 35 of the 44 respondents (80 percent) were currently undertaking "Cost Reduction/Efficiency" actions, and 36 of the 44 respondents (82 percent) were planning to do so in the future. Along similar lines, 31

respondents (70 percent) were planning to undertake actions under the "Automation/Lean Manufacturing" category.

- A significant portion of respondents, especially large organizations, reported planning to make "Marketing Improvements," with a focus on improving online sales and their web presence.
- Nineteen respondents (43 percent) reported awareness that reshoring was occurring in U.S. footwear manufacturing. Most believed that the marketability of the "Made in USA" label was the largest driving contributing factor. "Shorter lead times" and "Proximity to customers" were the second the third-most selected factors.

Challenges and Outreach: Workforce-related issues ranked highly among U.S. footwear manufacturers' concerns, having been selected as three of the four top organizational challenges.

- BIS requested feedback and ranking on 28 organizational challenges in order to better understand the issues faced by U.S. footwear manufacturers.
- Twenty-four of the 28 challenges were selected as a top five concern at least once. "Labor Availability/Costs" was the overall most common challenge, with 28 respondents (64 percent) ranking that issue in their top five. "Healthcare Costs" had the second-highest response rate, especially for small-and-medium-sized organizations.
- "Competition – Foreign" was the third most commonly selected challenge. However, it was ranked number one most often, with 10 respondents (23 percent) ranking it first.

- The leading areas of interest among respondents for receiving further information and outreach were "Continuous Improvement/Lean Manufacturing," "Export Assistance," and "Vendor/Material Sourcing."

Supply Chain Network: U.S. footwear manufacturers – especially those who produce Berry Amendment-compliant footwear for the U.S. Government – face a diminishing U.S. supply base and increasing foreign dependencies for at least some products, services, materials, and machinery/equipment.

- Respondents listed 315 key product, material and/or service suppliers, 65 different input types, and 188 unique suppliers. The unique suppliers were spread across 14 different countries, including 29 U.S. States. U.S. suppliers accounted for 261 (83 percent) of the responses, with China, Italy, and Mexico representing the most frequently listed non-U.S. supplier countries.
- Ten of the 19 sole suppliers listed were reported by footwear manufacturers producing under the Berry Amendment for the U.S. Department of Defense (DoD).
- Forty-eight percent of respondents and 67 percent of Berry Amendment manufacturers reported having experienced U.S.-specific supply chain sourcing issues since 2012.
- Thirty-two respondents (73 percent) reported that their organization is dependent on foreign sources for at least some products, services, or materials.
- A large portion of respondents (43 percent) reported that they were dependent on non-U.S. sourcing for machinery and/or equipment. The dependency rate for large-and-medium-sized organizations was 63 and 67 percent, respectively, while it was only 25 percent for small organizations as thery rely on mostly older equipment. Two-thirds (67

percent) of organizations that manufactured Berry Amendment-compliant products reported foreign dependency on machinery and equipment.

- Fifty-eight percent of Berry Amendment manufacturers also reported sourcing issues with machinery and/or equipment. The principal concerns were logistical and lead time issues, a diminished U.S. supply chain, and difficulty in finding replacement parts.

Cybersecurity: Nearly 80 percent of respondents reported having defined cybersecurity policies and procedures for protecting Commercially Sensitive Information (CSI), although only 36 percent of respondents had increased their information security budgets since 2012. Nearly one third of respondents reported experiencing negative cybersecurity events.

- BIS defined CSI as privileged or proprietary information which, if compromised through alteration, corruption, loss, misuse, or unauthorized disclosure, could cause serious harm to the organization owning it. Thirty-three of the 44 respondents (75 percent) reported that their organization's CSI was stored on computers that connect to the internet which is a potential concern.
- Thirty-three respondents (79 percent) affirmed they had defined, structured methods of actively protecting CSI.
- Only 36 percent reported having increased their information security budget due to cyber incidents since 2012.
- Regarding cybersecurity events experienced since 2012, the most frequently listed were "User idle time and lost productivity because of downtime of systems" incident, with a total of 12 respondents (32 percent) reporting some level of severity of this event.

Participation in U.S. Government Programs and the Berry and Kissell Amendments:

Companies that had manufactured footwear for the U.S. Government (USG) between 2012 and 2016 identified a combination of insufficient profit margins, infrequent orders, and demand volatility as factors potentially affecting their interest in USG business. However, companies producing Berry Amendment-compliant footwear were positive about the impacts of the amendment on their business. They also largely supported expanding both the product groups and the number of USG agencies subject to the Berry Amendment. The Kissell Amendment, which covers procurement by the Department of Homeland Security (DHS), was viewed as "halfway to Berry" by survey respondents. The elimination of exemptions to the Kissell Amendment and expansion to more DHS agencies would increase USG demand.

- Of 44 total respondents, 13 manufactured for the USG at some point between 2012 and 2016.
- Twelve respondents (92 percent) claimed that "Insufficient Profit Margin" as a factor reducing their interest in USG business and eight respondents (62 percent) claimed that it may cause their organization to stop producing for the USG in the future. "Infrequent Orders" and "Demand Volatility" were the second- and third-most selected factors.
- The practice of Small Business Set-Asides during contract solicitations was a controversial topic for some respondents. Small-sized organizations viewed the practice and associated pricing adjustments as vital to their viability of their businesses, while other organizations suggested elimination of the unfair "pricing advantages."
- The most common recommendation to improve the USG acquisition process was to shorten the time between solicitation bid closings and contract award.

- Twelve respondents indicated they currently produce defense-related footwear that complies with the provisions of the Berry Amendment. Eleven of the 12 respondents (92 percent) viewed the Berry Amendment as having a positive impact on their organizations. Two Berry-compliant producers (17 percent) viewed the Amendment's impact on their business negatively, citing difficulties in material sourcing and technological innovation.
- Seven of 13 respondents (54 percent) saw Berry Amendment noncompliance as problem within the U.S. footwear industry, while only four of 13 (31 percent) saw it as a problem within the DoD procurement system.
- Seventy-seven percent of respondents believed that expanding the number of USG agencies subject to the Berry Amendment would have a positive impact on their businesses. "Expanding the number of product groups subject to the Berry Amendment (*e.g.*, Athletic Shoes)" was an action also viewed as having potential positive impact.
- Of the 13 organizations that produced footwear for the USG, six organizations (46 percent) reported that they had worked under the provisions of the Kissell Amendment.
- Sixty-nine percent of respondents believed that "Expanding the number of USG agencies subject to the Kissell Amendment" would have a positive impact on the U.S. footwear manufacturing industry.

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OMB Control Number: 0694-0119
Expiration Date: 09/30/2017

DEFENSE INDUSTRIAL BASE ASSESSMENT OF THE U.S. FOOTWEAR INDUSTRY

SCOPE OF ASSESSMENT

The U.S. Department of Commerce, Bureau of Industry and Security (BIS), Office of Technology Evaluation (OTE), is conducting a survey and assessment of the health and competitiveness of the U.S. textile, apparel, and footwear industry. The assessment, requested by the U.S. Congress, updates a similar BIS/OTE assessment conducted for Congress in 2003. This survey will cover topics including employment, production, competitors and customers, supply chain, financial information, research and development, effectiveness of the Berry Amendment, and future industrial challenges. The resulting aggregate data and subsequent analysis will allow textile, apparel, and footwear industry representatives and government policy officials to monitor trends, benchmark industry performance, and raise awareness of potential issues of concern.

RESPONSE TO THIS SURVEY IS REQUIRED BY LAW

A response to this survey is required by law (50 U.S.C. App. Sec. 2155). Failure to respond can result in a maximum fine of $10,000, imprisonment of up to one year, or both. Information furnished herewith is deemed confidential and will not be published or disclosed except in accordance with Section 705 of the Defense Production Act of 1950, as amended (50 U.S.C App. Sec. 2155). Section 705 prohibits the publication or disclosure of this information unless the President determines that its withholding is contrary to the national defense. Information will not be shared with any non-government entity, other than in aggregate form. The information will be protected pursuant to the appropriate exemptions from disclosure under the Freedom of Information Act (FOIA), should it be the subject of a FOIA request.

Notwithstanding any other provision of law, no person is required to respond to nor shall a person be subject to a penalty for failure to comply with a collection of information subject to the requirements of the Paperwork Reduction Act unless that collection of information displays a currently valid OMB Control Number.

BURDEN ESTIMATE AND REQUEST FOR COMMENT

Public reporting burden for this collection of information is estimated to average 12 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information to BIS Information Collection Officer, Room 6883, Bureau of Industry and Security, U.S. Department of Commerce, Washington, D.C. 20230, and to the Office of Management and Budget, Paperwork Reduction Project (OMB Control No. 0694-0119), Washington, D.C. 20503.

BUSINESS CONFIDENTIAL - Per Section 705(d) of the Defense Production Act

Table of Contents

Section I: General Instructions

A.	Your organization is required to complete this survey of the U.S. footwear industry using an Excel template, which can be downloaded from the BIS website: http://bis.doc.gov/footwearstudy If you are not able to download the survey document, at your request BIS, staff will e-mail the Excel survey template directly to you. For your convenience, a PDF version of the survey and required drop-down content is available on the BIS website to aid internal data collection. DO NOT SUBMIT the PDF version of the survey as your response to BIS. Should this occur, your organization will be required to resubmit the survey in the requested Excel format.
B.	Respond to every question. Surveys that are not fully completed will be returned for completion. Use the comment boxes to provide any information to supplement responses provided in the survey form. Make sure to record a complete answer in the cell provided, even if the cell does not appear to expand to fit all the information. DO NOT CUT AND PASTE RESPONSES WITHIN THIS SURVEY. Survey inputs should be completed by typing in responses or by use of a drop-down menu. The use of cut and paste can corrupt the survey template. If your survey response is corrupted as a result of cut and paste responses, a new survey will be sent to your organization for immediate completion.
C.	**Do not disclose any classified information in this survey form.**
D.	Estimates are sometimes acceptable (and in select sections encouraged), but in sections that do not explicitly allow estimates you must contact BIS survey support staff before including estimates.
E.	Upon completion of the survey, final review, and certification on the last tab, **transmit the survey via e-mail to**: footwearstudy@bis.doc.gov
F.	Questions related to the survey should be directed to BIS survey support staff at footwearstudy@bis.doc.gov (E-mail is the preferred method of contact). You may also speak with a member of the BIS survey support staff by calling (202) 482-6339
G.	For questions related to the overall scope of this Industrial Base assessment, contact: Brad Botwin, Director, Industrial Studies Office of Technology Evaluation, Room 1093 U.S. Department of Commerce 1401 Constitution Avenue, NW Washington, DC 20230 DO NOT submit completed surveys to Mr. Botwin's postal or e-mail address; all surveys must be submitted electronically to footwearstudy@bis.doc.gov

Section II: Definitions

Term	Definitions
Applied Research	Systematic study to gain knowledge or understanding necessary to determine the means by which a recognized and specific need may be met. This activity includes work leading to the production of useful materials, devices and systems or methods, including design development and improvement of prototypes and new processes.
Basic Research	Systematic, scientific study directed toward greater knowledge or understanding of the fundamental aspects of phenomena and of observable facts.
Berry Amendment	The Berry Amendment (10 USC 2533a) requires the U.S. Department of Defense (DoD) to buy textile, clothing and footwear products made with 100% U.S. fibers, yarns, and fabrics that are cut, sewn, and assembled in the United States. It also applies to DoD procurement of food, hand tools and measuring tools. The Berry Amendment ensures that critical U.S. military needs are not dependent on goods provided by foreign countries, thus mitigating a potentially serious national security issue. http://web.ita.doc.gov/tacgi/eamain.nsf/BerryAmendment/Berry%20Amendment
CAGE Code	The Commercial and Government Entity Code, or CAGE Code, is a unique identifier assigned to suppliers of parts, materials, and/or services to U.S. civilian or defense agencies. https://cage.dla.mil/Search
Cloud Storage	A service model in which data is maintained, managed, and backed up remotely and made available to users over a network.
Commercially Sensitive Information (CSI)	Privileged or proprietary information which, if compromised through alternation, corruption, loss, misuse, or unauthorized disclosure, could cause serious harm to the organization owning it. This includes customer/client information, financial information and records, human resources information, intellectual property information, internal communications, manufacturing and production line information, patent and trademark information, research and development information, regulatory/compliance information, and supplier/supply chain information.
Customer	An entity to which an organization directly delivers the product or service that it produces. A customer may be another organization or another facility owned by the same parent organization. The customer may be the end user for the item but often will be an intermediate link in the supply chain, adding additional value before transferring the item to yet another customer.
Design	Realization of a concept or idea into a configuration, drawing, model, mold, pattern, plan or specification (on which the actual or commercial production of an item is based) and which helps achieve the item's designated objective(s).
External Storage	External storage is all addressable data storage that is not currently in your company's networks main storage or memory.
Footwear	Footwear refers to garments worn on the feet, which typically serves the purpose of protection against adversities of the environment, usually regarding ground textures and temperature.
Full Time Equivalent (FTE) Employees	Employees who work for 40 hours in a normal work week. Convert part-time employees into "full time equivalents" by taking their work hours as a fraction of 40 hours.
Government Furnished Equipment (GFE)	Government Furnished Equipment (GFE) (FAR Part 45) is equipment that is owned by the government and delivered to, or made available to a contractor. http://www.acqnotes.com/acqnote/careerfields/government-furnished-equipment-gfe
Kissell Amendment	The Kissell Amendment (6 USC 453b) expands the provisions of the Berry Amendment to U.S. Department of Homeland Security procurement for textiles, clothing, and footwear for the Coast Guard and the Transportation Security Administration (TSA). For supporting documents, refer to: https://www.dhs.gov/publication/homeland-security-acquisition-regulation-deviations
Mandatory Source	According to FAR 8.002 Priorities for Use of Government Supply Sources, agencies shall satisfy requirements for supplies and services from or through the sources and publications listed below in descending order of priority, 1) Supplies. (i) Agency inventories; (ii) Excess from other agencies (see Subpart 8.1); (iii) Federal Prison Industries, Inc. (see Subpart 8.6); (iv) Supplies which are on the Procurement List maintained by the Committee for Purchase From People Who Are Blind or Severely Disabled (see Subpart 8.7); (v) Wholesale supply sources, such as stock programs of the General Services Administration (GSA) (see 41 CFR 101-26.3), the Defense Logistics Agency (see 41 CFR 101-26.6), the Department of Veterans Affairs (see 41 CFR 101-26.704), and military inventory control points; (vi) Mandatory Federal Supply Schedules (see Subpart 8.4); (vii) Optional use Federal Supply Schedules (see Subpart 8.4); and (viii) Commercial sources (including educational and nonprofit institutions). https://www.acquisition.gov/sites/default/files/current/far/html/FARTOCP08.html
Military Specification (MILSPEC)	A United States defense standard, often called a military standard, "MIL-STD", "MIL-SPEC", or (informally) "MilSpecs", that is used to help achieve standardization objectives by the U.S. Department of Defense. A MilSpec is a specification that states design requirements, such as materials to be used, how a requirement is to be achieved, or how an item is to be fabricated or constructed. http://dtic.mil/whs/directives/corres/pdf/412024m.pdf
Manufacturing	The process of converting raw materials, components, or parts into finished goods that meet a customer's expectations or specifications. For the purposes of this survey, manufacturing also includes assembly.
North American Industry Classification System (NAICS) Code	North American Industry Classification System (NAICS) codes identify the category of product(s) or service(s) provided by your organization. Find NAICS codes at http://www.census.gov/epcd/www/naics.html
Product/Process Development	Conceptualization and development of a product prior to the manufacture of the product for customers.
Reshoring	The practice of transferring a business operation that was moved to a non-U.S. location back to the U.S.
Single Source	An organization that is designated as the only accepted/qualified source for the supply of parts, components, materials, or services even though other sources with equivalent technical know-how and production capability may exist.
Small Business Administration (SBA)	For more information on the Small Business Administration's size standards by NAICS code, refer to: https://www.sba.gov/sites/default/files/files/Size_Standards_Table.pdf
Sole Source	An organization that is the only source for the supply of parts, components, materials, or services where no alternative U.S. or non-U.S. based suppliers exist other than the current supplier.
Supplier	An entity from which your organization obtains inputs. A supplier may be another company with which you have a contractual relationship, or it may be another facility owned by the same parent organization. The inputs may be goods or services.
Turnover Rate	The rate at which employees leave jobs in a company and are replaced by new hires. For the purposes of this survey, the turnover rate is calculated annually.
United States	The "United States" or "U.S." includes the 50 states, Puerto Rico, the District of Columbia, the island of Guam, the Trust Territories, and the U.S. Virgin Islands.
U.S. Armed Forces	The United States Armed Forces are the federal armed forces of the United States. They consist of the U.S. Army, U.S. Marine Corps, U.S. Navy, U.S. Air Force, and Coast Guard.
Utilization Rate	The fraction of an organization's potential output that is actually being used in current production, where potential output is based on a 7-day-a-week, 3x8-hour shift production schedule.

Section III: Respondent Profile

Select your organization's footwear-related capabilities, both in and outside the U.S.:

		Does your organization:	In the U.S.	Outside of the U.S.
A.	1	Manufacture footwear?		
	2	Design footwear?		
	3	Conduct research and development (R&D) for footwear?		

EXEMPTION FROM SURVEY

If you selected "No" to the manufacture of footwear in the U.S. in Section A, your organization may be exempt from completing this U.S. Department of Commerce survey. If you think your organization may be exempt, contact BIS survey staff at (202) 482-6339 or footwearstudy@bis.doc.gov

BUSINESS CONFIDENTIAL - Per Section 705(d) of the Defense Production Act

Section 1a: Organization Information

A.	Provide the following information for your organization:	
	Organization Name	
	Street Address	
	City	
	State	
	Zip Code	
	Website	
	Phone Number	

B.	Does your organization have a parent company?		If yes, provide the following information on your parent organization(s):	
		Parent Organization 1		Parent Organization 2
	Organization Name			
	Street Address			
	City			
	State/Province			
	Country			
	Postal Code/Zip Code			

C.	Is your organization publicly traded or privately held?		If your organization is publicly traded, identify its stock ticker symbol.	

D.	Does your organization qualify as any of the following types of business?		If yes, indicate which types:
	1	A small business enterprise (as defined by the Small Business Administration)	
	2	8(a) Firm (as defined by the Small Business Administration)	
	3	A historically underutilized business zone (HUBZone)	
	4	A minority-owned business	
	5	A woman-owned business	
	6	A veteran-owned or service-disabled veteran-owned business	

E.	Is manufacturing footwear your organization's primary line of business?			
	If not, what is your primary line of business?			
	Does your organization participate in additional lines of business? If yes, indicate the business lines below and provide a short description of each.			
		Business Line(s)		Description of Business Line(s)
	1			
	2			
	3			
	4			
	5	Other:	(Specify)	
		Comments:		

F.	Point of Contact regarding this survey:				
	Name	Title	Phone Number	E-mail Address	State

Comments:	

BUSINESS CONFIDENTIAL - Per Section 705(d) of the Defense Production Act

Section 1b: Organization Information (continued)

Facilities

A.	1	How many total footwear manufacturing facilities does your organization currently operate?	
	2	How many are footwear manufacturing facilities located in the U.S.?	
	3	How many are footwear manufacturing facilities located outside the U.S.?	

B. Identify the locations of each of your footwear manufacturing facilities currently operating **in the U.S.,** the number of full time equivalent (FTE) employees, the primary footwear line for each facility, and whether the products are manufactured for the U.S. Armed Forces (see definitions).

	U.S. Facility Name	Street Address	City	State	Number of FTEs	Primary Footwear Line	Defense-related
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
Comments:							

C. Identify the locations of your organization's top five **Non-U.S.** footwear manufacturing facilities (based on production volume) and the primary footwear line for each facility.

	Non-U.S. Facility Name	Street Address	City	Country	Primary Footwear Line
1					
2					
3					
4					
5					
Comments:					

D. Provide the following identification codes (see definitions), as applicable, to your organization's footwear manufacturing facilities.

CAGE Code(s) (if applicable): https://cage.dla.mil/Search		NAICS (6-digit) Code(s) Find NAICS codes at: http://www.census.gov/cgi-bin/sssd/naics/naicsrch?chart=2012	
Comments:			

Section 2: Mergers, Acquisitions, Divestitures, and Joint Ventures

A. Mergers, Acquisitions, Divestitures

How many mergers, acquisitions, and divestitures has your organization been party to since 2012? [ ] If none, a "0" must be placed in the box.

Identify your organization's ten most recent mergers, acquisitions, and divestitures, if applicable. Select the primary objective of each item listed and provide a description.

	Organization Name	Type of Activity	Country	Year	Primary Objective	Description
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						

B. Joint Ventures

How many joint ventures does your organization currently participate in? [ ] If none, a "0" must be placed in the box.

Identify your organization's current joint venture relationships, including public/private R&D partnerships. Select the primary objective of the joint venture and provide a description.

	Organization/Entity Name	Country	Year Initiated	Primary Objective	Description
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					

Comments:

Section 3a: Participation in U.S. Government Programs

A.	1	Has your organization manufactured footwear for the U.S. Government (defense and/or non-defense) during 2012 through 2016?		
	2	If no:	Does your organization have an interest in manufacturing footwear for the U.S. Government?	
			Describe the types of footwear product(s) that your organization would be interested in supplying to the U.S. Government, if applicable.	

If you selected 'yes' for question A1, continue.

If you selected 'no' for question A1 (your organization has not manufactured footwear for the U.S. Government during 2012 through 2016), proceed to Section 4a.

B. Identify all U.S. Government departments and agencies your organization has supported, directly or indirectly, during 2012 through 2016. Estimate the percentage of your total footwear-related sales that supported each agency.

Note: Percentages will only total 100% if all of your organization's sales are to U.S. Government departments and agencies.

Agency Name		Type of Support	Estimated Percent of Your Organization's Footwear-Related Sales Attributable to USG Agency
U.S. Air Force			
U.S. Army			
U.S. Marine Corps			
U.S. Navy			
U.S. Coast Guard (USCG)			
Defense Logistics Agency (DLA)			
U.S. National Guard			
Transportation Security Administration (TSA)			
U.S. Department of Homeland Security (DHS) - *other than TSA and USCG*			
U.S. Department of Interior			
U.S. Postal Service (USPS)			
Other Department/Agency	(Specify here)		
Other Department/Agency	(Specify here)		
Other Department/Agency	(Specify here)		

C. Identify whether the following factors affect your organization's interest in U.S. Government business.

Factor	Reduce Interest in USG Business	May Cause Organization to Stop Producing for USG	Explain
Administrative Burden			
Demand Volatility			
Infrequent Orders			
Insufficient Profit Margin			
Intellectual Property Protection			
One-off Orders			
Slow Payment			
Small Production Lots			
Other (Specify)			
Comments:			

D.	1	Does your organization consider itself dependent on U.S. Government programs for its continued viability?	
		Explain:	
	2	How does your organization anticipate your overall U.S. Government business will change over the next five years (2017-2021)?	
		Explain:	

E.	1	How does your organization learn about footwear-related contract opportunities with the U.S. Government?	
		Explain:	
	2	Select the contract type your organization most frequently uses to do business with the U.S. Government. Note: For more information on types of contracts, refer to: https://www.acquisition.gov/far/current/html/FARTOCP16.html	
		Explain:	

3. Has your organization noticed an increase or decrease in any of the listed contract types during 2012 through 2016?

Contract Type	Type of Change	Additional Comments
Lowest Price Technically Acceptable (LPTA)		
Best Value		
Fixed Price		
Incentive		
Cost Reimbursement		
Time and Materials		
Indefinite Delivery		
Other (Specify)		

	4	Does your organization have any recommendations to improve the overall U.S. Government acquisition process for footwear?	
		Explain:	

F.	1	Has your organization experienced difficulties working with footwear-related military specifications (MILSPECs)?		
		Explain:		
	2	Does your organization work with any U.S. Department of Defense (DoD) agencies on modifications to footwear-related MILSPECs?		
		Explain:		
	3	a. Has your organization ever recommended modifications to footwear-related MILSPECs?		
		b. If YES:	Describe proposed modifications:	
			Describe the outcome of those recommendations:	
Comments:				

Section 3b: Berry and Kissell Amendments

The Berry Amendment (10 USC 2533a) requires the U.S. Department of Defense (DoD) to procure textile, clothing, and footwear products that are wholly manufactured in the United States and made from 100% U.S.-origin materials.

The Kissell Amendment (6 USC 453b) expands the provisions of the Berry Amendment to the U.S. Department of Homeland Security (DHS) procurement for textiles, clothing, and footwear products for the U.S. Coast Guard (USCG) and the Transportation Security Administration (TSA).

A.	1	Does your organization currently produce defense-related footwear items that are Berry Amendment compliant?				
	2	Does the Berry Amendment have a positive impact on your organization's business?				
		Explain:				
	3	How does your organization learn about opportunities to produce Berry Amendment compliant goods for the U.S. Department of Defense?				
		Explain:				
	4	Does your organization consider Berry Amendment noncompliance to be a problem within the U.S. footwear industry?				
		Explain:				
	5	Does your organization consider Berry Amendment noncompliance to be a problem within the U.S. Department of Defense procurement system?				
		Explain:				
	6	Indicate the entity your organization would contact within the U.S. Government for Berry Amendment-related issues. Mark all that apply.				
		Defense Logistics Agency (DLA)		U.S. Armed Services		
		U.S. Congress		Other	(specify)	
		U.S. Government Accountability Office (GAO)		Other	(specify)	
		Explain:				
	7	a.	From 2012 to 2016, did your organization report any instances of suspected Berry Amendment violations?			
		b.	If yes, was this issue resolved?			
		Explain:				
	8	a.	From 2012 to 2016, has your organization been the subject of a Berry Amendment compliance audit, investigation, or verification?			
		b.	If yes, specify which U.S. Government agency conducted the audit, investigation, or verification, and comment on the outcome.			
			Specify Agency:			
			Comments:			
	9	a.	Has your organization been offered or taken part in any Berry Amendment compliance training conducted by the U.S. Department of Defense or another U.S. Government agency?			
		b.	If yes, which agency(ies) conducted the training?			(Write In)
		c.	If no, would your organization be interested in taking part in Berry Amendment compliance training?			
		Explain:				
	10	Has your organization been offered and/or accepted any Government Furnished Equipment (GFE) in support of its Berry Amendment compliant production?				
		Explain:				
Comments:						

Section 3c: Berry and Kissell Amendments (continued)

The Berry Amendment (10 USC 2533a) requires the U.S. Department of Defense (DoD) to procure textile, clothing, and footwear products that are wholly manufactured in the United States and made from 100% U.S.-origin materials.

The Kissell Amendment (6 USC 453b) expands the provisions of the Berry Amendment to the U.S. Department of Homeland Security (DHS) procurement for textiles, clothing, and footwear products for the U.S. Coast Guard (USCG) and the Transportation Security Administration (TSA).

A. For the following actions, indicate the impacts both on your organization and on the U.S. footwear industry as they relate to the Berry Amendment.

	Action	Impact on your Organization	Impact on the U.S. Footwear Industry
1	Leaving the provisions of the Berry Amendment unchanged		
2	Expanding the number of USG agencies subject to the Berry Amendment		
3	Expanding the number of product groups subject to the Berry Amendment (e.g., Athletic Shoes)		
4	Reducing the number of product groups subject to the Berry Amendment		
5	Allowing for more Berry Amendment exemptions		
6	Reducing the percentage of the 100% U.S.-origin requirement		
7	Repealing the Berry Amendment in its entirety		
8	Increasing the acquisition threshold (currently $150,000)		
9	Decreasing the acquisition threshold (currently $150,000)		
	Explain:		

B.

1	Has your organization ever used or worked under the provisions of the Kissell Amendment?	
	Explain:	
2	Does the Kissell Amendment have a positive impact on your organization's business?	
	Explain:	

3 — Indicate the expected impacts of the following actions as they relate to the Kissell Amendment.

Action	Impact on your Organization	Impact on the U.S. Footwear Industry
Leaving the provisions of the Kissell Amendment unchanged		
Expanding the number of USG agencies subject to the Kissell Amendment		
Eliminating current exemptions to the Kissell Amendment		
Explain:		

Comments:	

BUSINESS CONFIDENTIAL - Per Section 705(d) of the Defense Production Act

Section 4a: Products and Services

A. Indicate which general footwear category is your primary business line. For the purpose of this survey, footwear products and services have been divided into five general categories, as detailed below.

Select the footwear product and service category corresponding to your organization's primary business line for footwear manufacturing.	

B. For each footwear category, indicate if your organization has manufacturing and/or design capabilities in the U.S.

	Footwear Product and Service Category	Manufacture	Design
A	Rubber and Plastic Footwear		
B	House Slipper		
C	Men's Footwear (except Athletic)		
D	Women's Footwear (except Athletic)		
E	Other Footwear (including Athletic Shoes)		

Comments:	

Section 4b: Product and Service List

Identify all of the footwear products your organization manufactures and/or designs in the U.S. For each product type manufactured/designed by your organization, indicate whether your organization provide any products that are Berry Amendment compliant (100% U.S. origin materials). For each product/service area selected, write a brief description of the specific items your organization manufactures and/or designs.

Note: The Berry Amendment (10 USC 2533a) requires the U.S. Department of Defense (DoD) to buy textile, clothing, and footwear products wholly manufactured in the United States and made from 100% U.S.-origin materials.

A: Rubber and Plastics Footwear

		Manufacture	Design	Any 100% U.S. Origin Products	Product/Service Description
A1 - Arctics, plastics/rubber or plastics/rubber soled fabric upper					
A2 - Boots, plastics/rubber or plastics/rubber soled fabric upper					
A3 - Canvas shoes, plastics/rubber or plastics/rubber soled fabric upper					
A4 - Footholds, plastics/rubber or plastics/rubber soled fabric upper					
A5 - Footwear, plastics/rubber or plastics/rubber soled fabric upper					
A6 - Gaiters, plastics/rubber or plastics/rubber soled fabric upper					
A7 - Galoshes, plastics, rubber or plastics/rubber soled fabric upper					
A8 - Overshoes, plastics/rubber or plastics/rubber soled fabric upper					
A9 - Pacs, plastics/rubber or plastics/rubber soled fabric upper					
A10 - Sandals, plastics/rubber or plastics/rubber soled fabric upper					
A11 - Shoes, plastics soles molded to fabric uppers					
A12 - Shoes, rubber or rubber soled fabric uppers					
A13 - Shower sandals or slippers, rubber					
A14 - Other	(Specify)				
A15 - Other	(Specify)				

B: House Slipper

		Manufacture	Design	Any 100% U.S. Origin Products	Product/Service Description
B1 - House Slippers					
B2 - Slipper Socks					
B3 - Other	(Specify)				
B4 - Other	(Specify)				

C: Men's Footwear (except Athletic)

		Manufacture	Design	Any 100% U.S. Origin Products	Product/Service Description
C1 - Boots, dress and casual: men's					
C2 - Casual shoes, men's except athletic and rubber footwear					
C3 - Dress shoes, men's					
C4 - Footwear, men's (except house slippers, athletic, and vulcanized)					
C5 - Footwear, men's leather or vinyl with molded or vulcanized soles					
C6 - Leather footwear, men's (except athletic, slippers)					
C7 - Orthopedic shoes, men's (except extension shoes)					
C8 - Shoes, men's (except house slippers, athletic, rubber, and extension)					
C9 - Work shoes, men's					
C10 - Other	(Specify)				
C11 - Other	(Specify)				
C12 - Other	(Specify)				

D: Women's Footwear (except Athletic)

		Manufacture	Design	Any 100% U.S. Origin Products	Product/Service Description
D1 - Boots, dress and casual (except plastics, rubber)					
D2 - Casual shoes (except athletic, rubber, plastics)					
D3 - Dress shoes					
D4 - Footwear, women's (except house slippers, athletic, orthopedic extension, plastics, rubber)					
D5 - Footwear, women's leather or vinyl upper with rubber or plastics soles					
D6 - Leather footwear (except athletic, slippers)					
D7 - Orthopedic shoes (except extension shoes)					
D8 - Pumps					
D9 - Sandals (except rubber, plastics)					
D10 - Shoes, women's (except house slippers, athletic, orthopedic extension, plastic, rubber)					
D11 - Other	(Specify)				
D12 - Other	(Specify)				

E: Other Footwear

		Manufacture	Design	Any 100% U.S. Origin Products	Product/Service Description
E1 - Athletic shoes, except rubber					
E2 - Ballet Slippers					
E3 - Children's Footwear					
E4 - Moccasins					
E5 - Orthopedic shoes, children's					
E6 - Sandals, children's (except rubber)					
E7 - Other	(Specify)				
E8 - Other	(Specify)				
E9 - Other	(Specify)				
E10 - Other	(Specify)				

Comments:	

Section 5: Supply Chain Network

Suppliers

Identify your organization's key product, material, and/or service suppliers for footwear manufacturing operations. For each supplier listed, indicate the product, material, and/or service, the location of the supplier, and whether the supplier is single or sole source (see definitions).

Note: A single source is an organization designated as the only accepted source for the supply of parts, components, materials, or services even though other sources with equivalent technical know-how and production capability may exist. A sole source is an organization that is the only source for the supply of parts, components, materials, or services, where no alternative U.S. or non-U.S. based suppliers exist other than the current supplier.

Note: Include internal/same organization suppliers.

A.

	Supplier Name	Product/Material/Service	City	State (if applicable)	Country	Single or Sole Source?
Ex.	*Sara's Leather Tannery*	*Leather*	*Huntsville*	*Alabama*	*United States*	*Sole Source*
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						

Comments:

B.

1	Has your organization experienced any U.S.-specific supply chain sourcing issues since 2012?	
	Explain:	
2	Has your organization experienced any non-U.S.-specific supply chain sourcing issues since 2012?	
	Explain:	
3	Is your organization dependent on foreign sources for any products, services, or materials?	
	Explain:	

Machinery and Equipment

Identify your organization's key machinery and equipment suppliers for footwear manufacturing operations. For each supplier name, indicate the type of machinery and/or equipment supplied, location of the supplier, and whether the supplier is single or sole source (see definitions).

Note: Include internal/same organization machinery/equipment suppliers.

C.

	Supplier Name	Machinery/Equipment	City	State (if applicable)	Country	Single or Sole Source?
1						
2						
3						
4						
5						

Comments:

D.

1	Has your organization experienced any machinery and/or equipment sourcing issues (U.S. and non-U.S.) since 2012?			
	Explain:			
2	Is your organization dependent on non-U.S. sourcing for your machinery and/or equipment?			
	Explain:			
3	Has your organization had trouble obtaining parts or service (including software) for U.S. or non-U.S. manufacturing equipment?		U.S.	Non-U.S.
		Parts		
		Services		
	Explain:			
4	Do you have any other problematic issues in terms of footwear manufacturing machinery and/or equipment?			
	Explain:			

Comments:

Section 6: Production Capabilities

A. Estimate your organization's annual U.S. footwear production (in finished pairs) for 2012-2016. Provide full-year estimates for 2016.

		2012	2013	2014	2015	2016
1	Units: Total Finished Pairs Manufactured					
2	Pairs manufactured in the U.S. with 100% U.S. materials (as a % of A1)					
3	Pairs manufactured or assembled in the U.S. with at least some imported materials and/or components (as a % of A1)					
	Total of 2 and 3 (must equal 100%)	0%	0%	0%	0%	0%
4	Berry Amendment-related pairs manufactured for the U.S. Department of Defense (DoD), including the U.S. Armed Forces (as a % of A1)					

Comments:

B. Estimate your organization's average annual footwear manufacturing utilization rate for 2012-2016, as a percentage of maximum production possible under a 7-day-a-week, 24-hour-per-day operation.

Note: a 100% utilization rate equals full operation with no downtime beyond that necessary for maintenance

Examples: Assuming little maintenance downtime, one 8-hour shift, 5 days per week is approximately 25% capacity utilization; two 8-hour shifts, 7-days-a-week is approximately 65% capacity utilization.	2012	2013	2014	2015	2016

1	Estimate how many 8-hour production shifts per day your organization typically operates? Record shifts shorter or longer than 8 hours as a fraction of an 8-hour shift. (ex: 12-hour shift = 1.5)	
2	Estimate how many 8-hour production shifts per day could your organization operate? Record shifts shorter or longer than 8 hours as a fraction of an 8-hour shift. (ex: 12-hour shift = 1.5)	
3	Estimate the number of weeks it would take to raise production from current levels to 100% capacity utilization: If you already operate at 100% capacity utilization, respond with a "0".	

Comments:

C.

1	If your organization were no longer able to purchase products, materials, or services from your suppliers, given current inventory levels, for how many weeks could you maintain normal operations?	
2	How confident are you that your organization could obtain the material necessary to rapidly ramp up production in the event of a national emergency?	

Comments:

D. Identify which of the factors below would limit your organization's ability to raise its footwear manufacturing utilization rate to 100% (maximum current capacity) to meet a surge in demand.

	Factor		-Yes/No-	Explain
1	Availability of additional equipment			
2	Availability of input materials			
3	Availability of workforce			
4	Cost of workforce			
5	Equipment capacity			
6	Manufacturing space			
7	Quality control			
8	Other	(Specify)		

Comments:

Comments:

Section 7: Sales

Record your organization's annual footwear-related U.S. and non-U.S. sales information for 2012-2016. Provide full-year estimates for 2016.

Note: "U.S." means U.S. domestic sales; "Non-U.S." means sales to any non-U.S. customers.
Note: Government sales include both direct and indirect sales to government customers. All sales with government end uses should be reported as government sales.

In Part A, indicate your organization's total footwear-related sales in U.S. dollars (in $ 000's).
In Part B, estimate your organization's total sales from finished pairs manufactured in the U.S. (as a % of A).
In Part C, estimate your organization's total sales from finished pairs manufactured outside the U.S. (as a % of A).
In Part D, estimate your organization's total sales from imported finished pairs (as a % of A). Imported finished pairs refers to footwear manufactured outside the U.S. by an entity other than your organization.
In Part E, estimate your organization's total government sales to all U.S. Federal (including defense-related sales), State, and Local Governments. Also include sales to non-U.S. Governments (as a % of A).
In Part F, estimate your organization's Berry Amendment-related total defense sales (as a % of A).

In Part G, indicate your organization's total footwear-related Foreign Military Sales (FMS), including Direct Commercial Sales (DCS) to foreign militaries.
In Part H, identify your organization's top 5 FMS receipient countries, by sales.

Source of Sales Data:	
Reporting Schedule:	

Record in $ Thousands, e.g. $12,000.00 = survey input $12

		2012		2013		2014		2015		2016	
		U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
A.	Total Footwear-Related Sales, all Customers (in $ 000's)										
	Lines B-F need not sum to 100%. Estimates are acceptable.										
B.	Total Sales from Finished Pairs Manufactured in the U.S. (as a % of A)										
C.	Total Sales from Finished Pairs Manufactured Outside the U.S. (as a % of A)										
D.	Total Sales from "Imported Finished Pairs" (as a % of A)										
E.	Footwear-Related Government Sales (as a % of A)										
F.	Total Berry Amendment-Related Sales to the U.S. Department of Defense (DoD), including the U.S. Armed Forces (as a % of A)										

Record in $ Thousands, e.g. $12,000.00 = survey input $12

		2012	2013	2014	2015	2016
G.	Total footwear-related Foreign Military Sales (FMS) (in $ 000's)					
H.	Indentify your organization's top five FMS recipient countries, by sales, for years 2012-2016.					
	1					
	2					
	3					
	4					
	5					

Comments:	

BUSINESS CONFIDENTIAL - Per Section 705(d) of the Defense Production Act

Section 8: Financials

Record your organization's annual Income Statement and Balance Sheet financial line items for 2012-2016.
Provide full-year estimates for 2016.

Source of Income Statement Items:						
Reporting Schedule:						
Income Statement (Select Line Items)		Record $ in Thousands, e.g. $12,000.00 = survey input of $12				
		2012	2013	2014	2015	2016
A.	Net Sales (and other revenue)					
B.	Cost of Goods Sold					
C.	Total Operating Income (Loss)					
D.	Earnings Before Interest and Taxes					
E.	Net Income					
Source of Balance Sheet Items:						
Reporting Schedule:						
Balance Sheet (Select Line Items)		Record $ in Thousands, e.g. $12,000.00 = survey input of $12				
		2012	2013	2014	2015	2016
A.	Cash					
B.	Inventories					
C.	Current Assets					
D.	Total Assets					
E.	Current Liabilities					
F.	Total Liabilities					
G.	Retained Earnings					
H.	Total Owner's Equity					

Comments:	

Disclosure of financial information is required for both public and private companies. All financial data is treated as Business Proprietary and exempt from Freedom of Information Act (FOIA) requests. Providing BIS with financial information will not result in the public release of your organization's financial data. The Department of Commerce's statutory authority under Section 705 of the Defense Production Act of 1950, as amended (50 U.S.C App. Sec. 2155) prohibits the publication or disclosure of this information unless the President determines that its withholding is contrary to the national defense.

Section 9: Capital Expenditures

Record your organization's total capital expenditures and footwear-related capital expenditures for years 2012-2016. Provide full-year estimates for 2016.

Source of Capital Expenditure Data:							
Capital Expenditure Reporting Schedule:							
Capital Expenditure Category			Record $ in Thousands, e.g. $12,000.00 = survey input of $12				
			2012	2013	2014	2015	2016
A.	Total Capital Expenditures (in $ 000s)						
	1	Machinery, Equipment, and Vehicles [as a % of A]					
	2	IT, Computers, Software [as a % of A]					
	3	Land, Buildings, and Leasehold Improvements [as a % of A]					
	4	Other (specify)					
	5	Other (specify)					
	Lines 1 through 5 must total 100%		0%	0%	0%	0%	0%
	6	Footwear-related Capital Expenditures [as a % of A]					

B.	From 2012-2016, were your organization's footwear-related capital expenditures adversely impacted by reductions in U.S. Government defense spending?	
	If yes, explain:	

C. Rank your organization's top 3 anticipated footwear-related capital expenditure priorities for 2017-2021 and provide a brief description.

	Priority		Rank	Description
1	Add new capability			
2	Comply with environmental regulations			
3	Comply with safety regulations			
4	Expand capacity			
5	Improve productivity			
6	Meet specific customer requirements			
7	Replace old machinery and equipment			
8	Upgrade technology			
9	Other	(Specify)		

Comments:	

Section 10a: Research & Development

A.	Does your organization conduct research and development (R&D)?		If No, proceed to Section 11.

In Section B, record your organization's total dollar R&D expenditures, footwear-related R&D expenditures and type of R&D expenditures for 2012 to 2016. Provide full-year estimates for 2016.

In Section C, record your organization's R&D funding sources by percent of total R&D dollars sourced for years 2012-2016. Provide full-year estimates for 2016.

Note: Defense-related footwear R&D expenditures refer to R&D spending by your organization on products or applications intended for use by the U.S. Department of Defense (DoD), including the U.S. Armed Forces.

B.

	Source of R&D Data:					
	Reporting Schedule:					
		Record $ in Thousands, e.g. $12,000.00 = survey input of $12				
		2012	2013	2014	2015	2016
1	Total R&D Expenditures (in $ 000s)					
2	Basic Research (as a % of B1)					
3	Applied Research (as a % of B1)					
4	Product/Process Development (as a % of B1)					
	Total of 2, 3, and 4 (must equal 100%)	0%	0%	0%	0%	0%
5	Footwear-related R&D Expenditures (as a % of B1)					
6	Defense-related footwear R&D Expenditures (as a % of B1)					

C.

		Record $ in Thousands, e.g. $12,000.00 = survey input of $12				
		2012	2013	2014	2015	2016
1	Total R&D Funding Sources (in $ 000s)					
2	Internal/Self-Funded/IRAD (as a % of C1)					
3	Total U.S. Department of Defense (DoD) (as a % of C1)					
4	Other Federal Government (as a % of C1)					
5	Total State and Local Government (as a % of C1)					
6	Universities - Public and Private (as a % of C1)					
7	U.S. Industry, Venture Capital, Non-Profit (as a % of C1)					
8	Non-U.S. Investors (as a % of C1)					
9	Other (specify here)					
	Lines 2 through 9 must total 100%	0%	0%	0%	0%	0%

Comments:	

BUSINESS CONFIDENTIAL - Per Section 705(d) of the Defense Production Act

Section 10b: Research & Development (continued)

A. Identify your organization's top footwear-related R&D priorities for 2017-2021 and provide a brief explanation for each priority.

	Priority		Explain
1			
2			
3			
4			
5	Other	(Specify)	

B. Identify the key factors driving your organization's investment in footwear-related R&D and explain how these factors shape R&D projects.

Factor		-Yes/No-	Explain
Cost reduction			
Customer requirements			
Industry roadmap			
Need for competitive advantage			
New product development			
Regulatory compliance			
Other	(Specify)		
Other	(Specify)		

C. From 2012-2016, were your organization's footwear-related R&D expenditures adversely impacted by reductions in U.S. Government defense spending?

Explain:

Comments:

Section 11a: Workforce

Record the total number of full-time equivalent (FTE) and footwear-related employees for all your U.S.-based operations in 2012-2016. Then estimate the percentage of your footwear-related FTE employees that perform the occupations indicated in part A, lines a-j. Provide full-year estimates for 2016.

Note: FTE employees are employees who work for 40 hours in a normal work week. Convert part-time employees into "full-time equivalents" by taking their work hours as a fraction of 40 hours.

				2012	2013	2014	2015	2016
Source of Workforce Data:								
Reporting Schedule:								
A.	1	Total Full Time Equivalent (FTE) Employees						
	2	Footwear-related Full Time Equivalent (FTE) Employees						
	a.	Administrative, Management, and Legal Staff [as a % of A2]						
	b.	Designers [as a % of A2]						
	c.	Engineers, Scientists, and R&D Staff [as a % of A2]						
	d.	Facility and Maintenance Staff [as a % of A2]						
	e.	Information Technology Professionals [as a % of A2]						
	f.	Marketing and Sales [as a % of A2]						
	g.	Production Line Workers [as a % of A2]						
	h.	Testing Operators, Quality Control, and Support Technicians [as a % of A2]						
	i.	Other	(specify here)					
	j.	Other	(specify here)					
	Lines a through j must total 100%			**0%**	**0%**	**0%**	**0%**	**0%**

B. Does your organization have difficulty hiring and/or retaining any type of employees for your footwear-related operations? If yes, identify which occupation, type of difficulty, and briefly explain.

Occupations		Difficulty	Explain
Administrative, Management, and Legal Staff			
Designers			
Engineers, Scientists, and R&D Staff			
Facility and Maintenance Staff			
Information Technology Professionals			
Marketing and Sales			
Production Line Workers			
Testing Operators, Quality Control, and Support Technicians			
Other	(specify here)		
Other	(specify here)		
Other	(specify here)		
Other	(specify here)		

C. Identify the most significant skills gaps in the labor market for your organization's footwear-related operations. Then describe the specific skill sets for each selected category.

	Explain:	
	Explain:	
	Explain:	

Comments:

BUSINESS CONFIDENTIAL - Per Section 705(d) of the Defense Production Act

Section 11b: Workforce (continued)

A.

1. Estimate the number of open positions your organization currently has for your footwear-related operations.

	Category	Number
a.	Administrative, Management, and Legal Staff	
b.	Designers	
c.	Engineers, Scientists, and R&D Staff	
d.	Facility and Maintenance Staff	
e.	Information and Technology Professionals	
f.	Marketing and Sales	
g.	Production Line Workers	
h.	Testing Operators, Quality Control, and Support Technicians	
i.	Other (Specify)	

Comments:

2. Estimate how many weeks (on average) the positions have been open.

Comments:

3. Estimate your employee annual turnover rate for footwear operations.

Comments:

4. a. Is the turnover higher in any particular category of employees?

b. If yes, which category?

Comments:

B.

1. Since 2012, has the average age of your organization's footwear-related workforce increased, decreased, or remained the same?

Comments:

2. How concerned is your organization about your current footwear-related workforce retiring in the near future?

Comments:

3. Estimate the percentage of your organization's footwear-related workforce this is expecting to retire in the next five years (2017-2022).

Comments:

4. Does your organization anticipate difficulties in finding/recruiting younger workers to fill these vacancies?

If yes, explain:

C.

1. Does your organization work with academic institutions (e.g., high schools, community colleges, local trade schools, universities, etc.) on workforce development and/or training?

Comments:

2. Indicate if your organization participates in/sponsors any of the identified workforce development programs.

Program	-Yes/No-	Explain
Apprenticeship		
Certification		
Detail/Rotation		
Internship		
On-the-job training		
Reimbursement		
Other (specify)		

Comments:

D.

Select and explain the key workforce issues you anticipate between 2017-2021.

Issue	-Yes/No-	Explain
Attracting workers to location		
Employee turnover		
Finding experienced workers		
Finding skilled/qualified workers		
Quality of workforce		
Significant portion of workforce retiring		
Transfer of knowledge		
Other (specify)		
Other (specify)		

Comments:

Section 12a: Customers

Identify your organization's top 5 U.S. and top 5 non-U.S. footwear-related direct customers based on sales between 2012-2016. A direct customer is the immediate entity to which you sell your products/services. Customers can include other business units/divisions within your parent organization. Indicate the type of customer and their location.

A. Top U.S.-Based Customers

Estimated total number of U.S.-based footwear-related customers between 2012-2016: [ ]

	Customer Name	Type of Customer	Customer City	Customer State
1				
2				
3				
4				
5				

B. Top Non-U.S.-Based Customers

Estimated total number of non-U.S.-based footwear-related customers between 2012-2016: [ ]

	Customer Name	Type of Customer	Customer City	Customer Country
1				
2				
3				
4				
5				

C. Factors

Since 2012 has your organization decided not to pursue any footwear-related business opportunities due to any of the following factors?

Factors	-Yes/No-	Explain
Capacity contraints		
Complexity of work order		
Customer credit rating		
Insufficient dollar value of recurring business opportunity		
Insufficient dollar value of work order		
Insufficient order frequency		
Production run too small		
Other (specify here)		

Comments:

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Section 12b: Competitors

A. Identify your organization's leading U.S. and non-U.S. competitors in the manufacture of footwear and select their primary competitive attribute. If "Other", specify.

Top U.S. Competitors

	U.S. Competitor Name	State	Primary Competitive Attribute	Explain
1				
2				
3				
4				
5				

Top Non-U.S. Competitors

	Non-U.S. Competitor Name	Country	Primary Competitive Attribute	Explain
1				
2				
3				
4				
5				

Comments:

B. **Your Organization's Top Competitive Advantages and Disadvantages**

Identify the top five competitive advantages and disadvantages your organization's U.S.-based footwear manufacturing operations possess as they relate to foreign competition. If "Other", specify.

	Advantages	Explain
1		
2		
3		
4		
5		

	Disadvantages	Explain
1		
2		
3		
4		
5		

Comments:

C. **Non-U.S. Competitive Advantages and Disadvantages**

Identify the top five competitive advantages and disadvantages non-U.S.-based footwear manufacturers possess as they relate to U.S. footwear manufacturers (industry-wide). If "Other", specify.

	Advantages	Explain
1		
2		
3		
4		
5		

	Disadvantages	
1		
2		
3		
4		
5		

Comments:

Section 13a: Competitive Factors

A. Select the actions your organization has taken between 2012-2016 and will take between 2017-2021 to improve its competitiveness. If "Other", specify.

	Action		2012-2016	2017-2021	Explain:
1	Automation/Lean Manufacturing				
2	Business Restructuring				
3	Capacity/Property, Plant and Equipment Investment				
4	Cost Reduction/Efficiency				
5	Customer Service/Quality Control				
6	Innovation/R&D, Design				
7	Marketing Improvements				
8	Staff Adjustments				
9	Training/Certifications				
10	Other	(specify)			
11	Other	(specify)			
12	Other	(specify)			
	Comments:				

B.

1	Indicate the most significant change in footwear-related operations that is expected at your organization between 2017-2021. If "Other", specify.		
	Explain:		
2	Do you expect the competitive prospects of your organization's U.S. footwear-related operations (both defense-related and commercial) to improve or decline between 2017-2021?	**Defense-Related**	**Commercial**
	Explain:		

C.

1	Is your organization aware of an increase in reshoring activities to the U.S. for the manufacturing of footwear?						
	Explain:						
2	If yes, what does your organization determine to be factors? (Select all that apply.)						
	Automation		Availability of skilled labor		Better production quality		
	Customer requirements		Domestic legal procedures		Increased process efficiency		
	Local/state/federal incentives		Lower energy costs		Marketability of "Made in USA" label		
	Patent infringement		Product/process innovations		Other:	(specify)	
	Proximity to customers		Proximity to suppliers		Other:	(specify)	
	Shorter lead times		U.S. dollar exchange rate		Other:	(specify)	
3	If yes, what actions has your organization already undertaken to benefit from this reshoring trend?						
	Explain:						
4	If yes, what actions would your organization like to take in the future to benefit from this reshoring trend?						
	Explain:						

Comments:

Section 13b: Competitive Factors (continued)

A. Does your organization belong to any formal or informal government or industry footwear-related information sharing or related groups?

If yes, list the name and type of group(s) your organization participates in and provide a brief description of activities.

	Group Name	Type of Group	Description of Activities
1			
2			
3			
4			

Comments:

B. Indicate whether the following regulations/provisions have impacted or may impact your organization's competitiveness.

	Regulation/Provision		Current Impact	Anticipated Future Impact	Explain:
1	Affordable Care Act (ACA)				
2	Environmental regulations - Federal				
3	Environmental regulations - State				
4	Family and Medical Leave Act (FMLA) provisions				
5	Minimum wage requirements - Federal				
6	Minimum wage requirements - State				
7	Minimum wage requirements - Local				
8	Occupational Safety and Health Agency (OSHA) regulations				
9	Overtime threshold laws and/or provisions				
10	Sick leave benefits				
11	Other	(specify)			
12	Other	(specify)			

Comments:

Section 14: Cybersecurity

A.	1	Is your organization aware of Defense Federal Acquisition Regulation Supplement (DFARS) 252.204-7009, Limitations on the Use or Disclosure of Third-Party Contractor Reported Cyber Incident Information? See: http://www.acq.osd.mil/dpap/dars/dfars/html/current/252204.htm	
	2	Is the computer or computer network that houses your organization's Commercially Sensitive Information (CSI)* connected to the Internet, either directly or via an intermediary network or server? *This includes customer/client information, financial information and records, human resources information, intellectual property information, internal communications, manufacturing and production line information, patent and trademark information, research and development information, regulatory/compliance information, and supplier/supply chain information.	
		Comments:	
B.	1	Who is responsible for administering your organization's internal computer network(s)?	
	2	Who is responsible for administering your organization's external computer network(s)?	
		Comments:	
C.		Does your organization have defined, structured methods for actively protecting Commercially Sensitive Information (CSI)?	
		Explain:	
D.		Since 2012, have cyber incidents across the marketplace caused your organization to increase its information security budget?	
		Explain:	
E.	1	Estimate the percentage of your organization's Commercially Sensitive Information (CSI) that is stored with:	External Cloud Service Providers
			External Data Storage Providers
	2	Does your organization either restrict or prohibit your external cloud service or external data storage provider(s) from storing Commercially Sensitive Information (CSI) outside of the U.S.?	External Cloud Service Providers
			External Data Storage Providers
		Comments:	

F. Using the drop-down lists and free-text entries below, indicate the type(s) and severity of any cybersecurity events that have occurred at this organization since 2012.

Event		Impact Level	Explain
(Choose from Drop-Down)			
(Choose from Drop-Down)			
(Choose from Drop-Down)			
(Choose from Drop-Down)			
(Choose from Drop-Down)			
Other Cybersecurity Event	(Specify)		
Other Cybersecurity Event	(Specify)		
Other Cybersecurity Event	(Specify)		

Note: The FBI encourages recipients to report information concerning suspicious or criminal activity to their local FBI field office or the FBI's 24/7 Cyber Watch (CyWatch). Field office contacts can be identified at http://www.fbi.gov/contact-us/field. CyWatch can be contacted by phone at 855-292-3937 or e-mail at CyWatch@ic.fbi.gov. When available, each report submitted should include the date, time, location, type of activity, number of people, and type of equipment used for the activity, the name of the submitting company or organization, and a designated point of contact.

Comments:	

Section 15: Challenges and Outreach

A. Challenges

For the issues below:

In column A, select only the issues that adversely affect your organization.
In column B, rank your organization's top five issues (one being the most important) by selecting numbers one through five, using each rank exactly once.
In column C, provide an explanation for the selected issues.

Type of Issue	A Adversely Affect	B Rank Top 5	C Explain
Aging equipment, facilities, or infrastructure			
Aging workforce			
Competition - domestic			
Competition - foreign			
Counterfeit parts			
Cybersecurity			
Environmental regulations/remediation - domestic			
Environmental regulations/remediation - foreign			
Export controls/ITAR & EAR			
Government acquisition process			
Government purchasing volatility			
Government regulatory burden			
Healthcare costs			
Health and safety regulations			
Intellectual property/patent infringement			
Labor availability/costs			
Material input availability			
Obsolescence			
Pension costs			
Proximity to customers			
Proximity to suppliers			
Qualifications/certifications			
Quality of material inputs			
R&D costs			
Reduction in commercial demand			
Reduction in USG demand			
Taxes			
Worker/skills retention			
Other (specify here)			
Other (specify here)			
Other (specify here)			

B. Outreach

There are many federal and state government programs and services available to assist your organization to better compete in the global marketplace. If your organization would like information regarding these government programs, select the specific areas of interest below. The U.S. Department of Commerce will follow-up with your organization regarding your selections.

Continuous Improvement/ Lean Manufacturing		Prototyping		
Cybersecurity		Quality Management and Control		
Design for Assembly		Research and Development (R&D) Assistance and Partnership		
Design for Manufacturability		Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) contracts		
Energy and Environmentally Conscious Manufacturing		Supply Chain Optimization		
Export Assistance		Technology Acceleration		
Export Licensing (ITAR/EAR)		Vendor/Material Sourcing		
Government Procurement Guidelines		Other	(specify here)	
Market Expansion/Business Growth		Other	(specify here)	
Product Design		Other	(specify here)	

Comments:

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Section 16: Certification

The undersigned certifies that the information herein supplied in response to this questionnaire is complete and correct to the best of his/her knowledge. It is a criminal offense to willfully make a false statement or representation to any department or agency of the United States Government as to any matter within its jurisdiction (18 U.S.C.A. 1001 (1984 & SUPP. 1197)).

Once this survey is complete, submit it via e-mail to: footwearstudy@bis.doc.gov. Be sure to retain a copy for your records and to facilitate any necessary edits or clarifications.

Organization Name	
Organization's Internet Address	
Name of Authorizing Official	
Title of Authorizing Official	
E-mail Address	
Phone Number and Extension	
Date Certified	

In the box below, provide any additional comments or any other information your organization wishes to include regarding this survey.

How many hours did it take to complete this survey?	

BUSINESS CONFIDENTIAL - Per Section 705(d) of the Defense Production Act

OFFICE OF TECHNOLOGY EVALUATION (OTE)
Publication List
August 2018

The U.S. Department of Commerce's Office of Technology Evaluation is the focal point within the Department for conducting assessments of defense-related industries and technologies. The assessments are based on detailed industry-specific surveys used to collect information from U.S. companies and are conducted on behalf of the U.S. Congress, the Military Services, other U.S. Government agencies, industry associations, or other interested parties.

Ongoing Assessments	Date
The Effect of Imports of Uranium on the National Security	2019
U.S. Integrated Circuit Design and Manufacturing Industry Assessment	2018
U.S. Air Force C-17 Aircraft Supply Chain Impact Assessment	2018
U.S. Rocket Propulsion Industrial Base Assessment	2018

Recent Assessments	Date
The Effect of Imports of Steel on the National Security	Jan. 2018
The Effect of Imports of Aluminum on the National Security	Jan. 2018
U.S. Footwear Industrial Base Assessment	Summer 2017
U.S. Textile and Apparel Industrial Base Assessment	Summer 2017
U.S. Bare Printed Circuit Board Supply Chain Assessment	2017
U.S. Strategic Material Supply Chain Assessment: Select Rare Earth Elements	2016
U.S. Strategic Material Supply Chain Assessment: Titanium	Spring 2016
U.S. Strategic Material Supply Chain Assessment: Carbon Fiber Composites	Fall 2015
Defense Industrial Base Assessment of the U.S. Underwater Acoustics Transducer Industry	Spring 2015
Cost-Metric Assessment of Diminishing Manufacturing Sources and Material Shortages (Update)	Feb. 2015
U.S. Space Industrial Base "Deep Dive" Assessment: Small Businesses	Dec. 2014
U.S. Space Industrial Base "Deep Dive" Assessment: Workforce Issues	Sept. 2014
U.S. Space Industrial Base "Deep Dive" Assessment: Export Controls	Feb. 2014
Industrial Base Assessment of Consumers of U.S. Electro-Optical (EO) Satellite Imagery	Aug. 2013
National Security Assessment of the Cartridge and Propellant Actuated Device Industry: 4th Review	July 2013
Critical Technology Assessment: Night Vision Focal Plane Arrays, Sensors, and Cameras	Oct. 2012
National Aeronautics and Space Administration (NASA) Industrial Base – Post-Space Shuttle	June 2012
Defense Industrial Base Assessment of the Telecommunications Industry Infrastructure	Apr. 2012
Reliance on Foreign Sourcing in the Healthcare and Public Health (HPH) Sector	Dec. 2011
Cost-Metric Assessment of Diminishing Manufacturing Sources and Material Shortages	Aug. 2010
Critical Technology Assessment: Impact of U.S. Export Controls on Green Technology Items	Aug. 2010
Technology Assessment of Fine Grain, High-Density Graphite	Apr. 2010
Defense Industrial Base Assessment of Counterfeit Electronics	Jan. 2010
Technology Assessment of 5-Axis Machine Tools	July 2009
Defense Industrial Base Assessment of U.S. Integrated Circuit Design and Fabrication Capability	Mar. 2009

For further information about OTE's programs or for copies of assessments please visit http://www.bis.doc.gov/dib
Please visit www.bis.doc.gov/232 for Section 232 Investigations and www.bis.doc.gov/criticaltech for Technology Assessments.

Archived Assessments	Date
Defense Industrial Base Assessment of the U.S. Space Industry	Aug. 2007
Technology Assessment of Certain Aromatic Polyimides	July 2007
Defense Industrial Base Assessment of U.S. Imaging and Sensors Industry	Oct. 2006
National Security Assessment of the Cartridge and Propellant Actuated Device Industry: Third Review	Aug. 2006
Economic Impact Assessment of the Air Force C-17 Program	Dec. 2005
National Security Assessment of the Munitions Power Sources Industry	Dec. 2005
National Security Assessment of the Air Delivery (Parachute) Industry	May 2004
Industry Attitudes on Collaborating with DoD in R&D – Air Force	Jan. 2004
Industrial Base/Economic Impact Assessment of Army Theater Support Vessel Procurement	Dec. 2003
A Survey of the Use of Biotechnology in U.S. Industry	Oct. 2003
Industrial Base Assessment of U.S. Textile and Apparel Industries	Sept. 2003
Technology Assessment of U.S. Assistive Technology Industry	Feb. 2003
Heavy Manufacturing Industries: Economic Impact and Productivity of Welding – Navy	June 2002
The Effect of Imports of Iron Ore and Semi-Finished Steel on the National Security	Oct. 2001
National Security Assessment of the U.S. High-Performance Explosives & Components Sector	June 2001
Statistical Handbook of the Ball and Roller Bearing Industry (Update)	June 2001
National Security Assessment of the U.S. Shipbuilding and Repair Industry	May 2001
National Security Assessment of the Cartridge and Propellant Actuated Device Industry: Update	Dec. 2000
The Effect on the National Security of Imports of Crude Oil and Refined Petroleum Products	Nov. 1999
U.S. Commercial Technology Transfers to The People's Republic of China	Jan. 1999
Critical Technology Assessment of Optoelectronics	Oct. 1998
National Security Assessment of the Emergency Aircraft Ejection Seat Sector	Nov. 1997
Critical Technology Assessment of the U.S. Semiconductor Materials Industry	Apr. 1997
National Security Assessment of the Cartridge and Propellant Actuated Device Industry	Oct. 1995

Archived Assessments	Date
International Market for Computer Software with Encryption – NSA	1995
The Effect of Imports of Crude Oil and Petroleum Products on the National Security	Dec. 1994
Critical Technology Assessment of U.S. Artificial Intelligence	Aug. 1994
Critical Technology Assessment of U.S. Superconductivity	Apr. 1994
Critical Technology Assessment of U.S. Optoelectronics	Feb. 1994
Critical Technology Assessment of U.S. Advanced Ceramics	Dec. 1993
Critical Technology Assessment of U.S. Advanced Composites	Dec. 1993
The Effect of Imports of Ceramic Semiconductor Packages on the National Security	Aug. 1993
National Security Assessment of the U.S. Beryllium Industry	July 1993
National Security Assessment of the Antifriction Bearings Industry	Feb. 1993
National Security Assessment of the U.S. Forging Industry	Dec. 1992
The Effect of Imports of Gears & Gearing Products on the National Security	July 1992
National Security Assessment of the Domestic and Foreign Subcontractor Base - 3 U.S. Navy Systems	Mar. 1992
National Security Assessment of the U.S. Semiconductor Wafer Processing Equipment Industry	Apr. 1991
National Security Assessment of the U.S. Robotics Industry	Mar. 1991
National Security Assessment of the U.S. Gear Industry	Jan. 1991
The Effect of Imports of Uranium on the National Security	Sept. 1989
The Effect of Imports of Crude Oil and Refined Petroleum on the National Security	Jan. 1989
The Effect of Imports of Plastic Injection Molding Machines on the National Security	Jan. 1989
The Effect of Imports of Anti-Friction Bearings on the National Security	July 1988
Investment Castings: A National Security Assessment	Dec. 1987
Joint Logistics Commanders/DOC Precision Optics Study	June 1987
An Economic Assessment of the U.S. Industrial Fastener Industry	Mar. 1987
Joint Logistics Commanders/DOC Bearing Study	June 1986

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