



The Buyer's View



Buyer's View: Lloyd Shoes



Quality shoes—made in Germany

What does a consumer think of when he or she hears or sees the phrase 'Made in Germany'? Certainly quality, reliability, efficiency and the highest technical specification will be some of the first. There is, however, another consideration to be taken into account with the 'Made in Germany' tag that is somewhat more difficult to define and this can perhaps be best described as 'desirability of ownership'. This is the feel-good factor that products made in Germany offer to the consumer. It is the satisfaction that one feels through owning a product made by globally recognised names such as Mercedes, BMW, Volkswagen and Porsche, leaders in the car industry, or Bosch and Braun in consumer goods. All these brands epitomise the quality and desirability of German goods. In Kenya, for example, government ministers and officials are called 'wabenzi' in Swahili, a word derived from the ubiquitous Mercedes Benz cars, which more often than not are the preferred mode of transport for these officials.

When we are talking about well-known names in German manufacture the region of Lower Saxony may not immediately spring to mind, big open skies and cold

Baltic winds which blow across farmland dotted with wind turbines—where are the big names? In the small town of Sulingen, about 50 kilometres south of Bremen, there is a company which has quietly been establishing a reputation as a supplier of high quality men's shoes, that are most certainly, 'Made in Germany'.

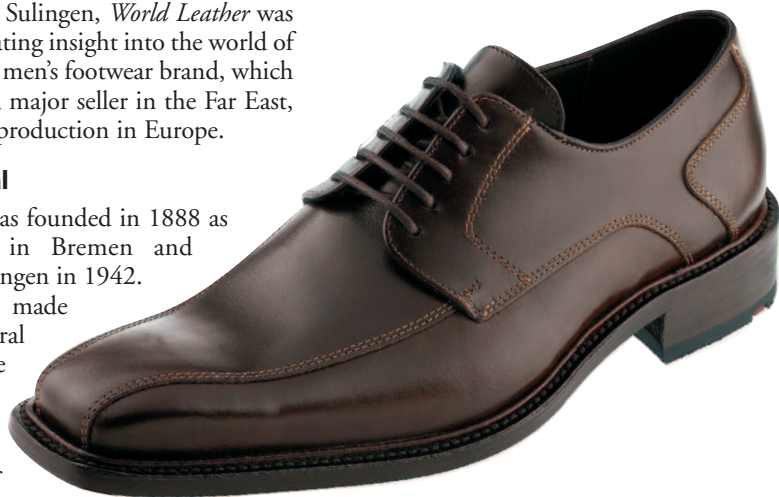
The company is Lloyd Shoes and it continues to defy popular wisdom by choosing to manufacture its products in Germany whilst so many others in the field have relocated to the Far East. During a recent visit to Sulingen, *World Leather* was given a fascinating insight into the world of a high quality men's footwear brand, which whilst being a major seller in the Far East, maintains its production in Europe.

Going global

The firm was founded in 1888 as H.F Meyer in Bremen and moved to Sulingen in 1942.

This decision made the small rural town in the district of Diepholz one of the few centres of

shoe production in North Germany. Today the company is one of Sulingen's largest employers and the last important footwear producer in Lower Saxony. The current brand name was adopted in the 1920s when the company sought to find a name that, by being somewhat out of the ordinary, would attract customers in foreign markets. In the end, the name Lloyd was chosen and registered, and this branding can still be found, almost unchanged, on the unique heel insert of every Lloyd shoe.





Commenting on the philosophy behind maintaining production in Germany, Ralf Schantz, head of Purchasing, explained that the 'Made in Germany' label remains invaluable to Lloyd and is deemed to be one of the main reasons behind the company's continued success with the growing number of upper-middle class consumers in China and India. As Schantz explains, although the total number of upper-middle classes is still relatively small in China and India, these consumers place quality and exclusivity far higher than cost, even if this does still remain an important factor. Lloyd has come to realise that it is only through combining the very highest quality with the most efficient production methods that it can face up to the challenges of the global market and only companies with vision and very clear objectives will be able to operate successfully in the international marketplace to create and sustain long-term European jobs. With this in mind, Lloyd has invested heavily in a so-called 'Factory of the Future' in order to ensure quality and efficient production.

The factory of the future

Over the past few years the pressures of cost and competition have caused many German companies to either close down or relocate to lower cost locations elsewhere in the world. This has occurred across the spectrum of industry, but it has been a particularly strong phenomenon in the fashion industry, including shoe manufacturing. In the past 25 years the German shoe industry has seen almost 40,000 jobs disappear but, although it has faced the same dilemma as other manufacturers, Lloyd decided to go against the general trend of relocation.

In the face of increasing competition, with almost every second pair of shoes being produced in Asia, Lloyd did consider moving its operations abroad when it needed to build a new factory in the late 1990s. However, it soon realised that by combining the very highest quality, infinite versatility, and total customer orientation with a highly-skilled workforce, the company could maximise the value of the 'Made in Germany' seal of quality.

As a result, it not only invested in the state-of-the-art shoe factory in Sulingen but also set about providing a fully comprehensive training programme for all of its staff in order that they could make the very best use of the new technology. In addition, semi-autonomous work groups were set up within the production lines. ➤



THE BUYER'S VIEW

These work groups have made an invaluable contribution to the quality of the product as it has increased the ownership, pride and involvement of the workforce in each crucial stage of manufacture. This was immediately apparent during our tour of the factory as was the high number of second generation employees working at Lloyd.

The €20 million factory is equipped with the latest machinery often modified to meet Lloyd's specifications although it was interesting to see so many highly-skilled hand processes being carried out alongside the high technology. Although anything that can be automated has been, people and solid craftsmanship still have a place. It is evident that the staff have a very highly developed sense of involvement in the processes, despite some early concerns.

Modern machinery is expensive but if it is worked for 20 hours a day the investment becomes worthwhile. In order to make high running times possible, the semi-autonomous work groups have replaced shift work, resulting in a rise in productivity, which has in turn enabled the company to remain competitive. Although there was initially a degree of resistance and scepticism from some sections of the workforce to these new ideas, which challenged established processes and experience, through holding workshops and training sessions and asking staff to assist in identifying problem areas and challenges for the future of the company, they were won over. Lloyd invested more than €4 million in training and developing its workforce as this was seen as a key stage in the planning for the 'factory of the future'. It would appear that it has paid off, as the company has seen production steadily rise over the past ten years to around two million pairs per year.

The best of both worlds

Whilst it may have invested in the latest technology, the traditional aspects of shoemaking are still very important and the leather used in its shoes is some of the finest available. As Ralf Schantz explains, the company is driven first and foremost by quality. It buys about 60-70% calfskins and 20% baby calf, primarily aniline and semi-aniline plus some goat and sheep leather. No corrected grain material and no side leather is used. Approximately 60% of the leather is sourced from European markets such as Italy, France, Poland and Spain with the remainder coming from





Focus on quality: from first selection to final inspection



India, Indonesia and the Far East.

Lloyd prefers to form traditional partnerships with specific suppliers, all of which are rigorously inspected and have to be certified to the various ISO 9001 schemes. Furthermore Lloyd is very much aware of the growing importance of the ISO 14001 standard for environmental management systems and it now tries, wherever possible, to avoid companies that are not accredited, and holds regular meetings with suppliers to keep up-to-date with their status and agree the various actions necessary to ensure supply.

Each leather is specified for all the required properties and the sample skins are processed and tested before being

adopted for bulk production. A physical inspection is carried out on every single skin and it is punch marked with a quality seal before it goes into production. Further tests are then carried out at certified test houses such as SATRA and Reutlingen in order to check that the material meets with the agreed standards.

Demanding such high quality leather has meant that sourcing certain lines is becoming more difficult as tanneries close down and raw materials cease to be readily available. Baby calf, which was previously obtained from Poland, is now no longer available and has proved difficult to find at the level of quality required.

This poses a problem for Lloyd, and as

Schantz comments, too many tanners do not understand how the footwear trade has moved on and do not appreciate the need for 100% quality in all aspects of any order in terms of the materials and the service, i.e. that it is delivered on time and often just-in-time. Price is never the number one criterion for Lloyd as quality and reliability are seen as more important requirements from a supplier.

The search for new materials goes hand in hand with the development of new shoe designs. Sometimes a particular leather will suggest a shoe type but more often it is the shoe design which demands certain leather properties. The central design department, which is also located in Sulingen, with the support of external international designers develops up to 500 prototypes per season, of which about 150 find their way into production. All new products must conform to agreed standards but the aesthetics of any particular leather still count, as well as the quality.

The pursuit of quality is paramount. During our visit we noted constant inspection and checking of each single shoe after and during every operation. If a fault was detected it was corrected at each relevant stage in the process thus preventing the faulty item being passed forward to the next work group. Each group is responsible for delivery of perfect items to the next group in the process, which helps to eliminate large numbers of final rejects, as well as allowing rapid identification of problems and an overall improvement in quality. Internal ISO procedures go a long way to help in tracing mistakes and are an essential part of the quality process and this meticulously designed system of quality control is applied throughout the whole production process. Therefore, only shoes that deserve the brand name Lloyd leave the factory—a high standard given that each shoe consists of up to 150 parts put together in a process that requires up to 120, part manual part automatic, operations—but it is this attention to detail and quality that has ensured its survival.

In the future Lloyd faces new challenges as consumers demand a wider range of fashionable, high quality footwear, but as long as these customers continue to enjoy the security of a well-established brand name and its 'Made in Germany' label, Lloyd appears well placed to meet the challenges of the future. As they say at Lloyd, "Good shoes belong to a good life,"... and if they are made in Germany, so much the better. ☺