

COVER STORY

Growing Allen-Edmonds

New owner planning more retail stores, products

BY RICH ROVITO
rrovito@bizjournals.com

With the financial backing of its new majority owner, Allen-Edmonds Shoe Corp. plans to expand its worldwide wholesale and retail footprint and is considering expanding its product line beyond men's footwear.

If the aggressive expansion plan reaches fruition, Allen-Edmonds would need to expand its manufacturing operations. The main factory in Port Washington would be the focus of any expansion plans, company executives insist.

"We have aspirations of tripling the business," said Mark Birmingham, newly appointed president and chief executive officer of the high-end men's footwear manufacturer. "We'll have to add capacity to do that."

Minneapolis private equity firm Goldner Hawn Johnson & Morrison Inc. acquired a majority stake in Allen-Edmonds July 20 from majority owner John Stollenwerk for a reported \$100 million. The investment capital will allow the shoemaker "to grow to the next level," Stollenwerk said.

Private-equity firms often cut costs and jobs at the companies they purchase with the aim of selling them a few years down the road for huge profit. Goldner Hawn's Web site states that the firm tends to maintain majority ownership of the companies it purchases for five years, even longer in some cases.

Goldner Hawn managing director Michael Sweeney insists that the focus will be on growing the business and expanding operations, not trimming employees or shifting production to a country with low labor costs.



SCOTT PAULUS

Mark Birmingham . . . "We have aspirations of tripling the business."

"This is by no means a short-term hold for us," he said. "Mark and his team have ambitious plans to expand from a global perspective."

NEW RESOURCES

Stollenwerk, Birmingham and six other members of Allen-Edmonds' management team have a combined 15 percent ownership stake in the company, with Goldner Hawn owning the remaining 85 percent.

Allen-Edmonds posted record-high revenue of about \$100 million in 2005. However, the company "needed the resources of a new partner" to continue to grow the business, which is as strong as it's ever been, Birmingham said.

The growth plan focuses on expanding the network of department and specialty stores that carry the brand and increasing

the number of the company's own retail stores.

"Customers have too tough a time finding Allen-Edmonds shoes," Sweeney said.

The lack of retail outlets has prevented the company from growing at a more rapid rate, he said. Sweeney calls Allen-Edmonds "a \$ 500 million brand in a \$100 million body."

Allen-Edmonds has relationships with retailers such as Nordstrom, Saks Fifth Avenue and Marshall Field's (soon to be Macy's). In addition, the company runs 26 stores in the United States, a combination of full-price and outlet operations.

The company is considering additional retail stores in Europe, where the lone company-owned store is in Italy, Birmingham said. Allen-Edmonds' shoes are available throughout Europe through wholesalers.

Allen-Edmonds: Planning to expand retail stores, add new products

International sales account for about 10 percent of the company's revenue, Birmingham said.

The company also plans to offer products that carry the Allen-Edmonds brand name other than men's footwear and its line of belts and cedar products, Birmingham said.

"The brand has so much cache," he said. Birmingham and Sweeney declined to identify the types of products being considered.

PLANT EXPANSION

As the business grows, the company's management will decide on manufacturing capacity needs, but maintaining domestic production is a priority Birmingham and Sweeney said.

"I'm confident that five years from now there will be more people employed by Allen-Edmonds here than there are today," Sweeney said.

Allen-Edmonds has about 700 workers at its plants in Port Washington and in Lewiston, Maine. About 400 of those are in two factories and the corporate headquarters in Port Washington.

"We invested in Allen-Edmonds because it is a successful company," Sweeney said. "We want to expand what they are already doing. We wouldn't have made the investment if we were going to shift production overseas." Executing the international expansion could take the better part of a decade, Sweeney said.

"Our plan is to be here for the duration," he said.

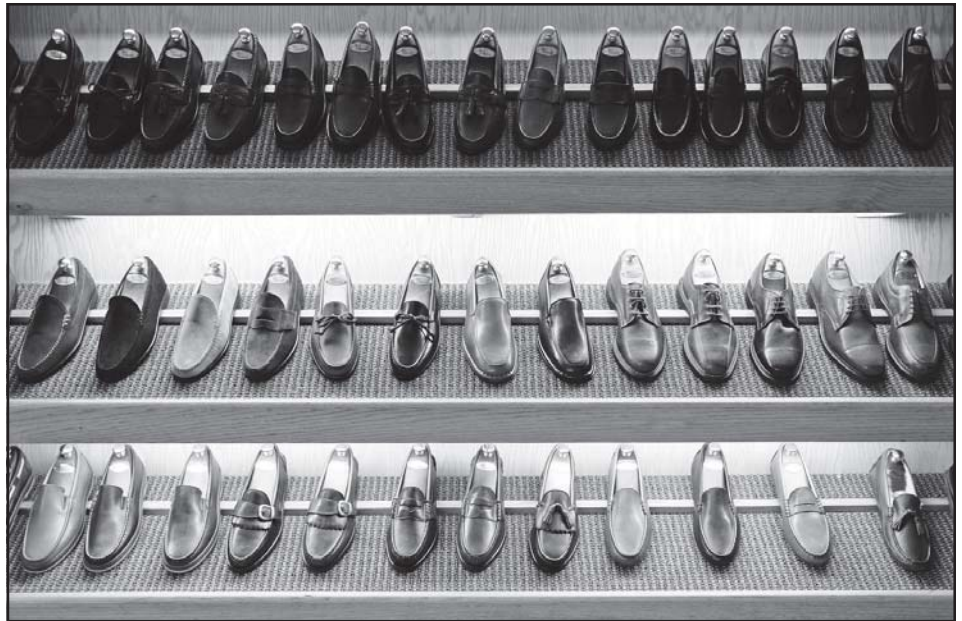
Founded in 1922 in Belgium, Wis., Allen-Edmonds is one of the last remaining shoe manufacturers with production operations in the United States.

As a result, Birmingham said he hasn't been surprised to learn that there's been speculation in the Milwaukee-area business community about whether Allen-Edmonds' will maintain its domestic manufacturing operations.

The craftsmanship of Allen-Edmonds' shoes and the \$2 million investment the company made in improving the efficiency of the Port Washington plant would be lost by shifting work overseas, Stollenwerk said.

"I think we run the most productive shoe manufacturing facility in the world," he said.

Stollenwerk has long been committed to maintaining shoe production in Port Washington, said Barbara Schneider-Levy, senior editor at Footwear News, New York



Allen-Edmonds plans to grow beyond shoes and belts.

SCOTT PAULUS

Stollenwerk to stay active with Allen-Edmonds

Although he no longer is the majority owner of the company he purchased 26 years ago, John Stollenwerk plans to maintain a visible role with Allen-Edmonds Shoe Corp.



Stollenwerk

Stollenwerk, 66, has taken on the new position of chairman of the Port Washington men's footwear manufacturer after its sale to Goldner Hawn Johnson & Morrison Inc., a Minneapolis equity firm. In his new role, he will continue to meet with the company's wholesale customers and offer advice on the company's overall operations.

"I plan to stay working here for a very long time," he said. "This was just a great opportunity for me to take some equity off the table."

Stollenwerk will continue to serve as an "ambassador to the Allen-Edmonds brand," said Mark Birmingham, who has succeeded Stollenwerk as the company's president and chief executive officer.

Selling shoes won't be Stollenwerk's sole focus, however.

Stollenwerk plans to use a portion of the

proceeds from the sale of the company to support and improve Catholic schools in the Milwaukee Archdiocese.

He said he is concerned that Catholic schools in the Archdiocese are being "neglected" when it comes to community-wide philanthropic efforts, even though they are a "proven educational product."

Before he parts with any of his money, Stollenwerk said he wants to see "real change" at the Archdiocese's central office, including more concerted marketing and fund-raising activities, additional scholarship programs and a commitment to capital improvement projects.

Strong faith-based schools will lessen the burden on society, he said.

"If you have good educational programs, you won't need a lot of the social services down the road," Stollenwerk said.

Dr. John Augenstein, interim director of Catholic education for the Archdiocese, said Stollenwerk has a long history of financial support for Catholic education in the Milwaukee area.

Stollenwerk hasn't discussed specific philanthropic plans with Archdiocese officials, Augenstein said.

— Rich Rovito

City. She called Allen-Edmonds "the quintessential American footwear brand."

"That has very much been his intent," she said. "When he was running the show

that was one thing, but when someone else gets involved, who knows what's going to happen down the road, no matter what they say."

New CEO knows firm quite well

During his eight years at Allen-Edmonds Shoe Corp., the company's new president and chief executive officer has been involved with many aspects of the operation.

"I've touched just about every part of this business," said Mark Birmingham. Birmingham is succeeding John Stollenwerk under the footwear-maker's new ownership.

A native of Fox Point, Birmingham, 36, joined Allen-Edmonds in 1998 when he accepted a job overseeing manufacturing at two of the company's plants. He has also served as director of retail operations and director of wholesale operations and was named chief operating officer in 2003.



Birmingham

Prior to Allen-Edmonds, Birmingham was an account manager at GVPC consulting, Chicago. He then attended graduate school, earning a master's degree in business administration from the University of Wisconsin-Milwaukee.

During his tenure as chief operating officer, Allen-Edmonds invested \$2 million to implement a lean manufacturing system in order to increase productivity. He has also led development of the company's network of branded retail stores in the United States and Europe.

Birmingham said he has already handled many of the daily responsibilities of running the company in his previous role.

"In many respects, I've been working in this capacity for the last three years," Birmingham said.

Birmingham said he's learned many lessons from Stollenwerk, including the importance of remaining humble.

"The day you start thinking you are bigger than anyone else, you get in trouble," he said.

Birmingham advised Stollenwerk

MARK BIRMINGHAM

AGE: 36

TITLE: President and chief executive officer, Allen-Edmonds Shoe Corp.

EDUCATION: Bachelor's degree in life sciences, University of Wisconsin-Madison; master's degree in business administration, University of Wisconsin-Milwaukee

WORK HISTORY: At Allen-Edmonds since 1998; positions included director of purchasing, director of retail operations and chief operating officer

COMMUNITY INVOLVEMENT: Board of directors, U.S. Bank Championship

FAMILY: Wife, Julia; 7-year-old daughter and a 4-year-old son

HOBBIES: Golf

CURRENTLY READING: "Jack: Straight From the Gut," by former General Electric Co. chairman and chief executive officer Jack Welch

FAVORITE ALLEN-EDMONDS SHOES: A red-and-white pair issued to commemorate a University of Wisconsin Rose Bowl victory

during negotiations to sell the company.

"My input was more on the business side, making sure the numbers made sense," he said.

Stollenwerk described Birmingham as a "details guy."

"Mark is intelligent and has a strong sense of the company's philosophy of quality, integrity and service," Stollenwerk said.

Birmingham was a logical choice for president and CEO, said Michael Sweeney of Goldner Hawn Johnson & Morrison Inc. No consideration was given to bringing in an outsider, Sweeney said.

"Mark's been running the company successfully for three years," Sweeney said.

"When it's working, why make a change?"

—*Rich Rovito*