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Knife maker Schrade in a battle to survive

By Paul Brooks

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pbrooks@th-record.com

Ellenville – The future of knife manufacturer Imperial Schrade unfurled across the glass-topped conference table at the Ellenville headquarters.

Jim Economos, Schrade's executive vice president, smoothed the black cloth satchel flat and dipped his hands into the pouches. Gently, one by one, he withdrew their contents and arrayed them on the table to glimmer in the neon light. The knives shone with new concepts and designs and materials.

They are the latest (and still not public) weapons in Schrade's fight for survival. Battered by the tides of the marketplace – since the end of 2001 – Schrade has shed roughly 200 jobs, or one-third, of its work force through layoffs and retirements. When workers took jobs elsewhere, they were not replaced.

The cuts have rippled through the tightly knit communities wedged between the Catskills and the Shawangunk Ridge in the southwest corner of Ulster County.

There is a lot at stake for Schrade, a company that will mark its 100th year in business next year. It is a bittersweet anniversary for not only the workers – some of them third- and fourth-generation knife makers – but for Ellenville and indeed the region.

About 400 people still draw solid paychecks from the privately owned company. Unskilled labor can make \$13 an hour, not counting overtime. Technicians, managers, engineers and the like can look for competitive wages. Those are good incomes in Ulster County, where the average wage in 2000 was about \$27,000. Workers at Schrade get health and retirement benefits, too, at a time when such things are harder to find.

The company has been a mainstay in the Ellenville area since 1958. "They have given back time and time again to the community," said Ellenville Village Manager Elliott Auerbach.

Schrade was there when Phil Mattracion of the Ellenville Police Department needed help getting a DARE program started. The company has helped Toys for Tots and the annual Run Like the Wind 10-K race. It made a special knife to commemorate the 100th anniversary of the Ellenville School District. The Fourth of July Committee could count on Schrade for a hand in fund-raising every year.

When Ellenville Hospital needed help raising money to stay alive, Schrade pitched in.

"The list is endless," said Auerbach, a former mayor and local businessman. "Every time the community went and asked for something, they gave it. There has never, ever, been a time that Schrade has denied this community anything it could possibly contribute. [Village officials] will do whatever it takes to help."

Other companies across the region find themselves buffeted by the same economic currents.

The Hudson Valley, which stretches from Westchester and Rockland to Columbia and Greene counties, lost 4,400 manufacturing jobs in the 12 months ending May 2003. That's according to Mike DiTullo, president and chief executive officer of Mid-Hudson Pattern for Progress, a regional economic think tank.

In 1980, manufacturing accounted for 23 percent of the region's jobs. In May of this year, manufacturing's share of the work force had dropped to 8 percent, DiTullo said.

The forces at work are global.

Manufacturers from Taiwan and China have poured into the knife market in recent years, much as the Chinese have undercut Hudson Valley apple growers.

At the same time, American workers are losing jobs to cheaper labor overseas. In January, Osram Sylvania announced it was closing its plant in Maybrook and moving it to China because of the cheaper labor. The move cost 61 local jobs.

"It's happening to everybody," Economos said. "Go into any mass merchandiser and try to find something not made in China."

A trend to consolidation comes into play, too. Dyno Nobel, for example, is laying off 200 workers at its explosives plant in Port Ewen in the wake of a recent merger.

Behind the scenes, the shift is driven by big, mass merchandisers, such as Wal-Mart and Target, says Arthur Zackiewicz, a senior business editor for HFN, a weekly newspaper that covers the home furnishings industry. A former reporter, Zackiewicz covered Ellenville for the Times Herald-Record.

"Basically, it's a price war," Zackiewicz said. "They are looking to source goods that are inexpensive and still have strong [profit] margins. ... The price pressure is incredible."

The pressure has forced many American knife manufacturers toward higher priced, higher quality products. Companies are scrambling for new designs and innovations that will attract customers, said Mark Zalesky, editor in chief of Knife World Magazine in Knoxville, Tenn.

In the case of Schrade, shoppers can pick up some knives on sale for as little as \$5 through the Internet. Yet Schrade also markets newer, custom designed knives for \$275 and \$295. Some collectibles sell for \$400. Many of Schrade's products fall in the \$30 to \$80 range.

Yet almost as quickly as Schrade and other companies create a hit, manufacturers in the Far East have it copied and out the door. "There is no way to stop it," Zalesky said. "It looks just like the real thing. It's pretty hard to compete with that."

Schrade is unwilling to cut and run from the competition.

A sense of pride emanates from Economos. He talks of how Schrade is the largest knife manufacturer in the country, how Ellenville is one of the original knife making centers in America. He talks of how it takes the experienced touch of a skilled worker to turn the right edge to a blade and the company is handling the pressure.

"What it forces us to do," he said, "is come out with more innovative stuff quicker."

Already the Ellenville-based company has rolled out other new knives and tools that capitalize on the latest industry trends: knives that open and close with just one hand, blades that lock and unlock quickly and easily, handles in electric colors of blue and red and even purple, and multifunction "tools" that put the venerable Swiss army knife to shame.

Yet, Schrade has not abandoned its history. It still sells more than a million a year of its Old Timer knives that many fathers and grandfathers carried in their own day.

Those grandfathers would be hard pressed to keep up with the pace of change in the market today.

Schrade used to take two years to roll out three or four or five new product lines, distribute them and get sales cooking. The goal now is to push four, five or even six new product lines out the door at a time.

New products used to account for about 15 percent of the company's business. Now, the goal is for those new products to represent a full one-third of annual sales. "That's basically how we are going to refuel growth," Economos said.

Given the cutbacks, Schrade seems to have ample room in its 548,000-square-foot factory. It lies just north of the Village of Ellenville off Route 209.

The windowless structure is cavernous inside. Innumerable machines dot the concrete floor. They fill the air with the hiss and crack of pneumatics. A stream of red sparks spills from a large sander. Knife blades soaked in oil spin from a massive \$1 million press. Every eight-hour shift, it squeezes 20,000 knife blades out of 1,700-pound rolls of raw steel.

Yet, relatively few people are in sight. Often a single person hovers around a machine, loading it, unloading it, adjusting it. When something breaks, they fix it. When a new part means new programming for the machine, they may do that too. "Not a lot of people off the street can do that," Economos said. Schrade runs its own four-year apprenticeship program in machine trades as a result.

Workers at Schrade – and elsewhere – are being asked to change.

Schrade has set up teams to handle production in certain areas. The members can all do each other's jobs. They monitor the process for quality as they go along and make adjustments on the spot. "We have spent \$1.25 million in training in the last year. We have to, to stay competitive," Economos said. It used to take two to four weeks to ship an order; now it takes two to three days, he added.

DiTullo said the long-range trend of fewer and fewer manufacturing jobs in the region will continue.

“That doesn’t mean we will manufacture less,” DiTullo said. “It means we will manufacture higher value products using fewer people. You need smarter people, not as many people.”

Schrade sees inventories coming down, a sign that the economy is improving. Economos said: “Now we hope that translates to orders.”

The company can make it, said Joe Tarbell, owner of J.T. Knife Shop in Port Jervis. “If they get a little more innovative, they can do all right,” he said.

Schrade has seen its ups and downs over the years and continued to grow. Jeff Ahearn, vice president for administration, recalled that the company had only 236 employees back in 1985.

Economos said Schrade will survive.

“If you sit on your haunches, you will be gone,” he said. “We are not sitting on our haunches.”