

Caleres has signalled its intention to grow its presence in the men's footwear market with the acquisition of high-end leather shoemaker Allen Edmonds.

The right fit

“One of the great gems in men's footwear”; that is how Diane Sullivan, CEO and president of US footwear group Caleres, describes men's shoe brand Allen Edmonds. She made the comment after her company, known as Brown Shoe prior to 2015, paid \$255 million to add the brand to its already rich portfolio. It had been in the hands of private equity firm Brentwood Associates since 2013.

“The addition of Allen Edmonds to the Caleres brand portfolio allows us to rapidly increase our exposure in men's footwear,” she says. The company's brand stable is dominated by women's labels, which include Diane von Furstenberg, Via Spiga and Franco Sarto. Its men's offering is headed by George Brown Bilt and Vince. It also operates US discount retail chain Famous Footwear, which it acquired in 1980. Ms Sullivan admits that Caleres hadn't previously viewed men's shoes as an important strategic focus, but in Allen Edmonds it saw an

opportunity to explore a new revenue stream with a “totally different segment of consumers”. She predicts that its size and scale could see it become a “cornerstone” of Caleres.

The shoemaker was founded in 1922 in the town of Belgium, Wisconsin by Elbert W. Allen and Billy Edmonds. Prior to Barack Obama, it was the brand of choice of four consecutive US presidents; Ronald Reagan, George H.W. Bush, Bill Clinton and George W. Bush all wore its shoes at their inauguration. It splits production between the US and Dominican Republic, with the company having long resisted the temptation to manufacture in China for fear of compromising on the quality of its products. It is passionate about safeguarding jobs in the US; although the uppers for many of its shoes are cut and sewn in the Dominican Republic, they are shipped back to the US for assembly, taking advantage of the free-trade agreement in place between the countries. It also uses US-made leather, with US tannery Horween Leather



Allen Edmonds has been making high-end men's shoes for nearly a century.

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among its suppliers. Its Goodyear welted shoes are handcrafted using a 212-step production process. It also makes belts, leather briefcases and bags, and apparel, which are sold at 70 company-owned stores across the US.

Major player

In 2015, the last period for which full-year results are available, Caleres achieved net sales of \$2.6 billion, a 2% increase on the previous year. This made it the sixth largest non-athletic footwear group by revenue. The subsequent year got off to a less positive start. In the first nine months of 2016, revenue fell 1.5% year-on-year to \$1.9 billion. It attributed this dip in sales to "planned reductions" in its healthy living segment, which includes brands like Dr. Scholl's, Rykå and Naturalizer. Sales from its brand portfolio actually fell 5.2%, with an increase in revenue from Famous Footwear providing some relief. On reporting a slight sales growth in the third quarter, Ms Sullivan said the group's strategy of "diversifying across brands, channels and products" was helping it make progress in the pursuit of "consistent, profitable and sustainable growth".

The purchase of Allen Edmonds, which will allow Caleres to broaden its consumer appeal, is a continuation of this strategy. "We see tremendous opportunity around Allen Edmonds' direct-to-consumer business, which represents 75% of current sales," she says. Its "loyal customer base" was one of its most appealing qualities. She adds that over 70% of its customers have said they would recommend the brand, something which Caleres "thought was unheard of", while the fact that 48% of their retail customers are new to the brand shows that it is continuing to grow.

Allen Edmonds also has something to gain from the relationship. "We'll be sharing our men's footwear knowledge and expertise, while simultaneously benefitting from the brand development, materials sourcing, product development and design capabilities inherent in a much larger footwear organisation," explains Paul Grangaard, president and CEO of Allen Edmonds. He sees the brand as an "ideal fit" for Caleres.

"We understand how special the Allen Edmonds brand is to its current consumers, and we plan to take it forward in a careful and disciplined way," Ms Sullivan reveals. There are no



Diane Sullivan, CEO and president of Caleres, says Allen Edmonds is a brand with great potential.

plans to lay off any staff or executives at Allen Edmonds; its 1,050 employees, including 300 in the Dominican Republic, will join the Caleres team. Nor does it intend to relocate any existing manufacturing operations. "Over the next few months we will work together to identify ways to benefit from each other," she says. She believes that Caleres can improve its own speed to market by exploring the "manufacturing resources" of the new acquisition, and is confident that its "extensive knowledge and expertise" will help Caleres establish itself as a major player in men's footwear. 🔗



As well as shoes, Allen Edmonds also makes belts, briefcases and bags.