



Beyond Brexit

Helping the fashion industry turn uncertainty into opportunity

26 October 2017, Marriott Hotel, Peterborough

The scale of the challenge presented by Brexit to the UK's fashion and textiles industry was laid bare at the ASBCI's latest conference. From skills shortages and import tariffs, delays at borders and price rises to the destabilising effect of simply not knowing what will happen or when, these threats are real and serious. But so are the opportunities. The UK consumer spent £70bn on fashion in 2015, the wider industry employs 880,000 people and contributes £28.1bn to the economy. British design and British made are revered the world over. The mood was not one of despair, but of how can the industry get what it needs to ensure it continues to prosper.

Like everything to do with Brexit, the speakers presented a range of views, at times contradictory, on everything from the root causes of the collapse in manufacturing to the value of free trade agreements and even on whether Brexit will happen at all, but on one point there was universal agreement – we can't afford to wait on government. To survive and thrive before, during, and after Brexit, the UK garment and textile industry must be proactive now. Businesses need to start planning, and plan to be adaptable, develop strategies for multiple scenarios, strengthen key relationships, and take advantage of the benefits of UK manufacturing.

UKFT chairman **Nigel Lugg** opened with an overview of Brexit and the UK's fashion and textile industry from the perspective of an organisation actively lobbying the UK Government. There are significant challenges in the wake of the Leave vote, from the availability of skilled labour if free movement comes to an end to the implications of leaving the single market and the customs union. But Brexit could also offer big opportunities - if the industry gets the support it needs from Government to turn these into reality. British manufacturing in particular could benefit, especially with free trade agreements to boost exports to countries like the US, but the Government needs to increase support for exports,

relax funding rules, and let the world know the UK is open for business. And the sector needs to come together with one voice and take its business case to Government to secure the right deal for the industry and the country.

‘We can lobby Government but we can’t wait for Government,’ said **Christopher Nieper** from British-made fashion brand **David Nieper**. Taking a pragmatic view, he suggested that companies view Brexit as an opportunity and not only seize the advantages offered by UK manufacturing – short lead times, no tariffs, no borders – but also take the initiative to overcome current barriers to the expansion of the sector. Key among these is skills. ‘The whole ecosystem of skills has gone, so we need to start from scratch – and that means starting young.’ David Nieper’s efforts to reskill the industry start at primary school level and extend through secondary to further education with university scholarships, and the company also trains staff in industry-specific skills via its Sewing Academy. David Nieper has even taken on the local secondary school, setting up an academy trust and implementing a curriculum that involves local employers and incorporates applied learning to make education more relevant and begin rebuilding the local community.

When it comes to domestic manufacturing, we are behind and we need to catch up or give up, said **David Reay**, founder of the **Northern Clothing and Textile Network**. The Government needs to get behind the industry and recognise its importance, because a strong domestic base is essential to meeting the challenges of Brexit. The industry needs careful investment and mentoring that identifies and supports the sub-sectors and micro businesses that make up 80% of its manufacturers. The Made in Britain brand needs protecting by encouraging best practice over ‘informal’ practices, and the industry needs support to maximise design capability, build advanced manufacturing sites, nurture clusters, and realise the potential of digital developments. This is a tipping point, and retailers hold the key to the survival and growth of UK manufacturing, but they need to stop using the sector for top up orders that keep suppliers small and follow the example of companies like David Nieper by owning more production facilities.

The UK’s fashion and textile industry has the power to shape its own success after Brexit said **Kevin Townend** from **Advanced Supply Chain**. While the Government is negotiating trade deals and immigration policies, it is up to the industry to manage the real implications of leaving the EU, and success depends on becoming more agile, more innovative, and focusing on providing Great British quality to the world market. Agility has been at the heart of Advanced’s own post-referendum strategy as the company has transformed its business

to meet the changing requirements of customers in the wake of the Leave vote. From helping customers such as Asos and Asda/George manage their landed suppliers to establishing a business presence in countries such as China, Germany, and the Czech Republic to overcome potential trade hurdles after Brexit, Advanced has diversified to make itself stronger by focusing on innovation and listening to its customers.

Judy Blackburn from **Kurt Salmon** and **Harry Morrison** from **Accenture** looked at the way Brexit is adding to the forces already disrupting fashion retail and what businesses can do to prepare for April 2019 and beyond. Traditional retail is in crisis, said Judy, and companies need to develop new ways to deliver what customers are looking for. This is having an impact on sourcing models, which are being further challenged by Brexit. But Brexit goes beyond sourcing and its impacts will be felt – and must be planned for – in three stages, said Harry. Some, like the depreciation of Sterling, are already apparent, and these will be compounded on the UK's exit, then again after the transition period. Businesses need to map their costs across the supply chain, scenario plan for different outcomes, work with suppliers and/or customers to understand their mutual risks, and plan mitigations. Start now, work backwards from 31 March 2019, and establish cross-functional teams to ensure an integrated response.

Supplier relationships will be key to making a success of Brexit, argued **Julia Redman**, head of buying for Scottish fashion and homewares retailer **M&CO**. The uncertainty around Brexit is the biggest challenge for buyers, and with so many factors affecting the supply chain that are outside a buyer's control, staying on top of those things you can control is more important than ever. M&CO places great importance on long-term partnerships and believes that it is essential for businesses to work ever more closely with suppliers to ensure their mutual success. Preparation, empathy and communication will be critical going forward, and both retailers and suppliers will need to adapt quickly to a changing business landscape. The sharing of knowledge between buyers and suppliers as Brexit unfolds will help both businesses to grow. While there are challenges, Brexit also offers an opportunity to do things differently, but buyers and suppliers need to work together.

The true cost of Brexit has not yet been felt by consumers, said **Kirsty McGregor** from **Drapers**. UK shoppers have enjoyed falling prices for the last six years, but price deflation for non-food items is at its lowest level for four years. Retailers are being squeezed by the drop in Sterling and increased sourcing costs, but have largely been reluctant to pass these on to

consumers - a reluctance compounded by a discounting culture many believe is unsustainable. However, hedging arrangements are coming to an end, there is no sign of a recovery in Sterling, and inflation has hit 3% for the first time in five years. A recent Drapers survey indicated many retailers intend to raise prices by 5-7% as they find it harder to shield customers from cost increases. But, if Brexit gives the UK more control over how it does business, this could allow retailers to price more sustainably. In the meantime, retailers should protect sales by focusing on their most loyal customers.

Sharifa Khan from the **Bangladesh High Commission** presented the view from a major supplier to UK fashion retail. Bangladesh's ready-made garment sector accounted for 80% of its exports in 2016, contributed 12.71% to GDP and provides livelihoods to 12 million people. The UK is Bangladesh's third largest export market for clothing. The EU's GSP facilities, which give duty-free, quota-free access to least developed countries under its EBA arrangement, have been a major factor in its RMG growth. The loss of this access to the UK after Brexit could have a huge impact. A bilateral FTA is not the solution, however. Instead, Bangladesh has sought and received a commitment for the continuation of the EBA facility for LDCs to the UK, although it is asking the Government not to link eligibility to labour conditions – something the country is working to improve. Bangladesh is also hoping for an additional DFQF period beyond 2024 when it graduates from LDC status, an expansion of Commonwealth trade opportunities, support for its efforts to improve production efficiency and worker skills, and help with trade facilitation.

Mike Flanagan from apparel consultancy business **Clothesource** ended the conference by questioning whether Brexit will happen at all, given the complexities of the exit process. Nothing about Brexit will make it easier for British companies to do business, he said, but it will jeopardise our current special trading terms, and negotiations on new terms can't start until we leave. However, FTAs are reciprocal, and not everyone wants one, and certainly not with a post-Brexit Britain alone unless we are offering concessions the EU won't. Then there's the re-imposition of borders and what that will mean for an industry that sees 92% of its clothing exports and 31% of clothing imports travel through European customs ports. And, if free movement ends, all European drivers will need work permits. Politicians are not lying when they threaten trade chaos, he said, but they are also very good at changing their minds. The only certain thing about Brexit is uncertainty.

Whether Brexit happens or not, what was made clear time and again throughout the course of the day was that traditional models of sourcing and retail are under threat in a rapidly changing global and technological landscape. The same qualities and strategies that

businesses need to meet the challenges of Brexit will be required to surmount the broader challenges facing the fashion and textile industry, and the time to take action is now.