



High-end & Designer Manufacturing

A report on Protecting Existing Resource
and Encouraging Growth and Innovation

Report commissioned by the British Fashion Council,
UK Fashion & Textile Association, Creative Skillset and Marks & Spencer
Research by Oxford Economics and Glasgow Caledonian University



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— Protecting Existing Resource and Encouraging Growth and Innovation

March 2015

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Steering Group

Commissioning Partners

British Fashion Council

The British Fashion Council (BFC) is a not-for-profit organisation that aims to further the interests of the British fashion industry and its designer businesses by harnessing and sharing collective knowledge, experience and resources of the sector.

Based in London and formed in 1983, the BFC is funded by industry patrons, commercial sponsors and receives support from the Mayor of London, UKTI and the European Regional Development Fund.

It leads the industry through creative influence and is strategically repositioning British fashion in the global fashion economy. The BFC has five strategic pillars: business, reputation, education, digital and investment, and has appointed pillar presidents to help drive each element forward.

Caroline Rush, CEO, BFC and chair of steering committee.

Creative Skillset

Creative Skillset (CS) is the UK wide skills body for the Creative Industries, which includes fashion and textiles. CS work with industry and education organisations on research, quality accreditation, raising investment for training and helping our industries ensure 21st century qualifications are fit-for-purpose.

The UK fashion and textiles industry is a leader in a fiercely competitive global market. To remain in this position the UK needs to invest in a highly-skilled workforce. Creative Skillset works with businesses of all sizes to make this happen.

Dr Kion Ahadi (Head of Research and Evaluation) and Jayne West (Partnership Manager: Fashion & Textiles) from Creative Skillset both provided expert input into the research as members of the steering committee.

Marks & Spencer

Marks & Spencer (M&S) is the UK's leading high street clothing retailer and a longstanding patron of the BFC. M&S is also the lead supporter of the BFC's Positive Fashion initiative under which the report was commissioned.

Two years ago M&S launched a Best of British range made entirely in the UK, using British made fabrics. The success of the range shows that there is an appetite for quality garments made in the UK using British fabrics but highlights that unless you know where to look, there are significant challenges in finding companies able to produce the clothing to the standards needed.

Krishan Hundal, M&S's Director of General Merchandise Technology and a key architect of the company's Plan A strategy, co-chairs the steering committee for Positive Fashion bringing his extensive knowledge and experience in garment and textile production, both in the UK and overseas, to the committee.

Simon Colbeck is General Merchandise Head of Innovation and Quality at M&S in this role Simon manages a team of technical experts who deliver innovation, quality assurance and sustainability into M&S products. Simon represents M&S on the board of the Lord Alliance Project National Textiles Growth Programme, supporting and evaluating prospective grant applications.

UKFT

The UK Fashion & Textile Association (UKFT) is the most inclusive and influential British fashion and textile network, representing over 2,500 companies throughout the UK and promoting the industry in the UK, at EU level and globally.

John Miln is CEO of UKFT, sits on the steering committee and has spent his entire career in textiles and apparel working in global multinationals.

Contributors

Wendy Malem

Wendy Malem, Director of the Centre for Fashion Enterprise (CFE) since April 2007, has undertaken research projects for NESTA (UK Designer Fashion Economy and Barriers to Growth in UK, December 2008) and the DCMS (High-End Fashion Manufacturing in the UK: Product and Process, July 2009) and advocates a strategic approach to the manufacturing and design sectors as part of the CFE/BFC/MAS Alliance. CFE is London's pioneering fashion business incubator. It is crucial in today's market for small businesses to understand their USP and vision, to be better informed and follow a considered development strategy. CFE facilitates this, unlocking creativity and business potential, allowing designers to gain an international foothold.

Susie Palmer

Susie Palmer is the owner of 'Palmer Productions', a consultancy business that specialises in product development, production and process management of luxury products, particularly specialising in leather goods.

Daliah Simble

Daliah Simble is an Industry Consultant and has over 20 years' experience in the fashion production and product life cycle sector.

Previous roles include Head of Sourcing & Production at Roland Mouret, Consultant Director of Production and Sourcing at Liberty, Production and Development Manager at Frost French, Merchandise Manager at French Connection Head Merchandiser at Nicole Farhi and Production Manager at Monsoon.



Introduction: Caroline Rush

Chair of steering committee

One of the British Fashion Council's (BFC) strategic goals is to protect and develop the UK's reputation as the best place to start, develop and grow a designer fashion business. The UK is recognised as leading the way in supporting start-up designer businesses and in 2015 this support will be further developed. Researching common challenges faced by designer businesses is essential to create strategies that will lead to stronger environments for growth.

¹ Designer Manufacturer Support Innovation Centre (DISC) was launched at London College of Fashion in London in January 2012, and supports fashion manufacturers, designers and jewellers within all areas of production. Funded by the European Regional Development Fund, DISC.

Marks and Spencer (M&S), the iconic British retailer has agreed to support an initial three year programme with the BFC to establish a stream of work called Positive Fashion. This will look at core challenges faced by designer businesses, work with the BFC and its patrons to pool knowledge, to share best practice between established and developing businesses and celebrate excellence.

This report is part of this programme and is born out of the challenges faced by designers in finding the right production partners in the UK and the concerns around the long term viability of the existing units.

In order to ensure that this research could act as a platform to start addressing challenges, the BFC approached UK Fashion and Textile Association (UKFT) and Creative Skillset (CS) to become partners in developing the methodology, research briefs and target lists of designers, brands and manufacturers to engage in this research. Daliah Simble, Susie Palmer and Wendy Malem of the Centre for Fashion Enterprise (CFE) were also invited to join the working party and share their industry knowledge and manufacturing contacts.

Oxford Economics (OE) and Glasgow Caledonian University (GCU) were commissioned to undertake the research in 2014. It very quickly became apparent that the scarcity of accurate data around high-end manufacturing units in the UK was going to be an issue and it was commonly noted by designers involved in the research as an obvious barrier to producing more UK made product. The manufacturing data set was created based on a list supplied by CFE from the DISC¹ project and supplemented by information shared by designers showing at London Fashion Week and London Collections Men. A further challenge noted by Oxford Economics, was that of the

137 companies identified, a significant number wouldn't be captured in Government data due to the Standard Industrial Classification (SIC) coding of the businesses, demonstrating the need for independent research to capture value and opportunity in this part of the sector.

This research gives a frank view of the findings and collates the most common recommendations that have come from both designers and manufacturers.

2014 saw two reports commissioned on the manufacturing sector, this one and one commissioned by Lord Alliance. The Alliance Project has created a broader action plan to repatriate UK Textiles Manufacturing at all levels, with an initial focus on the North of England. To ensure no duplication took place the project teams collaborated on initial project briefs. The Alliance Project recognises the need to have a vibrant high-end and designer sector that creates aspiration, career development opportunities and social mobility that will assist in attracting talent.

This report has further underpinned the steering group's belief that investment and Government support is essential to enable UK manufacturers to continue to create designer and luxury products that support high-end designer businesses, that together drive a global reputation for excellence that supports international export opportunities for British fashion brands.

Action based on this paper is essential to protect the resources we already have, resources that play a pivotal role in supporting an industry worth £26bn to the British economy. An industry action plan, supported by Government will deliver growth, a more competitive market position, reputation and jobs. This is just the start.

CEO, British Fashion Council



Executive Summary

This report is motivated by a desire to provide a more substantive evidence base of the economic contribution and prospects of the UK's high-end manufacturing sector.

To this end, the project's steering group identified a list of 137 businesses which specialise in high-end manufacturing. This group forms the basis of quantitative estimates presented in this report, whilst findings have also been informed by the results of a survey of designers and brands by CS and qualitative analysis by GCU.

The 137 businesses identified are those that produce goods for designer businesses and high-end brands across ready-to-wear, woven or leather accessories. Over 180 businesses were surveyed as part of this report.

The steering group's view is that supporting high-end manufacturing is essential to a vibrant high-end designer fashion sector in the UK. A strong designer fashion sector creates a global reputation for excellence that benefits all British fashion businesses as they develop export markets.



Key findings

The development of this report has highlighted the extent of fragmentation within the industry, the lack of central knowledge, accessible information and platforms for both designers and manufacturers to engage with.

Manufacturing benchmarking is required

- The reality is that with no benchmarking for British fashion manufacturing, there is currently no defined number of high-end manufacturers based in the UK. This report has therefore focused on the data from a sample set of manufacturers as being indicative of the trends in high-end manufacturing

The high-end fashion manufacturing group generated revenues of over £1¼ billion in 2013

- In 2013, the group of high-end fashion manufacturers had a combined turnover of £1.76 billion, equivalent to 15% of the total output of the UK's textiles, clothing and footwear manufacturing sector
- Meanwhile, these businesses employed 8,750 workers and made a direct contribution to GDP of £732 million
- The GVA of manufactured fashion goods in the UK according to the product categories identified as fashion in the Value of Fashion Report, was £2.5 million in 2013, up from £2.2 million in 2010²
- The Alliance Project 2015 puts production of UK Textiles and Apparel Manufacturing at £9bn and employment at 90,000 to 100,000³. Nationally there have been 5,000 new jobs in textile manufacturing created in the UK last year and 20,000 projected up to 2020.

Overall market environment remains challenging...

- According to the survey, more designer businesses and high end retailers had reduced their purchases of UK-manufactured products over the past five years than had increased such purchases
- The latter group seemed to have been guided more by non-price factors (such as a desire to reduce lead times or to embrace the "Made in Britain" brand) than by improved price competitiveness of UK products
- Designers noted the three most popular things that would increase their volume of UK-manufactured product purchases were: competitive prices; innovation and improvements in technology; and more flexibility over small runs and minimums

...however, future prospects seem brighter...

- The survey pointed to a brighter future with a strong positive net balance of businesses indicating that they expect to increase the value of their purchases of UK-manufactured fashion products over the next three years
- A number of new manufacturing leaders are demonstrating that there is opportunity and that with a structured business approach and Government support it is possible to increase efficiency and profitability

...although supply side challenges remain...

- Competition from international markets where skills have been developed over time is seen as a significant risk
- Investment in the businesses, both in terms of equipment and business development has been limited as many existing businesses have focused on other ways to survive
- Access to technology and the facility for overall research and development spending in terms of technology is lacking
- Rents and rates for units in and around London that service the designer sector are significantly higher than competitor international cities

... skills and talent are essential to retain existing provision and future growth

- Skills and staff retention is noted as one of the largest concerns for manufacturers in developing their businesses
- An ageing workforce puts at risk the existing resources available in high-end manufacturing
- The image of the sector makes it difficult to attract staff, particularly young people

Turnover set to rise to over £2 billion by 2018...

- According to Oxford Economics baseline forecast, the group's turnover should reach over £2 billion by 2018, reflecting average annual growth of over 3% in manufacturing as a whole. This would take the group's contribution to GDP to over £850 million

...although with the right policy support...

- More talent could be trained through accessible apprenticeship schemes
- Skills could be brought in from international destinations with a supportive visa infrastructure
- Investment in technology could be encouraged to improve efficiency
- Units' overheads could become more competitive through a whole host of incentives focusing on business rates, VAT or income tax

...and the right industry support...

- Units could be benchmarked and that data made more readily available
- Training for designers to better understand manufacturing process could become more readily available
- Focused business support for manufacturers and a forum to exchange ideas could be created
- Forums for manufacturers and designers to meet and exchange ideas could build better understanding of capacity and capability in the UK today

...there is the potential for stronger growth

- In the upside scenario, the group's turnover rises by an average rate of close to 7% over the next five years. This would result in high-end fashion manufacturing contributing an additional £169 million to UK GDP and supporting an extra 1,700 jobs by 2018

²The Value of Fashion Report definition of fashion goods combines ready-to-wear, fashion accessories, jewellery, footwear and leather accessories such as luggage, bags and belts.

³The Alliance Project figures includes production of textiles, product, interiors and performance fabrics.



Introduction

This section outlines the purpose of this study and the context in which it is produced. It also focuses on the goals of the study and provides a brief summary of the methodological approach, before concluding by outlining the remaining structure of the report.

Key Industry Facts & Figures

£26bn

The British Fashion Industry is worth £26 billion in GDP to the British economy each year⁴

800,000

It employs almost 800,000 people⁴

£1.3tn

The global apparel sector alone was worth £1.3 trillion last year⁵

5,000

Nationally there have been 5,000 new jobs in textile manufacturing created the UK in last year and 20,000 projected up to 2020⁶

£9bn

All textiles manufactured in the UK are worth £9 billion to the UK economy (production value)⁶

1,600

In its first year of operation the Alliance Project National N Brown Textiles Growth Programme funded by Regional Growth Fund, has invested a £9 million grant in 94 companies to leverage an additional £30 million private sector investment, creating over 1,600 jobs⁶

- London Fashion Week and London Collections Men are globally recognised as being leading platforms for showcasing British talent and businesses
- A strong high-end designer and luxury fashion sector is essential to creating a global reputation for British excellence which benefits all British fashion businesses to trade

⁴Source: Value of Fashion Report 2014

⁵The global apparel sector alone was worth £1.3 trillion last year, this is the total market value of apparel sales — excludes black market sales, antique and vintage clothing.

Source: Euromonitor collated dataset from international sources.

⁶Source: Alliance Project Report

1.1 / Study motivation

This research was commissioned in order to assess and highlight the potential of the high-end fashion manufacturing industry to support economic growth in the UK. Although recent years have seen a growing interest in the topic of “reshoring” of the UK’s fashion manufacturing base, there is, as yet, no strong evidence base regarding how significant this process could be for the high-end and designer sector and what the key obstacles are that need to be overcome in order to realise this potential. This report represents an attempt to contribute towards such an evidence base, particularly with regards to the former point.

The motivation to focus upon high-end manufacturing reflects the project steering group’s view that this represents the sub-sector with the most potential as a source of growth in the medium-term and essential to setting a high bar for ‘Made in Britain’ product.

The steering group highlighted their concern for the long-term viability of units currently servicing high-end designers and wanted to ensure that the current resources available were protected. At the same time anecdotally the group knew of good news stories in the sector that they wished to both highlight and help to set up a blueprint for protecting and developing current resources.

This report uses a mixture of analytical techniques to assess the sector’s potential for growth and to highlight existing factors that could help to determine whether such potential will be fully exploited.

An earlier report by Department for Culture, Media and Sport (DCMS) highlighted similar challenges and had some success in moving the bar forward. However, industry-wide engagement and acknowledgement of challenges is now required.

This report can be downloaded at: http://www.fashion-enterprise.com/files/2011/02/UK-High-End-Manufacturing_CFE_report21.pdf

1.2 / High level approach

This section outlines the approach, with a more detailed review of the methodology available in the appendix. The analysis is broadly comprised of three parts.

1.2.1 Quantifying the industry’s existing contribution

The initial objective was to identify the scale of the UK’s high-end fashion manufacturing sector. To this end, the steering group provided a list of 137 businesses involved in the manufacture of “high-end” clothing, footwear and accessories.

The Inter-Departmental Business Register (IDBR)⁷, accessed through the ONS’s Virtual Microdata Laboratory (VML)⁸, was used to identify the characteristics of this list of businesses. This database contains information on the employment, turnover, location and industry group of different businesses, allowing the group as a whole to be valued.

In its aggregated form, the sector sample group was quantified in terms of:

- **Turnover:** The total revenue or value of final sales of businesses in the sector. Often referred to as “gross output”
- **Gross value added (GVA):** is the contribution an institution, company or industry makes to Gross Domestic Product (GDP)⁹. The sum of the gross value added of all UK organisations is – with minor adjustments for taxes and subsidies – equal to UK GDP. GVA is most simply understood as turnover (i.e. value of sales) minus the cost of bought in goods and services used up in the production process
- **Employment:** The total headcount employment of the businesses, excluding suppliers’ employees or agency staff
- It should be noted that the group of 137 businesses identified are believed to represent a significant proportion of units with high-end skills available to designer businesses. However the exact number is inaccessible through current data available and lack of benchmarking in the industry

1.2.2 Survey analysis

In order to develop a broader understanding of the sector’s performance and potential, a survey was conducted with a broad spectrum of businesses (from start-up to established) which purchase/commission the manufacture of fashion products. This included both designers and high-end retailers (including those involved in both wholesale and retail activity).

Survey respondents were asked to what extent they purchased/commissioned fashion products from UK-based versus non-UK-based manufacturers, how this had changed in recent years, and how they expected it to change in the near future. These survey responses were used to help to calibrate the scenario analysis.

Respondents were also asked a range of questions to further our understanding of the challenges and constraints that exist for businesses which are seeking to expand their purchases of UK-manufactured products. Qualitative information was also gathered to better understand the factors that helped to determine these businesses’ product sourcing decisions and other topics such as which countries represented the UK’s key rival locations across different types of fashion product. This rich dataset is assessed in greater detail in **Chapters 2 and 3**, and forms an important part of the report’s overall narrative.

1.2.3 Scenario modelling

The future performance of the sector was then forecast under two scenarios:

- **Baseline Case:** calibrated using the forecast growth rate for the UK manufacturing sector, based on the results of Oxford Economics’ in-house model. This growth rate is similar to the average response to the survey question regarding businesses’ intentions to purchase UK-manufactured products over the next five years
- **Upside Scenario:** calibrated using the upper quartile response to the survey question regarding businesses’ intentions to purchase UK-manufactured products over the next five years. This scenario is intended to demonstrate the potential uplift to growth that could be achieved if certain supply-side constraints on production are lifted

These two scenarios are designed to demonstrate how the sector’s contribution to the UK economy might evolve over the next five years.

1.3 / Report outline

The remainder of the report is structured as follows:

Chapter 2 examines the background of the UK’s fashion manufacturing sector, considering the wider macroeconomic context and the specific challenges that the industry faces

Chapter 3 reports the results of the survey analysis, focusing on the purchasing decisions of respondents

Chapter 4 presents the results, summarising the sector’s current economic contribution and presenting the results of the scenario analysis

Chapter 5 concludes and outlines a set of recommendations that can help the sector to realise its potential

Chapter 6 a methodological appendix, providing further detail on the approach

⁷The IDBR is a comprehensive database of UK businesses, used primarily in the Office of National Statistics (ONS) business surveys, containing information collated from a range of official sources. It covers over 2.1 million businesses, which report their characteristics in terms of turnover, employment, industrial sector, legal status and location.

⁸The VML facility enables researchers to access databases such as the IDBR. Data on the activity of businesses only provided once a suitable level of aggregation has been reached, in order to preserve confidentiality.

⁹GDP is the main ‘summary indicator’ of economic activity in the UK.

Mulberry

The company was founded in 1971 and opened its first factory in Somerset in 1973, quickly establishing itself as a British lifestyle brand. Initially famed for its leather poacher bags, it has more recently become popular due to the success of the Bayswater bag, the 'Alexa' bag named after Alexa Chung and the 'Cara' bag designed in collaboration with Cara Delevingne.

Today the brand is truly international, competing on Bond Street with the likes of Burberry and Ralph Lauren, it is keen to stress its Britishness. In 2006, the company launched an apprenticeship programme to encourage young local people to learn production skills and provide training and employment in the local community. Apprentices that graduate from the programme are offered a job at the factory in Somerset. They currently employ 700 craftsmen and women, manufacturing handbags, travel bags and men's satchels.

The company attracts local talent to work in the factory from an apprentice scheme with the nearby Bridgewater College. They address training and skills by having detailed training programmes. Somerset has one of the highest unemployment rates in the UK and 75% of their workforce formerly claimed benefits or were out of work. The age demographic of the workforce stretches from 16-70. Before they implemented their apprentice scheme, the average age of the workforce was 56, the average age is now significantly lower at 32.

They received a £2.2m Regeneration Growth Fund Grant from the Government in 2011 that enabled them to build their second factory, The Willows. They have now paid back the debt tenfold, through employees taken off benefits, paying NI contributions and taxes. The company is keen on expansion and has expressed an intention to open a footwear or soft accessory/knitwear factory. The 'Made in Britain' element of what they do is incredibly important to the brand, and has become its unique selling point. They are the only British Luxury brand of scale that manufactures over 50% of its accessories in the UK.

"We are extremely proud of our British manufacturing base and our two factories in the heart of Somerset. Mulberry balances the cool of the city, with its Design Headquarters in London, with the craft of the countryside, where 700 craftsmen and craftswomen work to bring Mulberry bags to life. We are also dedicated to preserving this craft legacy, training the next generation of skilled craftspeople through our award-winning apprenticeship scheme: today's apprentices are the future of our brand."

2

Background Context

The travails of the UK's manufacturing sector over the past 30 years have been well documented, with the industry struggling to cope with ferocious competition from abroad, triggered by a surge in globalisation, and an, at times, heavily overvalued exchange rate.

This issue has become more salient politically since the financial crisis, with increased rhetoric, at least, surrounding the "need to rebalance" the economy.

The reshoring of the UK's fashion manufacturing base, therefore, is consistent with this current political discourse. Moreover, there is increasing anecdotal evidence to suggest that a latent demand is growing among both designers and distributors to increase the proportion of products sourced from UK-based manufacturers. This chapter investigates these trends in order to provide greater context for the results presented later in the report.

2.1 / A long-term perspective

Over a number of decades the UK's manufacturing sector has played a decreasing role in the UK economy. In 1980, 15% of UK GDP was accounted for by manufacturing. As Figure 2.1 illustrates, this share fell steadily to less than 10% at the beginning of the financial crisis in 2007. This trend is even starker in terms of employment, with nearly four million jobs lost in the sector over this period of time, a 60% decrease.

Despite its falling share of GDP, output, in absolute terms, has still expanded. Measured at constant prices, manufacturing GVA rose by nearly a third between 1980 and 2008.

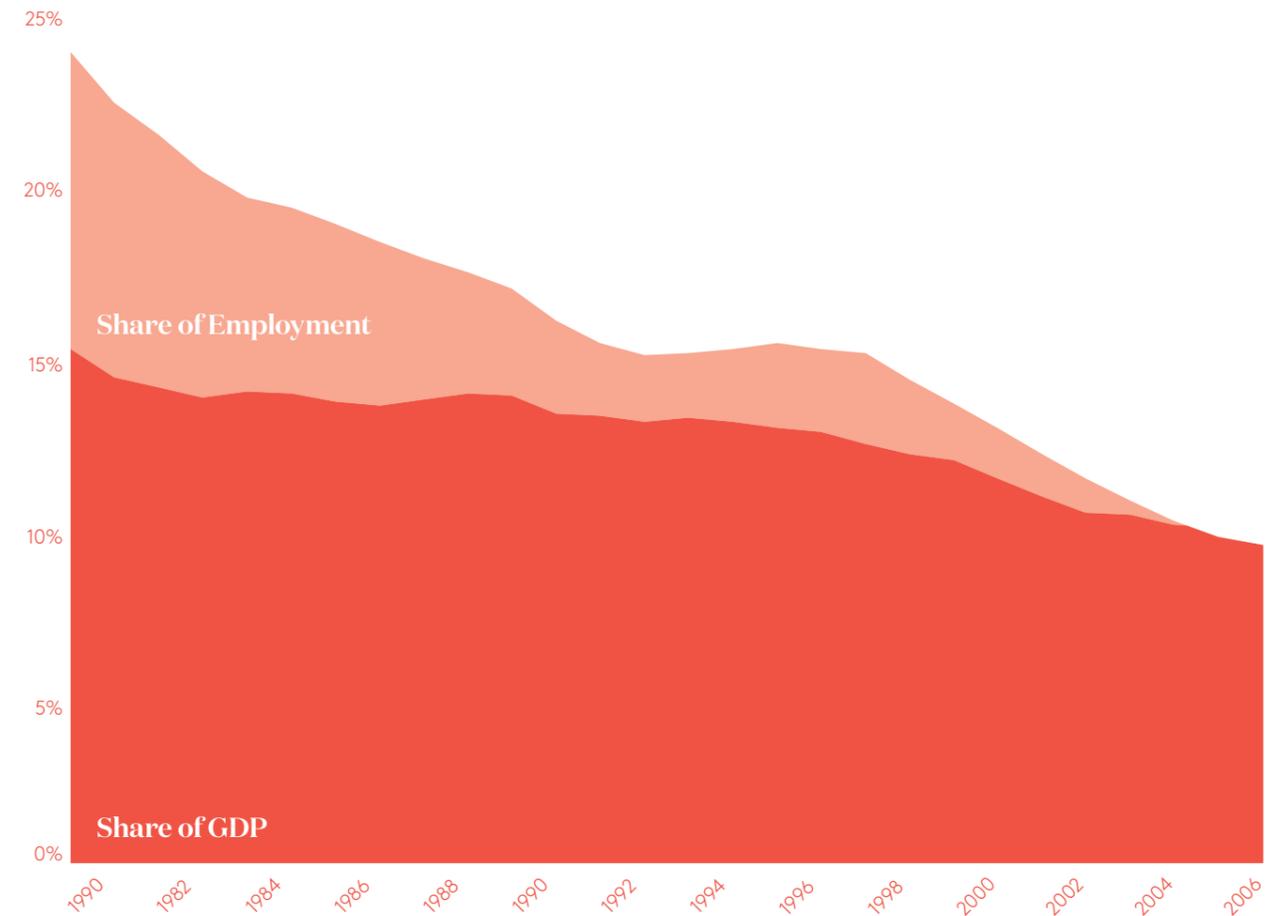


Figure 2.1: Manufacturing sector share of UK economy

Source: ONS



In contrast, the output of the UK textiles, leather and clothing industry has shrunk consistently in real terms over the last three decades (Figure 2.2). As a result, the sub-sector's share of UK manufacturing value added has fallen from 9% in 1980 to just 3% by 2008.

The causes of these trends are numerous and we do not attempt to cover them exhaustively here. However, a number of factors are worth emphasising.

First, the past 30 years have seen a structural transformation of the UK's manufacturing sector. Whereas previously the sector was populated by businesses struggling to match international best-practice, it is now characterised by lean, efficient businesses using state-of-the-art technology and typically specialising in higher value-added areas of production. This process is neatly summarised by the shift in the sector's overall share of employment and GDP as documented in Figure 2.1. The corollary of this is that labour productivity in the manufacturing sector has risen much faster than the rest of the economy during this period.

The fashion and textiles sector has been a microcosm of this process, with competitive pressures leading to the retrenchment of an industry, which is now increasingly populated by small, dynamic businesses, which specialise in niche production areas.

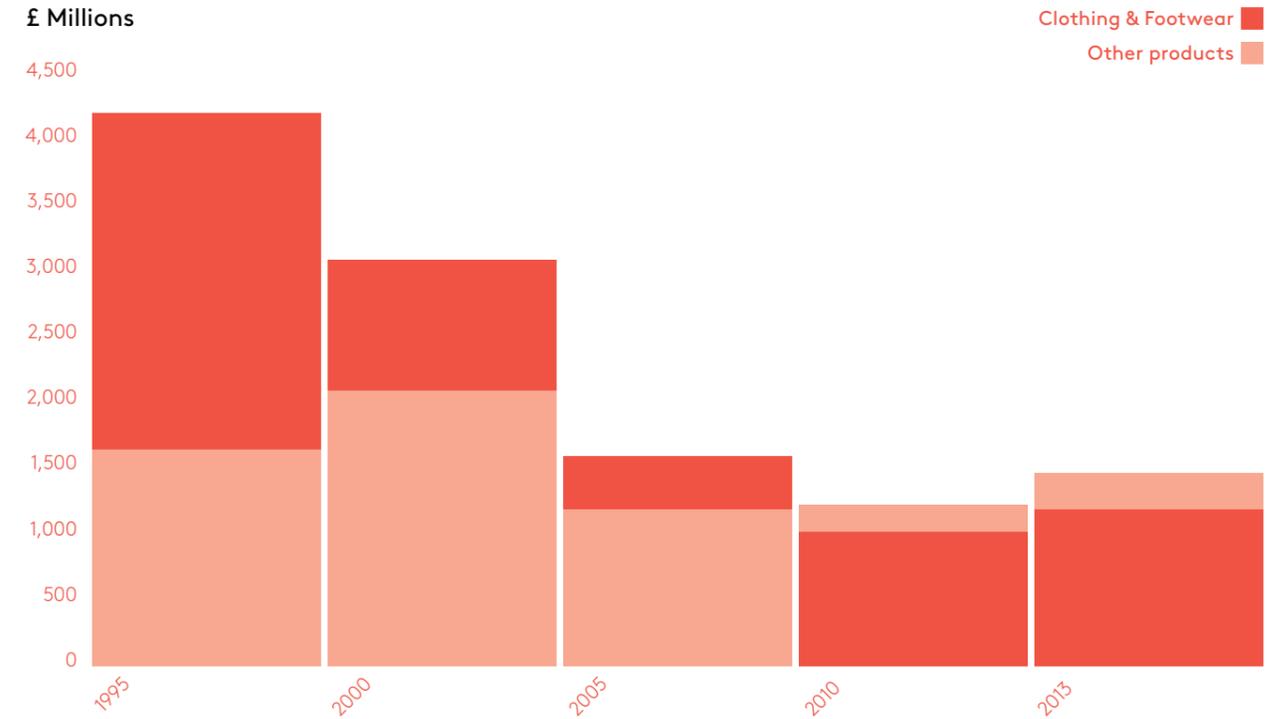


Figure 2.2: GVA of UK Fashion Manufacturing
(as defined in Value of Fashion Report 2010)

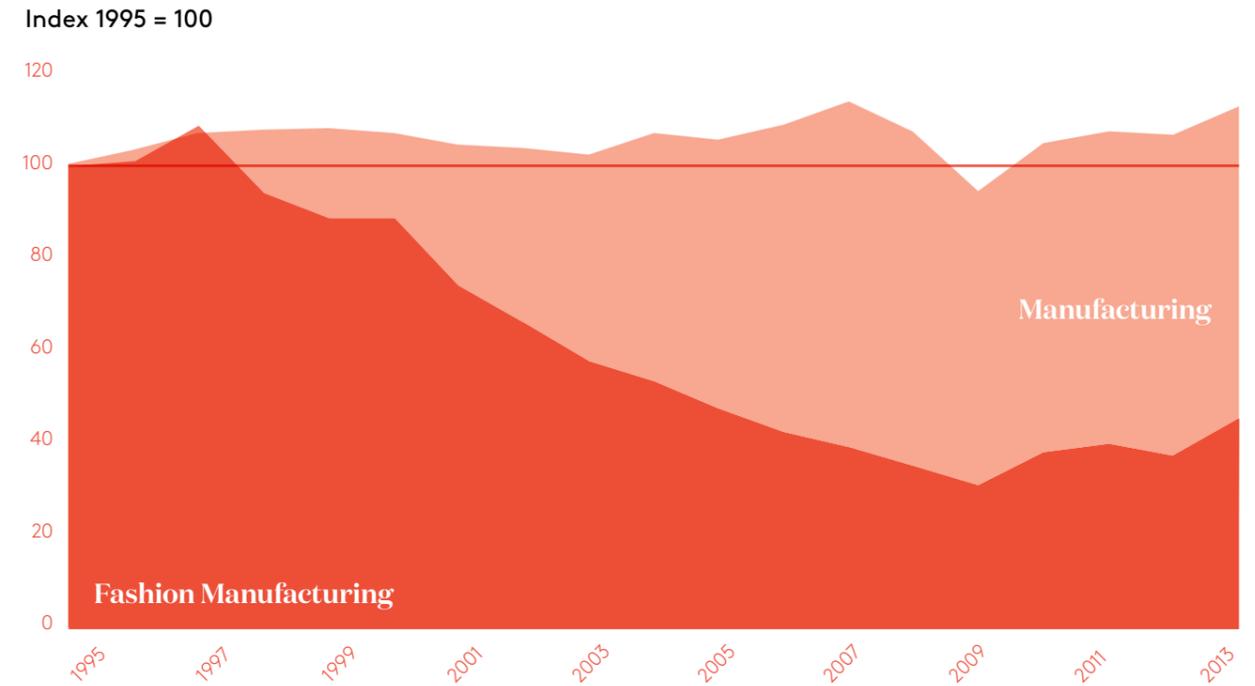


Figure 2.2: Nominal GVA (1995-2013)

Source: Oxford Economics/ONS

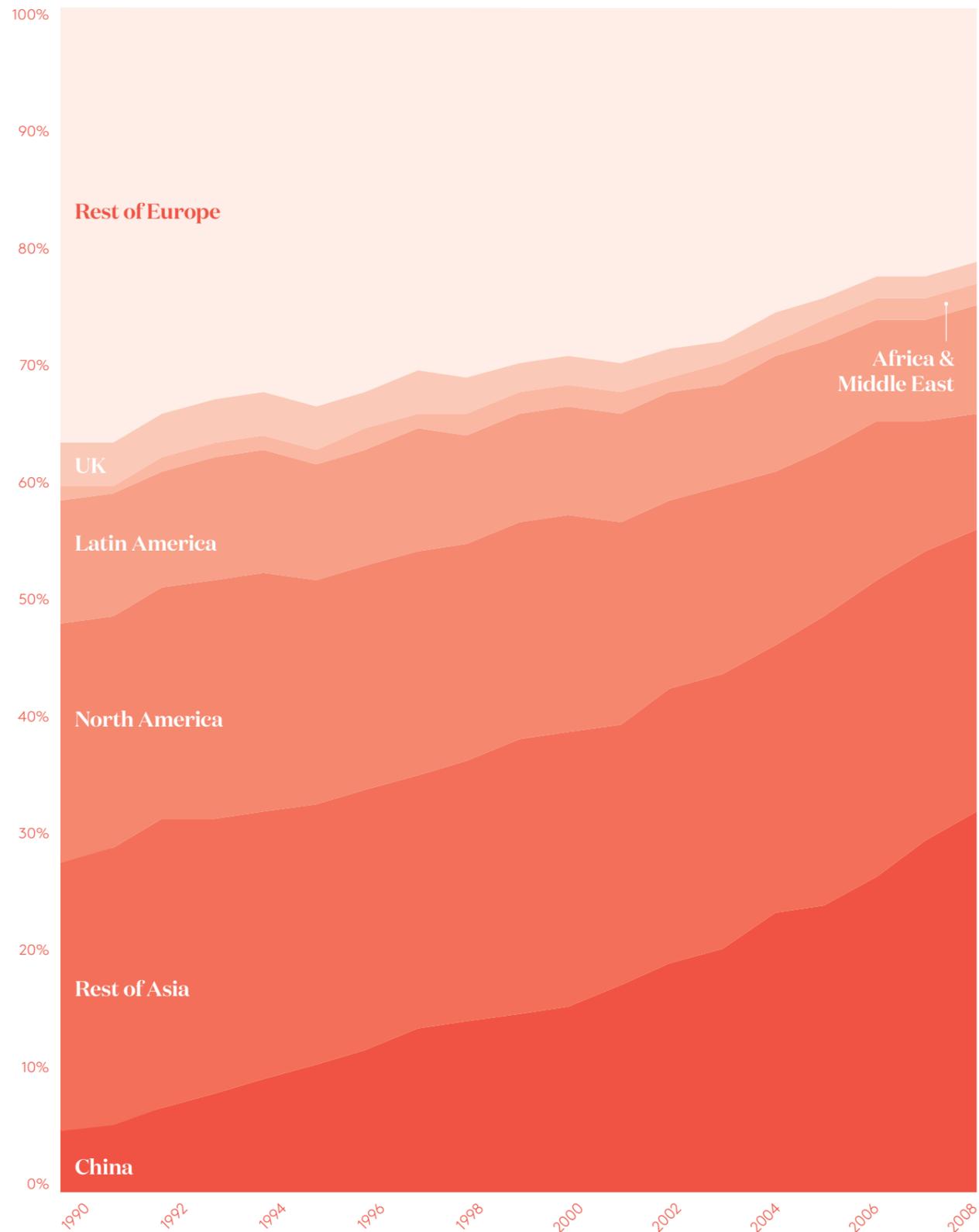


Figure 2.3: Shares of global textiles manufacturing in different regions

Source: Oxford Economics Industry Database

This chart illustrates that the UK's share of global clothing and footwear manufacturing output declined from 4.2% in 1990 to 1.8% in 2008, the Rest of Europe's declined from 35.9% to 21.1% whilst China's market share increased from 5.4% to 30.2% over a similar timescale.

Second, the retrenchment of manufacturing is part of a wider, global trend, which has affected virtually all developed economies to a greater or lesser extent. This partly reflects a period of rapid globalisation with multi-national corporations increasingly diversifying the geographical spread of their supply chain, seeking to locate at least part of their manufacturing base in emerging markets in order to access lower production costs. The fashion and textiles market exemplifies this point. Whilst the UK's share of global textiles manufacturing fell from close to 5% in 1990 to below 2% by 2008, this decline is mirrored across the rest of Europe and North America (Figure 2.3). Indeed, the only region that has seen any meaningful growth in market

share is Asia, led by the remarkable rise of China as a manufacturing hub. Our estimates indicate that China's global market share of fashion and textiles manufacturing increased by almost seven-fold from 5% in 1990 to 33% in 2008.

Finally, manufacturing, as the most export-dependent sector of the economy is heavily affected by shifts in terms of trade, which in turn are strongly influenced by movements in the exchange rate. With other things equal, an appreciation (strengthening) of the real exchange rate makes UK exports less price competitive in international markets. However, as demonstrated by Figure 2.5, the 20-year period leading up to the financial crisis was largely marked by a strong sterling.

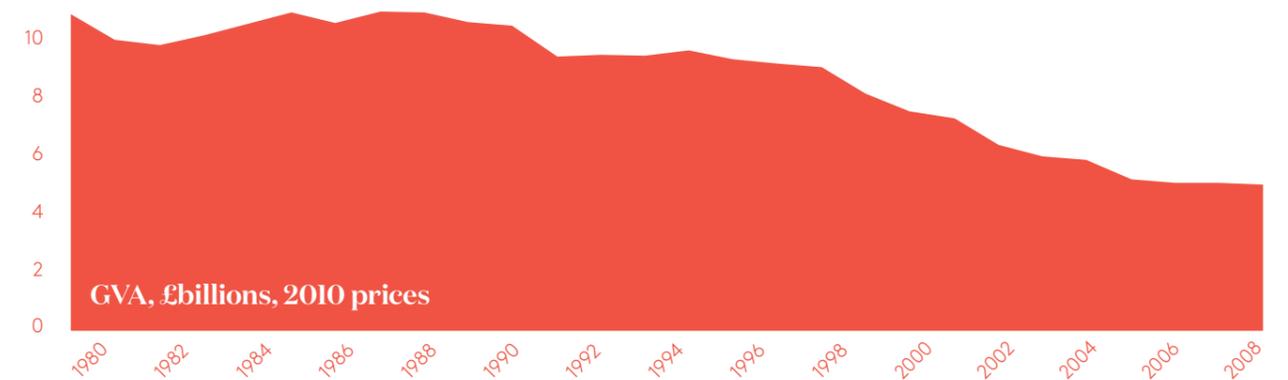


Figure 2.4: Output of the textiles, leather and clothing sector

Source: ONS

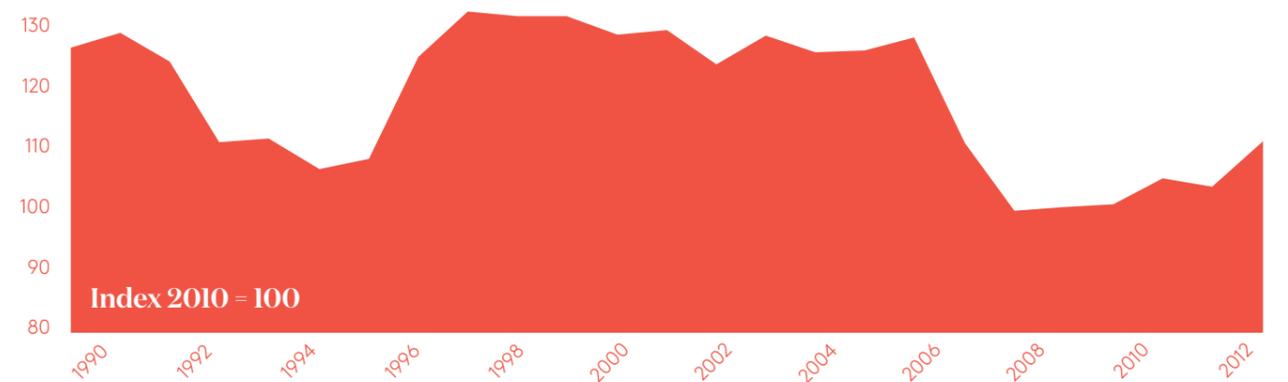


Figure 2.5: Real effective exchange rate¹⁰

Source: Bank of International Settlements/ Haver Analytics

¹⁰ This measure tracks the path of sterling on an effective trade-weighted basis. Therefore, bi-lateral movements are weighted according to the strength of the existing trading relationship between the UK and the partner economy. The measure tracks changes in "real" terms in the sense that it takes account of relative inflation rates across bi-lateral trading partners.

2.2 / The recession and economic rebalancing

However, that trend reversed dramatically in 2008/9, with sterling falling by close to 25% on a trade-weighted basis, whilst the subsequent rebound since 2010 has been fairly marginal. In theory, this development should have provided a sustained competitive boost to UK manufacturers, enabling them to capture market share.

The depreciation of sterling has helped economic “rebalancing” to move towards the forefront of political discourse since the onset of the global financial crisis in 2008. This can be evidenced by increasing emphasis placed on support for export-led growth in speeches by senior politicians. For example, in 2012 Prime Minister, David Cameron declared:

“What we need to happen in Britain is a rebalancing of the economy, away from excessive borrowing, financial services and consumption and towards business investment, manufacturing; making things again.”

David Cameron – Prime Minister
January 2012¹¹

However, in reality, the UK’s economic recovery since 2009 has been very much a case of “business as usual”. Whilst real GDP surpassed its pre-recession peak in 2013, manufacturing output, at that point, was 7.5% smaller. Therefore, the manufacturing sector’s share of total UK GDP has continued to decline despite the relative weakness of sterling. An anonymous source commented, “We hear too much about what we can’t do in Britain, that UK manufacturing is small scale, that it’s a bit player. We need to focus on what we’ve got, on the successes. If you keep saying that something doesn’t exist people will believe you.”

Meanwhile, overall the fashion and textiles manufacturing, has continued to struggle with output contracting by around 12%, in real terms, between 2007 and 2013. However, anecdotally, evidence has begun to emerge of a latent demand for UK-produced products, with designers and distributors (including major high-street retail chains) increasingly attracted by the prospect of shorter lead times, more flexible production patterns and the value attached by consumers to the 'Made in Britain' brand.

Brands such as Mulberry have invested in British manufacturing, opening a 2nd factory to support increased production in the UK. Likewise, brands such as Pringle of Scotland focus on specific product areas such as knitwear produced in the UK. E. Tautz is a great example of a new generation of business focused on developing product based on British manufacturing and have made it part of their brand narrative. New brands have also been born out of the need for traditional manufacturers to create sustainable business models with Private White V.C. now being the sole label owned and produced by a traditional manufacturer as a new generation of family owned businesses adapt and develop.

¹¹ <http://www.telegraph.co.uk/news/politics/david-cameron/8997011/David-Cameron-industry-is-returning-to-Britain.html>

2.3 / Challenges facing the industry

Nevertheless, considerable challenges still confront the industry if it is to exploit this apparent increased appetite for reshoring.

— Information

The ability to find good quality, benchmarked manufacturers other than through word of mouth is a significant challenge to brands wanting to produce product in the UK.

— Labour Force

The UK has a specific set of challenges based around skills and retention of talent. Manufacturers consistently stressed the lack of skilled labour within the UK and their reliance upon, a first generation immigrant workforce that was mainly drawn from Eastern Europe and India. Some of the manufacturers interviewed invested in skills and training, others had tried the existing apprenticeship framework, but found it challenging with no guarantee that the training would result in a worker staying within the factory. An ageing workforce and the inability to attract domestic talent into jobs was cited as a key problem.

Training was recognised as a challenge for small units due to time and resource to train staff and for medium sized units with capacity to train, a challenge due to lack of support to make the training cost effective or to take the risk on reduced productivity for longer term gain. “In a couple of years three to four of our workforce will be retiring – that’s around 25%. Everyone’s worked here for twenty years, some more. Our cutters are past retirement age. If we advertise at the job centre there’s no one who wants it or no one suitable. We can’t really afford trainees. That’s the biggest challenge – people” – Owner / Managing Director or British Menswear and Accessories Manufacturer.

“There is a general lack of support for clothing manufacturing in the UK and lack of recognition. The emphasis is placed on designers, retailers and brands. Manufacturing is forgotten. It needs profile.”

Managing Director
British Womenswear Manufacturer

— Image

The image of UK fashion manufacturing was noted as a barrier to attracting young talent. The units are characterised as being small, many micro businesses, with little HR support or programmes around professional development, coupled with working environments that require investment.

When discussing environment and investment, the response from the majority of units was that they focused on survival. Increasing rents, rates and utility costs were noted as driving high overheads and in some cases driving units out of existing locations.

— International Competition

In terms of competition from other manufacturers, the main risk identified was from Europe. Designers and manufacturers noted that skills to create and develop product in Europe was more readily accessible, that short runs were more often possible, pricing was cheaper and with more flexible payment terms. The average cost savings for like for like product in Europe was identified as 20%. Italy was identified as a leader in terms of manufacturing desirability and quality, with Spain and Portugal also attracting significant business. In short, the quality advancements in manufacturing in Europe is directly contributing to the erosion of British manufacturing, demonstrating the need for investment in technology and innovation to stay competitive. “Investment – they have better skills, better equipment, better technology” – Production and Sourcing Director of British Luxury Womenswear Brand.

Further afield, China and India offer good quality products at competitive price points and with growing flexibility around the way they work.

Where UK manufacturers used to be able to compete for domestic business based on location and flexibility around minimum orders, with these now being offered by both European and Asian units at more affordable prices, the reasons to work with local units are decreasing.



— Domestic Opportunity

For start-up businesses local production is essential, however the skills and knowledge of start-up businesses about the manufacturing process coupled with fragility of business makes these high-risk clients for manufacturers. Managing Director of a British Womenswear Manufacturer commented, "For me, part of the long-term solution is about [designers] understanding what manufacturing is and how to work with it. And how it can work with them."

Several manufacturers interviewed noted that businesses with substantial financial backing (as is now being seen in the UK) are starting to drive confidence, but also drive quality levels higher. The manufacturers are now better understanding what is expected and the businesses are starting to communicate better their expectation around quality and finish.

Manufacturers raised the close relationships between educational institutions and manufacturers in other territories and felt that closing the gap in the UK could contribute to changing perceptions and understanding. "Work more closely with institutions. Target the institutions to reflect the opportunities, make them understand the business, the technical side. It's very different in Europe and America" – Managing Director, British Womenswear Manufacturer.

Designers identified their concerns around capacity available from the units they work with. The manufacturers interviewed are building their capacity based on demand; 'we make it work' rather than forecasting and identifying their capacity and therefore properly understanding the full opportunity within their business. Production and Operations Director of a British Accessories Manufacturer says, "We have scaled right back to make sure that we can survive in any circumstances. We can scale-up when demand comes and we can respond on that basis. The strategy has been to reduce overheads and be as lean as we possibly can be."

Manufacturers interviewed were asked about their strategy to invest in new equipment and technology to modernise their business. Business owners recognised that there was opportunity here, but that cost benefit hadn't been proven. One business owner suggested a manufacturing hub with access to shared equipment that could be a shared cost between units and possibly a loan or fund by Government.

One of the businesses interviewed noted that Regional Growth Fund grants available were great news, but focused on job creation rather than efficiency and job retention.

Several manufacturers interviewed were interested in building their knowledge and looking at ways to develop their businesses but felt that existing resources weren't targeted to support their very specific needs.

Both designers and manufacturers talked proudly about 'Made in Britain' and the opportunity for it to stand for craftsmanship, tailoring, unique, high-end product. That some kind of Kite Mark would support more manufacturing and pride in the development of this 'designer' product. Furthermore, manufacturing units with the capability to produce these products should be benchmarked and be able to promote their level of skills to differentiate from other units. It was noted that benchmarking of this kind could drive an increase in skills and training and could assist in talent recruitment to the sector.

Manufacturers raised frustration around businesses promoting themselves as British and called for a minimum quota of 5% of product to be manufactured in the UK to be able to promote themselves in that way.

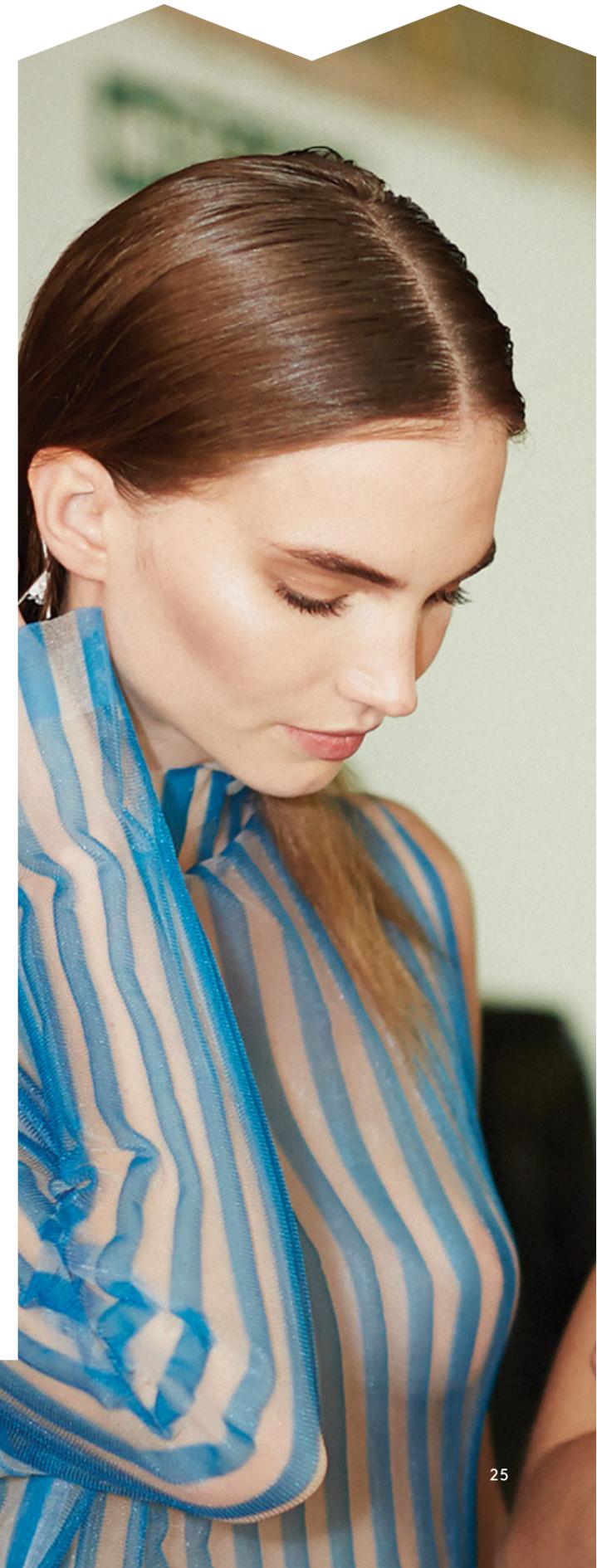
The interviews revealed that a high proportion of UK manufacturers felt that higher utility, rates and rental rates were a key factor in driving product prices higher compared to rival European economies. To this end, we have investigated the relative cost incidence of these factors in the UK compared to three key competitor economies (Italy, Spain and Portugal). The evidence is slightly mixed, but in general supports this hypothesis.

In terms of business rates, the data bears out the story that UK corporations are at a competitive disadvantage compared to key European rivals. Revenue raised from business rates (broadly defined here) accounts for a higher proportion of GDP in the UK compared to Spain, Italy and Portugal. Moreover, the incidence of business rates in the UK is well above the average across the EU 27.

Managing Director, British Accessories Manufacturer says, "You simply cannot manufacture cheaply in the UK. The costs of manufacturing are just too high. Wage costs (most of our people are in minimum wage but they are on full-time contracts) are high compared with other parts of the world. Rents and rates in London are high. Utility costs are high."

"The people who really supported me at the beginning were all UK based suppliers. You need that support when starting out as the bigger factories tend to have higher minimum orders which at that stage I'd never have met. I owe so much to them and am so grateful to have their support on board, to this day I continue to work with them as their level of professionalism is incredible."

Mary Katrantzou,
Owner/Designer of Mary Katrantzou



In terms of rental rates, further context is required, as clearly there is significant variation within the UK. More specifically, commercial rental rates in London dwarf much of the rest of the UK (and Europe). On the other hand, the price of office space in other cities in the UK is more in line with European prices as demonstrated in Figure 2.7. However, given that a high proportion of the our sub-group of high-end manufacturers were based in London, it is likely to have been a significant factor impeding price competitiveness particularly compared to manufacturers in Spain and Portugal.

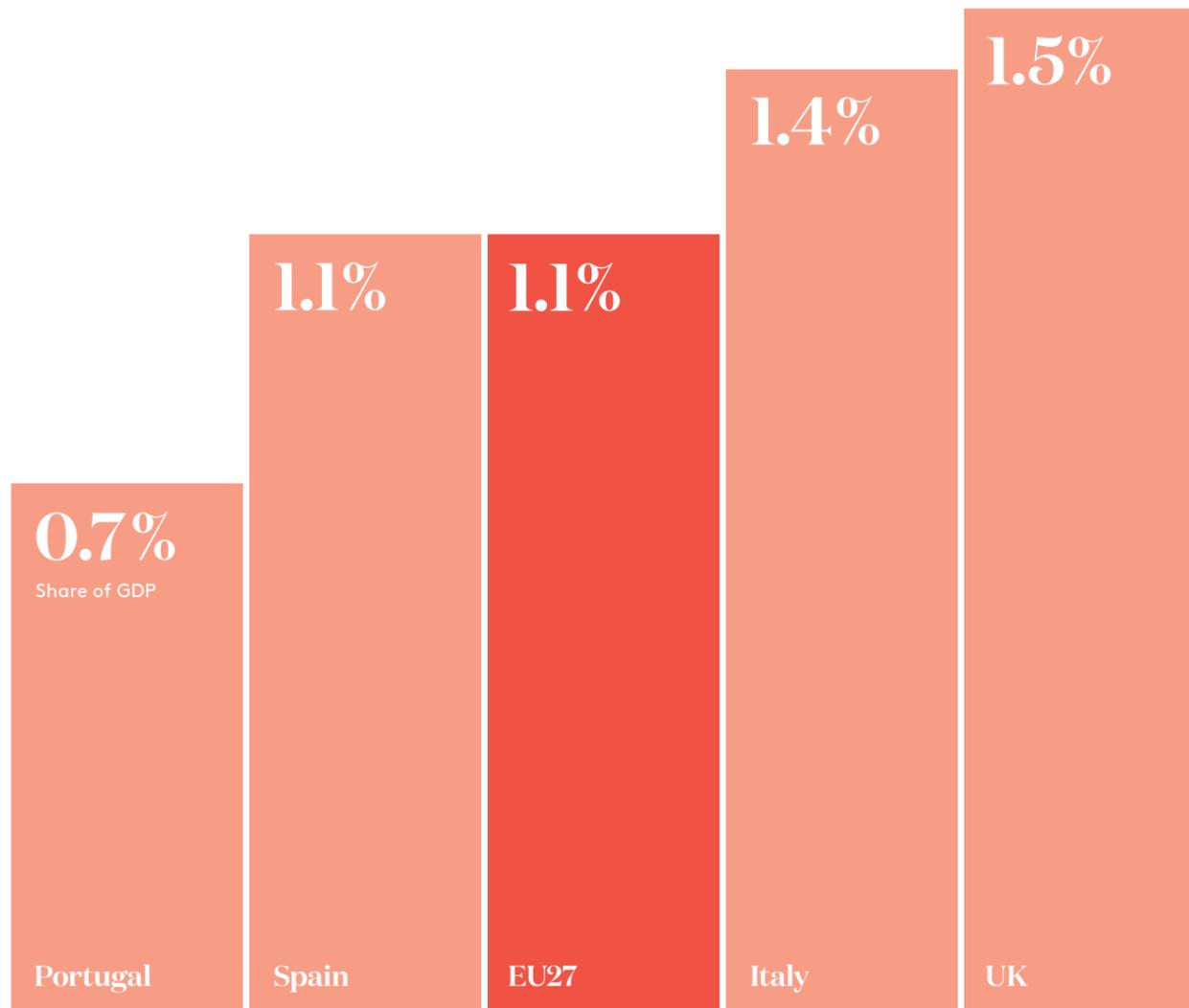


Figure 2.6: Business rates revenue*

Source: Eurostat/ Haver Analytics

*Defined as revenue raised from taxes on land, buildings and other structures

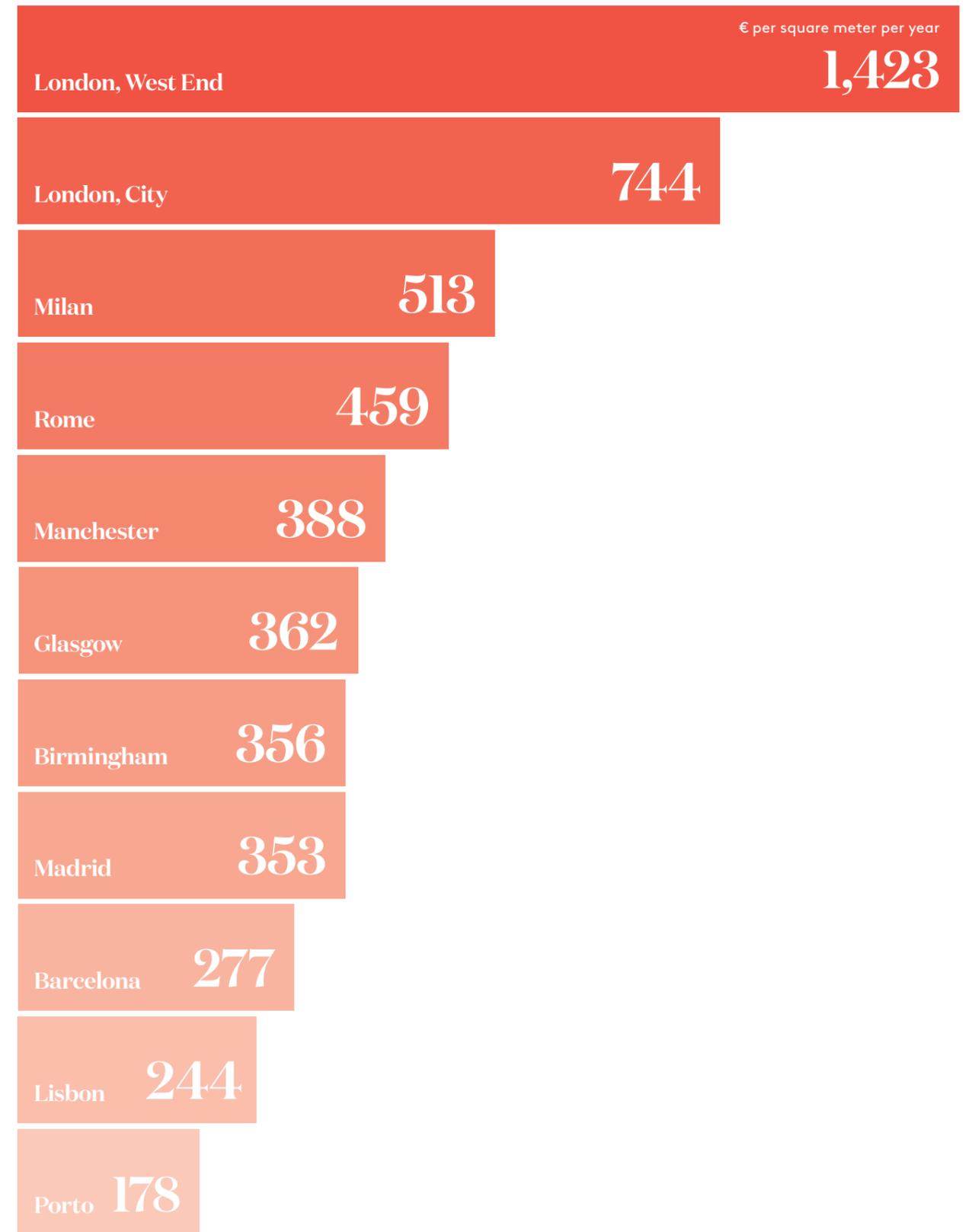


Figure 2.7: Commercial rental rates by city

Source: Cushman & Wakefield

John Smedley

John Smedley Ltd remains a family owned British business, managed by the 8th generation. 100% of their fine Merino, cashmere and Sea Island cotton knitwear is manufactured in the UK. They are able to put “Made In Great Britain” on every garment they make.

They employ around 400 staff in three factories in Derbyshire and South Yorkshire, employing as many local people as possible. Many generations of local families have worked for John Smedley. They make around 400,000 garments a year, exporting over 60% to 30 territories. Japan is their biggest export market, and their knitwear can be found in all Tokyo department stores

In 2013 they received their first Royal Warrant, which they hope will help them secure more export business going forward.

In the last 15 years, they have developed a multi-channel sales operation, with a retail store in Mayfair, in London, and a growing internet business. This has helped to strengthen their brand, survive the challenges of globalisation and weather the recent recession.

An established British business, Smedley has survived a significant downturn in British manufacturing, has adapted as a business, but as manufacturers of scale are further challenged to invest due to lack of industry support, despite being an acknowledged great British brand.

They employ 400 people, which means it is a “people intensive” business. The workforce is essential to the local area, yet as a larger business has limited access to support grants to re-invest in the business (most grants are linked to increasing employment, yet investment would be useful to improve efficiency which in the short term could lead to a reduction in workforce as the business becomes leaner).

The label wholesales through traditional department stores, with significant growth seen through online channels such as Mr Porter which don't require in-store staffing and training. It is also developing its own retail portfolio and is investing in online sales. As an export business it is subject to international trade challenges such as the recent disruption in the Russian market and the stagnation of growth in Europe.

With a workforce made up of 400 people, there is now limited opportunity to bring through new talent. As a larger business, access to support for training and apprenticeships is non-existent. Other local manufacturers that have tried to increase workforce have been significantly challenged by the available skilled labour.

As growth has stagnated, so investment into infrastructure has been difficult. The implementation of an efficient energy supply has been on hold for many years and is now becoming increasingly important as energy costs rise.

Ian Maclean, Managing Director, John Smedley Ltd. said, “My greatest desire would be for the Government to believe it is possible not just to start small new textile manufacturers in the UK, but to build big textile manufacturers, and to act decisively on this belief. Textile manufacturers, by their nature, are very labour intensive businesses and the challenge of (re)gaining scale in our industry are numerous. I feel strongly that we can build not just subcontract manufacturing in our home market, but also the great British brands of the future based on British manufacturing, given the will and the right incentives.”

“I feel strongly that we can build not just subcontract manufacturing in our home market, but also the great British brands of the future based on British manufacturing, given the will and the right incentives.”

Ian Maclean,
Managing Director, John Smedley Ltd.



3

Survey Results

This chapter documents the result of the survey work undertaken by Creative Skillset on behalf of the research working party in November 2014. The survey covered a total of 40 businesses¹² from start-ups to established brands, the vast majority of whom had at least some operational presence in the UK.

¹²All were involved in the design of fashion products with the majority also involved in the distribution of fashion products (through either wholesale, retail or both channels). Further information about the sample of businesses and the survey methodology can be found in Chapter 6.

3.1 / Current sourcing patterns

Across the survey, patterns of behaviour with regards to sourcing were quite diverse. Whilst a quarter (25%) of businesses purchased either none or a tiny proportion of its products from UK-based manufacturers, UK-manufactured products accounted for the vast majority (90%-100%) of purchases for almost a fifth (19%) of businesses surveyed (Figure 3.1).

Meanwhile, survey respondents were also divided in terms of how the value of their product purchases from UK-based suppliers had changed in recent years. The questionnaire attempted to elicit this information across three time periods: the last year; the last three years; and the last five years.

Whilst, just under 2/3 of businesses surveyed reported no change in this metric across all time periods, there was a significant divergence in purchasing patterns among the remaining businesses with some reporting a significant reduction and others a material uplift (over 50% in some cases). Overall, irrespective of the time period, slightly more businesses reported a reduction in UK-manufactured product purchases (Figure 3.2). This is consistent with the macroeconomic statistics presented in Chapter 2, which indicated that, overall, the sector has continued to contract over the past five years.

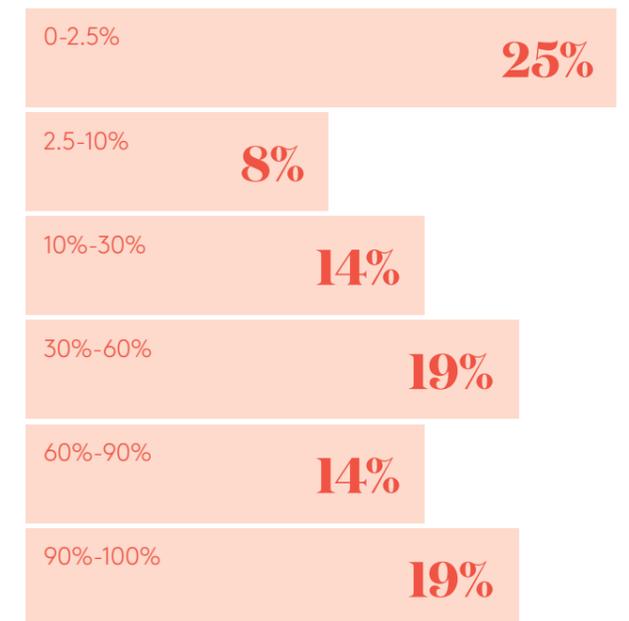


Figure 3.1: Share of purchases from UK-based manufacturers*

Source: GCU/ Oxford Economics calculations

*Share of surveyed businesses, excludes non-respondents and businesses which responded don't know

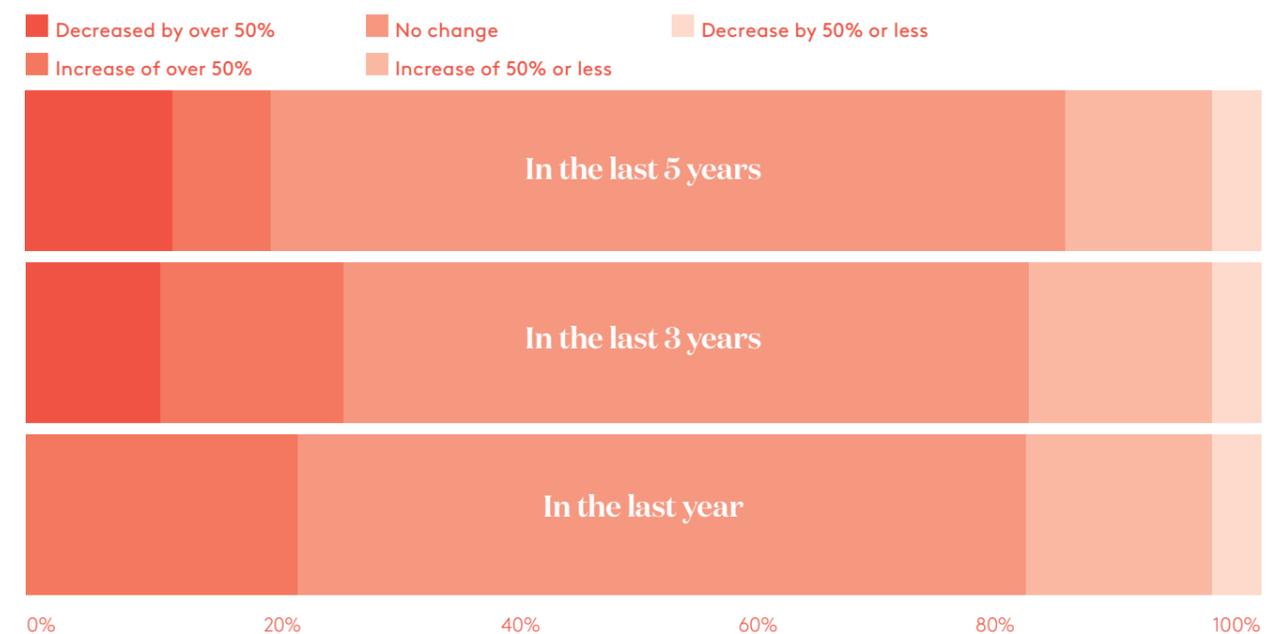


Figure 3.2: Change in value of purchases of UK-manufactured products

Source: Creative Skillset

3.2 / Motivations for change

Of the businesses which had decided to increase purchases over the past five years, by far the most important motivations were to source a higher quality of product (cited by over 60% of these respondents), to exploit the value of the 'Made in Britain' brand (cited by 50% of these respondents), and to shorten lead times (cited by 38% of respondents).

On the other hand, improved price competitiveness was cited as an important driving factor by less than a fifth of businesses which had indicated that they had increased purchases of UK-manufactured products. Therefore, it seems reasonable to conclude that the recent support for demand for UK-manufactured products has been triggered largely by non-price factors.

This point is reaffirmed by analysis of responses, from all surveyed businesses, regarding the most important characteristics sought in a supplier, with quality (cited by almost 80% of businesses) trumping price (cited by 50% of businesses). Moreover, when asked about factors which differentiated good from bad suppliers, "competitive pricing" represented just the fifth most popular response (21%) well behind characteristics such as quality/accuracy (56%), good communication (50%) and reliability (47%).

However, whilst it appears that improved price competitiveness has not been a particularly important factor in motivating businesses that have increased demand for UK-manufactured products, it seems that a lack of price competitiveness remains a constraint for businesses which have downsized the scale of their UK-manufactured purchases or continue to purchase abroad. For example, for businesses which do not purchase any UK-manufactured products, price was the most commonly cited causal factor for this choice (together with product availability and skills). Meanwhile, for businesses that indicated that they had not changed the value of UK-manufactured purchases in recent years, price was the most frequently identified factor that would need to change in order to alter this.

3.3 / Future prospects

In terms of future prospects, the survey findings are consistent with an improving outlook. When businesses were asked whether they were planning to source more or less with UK manufacturers over the next three years, a significant net positive balance was recorded, with 65% projecting an increase compared to just 19% projecting a decrease¹³.

Again there appeared to be a bifurcation between the relative importance of price between purchasers. Among those which had implied that they were set to increase their level of UK purchases over the next three years, just one (of 20) cited anticipated improved price competitiveness as the key driving factor.

However, when businesses were asked about the three factors which UK manufacturers could "change in order to get your business tomorrow", the most popular response was to offer "more competitive prices", which was cited by half of the respondents (Figure 3.3).

Therefore, the evidence from the survey seems consistent with non-price factors having been more instrumental in supporting the growth, in recent years, that has been enjoyed by businesses within the UK's fashion manufacturing sector. Moreover, such factors seem likely to continue to be more prominent as drivers of increasing demand in the near-future. However, the lack of price competitiveness of UK-manufactured products is set to remain a constraint on a more substantial reshoring trend.

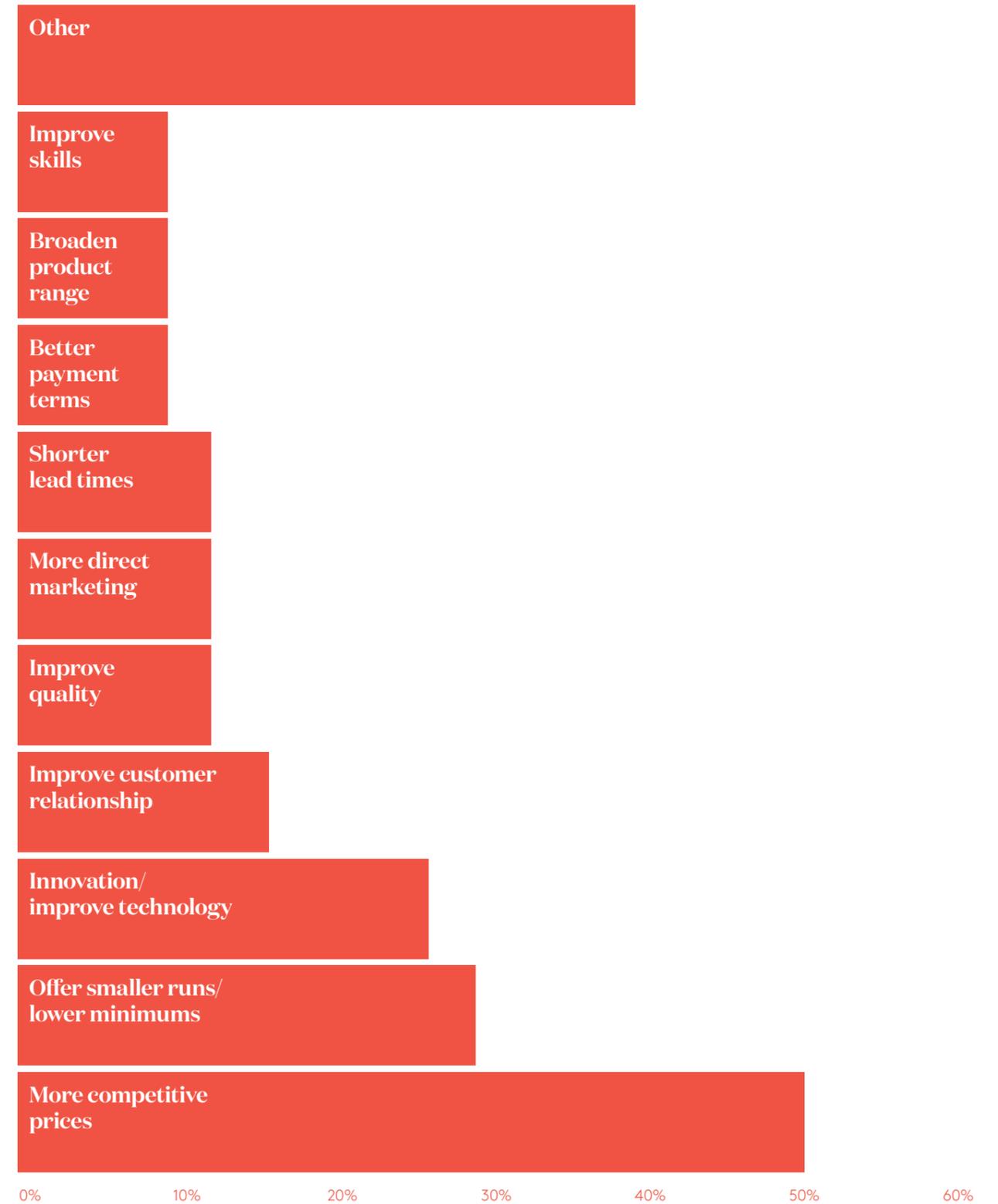


Figure 3.3: Factors which UK manufacturers could change to gain business*

Source: Creative Skillset

*Businesses were asked to specify up to three factors so shares do not sum to 100%.

¹³ A caveat to this is that of the 9% of respondents that reported "no change" to this question, 2/3 had stated that they currently do not purchase any products from the UK.

Sourgrape

Sourgrape is a family run production company based in North London, providing manufacturing for designer businesses and luxury brands.

Established in 2009 with just four people, it has grown in six years to have a workforce of 48 staff. The business owners pride themselves in their flexibility, their willingness to support designers to create the product they want, no matter what level of complexity it requires. Unlike many companies like this, the average age of the workforce is 35 years, many of whom came to the business with no skills or understanding of the business, but who have been trained and developed skills to produce high-end product. Working with many of the stars of London Fashion Week, the workforce have a great sense of pride in the work they produce and the media attention the designers they work with get.

Burhan Bilici, Owner of Sourgrape, said: "Britain has an unrivalled history of craft and expertise within the manufacturing of garments. Made in Britain has become synonymous with a high level of quality and attention to detail. We can stand strong next to other countries known for their craft, such as France and Italy and know that we produce luxury products that are sought after the world over. We should be very proud and constantly remind ourselves of our heritage, while constantly striving to be on the forefront of new technologies and developments within the industry. If we combine our skills with up to date technologies, together with our impassioned young apprentices, we believe that we can remain an inspiration to the next generation."

"If we combine our skills with up to date technologies, together with our impassioned young apprentices, we believe that we can remain an inspiration to the next generation."

Burhan Bilici
Owner of Sourgrape

Sourgrape are pioneering apprenticeships with Hackney Community College, and four young women have joined the factory to work with the existing teams.

- 1. Attracting UK grown talent to work in the factory and develop their skills.** Existing skills can obviously be brought in from Eastern Europe and South America, but developing local young people is a goal the business owners have set themselves
- 2. Keeping work flowing.** Whilst one designer has moved their production back from Italy due to the quality and ease of communication, others will move production offshore as order quantities grow to benefit from competitive pricing in Italy or mainland Europe. It is difficult to invest when growth is hampered due to price
- 3. Pricing.** The company works in partnership with designers to be as competitive as possible, however with rents doubling, rates increases and high energy costs, it is difficult to compete on price with European counterparts
- 4. There is a large knowledge gap for designer start-ups.** The technical know-how is extremely limited, which leads to misunderstandings, and basic errors which could be avoided. Better knowledge about production capability, technical specifications, time-frames, costs and payment cycles would assist both designers and manufacturers to work more harmoniously and efficiently
- 5. Quality benchmark.** There is no quality standard in manufacturing in the UK. Introducing some kind of industry standard would support businesses capable of producing quality product to better promote their services and work with more established businesses that would give confidence to increase capacity
- 6. The image of manufacturing is still poor.** The promotion of benchmarked, quality businesses that provide opportunity, skills and training, that work with designer businesses would assist in changing perceptions of talent and should encourage other businesses to update and improve their working environments

4

Modelling Results

In this section we outline the size of the sub-group of businesses representing the UK's high-end fashion manufacturing industry and its direct impact on the UK economy in 2013 and then present the results of our forecasts for both the baseline case and upside scenario.

4.1 / The economic contribution of high-end manufacturing

According to data from the IDBR, the businesses identified as forming part of the UK's high-end manufacturing sector had a combined turnover (value of sales) of £1.76 billion in 2013, equivalent to 15% of the textiles, leather and clothing manufacturing sector's total output and 0.4% of total UK manufacturing revenue. Based on this level of turnover, it is estimated that these businesses made a value added contribution to GDP of £732 million, whilst they employed 8,750 people in total.

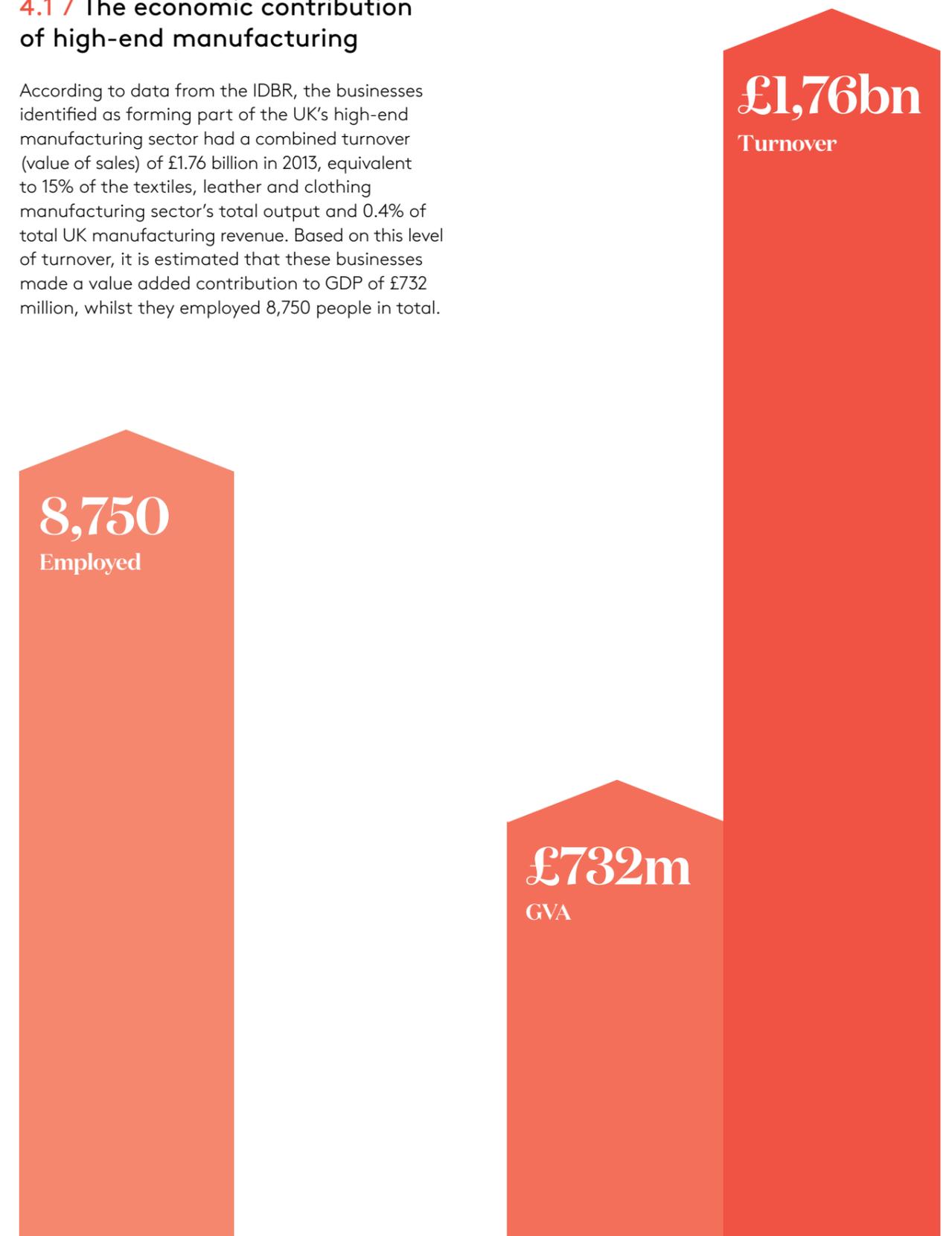


Figure 4.1: Economic impact of the high-end fashion manufacturing sector

Source: Oxford Economics/ONS

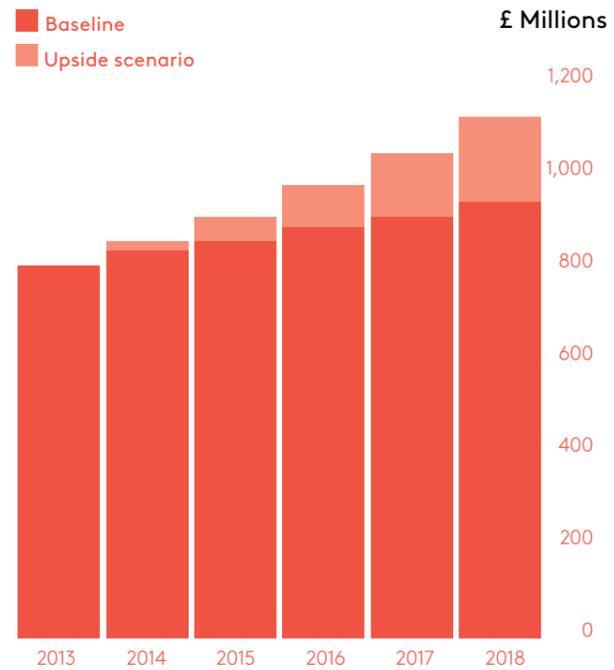


Figure 4.2: Gross value added – baseline versus upside scenario

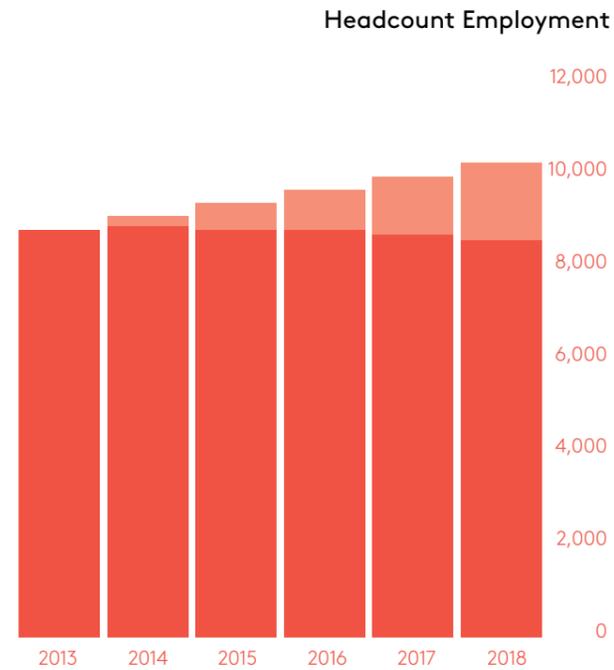


Figure 4.3: Employment – baseline versus upside scenario

Source: Oxford Economics/ONS

4.2 / Forecast results

The baseline forecast is for the gross output of the high-end manufacturing sub-sector to grow by 3.1% per year on average over the next five years. Such growth would result in the group's combined turnover rising to £2.05 billion by 2018, with the sector's contribution to GDP increasing to £854 million.

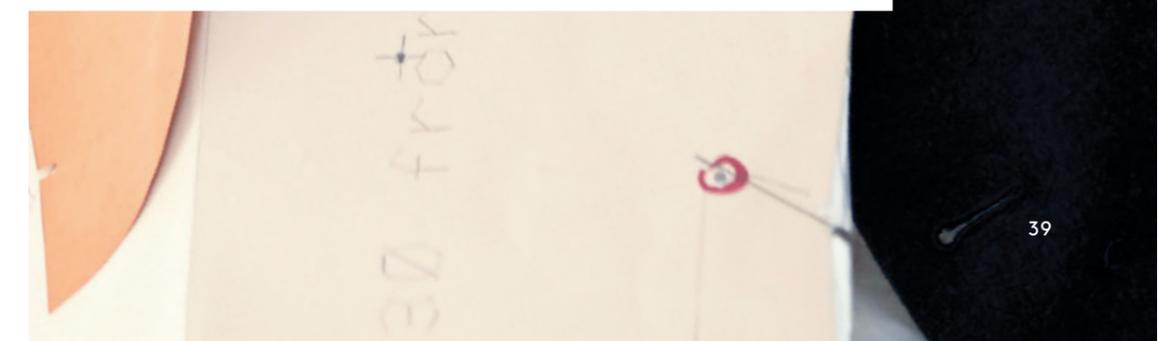
On the other hand, the upside scenario is calibrated assuming annual turnover growth rate of 6.9%. This would result in the combined turnover of the group of businesses increasing to £2.46 billion by 2018, with their contribution to GDP rising to just over £1 billion, an increase of over 20% compared to baseline (Figure 4.2)

4.3 / The size of the opportunity

Overall, the stronger growth achieved in the upside scenario means that the sub-sector's turnover would be £406 million higher by 2018. Based on this estimate the sub-sector's contribution to GDP would increase by £169 million and support almost 1,700 additional jobs.



Based on the assumed path of labour productivity, sector employment is expected to fall modestly, over the forecast horizon, to 8,367 by 2018, an absolute decline of 2.4%. On the other hand, in the upside scenario, industry output expands sufficiently quickly to support jobs growth. Specifically, in the upside scenario employment is forecast to rise to just over 10,000 by 2018, an increase of nearly 1,500 compared to 2013.



Private White V.C.

The Private White V.C. brand pays homage to its namesake WWI hero; Private Jack White. The clothing line has a subtle nod to Jack's military legacy, with many items based on classic wartime pieces, updated with added functionality and detail for the modern man. All clothing is expertly constructed by hand in the Private White V.C. Factory, Manchester, where garments are designed and developed using only the finest regionally sourced fabrics, trims and materials. Materials are sourced locally where possible with the majority of cloth being supplied from the mills in the surrounding area.



The company is run by James Eden, who took over the family business four years ago, bringing in the designer Nick Ashley (the son of iconic British designer Laura Ashley) as creative director. It has benefited from Regional Growth Fund support through The Alliance Project. The organisation employs 80 people, 60 within production. The workforce ranges from 16 – 66 with the average age being in the late forties. Machinists are generally brought in from Eastern Europe or Spain where skills are “still” taught in their relatively buoyant garment making industries.

The business has focused on raising its profile locally and is attracting young people who see the glamour attached to the product end of the business. There is a great deal of pride within the organisation of producing high quality British brand product from ‘sheep to shop’.

There are few brands that produce 100% of their product in the UK and have made significant medium term commitments to 100% onshore manufacturing. According to the brand, little support or incentive is provided by Government to encourage this trend or to assist in making the product price competitive. “A VAT holiday for 100% British manufactured product could provide a stronger business case for more businesses to invest in manufacturing in the UK,” they say.

A Kite Mark of quality could help the promotion of high-end product, however implementation and management would be challenging.

In the past five years the business has grown threefold in size. It exports to over 40 countries and sells direct to consumer through three stores and online. Key markets for growth are South Korea, Germany, North America and Japan. Future growth is viewed as exponential with wholesale growth predicted at four times current value and online growth predicted to at least double year on year for the next 3 years.



5

Conclusions, Challenges & Recommend —ations

The report aims to provide a stronger evidence base surrounding the current performance and future prospects of the high-end fashion manufacturing within the UK. Qualitative techniques are also used to gather insight into the current state of the sector and assess the relative importance of different challenges that may inhibit growth going forward.

Challenges

Through both designer and manufacturer interviews this report was able to highlight common challenges faced by the high-end designer sector and create some actionable recommendations for industry bodies and the steering group to take forward.

Manufacturers are seen as the invisible members of the supply chain, despite playing a significant role. This invisibility has several consequences:

1. Designers are unable to find them
2. They are fragmented with no community to share knowledge or resources
3. Business support is viewed as inaccessible
4. Manufacturers feel that they do not have a voice to drive change
5. Manufacturers feel they don't have a profile to attract talent

Manufacturers have had to adapt their business models to survive. Many are now small-scale/micro businesses. All size of business interviewed have focused on minimising overheads where possible, tightly managing labour costs and operating a "needs must" investment policy in plant and machinery.

There are some areas of the industry such as knitwear, outerwear and men's footwear where the UK continues to be recognised as experts. From a fabric sourcing point of view, both designers and manufacturers recognised the great heritage in textiles in the UK, and their ambition to work more closely with British sourced fabrics where possible.

Some designers are admirably endeavouring to source all product nationally. It is considered that this is not possible for most brands based on capacity, pricing and skills.

The lack of understanding of the manufacturing process by new designer businesses was identified and better mutual understanding of designer and manufacturer business needs is essential.

The analysis in this report suggests that there will be organic growth in the sector but that growth has the potential to double in the next five years and manufacturers need to be ready to accommodate and adapt. Targeted business support for small high-end manufacturing units was identified as a need to help increase efficiencies and map out capacity in order to target new business.

Due to an ageing workforce, attracting talent and skills training needs addressing urgently. Apprenticeships need to work for both micro and medium sized businesses to be truly effective. Workplaces need to be appealing to compete for young talent.

Since the last report by DCMS some ground has been made with DISC advising 280 designer, manufacturer and jewellery businesses, 180 of those have received one to one programmes on the production process. However the challenges as outlined in this research remain broadly the same and more action is required.

Recommendations

A two stage action plan is required to 1st protect the existing resource followed by a 2nd stage to improve and capture untapped potential through increasing capacity and efficiency to better compete internationally. Bringing together the steering group to create this report has been a credible first step in addressing the fragmented nature of the industry, support and knowledge available.

“In comparison to the Governments of our main competitors, the British Government appears to have taken little direct action to support the viability of clothing manufacturing in this country. I am sure that there may be a number of small, local initiatives that Government could point to. But there is certainly no clear and coherent plan of action.”

Managing Director

British Premium and Luxury Manufacturer

For the BFC

1. Better educate new and emerging fashion designers about manufacturing and make this information more widely available
2. Better publicise existing toolkits created by DISC to designers to assist them in better communicating with manufacturers
3. Provide better access to specialist production management support for new fashion designers
4. Continue to lead the steering group to move forward on these recommendations

For UKFT

5. Better promote the role of UKFT to the manufacturing sector creating specific points of engagement for micro high-end designer business units
6. Provide a targeted business support programme for managers within the high-end manufacturing sector
7. Commission an international research study to identify and evaluate the initiatives that best support the advancement of luxury manufacturing
8. Explore the opportunity to create more shared services hubs of modern equipment and technology that can be accessed by micro businesses. The Fashion Lab, installed in Hackney supported by European funding for DISC in partnership with the Trampery is a good example of how this is working for designers
9. Promote awards recognising excellence in high-end and luxury manufacturing in the UK that gives credibility to the manufacturer and recognise those businesses that are the champions of British high-end and luxury manufacturing

For Creative Skillset to Take Forward

10. Find ways for apprenticeships to work for all, from micro to medium sized businesses with access to grants to support training across the board. Current contact for apprenticeships is Alice Burkitt: aliceb@creativeskillset.org
11. Review the development of dedicated high end making apprenticeships
12. Support skills development on a regional basis around centres of excellence as well as the expansion of training capacity for high-end

For the Steering Group to Take Forward

13. Review the need for a specific benchmarked national database of UK-based manufacturers of high-end and luxury goods which should sit within the existing broader UKFT funded and managed 'Let's Make it Here' database which assists in capturing national scale and scope of overall UK production of textiles apparel and accessories including footwear
14. Engage with a group of manufacturers to develop ideas of building constructive working communities
“We don't have a network. There's no collaboration, or very little. We don't enter each other's territory. We don't have a committee of fashion manufacturers coming together and talking about it”. Anon
15. Create a Fund, similar to that created in New York to support the growth and advancement of high-end and luxury UK manufacturers.¹⁴
16. Host a networking event during London Fashion Week for manufacturers approved and listed in the database to meet designers
17. Create a communications programme to promote career opportunities in high-end and luxury manufacturing – particularly to young people
18. Examine the viability of a Made in UK label or Kite Mark for the exclusive use of British-made high-end and luxury goods as a benchmark of quality
19. Work with The Alliance Project to develop a National Centre for Manufacturing Excellence to support the training and development of advanced manufacturing and crafts skills.
20. Look at ways in which design courses can better integrate with local manufacturers to foster understanding and partnerships

Government Support

Explore the viability of all areas noted by manufacturers that would support them to be more competitive including matching support given by competitive markets:

- Rent and Rate reviews
- 0% VAT on British made goods
- Utility rate relief
- Tax relief on investment
- Grants to modernise equipment and integrate technology that aren't specifically linked to job creation

Recognition

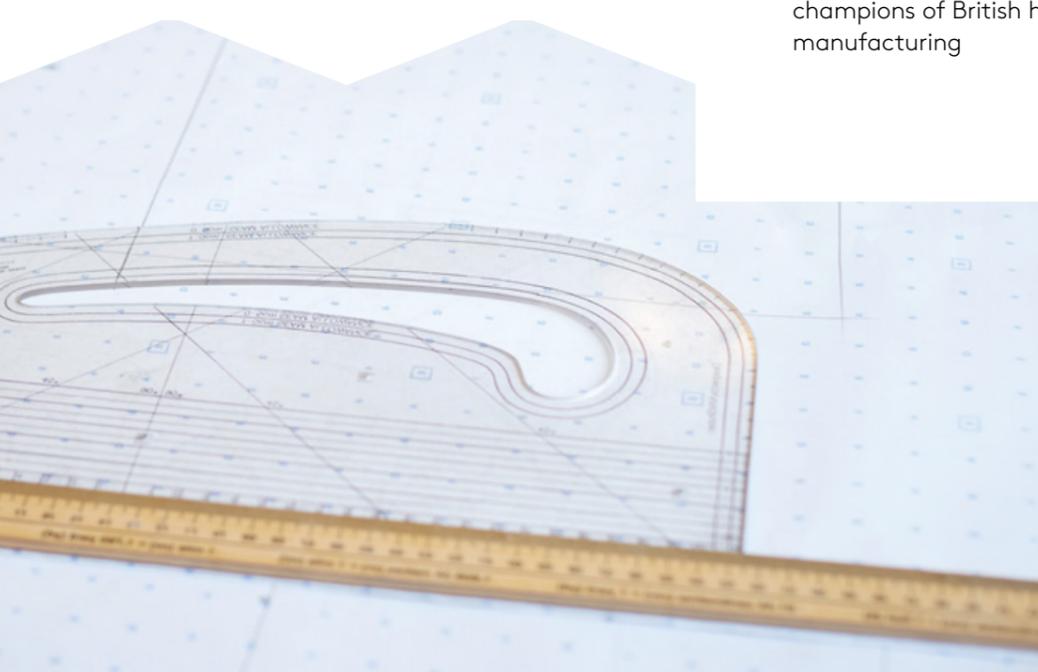
In addition to The Alliance Project, which is significantly changing the landscape in the North of England and DISC which has made some headway in London, recognition should be given to the numerous individuals that are in their own way championing British made product. Kate Hills' Make it British event has been a great start in showcasing a broad range of manufacturing businesses and products made in the UK.

“There is a cluster of product categories where British manufacturers are recognised as being the best. There is a heritage and a tradition of quality, craftsmanship and authenticity. We want to source from these companies because their values match our views. There is a clear fit and advantage from us being connected.”

Managing Director

British Premium and Luxury Manufacturer

¹⁴ <http://www.nycedc.com/program/fashion-manufacturing-initiative-fmi>





6

Methodological Appendix

This section builds on Section 2.2 by providing additional detail regarding our methodological approach.

6.1 / Nature of the business and cash flow management

Estimating the value of the UK's high-end fashion manufacturing sector involved gathering data on the total turnover and employment on all businesses identified in the sector, using the Office for National Statistics' IDBR database.

The BFC and partners identified and collated a group of businesses producing high-end fashion garments. These businesses' Companies House numbers were collated, allowing an anonymised list of businesses and their economic characteristics to be created at the VML, using the IDBR. This list was analysed and aggregated by the Oxford Economics project team. VML rules stipulate the necessity to aggregate businesses to a certain level in order to preserve anonymity. The data was therefore collected with only a very limited breakdown by region and industry type, covering businesses' characteristics in 2013. Restrictions on data availability meant that historic data on the economic performance of these businesses could not be collected, which would have proved useful in helping to refine and sense-check our baseline forecast and scenario work.

From the VML, the direct data on the group's aggregate economic footprint in terms of turnover (value of sales) and employment in 2013 was obtained. In order to estimate, the associated contribution to value added, we applied the sector-wide ratio of gross value added to gross output (a statistic collected on an industry level by the ONS which is approximately equal to turnover) to our turnover figure.

6.2 / Forecasting sector output and scenarios

The baseline forecast was derived from the projections produced, at the time of writing, by Oxford Economics' suite of in-house models. Oxford Economics' main modelling device is the Global Economic Model (GEM) which incorporates well-behaved, theory-consistent models for 46 individual countries, with the rest of the world represented in six regional blocks. The model provides the basis for the macroeconomic forecasts which are continually updated to reflect the latest economic and political developments.

Inputs from the GEM are used to calibrate the industry model which provides forecasts for key indicators of economic performance for over 70 sub-sectors, concentrated in manufacturing, across over 65 economies, including the UK.

The baseline forecast was calibrated based on the projected growth rate of the UK's manufacturing sector according to OE's in-house model. Turnover in the sub-sector was grown in line with the forecast growth rate of UK manufacturing gross output over the next five years.

The model's baseline forecast for the textiles, leather and clothing manufacturing sub-sector is for a continued contraction of output, in real terms, over the next five years. However, it was reasoned that applying such an outlook would represent an unduly pessimistic forecast, given that the businesses which had been identified to form part of the sample had been chosen partly on the basis that they had outperformed the rest of the sector in the recent past.

Therefore, current forecasts were used for nominal turnover growth of the UK's manufacturing sector as the basis for calibrating our baseline case. Further corroboration of this approach came from the fact that the growth rate used with this approach was similar to the average projected growth rate of purchases of UK-manufactured products as specified by survey respondents.

Sector value added was forecast by applying this growth rate to our 2013 estimate of GVA. This effectively assumes that the ratio of GVA to GO remains constant over the forecast horizon which is consistent with the historical pattern evident over the past five years. Finally, the baseline forecast for employment was generated assuming that forecast productivity trends in the manufacturing sector held in high-end fashion manufacturing.



The upside scenario is calibrated in line with the demand that comes from more optimistic customers of the sector. It is assumed that the businesses whose demand for manufactured goods lay at the upper quartile represented this upside scenario. This growth rate of 6.9% was therefore used in this scenario.

Forecasts for GVA and employment, in the upside scenario, were then constructed using an equivalent approach (compared to the baseline) based on the alternative path for industry turnover.

6.3 / Survey Methodology

A database was established of British based designers and brands that use high-end manufacturers of menswear, womenswear and accessories. Businesses from start-up to established brands were selected to ensure a breadth of view representative of businesses working with high-end manufacturers. The database was used as the sample base for an online survey created and conducted by Creative Skillset in partnership with the Steering Group to gain some numerical data against core questions around products, volumes, value and rationale for manufacturing in the UK or offshore. 275 businesses received the survey with 40 responding (15% response rate).

6.4 / Qualitative Research Methodology

The qualitative research phase was undertaken by researchers from the British School of Fashion at Glasgow Caledonian University.

The purpose of the qualitative research phase was to understand from fashion designers, (new and established), as well as established premium and luxury brands their views and experiences of manufacturing both in the UK and internationally. Similarly, this part of the study also sought to understand the experience of a range of UK manufacturers who make for British and other international premium and luxury brands.

A database was established of British based designers, brands and manufacturers that operated within the high-end and luxury segments of the menswear, womenswear and accessories sectors. All were selected on the basis that these had been established for a minimum of three years. From the database, 50 companies were selected for inclusion in the study on the basis that these would provide a good mix in terms of business scale, product specialism, ownership characteristics, the number of years established and international trading profile. A request was then made directly to participate in the qualitative study.

In-depth interviews were then conducted with senior representatives of leading fashion designers (a mix of new and established) and with executives representing leading British high-end & luxury brands. In addition, in-depth interviews were also conducted with owners and / or senior management of a range of garment and accessory manufacturers based within the United Kingdom. All interviews were tape-recorded, fully transcribed and the data was examined using standard content analysis techniques.

The interview covered a range of topics relevant to the manufacturing of garments, leather goods and accessories within the UK and internationally. For reasons of commercial sensitivity, a large number of the research participants requested anonymity in the reporting of the detail of the research findings.

From a designer and brand perspective, the interviews considered such issues as:

- Motivations and criteria for manufacturer / supplier choice
- Advantages and challenges associated with manufacturing in the UK
- Experiences of working with UK and non-UK manufacturers
- Advantages and challenges associated with manufacturing outside of the UK
- Areas where UK manufacturers could improve competitiveness
- Future prospects for manufacturing in the UK

From a manufacturer perspective, the interviews considered the following issues:

- Issues and challenges of operating a manufacturing business within the UK
- Experience of working with British and non-British designers and brands
- Advantages and challenges of manufacturing within the UK
- An assessment of the nature and conditions of manufacturing experienced by non-British competitors
- Areas where the conditions for manufacturing in the UK could be developed and improved
- Future prospects for manufacturing in the UK

We would like to thank the representatives of the following companies for participating in this study:

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Andrew Majtenyi	J.JS LEE	Norman Walsh UK
Astrid Andersen	James Long	palmer//harding
Awon Golding Millinery	Joanne Stoker	Paul Smith
Beth Gilmour Jewellery	John Smedley	Piers Atkinson
Burberry	Karen Millen	Plus Samples
Chapman Bags	Kit Neale	Private White V.C.
Christopher Raeburn	Larisa Judina	Richard Nicoll
Christopher Shannon	Laura Lee Jewellery	Ryan LO
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Danielle Romeril	Macandi	Sophia Webster
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Ella London	Marios Schwab	The Apparel
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Fernando Jorge	Matthew Williamson	Tura Leather
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Forma Leather	Milena & Janet	Vivienne Westwood
Giles	Mimi Berry	YMC
Grenson	Monica Vinader	Zoë Jordan
Henrietta Ludgate	MPLG	

Further reading

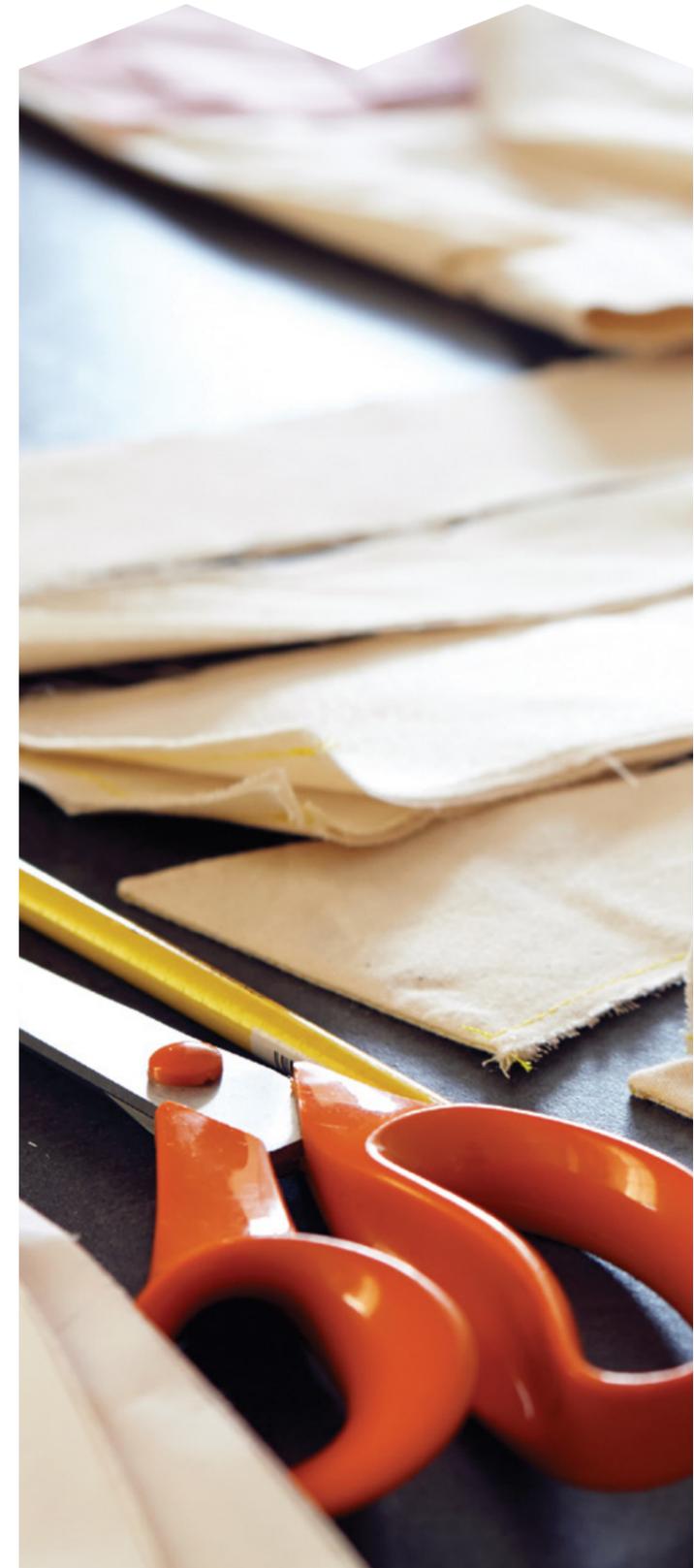
The Alliance Project

neweconomymanchester.com/stories/1933-the_alliance_project

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