

SECTION 06 | DESIGNER FASHION

INDUSTRY REVENUES

In 1997, the combined wholesale sales revenue of the UK fashion design companies was about £600m, over half from overseas sales.¹

Sales revenues have grown from just £185m in 1990, an increase of 225% over seven years giving a compound annual rate of growth of more than 18%.

This recent strong growth can be attributed to a number of factors, including an outstanding crop of young designers, government support, a buoyant economy, media interest and consequent higher profile, investment by the retail sector in innovative design, and sponsorship of events by non-fashion companies at home and overseas who are keen to be associated with British fashion.

UK MARKET SIZE

There is no available data on the size of the UK market. In the absence of ONS data with a specific classification for designer fashion as opposed to clothes manufacture, it is impossible to gauge the level of consumer demand for such goods in the UK.

BALANCE OF TRADE

Some 60% of companies export. Earnings from overseas sales amounted to £350m in 1997, over 65% of all sales transactions.

Around 70% of overseas trade is in sterling and thus affected by the fluctuating strength of the pound.

The industry as a whole is highly integrated internationally. There is a high propensity to market and sell abroad as soon as the business begins, relative to other industries. This can be attributed in part to a rather small home market, which provides limited opportunities because of the retail structure in the UK.

The key export markets are Japan and the US, with Italy, Germany, Australia, and Hong Kong the next most prominent.

The UK also exports design talent to major fashion houses, particularly in France: for example, Alexander McQueen at Givenchy, John Galiano at Dior and Stella McCartney at Chloe.

The UK market is dominated by imported brands, mainly US, French and Italian, as well as boutiques and high street retailers, supported by the large advertising and promotional budgets of overseas designers.

The level of imports to the UK market is not known, although UK industry imports most fabrics from Italy, France, Switzerland, Spain or Germany. The top UK companies by size rely upon Italy for skilled manufacturing, although 75% of UK companies generally manufacture in the UK.

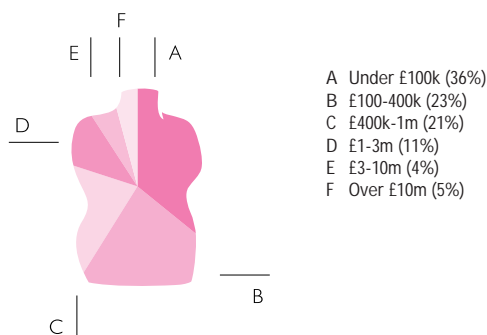
EMPLOYMENT

In 1996/97, between 1,000 and 1,500 people were directly employed in the industry. These are primarily people who would describe themselves as “designers”. It is estimated that a further 10,000 people are employed in machining, pattern-cutting, manufacture, marketing, distribution and retail.

Designer fashion is very closely associated with London, with some 80-85% of designers being based in the capital.

INDUSTRY STRUCTURE

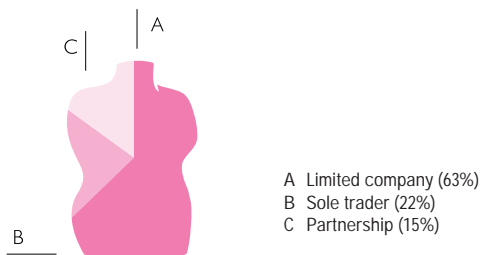
Percentage of UK Companies in Sector by Turnover



¹ All figures derive from ad hoc DTI research based on industry interviews

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Percentage of UK Companies in Sector by Corporate Structure



The UK designer fashion industry is an SME-based industrial sector. It contains about 280 enterprises. The largest by far is Paul Smith, with retail sales of £171m and wholesale sales of around £38m. A quarter of all wholesale revenues are attributable to a handful of companies.

Some 75% of designers are focussed on womenswear, reflecting the relative sales split between clothing for women and men. Britain's reputation for fine menswear in the tradition of Savile Row and Jermyn Street is continued by a few major designers.

Unlike the major international players – France, Italy and the US – the UK does not have fashion houses which can attract the world's best designers, but the benefits of cross-fertilisation are ensured by the experience which British designers can obtain in overseas fashion houses.

Most designers have a retail or showroom presence, whereas others sell direct via exhibitions and shows, or have space in retail stores such as Harrods, Selfridges, Harvey Nichols or Joseph. Even among those companies with turnover of less than £400,000, as many as one-third have their own shop.

In stark comparison with the big overseas names, few UK designers can afford to advertise on a large scale. In an international market driven by brand image, this is a key factor in the UK's competitive position.

New designers suffer from limited access to venture capital. Financial institutions are not perceived as being sympathetic to the sector, seeing it as unpredictable and even "whimsical". For their part, many talented designers lack the business sense and strategic planning necessary to build a successful business which can attract investment. Other forms of support are also poorly accessed – only 1% of recent start-ups sought help from Business Links, for example.

The retail sector has recently played a key role in promoting UK design. Marks and Spencer sponsors the *New Generation* scheme at London Fashion Week, which finances the shows of two or three young designers each year. M&S and other retailers have also linked up with designers, who either provide guidance or exclusive "capsule" ranges.

After the UK retailers, the second largest source of investment in the development of new UK talent comes from Japan, with the major Japanese department stores sponsoring young British designers. Companies and brands outside the fashion and textile industry are increasingly keen to be associated with the UK industry, including sponsors such as Vidal Sassoon (sponsor of London Fashion Week), Max Factor and Renault among many others. The DTI is also a major sponsor of LFW.

Some 75% of all designers manufacture their clothing in the UK. Some UK designers have successfully set up new manufacturing operations which are able to produce the short run, high-quality products needed by the industry. The largest designers, however, rely on specialist manufacturing in continental Europe, principally Italy.

INTERNATIONAL CRITICAL ACCLAIM

London is now seen as one of the key global hubs for the fashion business. London Fashion Week has tripled in size in the last four years. In 1993, the Week had just 16 fashion shows and 50 static exhibitors. This has risen to 50 shows and over 140 exhibitions. Key UK designers such as John Rocha, Ghost and Paul Smith are choosing to show womenswear in London rather than Paris, Milan or New York. On Bond Street alone, 29 new designer fashion outlets were opened or planned in 1997.

A key indicator of the recent strength of British talent is the number of UK designers heading up French couture houses.

Extensive media interest in the shows has ensured that the main designers are household names around the world, and that the industry has a prominence out of proportion to its size.

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SECONDARY ECONOMIC IMPACT

Designer fashion is only a small part of the huge clothing industry. The total number of people employed in the clothing, textile and footwear industry is 360,000, making it the eighth largest manufacturing sector in the UK. Retail sales of clothing and textiles are in excess of £22bn, which represents 1.1% of GDP.

Fashion plays a big role in promoting the international profile of the UK. Fashion sets trends, influences design and highlights the UK globally as an originator of creativity and innovation.

The image of the UK fashion industry is closely associated with London. Fashion is a key reason for drawing tourists to London, albeit to shopping areas dominated by Italian, French and American boutiques. Foreign visitors to UK fashion markets, shows and other events are particularly high-spending tourists.

POTENTIAL FOR GROWTH

The UK industry, though experiencing strong growth, is still small by comparison with France (whose industry, including revenue from perfume, accessories etc, is worth £900m), Italy (£1.5bn) and the US (£5.2bn).

Carving out a larger share of domestic or international markets in the face of strong competition from dominant overseas designers will not be easy. More interest is currently being displayed by foreign buyers: the London Fashion Week in 1997 attracted 65% more foreign buyers than in the previous year. However, the Week still does not attract the full attention of the key influential fashion buyers or the editors of the key fashion publications.










There is a growing interest in menswear, led by Paul Smith, and international experience suggests that there is room for growth in this sector.

One possible growth area may be in the manufacture of designer fashion, on which the largest companies currently rely to a great extent on overseas manufacturers. Increasing their share of this market would require manufacturers to equip themselves to produce small runs quickly at top quality, which is not a current strength.

Overall, it is reasonable to project that the industry will continue to grow at around a rate of 5% a year in nominal terms (and perhaps by rather more in the next year).

GROWING THE SECTOR – ISSUES FOR CONSIDERATION

Key issues for the future prosperity of the industry are focussed on ways of combining creative talent, business skills, finance and other support to build strong, competitive businesses able to fight for a bigger share of domestic and world markets. Particular issues include:

-  access to venture capital for start-up designers
-  providing training which combines design skills with business acumen
-  tailoring existing support and resources (eg Business Links) towards the industry's needs
-  maintaining media interest in the UK industry
-  investment in promotion, advertising and brand-building
-  how to translate global interest in the London fashion market into business growth for UK designers, rather than merely see London become a shop window
-  building on successful export promotion strategies for the clothing industry, with more of an emphasis on designer fashion
-  the impact of European Single Currency in facilitating access to European markets
-  exploitation of new technologies