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THE VALUE OF THE UK FASHION INDUSTRY

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FOREWORD

The UK fashion industry is one of the most vibrant and creative business sectors in this country. It has universal appeal and a unique DNA that has visually defined periods in time across the centuries.

Our industry is revered as a world-leader in fashion education, and we consequently produce some of the world's most innovative designers, from John Galliano to Vivienne Westwood, and every year our talent creation schemes launch new stars on their way to global recognition. The designs shown at London Fashion Week are a catalyst for trends that are then seen via the media and retailers and eventually worn by the public. The innovation and inspiration showcased on the catwalks drive the wheels of our industry, and have been likened to Research & Development in other great industries – the absence of which would leave a stagnated sector.

The past two decades have seen considerable changes within this industry. Most notable are the closer links between designer fashion and retail

which have seen many designers become high street names through their collaborations.

The UK fashion industry of today has not been adequately defined, however, or its contribution to the UK economy robustly valued. This lack of an evidence base has had real consequences, and has certainly limited the sector's impact. As part of the legacy from our 25th Anniversary in 2009, we decided to resolve this.

This seminal and historic report aims to redress the balance by scoping and valuing the true extent of the UK fashion industry for the first time. It spotlights the real mechanics behind the fashion industry today, from fashion design through to retail, manufacturing, publishing, marketing and a range of other creative activities.



The research has been undertaken by both statisticians and economists experienced in valuing the creative industries, and has enjoyed the support and involvement of a wide range of organisations across all sectors. We're hugely grateful to them for their contributions, insight and passion.

So, what are the headlines? Fashion directly contributes nearly £21 billion to the UK economy. It also has an indirect economic impact, in encouraging spending in other industries, of over £16 billion. That equals a total impact of £37 billion. The industry employs nearly a million people, across a wide spectrum of roles, and provides diverse opportunities for young people – a critical issue given the growing concern about employment opportunities for the next generation.

Of course, like most industries, we face short and long term challenges: including the need to fill the business skills gap, overcome the recession and address the issues of global competition and sustainability. The key to tackling many of these is transparency - working together in a united fashion across the whole industry, alongside Government and other stakeholders.

This is the start of an exciting era. We hope that this landmark report will provide great stimulus for discussion and result in the formation of an action plan for UK fashion - a detailed roadmap to help ensure the future growth and success of one of our country's great creative industries.

Abrold Tilman

HAROLD TILLMAN CBE Chairman, British Fashion Council



SECTION 01 EXECUTIVE SUMARY



01. EXECUTIVE SUMMARY

THE UK FASHION INDUSTRY: MORE THAN JUST "DESIGNER FASHION"

This report seeks to provide a broad evaluation of the value of the UK fashion industry. Whilst the principal focus of the study is on generating a robust estimate of the economic value of the sector, attention is also paid to the industry's wider social impacts. The results of the study indicate that the UK fashion industry makes a significant contribution to the UK economy, both in terms of Gross Value Added (GVA) and employment, whilst also providing considerable support to the UK Exchequer.

Designer fashion is an integral part of the fashion industry. The UK has a richly-deserved reputation as one of the global leaders in fashion design and trendsetting. That said, the UK fashion industry is also much more than designer fashion, encompassing, as it does, a complex web of materials, textile production, clothing design, manufacturing, wholesaling, marketing and retailing of a broad set of fashion products. The final definition of the UK fashion industry used in this report is based on research conducted by the British Fashion Council among industry and other stakeholders to determine what sectors they felt should be included.

This report therefore refers to:

- the designer fashion industry relating to the sales of UK designer fashion companies such as those who would have shows at London Fashion Week or other comparable events:
- the direct impact of the UK fashion industry relating to the manufacturing, wholesaling and retailing of a range of fashion goods (e.g. clothing and accessories) as well as purchasing from the textiles sector, advertising and PR spend and the economic contribution of the fashion education and fashion media sectors;
- the indirect impact of the UK fashion industry relating to the supply chain impacts in non-fashion industries (e.g. the purchase of accountancy services by a fashion retailer);
- the induced impact of the UK fashion industry relating to the impact from the spending of fashion industry employees and its supply chain.
- The fashion industry also spills over into other fields and its influence is felt across the whole economy. The industry creates jobs for non-fashion suppliers and has wider impacts on, for example, the UK tourism industry and the UK's image abroad. It has also had to deal with a range of challenges, including the need to innovate, be sensitive to environmental concerns and deal with the global move towards online merchandising.

To date, the UK fashion industry has been defined by the Department for Culture, Media and Sport (DCMS) and other bodies as purely "designer fashion", but the sector has changed and evolved significantly in the past decade. For example, fashion retail plays an increasingly important role, with supply chain functions, such as design and sourcing, now being undertaken in-house by many retail businesses. For this reason, our definition of the UK fashion industry includes retail within its direct impacts as we believe this offers a more accurate assessment of the nature and mechanics of the current industry. We also offer figures without retail, to allow for comparison with those creative industries defined using the existing DCMS methodology. (See Appendix I for graphs.)

The broader definition of the UK fashion industry used in the study is illustrated in Figure 1.1, which has the design of fashion items at its core but also includes the UK economic impacts of the complete production process, from sourcing raw materials, through design and manufacture, to wholesale and retail.



The headline quantitative results of the study are summarised in Figure 1.2, which breaks down our estimation of GVA¹ and employment by direct, indirect and induced impacts.

However, whilst it is clear that we employ a much broader definition of the fashion industry than the DCMS, we still feel that the industry should be considered part of the creative industries. Moreover,

Gross Value Added is a measure of the value of goods and services produced within an economy. It is used in both the "production" and "income"

THE VALUE OF THE UK FASHION INDUSTRY

approaches to estimating Gross Domestic Product (GDP). GVA plus taxes on products minus subsidies on products is equal to GDP.

FIGURE 1.2: SUMMARY OF THE ECONOMIC CONTRIBUTION OF THE UK FASHION INDUSTRY



THE UK FASHION INDUSTRY CONTRIBUTES £20.9² BILLION TO UK GDP...

- In 2009, the UK fashion industry is estimated to have directly contributed £20.9 billion to the UK economy, or 1.7% of total UK GDP. The majority of this is derived through retail distribution, with our estimates suggesting that almost 22.5% of all retail's value added contribution to GDP in the UK can be attributed to the fashion industry.
- Excluding the retail sector, i.e. using a definition more comparable to that currently used by the DCMS, we estimate that the fashion industry directly generated £6.6 billion of GVA or 0.5% of total UK GDP in 2009.
- Significant contributions to this total were made by marketing (£241 million), the fashion media (\pounds 205 million) and fashion education (\pounds 16 million).
- Therefore, the UK fashion industry's direct contribution to UK GDP is around twice the size of the publishing (£9.9 billion), car manufacturing (£10.1 billion) and chemical manufacturing industries (£10.6 billion), and only slightly smaller than both telecommunications (£28.7 billion) and real estate (£26.4 billion)³.
- Consumers purchasing fashion items (with some exceptions) pay Value Added Tax (VAT) while companies manufacturing and retailing fashion items pay company tax and all employees pay income tax and VAT. In 2009, these direct contributions to the Exchequer amounted to £13.2 billion.

Where figures are presented to one decimal place, totals may not sum due to rounding. 2

...WHILST DIRECTLY EMPLOYING 816.000 PEOPLE

- the retail sector.
- such as photography, generate 3,700 jobs.
- and publishing (172,000) put together.

HOWEVER. THE INDUSTRY'S ECONOMIC IMPACT IS FAR GREATER THAN THESE DIRECT **IMPACTS ALONE...**

- fashion industry.

...INCLUDING MANY OTHER LESS TANGIBLE IMPACTS

- dustries such as tourism at "arm's length" from fashion itself.

 The fashion industry is a significant employer and a leading sector, in terms of GDP contribution, within the creative industries. A number of tables demonstrate this in Appendix I.

 Employment in the UK fashion industry in 2009, using the new definition, is estimated to be around 816,000 or 2.8% of total employment. The majority of jobs supported are in

Activities in areas such as fashion education, fashion journalism and creative services,

• Therefore, the UK fashion industry (including retail) generates just over half as many jobs as travel and tourism (1.4 million), more than twice as many as real estate (419,000), and considerably more than telecommunications (215,000), car manufacturing (174,000)

· Fashion industry manufacturers, wholesalers and retailers will source some goods and services from their own UK-based suppliers, who, in turn, have their own suppliers (some of whom will also be in the UK) and so on. In addition, people employed by the fashion industry and its suppliers will spend their wages on other goods and services in the economy. Such effects are typically referred to as the indirect and induced impacts.

Including direct, indirect and induced impacts, the fashion industry is estimated, using the new definition, to have supported 1.31 million jobs in 2009, or 4.5% of total employment.

 Including direct, indirect and induced impacts, the fashion industry's contribution to UK GDP is estimated to have amounted to £37.2 billion or 2.7% of total GDP in 2009.

Of this, around £20.9 billion (56%) is due to the direct activities of retailers, wholesalers and manufacturers; £7.7 billion (21%) is due to the indirect demand created by such activities via the supply chain; and the remaining $\pounds 8.6$ billion (23%) can be attributed to the induced impact due to the spending of those directly and indirectly employed in the

· The UK fashion industry's impacts also spill over in less tangible ways, significantly and positively promoting/influencing the image of the UK as a whole and/or feeding into in-

• The branding of fashion products has a value in itself ("brand equity"). Products with strong brands are more highly valued by consumers and investors. We estimate that the brand equity of the UK fashion industry is worth some £202 million per annum.

Please note that these figures refer to 2008 ABI data, whereas our estimate for the GVA of the UK fashion industry is for 2009. 3

- The UK fashion industry also projects an image of the country as a global centre for fashion, which enhances the international brand equity of the UK as a country. The UK is generally perceived abroad as a global fashion leader.
- As a result, people may be inspired to come to the UK to shop for fashion or visit London Fashion Week and the country's fashion exhibitions and museums, which benefits the UK's tourism industry. A minimum estimate of these tourism impacts is some £98 million in 2009, or some 0.5% of total tourism spending.

LOOKING AHEAD. THE FASHION INDUSTRY HAS CLEAR STRENGTHS BUT MUST ALSO **RISE TO MEET IMPORTANT CHALLENGES...**

- The UK is distinguished by the creativity of its designers, the diversity of its high street shopping opportunities - with the retail sector unique internationally in terms of its strong direct links with designers - and the strength of its fashion education system, which offers world-class support in nurturing the creativity of would-be designers.
- However, there are several ongoing challenges such as the high failure rate of designer businesses and the lack of business skills and entrepreneurial training. In textiles and manufacturing, there is lack of linkage with the UK's scientific and technical innovations, a slow pipeline of talent and the threat to ongoing support for apprentice schemes to transfer skills to younger generations.
- Globalisation and the development of online selling present new opportunities for the industry, with potential for export growth heightened by the recent depreciation of sterling.
- Environmental concerns, the increase of skills in emerging markets, educational funding pressures and the rise of other cities vying with London as a leading fashion centre all constitute challenges that the industry must rise to meet.

...WITH SIGNIFICANT SCOPE FOR POLICY SUPPORT

- The analysis within this report indicates a number of opportunities for policy, communications and research initiatives that would enable the fashion industry to exploit its strengths more fully and cope with forthcoming challenges.
- · We are conscious that the UK economy currently faces a hugely challenging outlook. Therefore, we have attempted to frame potential interventions by government, in line with the broadly-stated goals of the current administration, such as upskilling the workforce and rebalancing production towards high value added manufacturing and exports.
- Our main recommendations include: interventions to help tackle the business skills gap within the industry - including a fashion careers campaign to promote awareness of the diverse range of career opportunities available and increased business teaching on fashion courses; a long term strategy and plan to ensure the continued success of major showcasing events such as London Fashion Week in the light of significant international competition; support for high skilled manufacturing; policies to attract further foreign direct investment; and a commitment to build on this report to improve the evidence base and statistical reporting of the industry.

	Contribution to UK employment (000 jobs)	Contribution to UK GVA (£billions)	Contribution to Exchequer (£billions)	
Non-retail direct impact	155	6.6	1.4	
Retail direct impact	661	14.3	11.7	
Indirect and Induced impact	494	16.3	4.4	
Total: Direct, Indirect and Induced	1,309	37.2	17.5	
	"Spillover"	effects		
	Impact			
Domestic brand equity	Value of £202 million			
International brand equity	Intangible but fashion seen as key UK product/attribute			
Tourism	£98 million in spending			

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Tourism	£98 million in spending			



SECTION 02 Introduction

02. INTRODUCTION

This report, prepared by Oxford Economics, provides a comprehensive evaluation of the economic contribution of the UK fashion industry. A broad definition of the UK fashion industry was used, based on research compiled by the British Fashion Council⁴. Within this, estimates have also been prepared for the economic contribution of the more narrowly-defined "designer fashion" industry, using intelligence provided by Mintel (2010). This headline figure was then adjusted to make it more consistent with definitions used in previous studies (e.g. Newbery (2002)).

While the focus of the report is on producing quantitative estimates for the economic value of the UK fashion industry, the authors also recognise the myriad of ways in which the industry impacts on both the economy and society, as well as the fact that many of these channels of impact cannot easily be quantified. Bearing this in mind, the report also discusses some of these wider impacts, covering areas such as innovation, eco-business, corporate social responsibility (CSR) and attracting diverse talent. The research for this section of the project was based on the combination of a literature review and a series of interviews conducted with a variety of stakeholders (e.g. retailers, designers, publishers, academics, professional trade associations etc.) across the industry. We would like to thank all those who participated in the interviews for the valuable contribution they have made to this study (a full list of participating stakeholders can be found in Appendix A).

2.1 STUDY SCOPE AND OBJECTIVES

4

One of the principal motivations for this study was to provide a quantitative estimate for the value of the UK fashion industry as defined by the industry. This definition is far wider than the "designer fashion" sector and includes the majority of UK-based fashion activity, including materials, textiles production, clothing manufacturing, wholesaling, marketing and the retailing of a broad set of fashion products. Our definition of the far narrower "designer fashion" industry is taken from previous studies (e.g. Newbery (2002)) which, in essence, captures sales by designers showing at London Fashion Week or similar international events.

Catwalk shows in centres such as New York, London, Milan and Paris have long been the major influence behind many high-street designs and, as such, designer fashion sits at the heart of the broader UK fashion industry that is the focus of this report. The relationship between catwalk designers and the high street has evolved, driven in part by the increasing ability of some high street stores to replicate the very latest trends. High street stores have offered leading talents contracts to design for them, lending fashion credibility to their product whilst providing a very welcome source of regular cash flow to designer businesses. This model has proved to be highly successful, with high-profile examples including Topshop's partnerships over the last eight years with London's New Generation designers such as Christopher Kane, Peter Pilotto and Mark Fast, New Look's more recent collaboration with Giles Deacon, and retailers such as River Island, Warehouse and Oasis working with colleges and fashion graduates. International high street retailers such as Gap and H&M are now replicating these kinds of initiatives. Moreover, there has also been a strong recent trend of top designers becoming increasingly involved in non-clothing products such as cosmetics and homewear (e.g. the Designers at Debenhams range).

For more information regarding the methodology see "The Value of Fashion Report: Defining the UK Fashion Industry", British Fashion Council, 2009. located at www.britishfashioncouncil.com

It should be noted that, in using the industry's own definition of fashion, our analysis is not directly comparable with the majority of previous UK research studies - including the Government's ongoing statistical analysis of the fashion industry - many of which only cover the work and output of "designer fashion"⁵. However, as part of our research we have also replicated and updated previous work measuring the more narrowly defined designer and upmarket clothing industry (see Section 2.2).

2.2 DESIGNER FASHION

For purposes of consistency, we have attempted to make our definition of the designer fashion sector as close as possible to those of previous studies. Newbery offers the following:

"Individuals or teams that combine creativity and originality to produce a clothing collection with a specific or "signature" identity, exemplified by, but not restricted to, the type of company that participates at international trade shows such as London Fashion Week and its equivalents. Fashion designers may produce diffusion lines in addition to their "flagship" collections and range from established designers with an international reputation or "brand" to "cutting edge" newcomers".⁶

Newbery's study set out to quantify total spend on designer fashion using a variety of methodologies, with each acting as a cross-check on the other7. We have utilised data from Mintel, who estimated the size of the designer/upmarket clothing retail market in terms of total consumer spending. A number of methodological issues imply that it would be unwise to compare the two figures directly. However, based on discussion with Newbery we have attempted to adjust this figure to make it more consistent with his own definition.

THE BROADER FASHION INDUSTRY 2.3

As discussed in Section 2.1, in order to define the broader UK fashion industry we used evidence from the British Fashion Council, who had conducted a survey with 29 key stakeholders across the industry. As part of the survey, participants were asked the question, "what sectors should be included in the definition of the UK fashion industry?". For the purposes of the study, sectors that were identified by a majority of participants were included. In addition, the inclusion of several sectors with lower percentages was justified, based on their economic contribution to the UK fashion industry. The key advantage of using this definition is that it has attracted wide acceptance from stakeholders within the industry. Table 2.1 summarises those industries that have been included in this report's definition of the UK fashion industry. A number of items in the core fashion section e.g. sportswear, streetwear, workwear, denim, couture etc. were subsumed into broader categories such as menswear and womenswear. Unfortunately, given data availability, it was impractical to generate estimates for these products individually. Products that have been included in the final estimation are highlighted in red. In addition, we aggregated the sub-components of the channels of production (retail, wholesale, manufacturing and textiles) along with the other impacts (media, education, creative and marketing) in order to simplify the presentation of the results.

6

Newbery (2002), Karra (2008), Skillset (2010), DCMS 5

Newbery (2002), p.5

Specifically, Newbery refers to them as the product/channels method, the "teardrop" price point method, the trade statistics method and the questionnaire sample method

TABLE 2.1: ITEMS IN OXFORD ECONOMICS' DEFINITION OF THE UK FASHION INDUSTRY

PRODUCTS	CHANNELS OF PRODUCTION	OTHER	NOT INCLUDED
Core Fashion	Retail	Creative	Core Fashion
Designer Fashion	Chain Stores	Photography	Bridal
Womenswear	Independent Retailers	Creative Direction	Beauty
Menswear	Department Stores	Stylists	Beauty Products
Knitwear	Designer Elegabin Stores	Casting Directors	Wholesale
Footwear	Designer riagsnip Stores	Fashion Consultants	Carrier Bags
Bags & Luggage	Online Mail Ordering	Hair and Make-Up Artists	Raw Material
Jewellery & Watches	Discount/Outlets		Eurotional Clathing
Accessories	Supermarkets	Media	Functional Clothing
Sportswear	Markets	Magazines	
Lingerie	Charity Shops	Newspapers	
Childrenswear		Broadcast	Textiles
Streetweer	Vintage Shops	On-line	Designer Home
Sireetwear		Marketing	Trims
Couture	Wholesale	PR Model Agencies	Creative
Sports Kit	All Core Fashion	Events/Exhibition Organisers	
Uniforms	All Beauty	Advertising Trend Prediction	Online/Web Design
Workwear		Sales Agencies	Creative Agencies
Bespoke Tailoring	Textiles	Education	Graphic Designers
Eyewear	Clothing	Design	Architects and Interior Designers
Denim	Manufacturing	Technical	Branding Consultants
Millinery	All Core Fashion	Marketing/Production	
	Raw Materials	Buying & Merchandising	
Beauty			
Cosmetics/Perfume			
Hair Products			

2.4 THE CHANNELS OF ECONOMIC IMPACT

There are many channels through which the UK fashion industry makes a contribution to the UK economy. This contribution includes the following standard economic impacts:

- tion of textiles, along with marketing services for the industry (table 2.1).
- goods and a range of service industries.

But there are also a number of additional economic catalytic impacts ("spillovers") that result from the wider role fashion has on:

- at \$US 3.5 trillion (£1.75 trillion).
- jobs in the UK.
- be the UK's cultural landscape e.g. art, design, music⁸.

The economic value of the direct, indirect and induced impacts is related to the total revenues of the UK fashion industry. Catalytic impacts are "spillover" benefits for other industries, consumers and the economy more generally (as shown in Figure 2.1 below).

8

• Direct impacts - employment and activity in the UK fashion industry itself. As will be discussed in section 3.3, this covers all stages of fashion production/distribution (manufacturing, retail, wholesale) that physically take place in the UK, together with associated produc-

Indirect impacts – employment and activity supported via the supply chain, as a result of UK fashion companies purchasing goods and services from UK suppliers. This includes, for example, jobs supported by the transportation of fashion industry products for wholesale/ retail purposes and a wide variety of activity in the business services sector (legal, accountancy, IT etc). To ensure that there is no double counting, where any supply chain economic activity is already covered in the direct impacts, it is not included here (e.g. clothing textiles will be part of the manufacturing of menswear supply chain but, as clothing textiles, as a category, is already captured in the direct part of the industry, it is not also counted here).

Induced impacts - employment and activity supported by the process of those people directly or indirectly employed in the UK fashion industry spending their incomes on goods and services in the wider UK economy. This helps to support jobs in the industries that supply the purchased items, and includes jobs in retail outlets, companies producing consumer

 Brand equity – the UK fashion industry forms a part of, what has been identified in the literature as, "Brand Britain". In 2007, using a royalty relief approach, this was valued, in total,

 Tourism – the UK fashion industry indirectly enhances the UK tourism industry by encouraging more international tourists to visit the UK, and their spending supports a number of

Culture - The UK fashion industry contributes to what we might more widely consider to

Labour force talent & skills - the UK fashion industry helps to improve skill levels in the UK economy by providing jobs for highly skilled people who might otherwise go abroad, or by attracting well-trained people from other countries to work in the UK. It also increases the pool of talent and skilled labour for other design-related industries such as costume design, with anecdotal evidence suggesting significant levels of crossover between the two sectors.

Economic theory predicts that in the presence of external benefits a product will, ceteris paribus, be under-supplied in a free market. The market failure occurs because private sellers fail to take into account the positive "spill over" benefits to society when setting prices, leading to a price which

is higher, and hence a level of output which is lower, than is socially optimal.

FIGURE 2.1: THE UK FASHION INDUSTRY AND ITS ECONOMIC IMPACTS



2.5 **REPORT STRUCTURE**

The rest of this report is structured as follows:

- Chapter 3 focuses on the direct impact of the UK fashion industry in terms of employment, GDP and revenues generated for the Exchequer. Separate spending estimates are also produced for the UK designer sector.
- Chapter 4 discusses the multiplier impacts of the UK fashion industry the so-called indirect and induced impacts.
- Chapter 5 assesses the economic value of "spillover" effects through tourism and brand equity.
- Chapter 6 offers a regional breakdown, focusing on spending and employment patterns.
- Chapter 7 involves a qualitative analysis of the wider value of the UK fashion industry, concentrating on issues such as innovation, sustainability and CSR.
- Chapter 8 provides a SWOT (strengths, weaknesses, opportunities, threats) analysis of the current industry.
- Chapter 9 concludes and offers a set of suggested interventions based on the research.

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INPAGT – MENT



03. DIRECT IMPACT – EMPLOYMENT AND GDP

This chapter details the trends in employment and GDP directly supported by the UK fashion industry, with a breakdown of impacts by channel of production/distribution e.g. manufacturing, wholesale and retail, as well as providing separate estimates for the more narrowly defined "designer fashion" sector. It also quantifies the direct contribution of companies and employees in the UK fashion industry to the Exchequer through income and other taxes.

KEY POINTS

- compound growth of just over 19.1% per year.
- period.
- £6.6 billion or 0.5% of total UK GDP.
- businesses.

• Data from Mintel indicates that spending on designer clothing rose to £2.5 billion in 2009, or around 6.5% of total retail clothing spending. This compares to Newbery's estimate of £700 million in 2001, although it is important to note that, for a variety of reasons, the two figures are not directly comparable. On a measure comparable to Newbery, designer clothing sales reached £2.8 billion in 2009, implying

• There have been divergent trends in the UK fashion industry over the last couple of decades, with the retail side benefiting from robust spending growth at 6% p.a. in real terms over the past ten years, with little apparent effect in the wake of the global recession (in 2009 real spending on clothing and footwear actually rose by 6.2%). However, data since 1995 clearly demonstrates the structural decline of the UK fashion manufacturing sector, with GVA having shrunk by almost two thirds in the last 15 years and GVA in the textiles industry having halved over the same

 In 2009, the UK fashion industry is estimated to have directly contributed £20.9 billion to the UK economy, or 1.7% of total UK GDP. The majority of this is derived through retail distribution, with our estimates suggesting that just over 22% of all retail GVA in the UK can be attributed to the UK fashion industry. When retail is excluded from the calculations, the industry's GVA contribution is estimated to be

 Employment in the UK fashion industry in 2009 is estimated to be around 816,000 or 2.7% of total UK employment. The majority of jobs created are in the retail sector, with wholesale activities accounting for around 7% of total employment and manufacturing of fashion items a further 9%. When retail is excluded from the estimates, the headline figure stands at 155,000 jobs or 0.5% of total UK employment.

• We estimate that the UK fashion industry directly contributed £13.2 billion to the Exchequer in 2009 or 2.6% of total government revenues, through the combination of income tax paid on the wages and salaries of employees, VAT on fashion items purchased by consumers, and corporation tax paid on profits generated by

THE ECONOMIC VALUE OF THE "DESIGNER FASHION" SECTOR 3.1

Due to data restrictions, we are not able to define the value of the narrow "designer fashion" sector in terms of the standard metrics that are used in the remainder of this chapter (GDP, jobs and contribution to the Exchequer). Instead, we present estimates of total spending on designer/ upmarket clothing provided by Mintel (2010), which used a combination of survey and other gualitative techniques. Mintel relies upon consumers' own definitions of where they shop in order to group spending into four broad categories (value, mid-market, high-end and designer). Together, total consumer spending on designer and high-end wear in 2009 is estimated to have been $\pounds 2.5$ billion at retail prices. In order to translate this into a figure that was more comparable to previous estimates of the designer industry (e.g. Newbery (2002)) several issues arose. First, we had to consider whether all designer and high-end clothing was consistent with Newbery's definition of "designer" wear. Second, as Newbery's estimate is aiming to capture the value of UK designer sales, adjustment needed to be made to reflect the value of export sales and the proportion of the UK retail designer market that is composed of foreign designers. Finally, Newbery's estimate aggregates spending at both retail and wholesale levels, whereas the figure presented by Mintel is an estimate of solely retail spending. Adjusting for these factors⁹, we estimate that total spending on UK designer fashion was £2.8 billion in 2009, implying annual compound growth of over 19.1% since 2001.

HISTORICAL OVERVIEW OF THE UK FASHION INDUSTRY 3.2

The UK fashion industry has a long, proud and diverse history, encompassing distinct associations with historical eras - the "Swinging Sixties", the Punk and New Romantic movements of the 1970s and 1980s and the Cool Britannia image of the 1990s - in addition to the rise of designer labels and chains such as Vivienne Westwood, Paul Smith, Stella McCartney, Burberry and Mulberry and the unrivalled range and diversity of the British high street.

Most recently, from the 1990s onwards, the UK has, once again, become a leading international centre for the global fashion industry. London Fashion Week and UK fashion retail are magnets for both British and international audiences with an interest in fashion. The UK's fashion education system is widely recognised in the UK and internationally as the best in the world, while the creativity of British graduates is highly valued by international designers (Goodrum (2005)). However, the industry has also had to face the challenges of under-investment and, arguably, an undervaluation of the economic contribution of the UK fashion industry, as defined in broader terms within this report.

As part of this study, we collected data on a group of core macroeconomic indicators (spending, trade, manufacturing output) for the past 10-15 years, in order to provide a broad quantitative historical overview of the performance of the sector. The dataset also offered the opportunity to make a preliminary assessment of the impact of the recent recession on the industry; a topic that was then explored more fully during the stakeholder interview process.

The UK fashion industry has enjoyed strong growth over the past decade. Total spending on clothing and footwear has risen at an average annual rate of 3.3% since 1999. Moreover, given the sharp drop in average prices during this period, demonstrated in Chart 3.2, growth in real terms (stripping away the impact of price changes) was close to 6% per year. For reference, average annual growth of total real household consumer spending in real terms during this period was 2.1%.

10







An index is used to track the movement of a variable against some base year. In Chart 3.1 the level of spending in 1999 is made equal to 100 and levels of spending thereafter are tracked against spending in that base year i.e. a value of 110 would imply that spending was 10% higher than in 1999

⁹ Adjustment was based on consultation with Newbery

Demand for clothing and footwear appears to have remained relatively robust despite the recession. According to Office for National Statistics (ONS), data spending on clothing and footwear rose by 1.7% in 2009, which actually represents an acceleration from the pace of 2008. Indeed, this statistic is even more impressive given that retail prices for clothing and footwear fell by 4.3% last year, linked to the temporary cut in VAT that was passed on fully by a majority of retailers. This implies that spending actually grew by over 6% in real terms, a spectacular performance given that overall real consumption fell by over 3% during the same period. Anecdotal evidence suggests this may be partly due to the impact of "tourist shopping", with the weakness of sterling increasing the price competitiveness of UK products¹¹. However, it is important to note that while volume growth may have been impressive, retailers typically reported depressed profits, suggesting that margins were squeezed significantly.

One of the most notable aspects of the historical data is the decline in UK manufacturing over the past 15 years. Retailers and wholesalers have increasingly sought to source goods from emerging markets, which enjoy a competitive advantage, due to relatively low labour costs. Our estimates suggest that (nominal) GVA of UK fashion manufacturing has shrunk by around two thirds since 1995 and that (nominal) GVA in the textiles industry has halved over the same period. Although, this has been part of a wider trend (GVA of the manufacturing sector grew by just 4% in real terms between 1995 and 2008), the impact on the fashion sector has been especially dramatic, as indicated by Chart 3.4.

CHART 3.3: GVA OF UK FASHION MANUFACTURING



Several of the retailers we interviewed said that their flagship London stores had enjoyed strong sales growth in 2009, which they partly attributed to 11 the impact of tourists

CHART 3.4: NOMINAL GVA (1995-2008)



Source: Oxford Economics/ONS

The mass movement towards outsourcing has meant that the UK fashion industry has run a persistent trade deficit over the past decade. This trend towards de-industrialisation has been prevalent in other major advanced economies. The result is that lower value-added activities are increasingly located in developing economies, where labour costs are lower, whilst advanced "high-wage" economies specialise in higher value-added, typically service sector, activities. Moreover, as will be demonstrated in the remainder of this study, the fact that the physical production of fashion products predominantly takes place abroad does not prevent the industry from making a significant contribution to UK GDP. This is chiefly related to the size of the UK retail market, which remains a major attraction for tourists, with the volume of trade on high streets across the UK directly supporting hundreds of thousands of jobs.

DIRECT CONTRIBUTION TO GDP 3.3

3.3.1 Production

The standard method for calculating the direct contribution of an industry to GDP is to measure its so-called "value added" - that is, to calculate the difference between the industry's total pretax revenue and its total bought-in costs (i.e. costs excluding wages and salaries) adjusted for any changes in stocks.

The aim of the project was to estimate such a figure at each stage of the production process (e.g. manufacture, wholesale, retail etc) for each of the products identified through the British Fashion Council definition mapping exercise (e.g. the value added through the retail of menswear etc.). Such a disaggregated result required us to use a variety of data sources and different estimation techniques. The key steps were:

- 1. Analysis of the retail expenditure on fashion products in the UK (by both UK residents and tourists) using ONS national accounts data and the Household Expenditure Survey.
- 2. The retailing and wholesaling of these fashion items adds to UK GDP and supports UK jobs, irrespective of whether the product is made in the UK or abroad. This impact was estimated by combining the expenditure data from the previous step with Annual Business Inquiry (ABI) data showing the amount of GDP retailers and wholesalers of various types add to the UK economy per pound (£) spent at point of sale.
- 3. Subtracting these retailers and wholesalers' contribution from the expenditure data gives an indication of the amount of spending on fashion products. Some of these will be made abroad (and equally the UK will directly export some products). Accounting for these trade flows using Her Majesty's Revenue & Customs (HMRC) data gives an indication of the spend on UK manufactured fashion goods.
- 4. This figure could then be cross checked with ABI production data to provide a robust estimate for the economic contribution from the UK based manufacture of fashion products.
- 5. The economic contribution of the fashion textiles sector can then be assessed by analysing data that details how much the retailers, wholesalers and manufacturers of fashion goods buy from UK based textiles companies.
- 6. In a final adjustment exercise, the figures were scaled to reflect changes in the UK economy during 2009 (the analysis was based on 2008 ABI data the latest publicly-available edition). We therefore scaled our employment and GVA estimates based on March 2009 employment by Standard Industrial Classification (SIC) data provided to us by the London Development Agency (LDA).

More information on data sources and the overall methodology can be found in Appendix B.

Our final estimates for GVA at each stage of production/distribution are presented in Table 3.1 below. In terms of products, the sale/production of womenswear is estimated to provide the largest source of GVA, at just under \pounds 6.2 billion. Together, clothing and footwear are estimated to account for almost 80% of total fashion GVA. Unsurprisingly, given the previously-noted trend towards outsourcing of production and, to a lesser extent, wholesale activities, retail is estimated to account for the majority (just over two thirds) of the GVA impact from these fashion products.

TABLE 3.1: ESTIMATED GVA OF THE UK FASHION INDUSTRY 2009

(£mns)	RETAIL	WHOLESALE	MANUFACTURING	TEXTILES	TOTAL
Footwear	1761	375	116	6	2259
Men's	2884	613	381	66	3945
Women's	4523	962	606	99	6189
Children's	1831	339	194	34	2398
Cosmetics/ Beauty	464	646	266	2	1377
Jewellery & Watches	1247	391	242	3	1884
Accessories	465	99	48	9	620
Luggage & Bags	241	57	125	2	424
Hair	262	62	228	1	552
Lingerie	623	132	50	7	813
Total	14300	3675	2257	229	20461

When comparing these figures to sectoral totals, our estimates suggest that the UK fashion industry accounts for 22.2% of all retail GVA in the UK, 5.4% of all UK wholesale, and 2.3% of all manufacturing (including the impact of textiles, which is classified as part of manufacturing by the ONS). As a further indication of the structural decline of the fashion manufacturing sector, we estimate that this share has fallen from just over 6% in 1995.

CHART 3.5: PROPORTION OF FASHION IN TOTAL SECTOR (2009)



Source: Oxford Economics

Manufacturing

Textiles

Thus far, we have presented data showing the economic contribution of the UK fashion industry in terms of products and production. However, this analysis excludes many other sectors that are part of the UK fashion industry but cannot be captured using the same data sources identified. These sectors are: creative, media, education and marketing. In the following section we discuss our results and methodology for estimating the value of the fashion element of each of these sectors. Section 3.3.6 then presents our final results for the direct economic contribution of the UK fashion industry in total.

3.3.2 Education

The quality and performance of the UK's fashion education sector is regularly cited as one of the most important factors in maintaining the UK's status as an international centre for fashion excellence. Fashion education's contribution to GVA can be measured by the wage and salary contribution of the staff involved in teaching fashion subjects in UK based colleges.

Data provided by the Higher Education Statistics Agency (HESA) indicates that some 60,285 students (on a Full Person Equivalent or FPE basis) undertook design studies ("Joint Academic Coding" or JACS code W2) in 2008-09, supported by 2,565 (FPE) teaching staff.

Not all design studies relate to fashion, however, as this subject grouping includes those studying areas such as furniture, ceramics and multimedia design. A closer examination of disaggregated HESA data indicates that at least 9,275 students were studying clothing/fashion design (JACS code 230) in 2008/09 (although some studying fashion design may also have been classified under a broader "other design studies" category (JACS code 200). Unfortunately we were unable to locate sufficiently diaggregated data to create similar estimates for fashion journalism and buying and also merchandising courses.

While there is no disaggregated JACS data available for the number of academic staff teaching fashion and clothing design, the figures above allow for the estimation of an overall design studies teacher-to-student ratio which can be used to estimate the number of clothing/fashion design teachers¹². Further, Higher Education Funding Council for England (HEFCE) data (2010) indicates that the median salary for creative/design academic staff was £40,927 in 2008-09.

Combining this data suggests that academic wages - i.e. the value added of the UK fashion education sector - amounted to at least £16 million in 2008-09, creating 395 jobs.

This is likely to be a conservative estimate, as the data excludes any allowance for teaching services to fashion students in the "other design studies" category and also excludes the value of fashion teaching in further education courses.

3.3.3 Creative

Creative activities associated with the UK fashion industry (but not included in the estimates of value added above) include the activities of fashion photographers, creative directors and stylists. Unfortunately the value of these activities is difficult to quantify due to the fact that the data is insufficiently disaggregated to accurately identify the volume of work undertaken by fashion photographers.

However, some indication of the value of this work is provided by the number of Association of Photographers (AOP) members with portfolios recorded under the title "Fashion and Beauty"; 207 photographers are currently recorded under this category by the AOP (out of a total of 758 portfolios across all fields of photography).

In 2008/9 the student/teacher ratio was 0.042 which, when applied to the 9,275 fashion students, implies a total of 395 teachers 12

The ONS' Annual Survey of Hours and Earnings (ASHE) indicates that the average gross salary for all photographers and audio-visual equipment operators in 2009 was £26,30113.

This suggests that the value added of the UK fashion photographers may have been over £5 million in 2009, across 207 jobs.

While no disaggregation is currently available for the activities of creative and casting directors, fashion consultants, hair and make-up artists and stylists, it is likely that the value of their contribution to economic activity is of a similar order of magnitude, given the highly specialised nature of these fields and the relatively small number of personnel involved. Therefore, our GVA estimate should be viewed as conservative.

3.3.4 Marketing

Given the importance of brand in the fashion industry, it is important to consider the promotional activities that retailers, in particular, undertake in order to boost sales. Spending on marketing contributes to GVA through the creation of jobs and potential to boost profits. Included in our definition of marketing were advertising, PR, event organisation and the work of modelling agencies.

In order to estimate the contribution of marketing, PR and associated activities, it was possible to use a similar approach to that used for textiles. That is, we are able to approximate the amount that fashion retailers, fashion wholesalers and fashion manufacturers spend on advertising and PR (for more detailed information regarding the methodology and data sources see Appendix B). Overall, we estimate that fashion advertising and related activities create an extra £241 million of GVA. Of this, £184 million is related to the promotion of clothing and footwear, with the remaining £57 million linked to other products. Chart 3.6 summarises the breakdown of the results by product.

CHART 3.6: ADVERTISING/PR GVA BY PRODUCT



Source: Oxford Economics

Anecdotal evidence suggests photographers in the fashion industry are typically more highly renumerated, implying that our estimation of GVA is likely

¹³ to be conservative

3.3.5 Media

Fashion magazines constitute a major consumer product in their own right and contribute to the image and value of the UK fashion industry.

Although the definition of what constitutes a "fashion magazine" is inevitably somewhat subjective, a list of fashion journalists working for major hard copy and online fashion magazines was obtained from Gorkana, a media database company. This list was then further refined by only including those magazines for which the term "fashion" was included as a database descriptor of magazine type. It is worth noting that, in some cases, the Gorkana database does not include magazine type descriptors, whereas in other cases it limits its description to related terms – e.g. "men's interest" "women's interest". This means that the refined list of fashion magazines may under-represent the true range of fashion magazines. Accordingly, several further titles were included following a select Gorkana review of women's interest titles and national supplements, on the basis that the content and advertising was primarily fashion-driven.

Fashion magazines earn most of their revenues from advertising and circulation. Circulation details for many (though not all) magazines were provided by Gorkana. However, advertising revenues are generally not publically available on a comprehensive per magazine basis. Assessment of the total revenues was therefore based on:

- an estimate of the circulation split between newsstand purchases, subscription purchases and other sales (e.g. bulk sales and free distribution);
- analysis of the cover price per issue and subscriber price per issue; and
- a (conservative) assumption of a 50/50 advertising/circulation revenue split

In many cases circulation details were not available from Gorkana and so it was not possible to estimate the magazine's revenue figure. In other cases, insufficient details on magazine pricing did not allow for such estimates. In a few cases, where magazines within major newspapers were included, estimates of fashion's share of revenues were derived by applying the ratio of fashion journalists to total journalists to total revenues. Likewise, no assessment was made for revenues earned by online magazines, as they generally derive these from advertising and no comprehensive, publicly available source exists for such online advertising revenues. A full list of the publications was provided by Gorkana, along with details of their circulation and estimated revenue (see Appendix H).

Overall, we estimate total annual revenue of the UK's fashion magazine industry in 2009 at some \pounds 401 million. This equates to \pounds 205 million in value added terms, across a further 3,101 jobs. While many of these publications also have a remit beyond fashion, it is likely that these estimates are conservative, given the limits on revenue data availablity described above.

3.3.6 Total direct contribution to UK GDP of the UK fashion industry

Adding together all the direct impacts of the UK fashion industry through production, distribution and other channels, we estimate that the industry contributes £20.9 billion of GVA to the UK economy or 1.7% of total UK GDP. Figure 3.1 summarises the breakdown of this total by channel of production, whilst Figure 3.2 offers a graphical illustration of the breakdown by type of product.

FIGURE 3.1: BREAKDOWN OF UK FASHION INDUSTRY GVA BY CHANNEL OF PRODUCTION



FIGURE 3.2: BREAKDOWN OF UK FASHION INDUSTRY GVA BY TYPE OF PRODUCT



In order to provide context for this final figure of £20.9 billion, it is useful to compare it to other sectors of the UK economy. In terms of its direct share of UK GDP, fashion (1.7%) is more than twice the size of chemical manufacturing (0.8%), publishing (0.8%) and automotive manufacturing (0.8%), slightly smaller than real estate (2.1%) and telecommunications (2.3%), and just under half the size of travel and tourism (3.9%).

CHART 3.7: SHARE OF UK GVA BY SECTOR



DIRECT CONTRIBUTION TO EMPLOYMENT 3.4

In order to translate our GVA figures into employment estimates, we made use of sector-specific labour productivity data from the latest ABI survey. For example, in 2008 the retail of jewellery and watches generated £1,383 million of GVA and the sector employed an average of 38,000 workers. Therefore, every £1 million of GVA, on average, created an extra 27.5 jobs. For a full explanation of the methodology used to estimate levels of employment, see Appendix C. Table 3.3 summarises our employment estimates by product and stage of production/distribution¹⁴.



As the ABI data is not sufficiently detailed/disaggregated to provide an implied productivity figure for each product at each stage of production, certain assumptions had to be made. For example, if a figure was only available for the wholesale of clothing and footwear, it was then applied to menswear etc.

¹⁴

TABLE 3.3: EMPLOYMENT BY PRODUCT AND CHANNEL OF PRODUCTION/DISTRIBUTION

('000s jobs)	RETAIL	WHOLESALE	MANUFACTURING	TEXTILES	TOTAL
Footwear	99.2	6	3	0.2	108.7
Men's	130.5	10	12.7	2.7	156
Women's	204.6	16	20.1	4.3	245
Children's	82.8	5.6	6.4	1.4	96.3
Cosmetics/Beauty	31.1	9.8	8.8	0.1	49.8
Jewellery & Watches	35.2	6.7	8.6	0.1	50.6
Accessories	21	1.6	1.6	0.3	24.6
Luggage & Bags	10.9	1	2.5	0.1	14.5
Hair	17.6	0.9	7.6	0.03	26
Lingerie	28.2	2.2	2.6	0.3	33.3
Total	661	60.2	74	9.6	804.8

Unsurprisingly, given that it accounts for the majority of total fashion GVA, fashion retail is also the most important source of jobs in the sector. The effect is even more pronounced, however, because the retail sector requires more workers to create an extra pound of GVA, in comparison to the wholesale/manufacture of fashion items. Therefore, although retail only accounts for around two thirds of total GVA, it accounts for almost 80% of jobs in the direct fashion industry. When retail is excluded from the definition, estimated employment is 155,000, a figure more consistent with the DCMS' and other studies' projections ^{15 16 17}.

Looking at employment levels in terms of product rather than channel of production, menswear and womenswear are again the largest sources of employment, together accounting for over 400,000 jobs, or just under half of all the jobs directly created by the fashion industry.

In addition to the jobs created by the production and distribution of fashion products are the jobs associated with other parts of the direct fashion industry (media, education, creative and marketing). The results are illustrated graphically in Figures 3.3 and 3.4.





16 This compares to the Skillset (2010) estimate of total employment of 340,000 people. This smaller figure is a reflection of Skillset's exclusion of retail jobs and a narrower product list that excludes cosmetics, hair products and jewellery. This is offset, to some extent, by their much wider definition of textiles (incorporating carpets & rugs for example) and manufacturing and the fact that micro-businesses and the selfemployed, not picked up by the ABI data, were included.

17 The UK Fashion & Textile Association (UKFT), on the other hand, estimate that 141,000 people are directly employed in the fashion and textiles industries. Their estimate includes all of UK manufacturing of textiles and apparel (around 100,000 jobs in 2008 according to the ABI).

¹⁵ DCMS estimates that the UK designer fashion industry employed 107,200 people in the summer of 2008.

FIGURE 3.4: DIRECT EMPLOYMENT SPLIT BY TYPE OF PRODUCT



In comparison to other sectors, fashion's share of total employment is significantly higher than real estate (1.4%), telecommunications (0.7%), publishing (0.6%), car manufacturing (0.6%) and chemical manufacturing (0.4%), and is around two-thirds the size of travel and tourism (4.6%).

CHART 3.8: SHARE OF UK EMPLOYMENT BY SECTOR



3.5 DIRECT CONTRIBUTION TO EXCHEQUER REVENUE

A further benefit from such activities is that they contribute towards the tax revenue, required by the Government to fund essential public services. There are three main channels through which the UK fashion industry contributes to the Exchequer. First, the UK fashion industry makes a considerable contribution to Value Added Tax (VAT) revenues, both through the purchase of fashion products by consumers, and via the spending of workers directly employed in the industry; second, employees in the fashion industry have to pay income tax on the wages that they earn; and finally, firms are required to give up a proportion of their operating profits in corporation tax.

Using our own in-house model, we quantified these three effects based on our estimation of fashion-industry employment and GVA (for further detail on the methodology see Appendix D). This suggested that the UK fashion industry directly contributed almost £13.2 billion in tax revenues in 2009 or 2.6% of total government revenues. Of this, £2.7 billion was generated through income tax on employee salaries; £6.4 billion was due to the purchase of fashion products by consumers; a further £2.9 billion was collected in VAT and other indirect taxes due to the spending of employees directly employed in the fashion industry; the remaining £1.2 billion was paid by firms in corporation tax, based on their operating profits. See Chart 3.9 for a graphical illustration of this breakdown.



CHART 3.9: DIRECT CONTRIBUTION TO THE EXCHEQUER BROKEN DOWN BY TYPE OF TAX



Source: Oxford Economics/ABI









<u>42</u>







London Fashion Week Exhibition

SECTION 04 ULTPLE E 2

04. MULTIPLIER EFFECTS – INDIRECT AND INDUCED IMPACTS

KEY POINTS

- 2.7% of total UK GDP in 2009.
- indirectly employed in the UK fashion industry.
- industry.
- revenues.

In addition to the direct contribution made by the UK fashion industry to the UK economy, there are indirect impacts on employment and output made through the supply chain of the UK fashion industry, as well as induced impacts caused by those directly and indirectly employed in the core UK fashion industry using their earnings to buy other goods and services. When estimating the size of the indirect and induced impacts, it was important to avoid double-counting effects that had already been included in the direct estimate. Therefore, adjustments were made to reflect the fact that some of the induced income created by the UK fashion industry would be spent on fashion products, and that some of the supply chain demand had already been captured in our estimate of, for example, direct GVA of marketing/PR. Further details are provided in Appendix E.

It should be noted that the inclusion of multiplier effects is debated in some circumstances; however, when one is defining the activity supported by an industry, omitting such effects would cause the impact of that industry to be underestimated. For example, if a company changed its procurement practices and decided to outsource some of its activities to another UK-based supplier (perhaps IT support), this does not mean the company's overall impact on the UK economy has shrunk. It now simply employs fewer workers directly and instead its expenditure supports jobs in another UK-based company (so its indirect impact has increased).

It is our belief that the use of multipliers alone is harder to justify when attempting to quantify the impact of government intervention, e.g. building a bridge when the economy is at full capacity. In

- Including direct, indirect and induced impacts, the value added contribution to GDP of the UK fashion industry is estimated to have amounted to £37.2 billion or

• Of this, around £20.9 billion (56%) is due to the direct activities of retailers, wholesalers and manufacturers etc; £7.7 billion (21%) is due to the indirect demand created by such activities via the supply chain; and the remaining £8.6 billion (23%) can be attributed to the induced impact of the spending by those directly and

 Including direct, indirect and induced impacts, the UK fashion industry is estimated to have helped support 1.31 million jobs in 2009, or 4.5% of total employment.

• Of this, 816,000 (62%) were employed directly by retailers, wholesalers, manufacturers, designer businesses etc; 217,000 (17%) jobs were created indirectly via the supply chain; and the remaining 277,000 (21%) were due to the induced impact of the spending by those employed directly and indirectly in the UK fashion

· Together, the direct, indirect and induced impacts are estimated to have generated £17.5 billion in government revenues last year, or 3.5% of total government

this instance, multiplier analysis would only give you part of the story as not only does it fail to take into account the opportunity cost of the extra government spending (i.e. what else could the money have been spent on), but when an economy is operating at full capacity, the so-called multiplied benefits effectively imply "crowding out" of other sectors. However, these arguments clearly do not apply to the type of analysis conducted in this report, as the aim of the quantitative part of this research is simply to estimate the size of the UK fashion industry, with no reference to the efficiency of such an allocation of resources. Moreover, the economy was clearly not operating at full capacity in 2009 (Oxford Economics estimates suggest an output gap of 4.2% of GDP). Finally, we present the various impacts in separate sections, so that the reader can focus on the direct impact only if they so choose.

4.1 Indirect and induced impact on GVA

In order to quantify the indirect impact i.e. via the supply chain of the direct activities of the UK fashion industry, we have used what is known as an Input-Output model. In essence, this type of model details who buys what, and from whom, in the UK economy (see Appendix E for details). Using the model, we were able to estimate how much business the activities associated with the retail of, for example, footwear created, in terms of demand for all other goods and services in the UK economy. This would include demand for the goods themselves (for which the UK impact is already captured in the manufacturing of footwear data presented in the direct economic contribution chapter) but also services such as legal and accountancy work, which has not been captured as part of the direct industry as they are not part of "fashion" directly but they nevertheless rely on sales to fashion companies in order to pay wages and make profits and are, therefore, considered part of the indirect industry. These models also allow us to estimate the induced impact of activity in an industry i.e. the effect of the spending of those employed directly and indirectly in the UK fashion industry.

Indirect and induced impacts of industries such as education and media are also included in these estimates, along with those impacts associated with the direct production of fashion items.

The estimates of GVA, by type of product and type of impact, are summarised in Figure 4.1. For a more detailed breakdown (by all products) see Appendix E.

FIGURE 4.1: DIRECT, INDIRECT AND INDUCED IMPACTS ON GVA



Our estimates show that, taken together, the retail, wholesale and manufacture of fashion products indirectly generate around £7.7 billion of GVA for the UK economy. Clothing and footwear together account for £5.6 billion or over 70% of the total indirect effect. We estimate that the induced effect is slightly larger, generating approximately £8.6 billion of additional GVA. Therefore, the total (direct, indirect and induced) economic impact of the UK fashion industry is estimated to be £37.2 billion in 2009 or 2.7% of UK GDP.

4.2 INDIRECT AND INDUCED IMPACT ON EMPLOYMENT

Having calculated these estimates for GVA, it is possible to translate them into estimates for employment, using average sectoral productivity figures from the ONS. Overall, the extra demand created indirectly via the supply chain is estimated to have supported a further 224,900 jobs, whilst the \pounds 8.9 billion of extra GVA created via the induced spending of employees of the UK fashion industry is estimated to have supported an extra 286,200 jobs. Therefore, in total (direct, indirect and induced) the number of jobs supported by the UK fashion industry in 2009 is estimated to be 1.3 million or 4.7% of UK employment. The results are illustrated graphically in Figure 4.2; for a more detailed breakdown see Appendix E.

FIGURE 4.2: DIRECT. INDIRECT AND INDUCED IMPACT ON EMPLOYMENT



INDIRECT AND INDUCED CONTRIBUTION TO THE EXCHEQUER 4.3

A further benefit of these indirect and induced impacts is that they generate additional revenues for the Government, with which to fund essential public services. Using a similar methodology to that employed for the direct impacts, we were able to quantify the level of income, corporation and Value Added Tax (VAT) generated by the indirect additional demand created by the fashion industry via the supply chain and the induced extra spending by those employed directly and indirectly by the fashion industry. Our estimates suggest that indirect activity generates a further £1.9 billion for the Exchequer, while the additional induced demand creates a further £2.4 billion in tax revenues. Overall, this implies that the fashion industry, including direct, indirect and induced effects, contributed £17.5 billion to the Exchequer in 2009 or 3.5% of total government revenues. Table 4.1 summarises the results.

TABLE 4.1: SUMMARY OF TAX REVENUES GENERATED BY THE FASHION INDUSTRY

(£mns)	DIRECT	INDIRECT	INDUCED	TOTAL
Income	2741	729	931	4401
Corporation	1217	447	447 500	
VAT on fashion products	6367	N/A	N/A	6367
Indirect via employee spending	2871	764	975	4609





















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SECTION 05 5 EFECTS

05. ESTIMATING THE VALUE OF SPILL OVER EFFECTS

The economic and social value of the fashion industry is far greater than the £37.2 billion in GVA and 1.31 million jobs identified in Chapter 4. This chapter considers the value of these wider or "spill over" benefits that result from the value that the government, consumers, society and other industries derive from the existence of a vibrant fashion industry in the UK. These include: the impact the fashion industry has on "Brand Britain" by changing the image of the country; the impact on tourism, for instance due to events such as London Fashion Week; and the cultural impact of museums etc. Clearly, some of these factors are much less readily quantifiable, but efforts have been made, where possible, to provide data to help to assess their potential impact.

KEY POINTS

- arm's length" from fashion itself such as tourism.
- per annum or 1% of total investment in 2009.
- foreigners as a global fashion leader.

5.1 Brand equity

Brand equity essentially relates to the value of a brand name. Products with a brand label may be valued more highly by consumers than identical ones without such a label because of the knowledge and feelings consumers have about the brand in question and the attributes they associate with it.

Branding plays a critical role within the domestic UK fashion industry. The images and associations UK consumers have of fashion products are important in terms of both their decision to actually purchase fashion items and to the enjoyment they get from these purchases.

Furthermore, the UK as a country enjoys a certain international brand equity, due in part, to foreign perceptions of its role as one of the key centres of international fashion and as a global trendsetter. The image which the UK presents to the outside world is, in part, shaped by UK fashion and the cultural associations it has had with music, the arts and popular culture throughout recent history. Examples include the "Swinging Sixties", the Punk and New Romantic movements of the 1970s and 1980s, the Cool Britannia image of the 1990s and the marketing of the "London Look". Individual designer labels such as Vivienne Westwood, Paul Smith, Stella McCartney, Burberry and

 The UK fashion industry's impacts also "spill over" into areas and products in less tangible ways, augmenting the image of the UK as a whole and/or industries "at

• The branding of fashion products has a value in itself ("brand equity"). Products with strong brands are more highly valued by consumers and investors. We estimate that the brand equity of the UK fashion industry is worth some £202 million

• The UK fashion industry and its designer showcasing events also project an image of the nation as a global centre for fashion - an image which enhances the international brand equity of the UK as a country. The UK is relatively highly rated by

As a result people are inspired to come to the UK to shop for fashion, to visit London Fashion Week or the country's fashion museums and exhibitions which, in turn, provides benefits to the UK's tourism industry. A minimum estimate of these tourism impacts is some £98 million in 2009, or some 0.5% of total tourism spending.

Mulberry have also influenced the perception of the UK at various times and within different cultural contexts.

Given that branding plays such an important role in the UK fashion industry, the concept of brand equity is of obvious importance in measuring industry value. However, brand equity has proven to be a difficult concept to measure, owing to its intangible nature. Furthermore, while brand equity is a concept that has long been of interest to marketers, they have typically attempted to measure its value for a specific product rather than as an entire industry or for the economy as a whole. More recently, however, economists in the United States and the UK have developed new methods for measuring brand equity.

This study uses a quantitative estimate to determine domestic (UK) fashion industry brand equity, while qualitative work indicates the importance of the elements of the UK's international brand equity that are due to the existence of its fashion industry.

Domestic brand equity

Past work by economists such as Corrado et al (2006) in the United States, Marrano et al (2007) of the ONS and Gil & Haskel (2008) in the UK has allowed for the development of a measure of brand equity using existing national accounts data.

In the UK, past attempts by the ONS and others to develop brand equity measures have focused on considering the role of advertising and market research as a long term investment in order to "build the brand", rather than just as a short term expenditure. Spending on advertising and market research has therefore been used as a yardstick with which to measure the value of brand equity.

However, these past attempts have examined the brand equity of all industries in the UK as a whole (Marrano et al (2007)) or for a broad subset of industries (Gil & Haskel (2008)). For this report, by contrast, it was necessary to develop a more refined measure of brand equity; one for the fashion industry only.

Following the approach to measuring the value of brand equity used by the ONS, we estimate that the annual value of the UK fashion industry's domestic brand equity to be some $\pounds 202$ million, or 1.0% of total investment in 2009.

It is worth noting that this estimate is partially derived from consideration of the industry's advertising spend. Given this partial overlap, it should not be added to the estimates of total industry value added that have been developed above.

International brand equity

As analysts such as Simon Anholt have noted, countries can enjoy a "brand equity", just as individual products do. This international brand equity, in turn, is a reflection of various factors, including images of a country's culture and exports. In the case of the UK, perceptions of fashion trends and products form part of the nation's overall image in the eyes of the outside world (i.e. fashion forms a component of the UK's overall international brand equity).¹⁸

Images associated with the UK's fashion industry affect the attitudes and behaviour of people living outside the country in several ways. People might buy British fashion exports or travel to the UK to shop for fashion items or visit its fashion museums. The value of these activities will be reflected in

However, even if they never visit the UK or shop for fashion items here, visitors from abroad might form a positive image of the UK due to the presence of the UK fashion industry and its images and associations.

As is the case for domestic brand equity, the component of the UK's "international brand equity" specifically associated with the fashion industry can be difficult to quantify. However, while quantitative measures for the international brand equity of the UK fashion industry do not exist, recent work offers some indication of how the UK compares to other countries in terms of its fashion image.

The Anholt-Gfk Roper Nation Brands Index (NBI) is an analytical tool that seeks to measure and rank the reputations of 50 countries around the world based on a survey of over 20,000 adults in 20 "core countries". The results of the NBI have been examined by various governments and institutions including the Scottish Government and VisitBritain, in order to determine national strengths and weaknesses.

While the NBI is designed to provide an overall ranking for the image of a country, the index itself is built on a number of dimensions, including exports, culture, governance, population, tourism and immigration and investment.

Specifically, the exports dimension asks respondents around the world to nominate the words they associate with a particular country's exports (from a defined list of ten products and services).

Results for 2009 comparing the image of UK fashion against:

- four other major European countries
- nine other UK export products

are indicated below.

UK fashion exports and sales by UK retailers (part of the value added discussed above) or in tour-

¹⁸ Mr Anholt has directly assisted in the provision of some of the international brand equity data discussed below and we wish to thank him for his contribution to this report.

CHART 5.1: PERCENT OF RESPONDENTS WHO IDENTIFIED FASHION WITH A PARTICULAR COUNTRY¹⁹



These results suggest that, among this comparison group, fashion is seen as a top tier national product.

CHART 5.2: PERCENT OF RESPONDENTS ASSOCIATING UK WITH TYPES OF EXPORT



19 Data for Italy was not available

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These results indicate that, amongst the countries covered here, the international perception of the fashion industry as a key UK product/attribute is second only to that of France. In addition, fashion ranks well ahead of many other industries as a key national attribute, with nearly as many respondents associating the UK with fashion as they do with film and television. These results suggest that, among this comparison group, fashion is seen as a "top tier" national product.

While this data relates to responses within the 20 "core countries" of the NBI, supplementary datafrom the 2007 NBI, directly provided by Simon Anholt for this report, also indicate that the UK is seen as an important centre of fashion by other centres of global fashion - namely France, Italy and the United States. Respondents from these three countries were asked to nominate the product or service they would most expect to be produced by 36 different countries (from a defined list of ten). By this measure, French, Italian and US respondents ranked the UK 4th, 3rd and 4th respectively. Tables 5.1- 5.3 indicate the ranks of the top ten countries.

TABLE 5.1: FRENCH RANKINGS FOR FASHION WORD ASSOCIATION (2007)

% of respondents who identified "fashion" as the product they most associated with the given country

France	Brazil	Italy	UK	Spain	Netherlands	New Zealand	Sweden	Wales	Australia	
18.7	11.7	11.7	10.8	10.6	5.8	4.8	4.8	4.5	4.4	

TABLE 5.2: ITALIAN RANKINGS FOR FASHION WORD ASSOCIATION (2007)

% of respondents who identified "fashion" as the product they most associated with the given country

Italy	France	UK	Spain	Brazil	China	Switzerland	Netherlands	South Africa	United States
34.2	34	8.8	6.1	4.7	4.4	3.4	3.2	3.2	3.2

TABLE 5.3: US RANKINGS FOR FASHION WORD ASSOCIATION (2007)

% of respondents who identified "fashion" as the product they most associated with the given country

France	Italy	Spain	UK	Brazil	Sweden	Singapore	ingapore Norway		Malaysia
40.7	35.6	15.0	14.8	10.3	9.7	8.9	8.1	6.5	6.3

While only partial measures of the international brand equity of the UK's international fashion industry, these results indicate, nonetheless, that the industry is a powerful factor in shaping perceptions of the UK's image abroad.

5.2 TOURISM

Tourists are drawn to the UK for a variety of reasons. As indicated above, some might be attracted to the country because of images of the UK as a centre of global fashion and/or because of the range and diversity of fashion shopping opportunities the country offers.

Spending by tourists on UK fashion items is included in the estimates of direct UK fashion industry's GVA in Chapter 3. However, tourists drawn to the UK by fashion shopping will also spend money on other goods and services, such as food, transport costs and accommodation, which are not included in those estimates. This spending forms an additional source of benefit to the UK economy, resulting from the presence and image of the UK fashion industry. Likewise, spending

on these items by tourists drawn to the country by London Fashion Week. Fashion museums and exhibitions are an additional form of benefit to the UK economy.

The following approach was therefore adopted in assessing the value of international tourist spending on food, fares accommodation and related items (excluding actual fashion shopping):

- Shopping trips VisitBritain data indicates that 242,000 tourists listed "shopping" as their main reason for visiting the UK in 2008. When combined with data on estimated non-fashion spending by these tourists, this suggests spending of £41 million.
- London Fashion Week Past work by the British Fashion Council indicates that indirect spending associated with London Fashion week amounted to £33 million in 2009. (This figure excludes clothes orders.)
- Museum and Fashion Exhibition visits (e.g. V&A) The Victoria & Albert Museum (V&A) is the UK's premier fashion museum. International visitors were estimated to account for some 1 million visitors in 2008. When combined with estimates of daily visitor spending and the proportion of the day spent at the museum, this implies an attributable spend of £23 million that year.

Combining these figures (and adjusting to 2009 prices) suggests that foreign tourist spending attributable to the UK fashion industry (and/or the fashion component of the UK's international image) was some £98 million in 2009 or 0.5% of total international visitor spending.

This calculation is likely to be a considerable underestimate, as spending associated with regional fashion events and visits to other fashion museums other than the V&A, such as Hussein Chalayan at Design Museum and Show Studio at Somerset House, has been excluded due to the lack of available data. The cited tourism spending figure should therefore be considered as a conservative estimate.

SECTION OG A REGIONAL ANALYSIS OF THE UK FASHION INDUSTRY

















06. A REGIONAL ANALYSIS OF THE UK FASHION INDUSTRY

The UK fashion industry enjoys a rich regional diversity, with different areas of the UK specialising in different production techniques. For example, Scotland is characterised by the manufacture of high-quality knitwear and woollen apparel, the North West by its expertise in technical textiles, Northampton for the production of footwear, and so on. In this chapter we seek to provide a quantitative analysis of spending and production patterns across the UK fashion industry according to standard regional classifications. Due to data limitations, we are unable to estimate to the same degree of disaggregation as was the case at a national level. Therefore, rather than presenting an estimated regional breakdown of, for example, retail GVA of menswear, we will instead provide broader figures on retail spending and manufacturing employment, to provide an indication of the regional spread of activity in the fashion sector.

KEY POINTS

- This is mainly due to the impact of both domestic and international tourism.
- traditional heartland of West Yorkshire and the Scottish borders.
- McIntosh to maintain a UK manufacturing presence.

RETAIL SPENDING 6.1

In order to estimate a regional breakdown of retail spending on fashion products in the UK we used household expenditure survey data and allowed for spending by non-residents. This adjustment accounted for the fact that tourists were more likely to visit particular regions (using data provided by VisitBritain). For more details on the data sources and methodology see Appendix F. Figure 6.1 offers a graphical summary of the results:

• Retail spending is spread relatively evenly across the UK, with regions in which total gross earnings of residents are higher accounting for a proportionately larger share of total retail spending. The exception is London, which accounts for a disproportionately large share of total retail spending given residents' gross earnings.

· London accounted for over a quarter of retail spending on fashion products in the UK and around a third of spending in England. The value of sales in Scotland, Wales and Northern Ireland totaled £8.5 billion, or just over 15% of all spending.

Employment data indicates that the East Midlands is the dominant region in terms of manufacturing. In 2009 we estimate that almost 30% of all UK fashion manufacturing jobs were based there, with a particularly strong bias towards the manufacture of footwear and lingerie. Other clothing items were more evenly distributed with the North West, the East Midlands, London and Scotland each accounting for over 10% of all jobs created by the manufacture of men's, women's and childrenswear. The clothing textile industry is still a significant employer particularly in its

 Although chapter 3 documented the decline of the UK fashion manufacturing industry, our case study analysis highlights the fact that niche higher value-added production units can still thrive in the UK. This process has been helped by the decision taken by major UK brands such as Mulberry, Burberry, Aquascutum and

FIGURE 6.1: BREAKDOWN OF FASHION RETAIL SPENDING BY STANDARD REGIONAL CLASSIFICATIONS



The results show that in 2009 over 80% of total retail expenditure on fashion products in the UK was spent in England, with the majority of the remainder in Scotland. Together Wales and Northern Ireland make up just over 6% of total spending. Unsurprisingly, given its large population and above-average income, London accounts for the largest share of all spending amongst the regions (£14.6 billion or just over a quarter of the total). Moreover, Chart 6.1 indicates that retail spending in London was somewhat of an outlier, even given its strong "fundamentals"; that is to say, retail spending in London was significantly higher than might be expected, given gross employee annual earnings. This is linked to the fact that a disproportionate number of international tourists go to London (in relation to its share of the UK population), whilst domestically, the variety of the London high street attracts shoppers from the Home Counties and beyond.

CHART 6.1: SCATTER PLOT OF TOTAL FASHION RETAIL SPENDING VERSUS GROSS ANNUAL EMPLOYEE EARNINGS (2009)



The data was sufficiently disaggregated so that we could estimate levels of spending by product regionally. Table 6.1 summarises spending by product and region.

TABLE 6.1: REGIONAL SPENDING ON FASHION PRODUCTS IN THE UK (2009)

	North East	North West	Yorks & the Humber	East Midlands	West Midlands	East	London	South East	South West	Wales	Scotland	Northern Ireland
Footwear	250	715	428	425	557	539	1444	771	522	257	573	239
Men's	365	856	592	540	764	834	3261	1308	808	365	988	315
Women's	526	1445	1048	797	1180	1265	4828	2071	1359	621	1598	504
Children's	201	628	363	318	428	408	1649	695	436	196	560	186
Cosmetics/Beauty	145	323	241	199	245	277	196	370	255	131	260	98
Jewellery & Watches	121	345	229	189	282	267	1090	613	310	123	391	80
Accessories	46	148	102	70	109	124	564	198	129	63	179	37
Luggage & Bags	45	125	84	69	103	95	329	217	108	44	136	29
Hair	53	134	94	78	101	118	417	194	125	54	139	39
Lingerie	57	182	123	101	141	154	793	302	197	68	209	49
Total	1809	4901	3303	2785	3910	4081	14570	6740	4249	1922	5033	1577

6.2 MANUFACTURING EMPLOYMENT

For manufacturing employment we used the ONS breakdown of regional employment and scaled the figures to our previously calculated national figures. Due to data limitations we were unable to estimate a regional breakdown of manufacturing employment for certain items (jewellery & watches; cosmetics & perfume and hair products). The data suggests that production is fairly regionally diversified, although the East Midlands does account for almost 30% of total employment, with a particularly strong bias in the manufacture of footwear – for which it employs almost 60% of the UK workforce. The North West and Scotland also account for over 10% of total employment, a reflection of both regions' strong heritage in certain aspects of fashion manufacturing. Anecdotal evidence suggests that manufacturing in London is mainly focussed on higher-end designer products.

BOX 6.1: SPECIALIST UK MANUFACTURERS

The textile and clothing production units that remain in the UK are typically lean and competitive, with most but not all, having "traded up" to produce high-added-value products which have a global reputation and customers worldwide. They remain important in the regions where the manufacturing industry was developed from the time of the Industrial Revolution. Typical of the success stories is the fine-gauge knitwear manufacturer John Smedley, which has been based on the edge of the Peak District in Derbyshire for more than 220 years. Using fine natural fibres such as Sea Island cotton, cashmere and Merino wool, Smedley's "fully-fashion" garments (so-called because they are knitted into the shape of the body for a better fit) are renowned worldwide. The business also embraces the most modern Japanese knitting techniques to produce seamless garments that look particularly contemporary. As well as making its own brand, John Smedley makes fine-gauge knitwear for many international designers.

Another example is Balmoral Knitwear, based in Scotland, which focuses on bespoke schoolwear, sportswear and corporatewear items. The company, which now employs 90 workers, prides itself on adopting the latest "cutting-edge" technological innovations to bring customers the latest advances in textiles. Examples of such innovations include the use of anti-bacterial yarns for healthcare professionals, anti-static yarns for the employees in the electrical industries and, more generally, nanotech-treated yarns that are highly resistant to stains and odours.

Mulberry is another example of a specialist manufacturer with an important UK commitment. Its Somerset factory currently employs 200 workers - twice as many as 3 years ago - the majority of whom are drawn from the local area. One of Mulberry's regional iniatives has been the development of its apprenticeship scheme in leathergoods manufacturing over the past four years. The scheme, operating in conjunction with Skillfast UK and Bridgewater College, acts to preserve a regional skills base in quality craftsmanship and is unique in that the college delivers training to apprentices on-site. Its significance was recognised when the company won the National Skills Award at the EEF Future Manufacturing Awards in February 2010.

A final case study we would like to highlight is Fox Flannels in Somerset, which specialises in supplying luxury woollen cloth, made entirely in the UK, to London's Savile Row tailors, whilst also offering their own bespoke tailoring services. One reason for the success of the organisation has been their retention of a skilled labour force, many of whom are second- and third-generation workers. In an attempt to ensure the continuation of this process, the company has recently introduced an apprenticeship scheme.

The examples of John Smedley, Balmoral Knitwear, Mulberry and Fox Flannels show that it is still possible for UK manufacturers to excel if they specialise in suitable niche areas of clothing and footwear. Moreover, given the movement away from "fast fashion" noted by some retailers during the recession, with the downturn encouraging consumers to opt increasingly for quality over quantity, opportunities for growth in this area may be on the rise; a fact recognised by the Manufacturing Alliance, a joint and wide-ranging project between the British Fashion Council, UKFT, CFE, MAS and NESTA that seeks to identify and develop high-end manufacturing units for use by British designers.

FIGURE 6.2: REGIONAL BREAKDOWN OF MANUFACTURING EMPLOYMENT

Figure 6.2 illustrates the breakdown of UK fashion manufacturing employment regionally:



London has long been the capital of the UK fashion industry, offering a strong and vibrant retail sector from high street to global high end fashion and luxury brands of both British and international origin, such as Armani, Burberry, Gucci, Louis Vuitton, Dior, Pringle, Paul Smith, Vivienne Westwood and Aquascutum. It offers some of the most prestigious shopping districts in the world, devoted to designer fashion including New Bond Street, Mayfair, Brompton Road, Knightsbridge and Sloane Street, which are home to the most elegant and expensive shops in the City, whilst both the East End and Camden have emerged as new hubs for markets and independent retailers.

Amongst the most notable UK fashion designer brands are Burberry, Paul Smith, Vivienne Westwood, Stella McCartney, John Galliano and Jasper Conran all of whom have established London-based stores and have played a major role in shaping modern British fashion. Leading fashion designer Paul Smith, whose business and reputation was founded upon his menswear collection, but has now diversified into womenswear and childrenswear has developed one of Britain's strongest brands in Asia alongside Vivienne Westwood who is still known for her modern punk twists on design and her rebellious spirit shared by customers and muses. The late Alexander McQueen, became famous for impeccable tailoring, dramatic designs, shows and developing leading cutting edge trends.

Celebrity has played a role in raising the profile of more avant garde designers. TV shows, such as 'Sex and the City' and 'Ugly Betty', have raised awareness of independent designers and international brands, increasing the profile of the breadth of the fashion industry globally. Meanwhile, the music industry often looks to London based designers to create individual pieces for their music videos and live tours, with many of London's New Generation designers having provided pieces for Rihanna, Lady Gaga and Madonna.

London Fashion Week is one of the highest profile events in the UK. In 2009, total spending directly linked to the event was estimated to have exceeded £20 million, with indirect and induced effects taking this total to over £33 million²⁰. Other fashion events in London include:

- international designers;
- sons;
- opportunity to launch their new designs in front of a global audience;
- twice a year; and
- "Stitch" a new menswear showcase.

There are also two leading consumer exhibitions:

- beauty demonstrations; and
- sumers, selling designer labels at high street prices.

Figures in this paragraph based on information provided by British Fashion Council.

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• "OnIOff" - the UK's original, independent fashion showcase during London Fashion Week, attracting talent such as Pam Hogg, Hannah Marshall and Jasper Conran and

 "Vauxhall Fashion Scout" - a bi-annual showcase during London Fashion Week of the most promising designers, with over 130 emerging designers over the past seven sea-

 "Fashion East" – now part of the official London Fashion Week (LFW) timetable, Fashion East offers emerging designers, selected by a panel of leading industry figures, the

"Pure" – a womenswear, young fashion and accessories tradeshow held at Olympia

 "Clothes Show London" – referred to as the 'ultimate girls' night out' comprises 45 minute fashion and dance shows in the London Fashion Theatre along with hair and

 "London Fashion WeekEnd" – twice yearly event for the public running after London Fashion Week offering a London Fashion Week like experience to fashion savvy con-

THE VALUE OF THE UK FASHION INDUSTRY



SECTION 07 THE WHILE VALUE OF FASHION



07. THE WIDER VALUE OF FASHION

The UK fashion industry generates significant economic benefits and also other, less quantifiable but nonetheless very important, wider benefits. Some of these include its effect on innovation, corporate social responsibility (CSR) of firms and attracting diverse talent. These issues were explored through a combination of a literature review and a series of interviews with various stakeholders across the industry. A full list of all those participating in the interviews along with their role within the industry, can be found in Appendix A.

KEY POINTS BOX

- Our case study analysis indicates that several of the largest firms in the fashion industry provide societal benefits through their CSR policies. Following the adoption of Plan A in 2007, Marks & Spencer (M&S) has placed significant emphasis on CSR, helping the company to achieve a platinum ranking in the most recent Business in The Community (BiTC) survey.
- The UK fashion industry's labour force is both younger and more predominantly female than average. Over 70% of all employees are female, significantly higher than the UK average of 47%, whilst almost half of all workers are under the age of 30 compared to less than 25% of those currently employed in the UK.
- The benefits of employing a generally youthful workforce are particularly important in the current climate, as the global financial crisis has led to a sharp increase in the rate of long-term youth unemployment.

7.1 CORPORATE SOCIAL RESPONSIBILITY (CSR)

Although the primary function of firms relates to their economic activities, increasing importance has recently been placed on their wider impact; covering issues such as environmental externalities, ethical standards, upholding of social norms and compliance with the law. Such issues come under the umbrella term of CSR which, fundamentally, concerns the extent to which public interest is built into corporate decision-making.

One of the principal reasons for the growth of CSR has been the growth of multinational corporations (MNCs) associated with the broader phenomenon of globalisation. With the development of communications technology allowing capital to become increasingly "footloose", governments have become increasingly at the mercy of MNCs, engaging in a "race to the bottom" with tax/ regulatory reforms designed to encourage MNCs to locate within their borders. It was against this background that the concept of CSR was first developed, as it became increasingly apparent that governments had lost some of the power to uphold such wider issues of public interest. Other associated factors include the rise of consumer pressure fuelled, in part, by greater access to information on corporate activities, and increasing awareness of the environmental impact of firms. Although the UK fashion industry is not home to the type of corporate giants, such as Microsoft or BP for which the concept was originally conceived, it is still a relevant issue for some of the retail conglomerates. In this report we illustrate these impacts by drawing upon case studies of major UK fashion corporations. In doing so we focus on positive examples of CSR, although we acknowledge that this does not represent a comprehensive audit of the activities of UK fashion firms in this area, something which would be a welcome addition to the literature.

M&S's strong track record in CSR can be demonstrated by its platinum ranking in the most recent Corporate Responsibility Index produced by Business in The Community, along with a series of awards, many of which have been directly linked to actions taken as a result of Plan A²¹.

Moreover, it is not just M&S which has shown strong leadership in terms of CSR. For example, in 2008 John Lewis was awarded the Carbon Trust Standard. This award requires specific improvements in three key areas: carbon footprint measurement; carbon management; and carbon reduction performance²². The granting of an award from such a renowned independent body is clear evidence of John Lewis' genuine commitment to reducing carbon emissions and facing up to the challenges posed by climate change. Other suppliers of fashion products to be awarded the Standard include M&S, Next, Sports Direct, Asda, Tesco, Sainsbury's and Boots²³. In addition, Arcadia Group commits to ensuring social responsibility remains integral to its business strategy through its Fashion Footprint initiative, launched in 2007, which covers energy efficiency, supplier ethics, transport and charitable giving.

Meanwhile, strong leadership in CSR has not merely been confined to large retail groups. The British Fashion Council, supported by the LDA, have encouraged movements towards greater sustainability with its Estethica initiative, which has now attracted 37 designers. In 2009, six designer businesses were selected to receive expert tuition from prestigious industry mentors, in terms of product and brand development, in order to help ethical designers to compete better in the mainstream market. Each year additional designer businesses will be selected for this scheme. Moreover, the British Fashion Council has provided support to Defra, in its Sustainable Clothing Roadmap initiative, by hosting launch and upate events at London Fashion Week.

7.2 LABOUR FORCE DIVERSITY

One of the wider benefits of fashion, cited by many interviewees was that it provides opportunities for labour force groups that typically find it harder to gain employment, be that in terms of gender, ethnicity or age. In order to test this hypothesis we used Labour Force Survey (LFS) data for 2009Q4 to provide a snapshot of the UK fashion labour force. Applying consistent SIC code methodology²⁴ to that used earlier in the study, we broke down the fashion labour force into four broad categories: textiles; manufacturing; wholesale; and retail. We then compared the breakdown of workers in terms of ethnicity, age and gender for each sector against the breakdown of both the population of working age (16-64 years) and the employed.

By breaking down the UK fashion labour force by gender, it is clear that the UK fashion industry directly employs a far higher proportion of women in comparison to the rest of the economy. Over-

 Some of these include the Fashion Commitment Award from the F Emissions Leader from ENDS Carbon. Taken from the Carbon Trust website. A full list of companies that have been awarded the Standard can ardBearers.aspx For more detailed information on the methodology employed see A 		
 22 Taken from the Carbon Trust website. 23 A full list of companies that have been awarded the Standard can ardBearers.aspx 24 For more detailed information on the methodology employed see A 	21	Some of these include the Fashion Commitment Award from the RSPC Emissions Leader from ENDS Carbon.
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24 For more detailed information on the methodology employed see A	23	A full list of companies that have been awarded the Standard can be for ardBearers.aspx
	24	For more detailed information on the methodology employed see Apper

In recent years Marks & Spencer has become one of the leading exponents of CSR, exemplified by the adoption of Plan A in 2007, which was extended earlier this year. Plan A commits the company to 100 business reforms, focusing on areas such as the ethics and environmental impact of production, contributing to local communities, helping consumers live more sustainably and ensuring fair trade arrangements. According to the company's latest update, 62 out of the 100 original targets have currently been met, implying that the company is broadly on course to meet its goal

CA, Most Ethical Retailer from Cosmopolitan Magazine and the 2009 Brand

und at http://www.carbontruststandard.com/UsingtheStandard/CurrentStand

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all we estimate that 71.6% of workers in the UK fashion industry are female, compared to 50.3% of the population of working age and 46.8% of those with jobs. Past studies in the economics literature have demonstrated the benefits of increased female labour participation rates, and these figures clearly document the role that fashion currently plays in furthering this end. The retail sector within fashion employs the highest proportion of females (just over 75%), whilst more than two in every three workers in the manufacture of clothing is female. Chart 7.1 summarises the results.

% share 80 Male Female 70 60 50 40 30 20 10 Manufacturing Wholesale Retail Total Population of Textiles Employed Working Age

CHART 7.1: FASHION EMPLOYEES BROKEN DOWN BY GENDER

Source: Oxford Economics/ONS

In terms of ethnicity, the UK fashion industry labour force has a fairly similar make-up to the rest of the UK economy, although overall it is slightly more ethnically diverse. Overall, 86.1% of all fashion employees are white, a slightly lower proportion than the population of working age (88.7%) and the employed (90.7%). This is mainly due to a higher share of Asian workers who are employed in over 10% of all fashion jobs. Although the difference is much less clear than in the case of gender, these figures do indicate that the UK fashion industry makes a positive contribution to increasing ethnic diversity in the workforce. Table 7.2 summarises the breakdown of employees in the fashion industry by ethnicity.

TABLE 7.1: FASHION EMPLOYEES BROKEN DOWN BY ETHNICITY

(% share of workforce)	TEXTILES	MANUFACTURING	WHOLESALE	RETAIL	TOTAL	POPULATION OF WORKING AGE	EMPLOYED
White	80	82	9	86	86	89	91
Mixed	0	1	0	0	0	1	1
Asian	17	11	6	10	10	6	5
Black	0	2	0	2	1	3	2
Chinese	0	2	1	1	1	1	0
Other	3	2	2	1	1	2	1

One of the most notable aspects about employees in the UK fashion industry is that they are much younger, on average, than the rest of the UK economy. This is particularly encouraging in the current climate, where the recession has led to a sharp increase in rates of long-term youth unemployment. According to the latest ONS data, the number of people aged 16-24 who have been out of work for over a year reached 211,000, [in April 2010] or around 4.5% of the economically active population. Past studies have identified strong evidence of "hysteresis" effects, where sharp rises in the rate of long-term unemployment lead to a rise in the equilibrium rate of unemployment, as the long-term unemployed struggle to re-enter the jobs market even as demand recovers (Layard et al (1991); Nickell (1997); Blanchard & Summers (1989)). Moreover, economic inactivity amongst this age group has increased sharply since 2008H2²⁵, as the struggle to find employment in the more economically challenging environment led to over 200,000 young people giving up on finding work. Higher rates of unemployment clearly represent a waste to society in terms of lost resources, as well as being associated with other detrimental social effects such as higher crime rates and lower levels of personal health. The breakdown of fashion industry employment by age in comparison to the rest of the economy is summarised in Table 7.3, and clearly indicates that on average the fashion industry employs a higher proportion of young people. Overall almost 50% of employees are aged under 30, despite the fact that less than 30% of the population of working age fall into this category and less than 25% of those who are employed.

TABLE 7.2: FASHION EMPLOYEES BROKEN DOWN BY AGE

(% share of workforce)	TEXTILES	MANUFACTURING	WHOLESALE	RETAIL	TOTAL	POPULATION OF WORKING AGE	EMPLOYED
16-19	5	1	5	23	19	8	4
20-29	6	17	32	33	30	21	20
30-39	12	18	11	15	15	20	22
40-49	21	29	24	14	17	23	26
50-59	36	22	19	11	13	19	19
60-64	5	11	5	4	5	9	6

Figures in each column do not sum to 100 due to the fact that each sector has workers over the age of 64, the exception is the population of working age which is defined as 16-64.

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THE VALUE OF THE UK FASHION INDUSTRY

References in this paper to H1 and H2 refer to the first/second half of the year respectively.

The data suggests that the UK fashion industry workforce is both very young and predominantly female by the standards of the UK economy. Both of these factors have demonstrably positive wider social benefits which would not be captured simply by an examination of aggregated employment figures. The former effect is particularly important in the current context of the UK economy, where the sharp rise in the rate of long-term youth unemployment has been a key concern for policymakers. Another concern is the bias towards older workers in the textiles and manufacturing sectors. In each case, more than 60% of the workers are over 40 years of age. The industry needs to attract more younger people into these areas of the fashion industry if the UK is to retain its skill base and worldwide reputation.

7.3 INNOVATION

During the interviews, a theme constantly emphasised by participants was the creativity and innovation inherent in the UK fashion industry. This can broadly be separated into two parts: innovation on the product side and innovation on the business side (the use of PR and marketing techniques; supply chain management etc).

In terms of product innovation, two main channels can be identified. Firstly, there is inherent creativity among both fashion and textile designers in the UK. Evidence shows that UK designers stand out for their often edgy and individual styles, helping to create a stronger international brand. This issue is dealt with in more depth in Chapter 8. It was also noted that UK designers have been engaged in world-leading product innovation in more prosaic, practical ways. These include sweatresistant shirts and odour-resistant socks.

More widely, a number of respondents spoke very positively about the UK retail market in terms of its innovation and flexibility in management practice, noting that it had become something of a world-leader in terms of supply chain management and the use of PR/marketing techniques. During the interviews several retailers, when asked directly, suggested that PR and market research had become increasingly important tools over the past 10-15 years, partly as a replacement for more traditional advertising techniques. Although we were unable to source any data specifically for the fashion industry, statistics at the national level bear out this point. Gross output of firms involved in market research has grown by 8.3% per year since 1995, whilst gross output of management consulting and related services (which include PR) has grown at 14.1% per year. This compares to just 4.3% annual growth of advertising, and the economy-wide average of 6% per annum.

SECTION 08 SMOT ANALYSIS



08. SWOT ANALYSIS

Whilst the interview process was useful in highlighting some of the less quantifiable benefits of the UK fashion industry, it also gave us the opportunity to question stakeholders about the future outlook for the industry and, in particular, about potential threats and opportunities. The preceding analysis has been static; focusing as it does on the current state of the UK fashion industry. It is also worthwhile to reflect on how the current state of the industry may shape future outcomes, and hence, how the industry's significant contribution to the UK economy could grow or decline in the future. Therefore, during the interview process we asked participants for their view on the SWOT (strengths, weaknesses, opportunities, threats) of the UK fashion industry. This chapter summarises their responses, along with other salient points gleaned from a literature review.

KEY POINTS BOX

- style, which helps to differentiate UK design internationally.
- area for improvement.
- context.
- promote movement away from fast fashion by consumers.

 The UK fashion industry is characterised by a dynamic demand cycle, with designer fashion driving industry-wide activity, in particular the vibrant retail sector. The variety of the UK high street was often referenced as being unparalleled internationally.

One of the commonly cited key strengths of the UK fashion industry is the creativity of fashion and textile designers, with many products characterised by an edgy individual

• The health of the higher education system, noted for nurturing creativity and innovation, is crucial to maintaining this source of competitive advantage. UK fashion colleges were widely acknowledged to offer a world-class environment for would-be designers, although the lack of development of entrepreneurial skills offers one key

The rise of emerging markets presents significant opportunities and threats over the next decade. On the plus side, the rise of new mass consumer markets offers both retailers and designers the opportunity to significantly boost export sales, particularly given the recent depreciation of sterling. A reduction of support via the Tradeshow Access Programme (TAP) and other UKTI-sponsored grant schemes for designers is a problematic development however. Furthermore, China, in particular, was identified as a potential future rival designer hub, with recent evidence of a "brain drain" of top UK academic talent to Chinese universities becoming especially concerning in this

Given the increasingly consensual global perception regarding the threats of climate change, it is clear that issues of sustainability and ecology are becoming ever more salient. For example, growing awareness of the issue of carbon-footprinting could

 The current UK fiscal environment was cited by a variety of stakeholders as a potential threat and opportunity. Issues raised included the likely cuts to higher education funding, which could accelerate the loss of academic talent abroad; the impact of the impending rise in VAT on retailers; and a reduction of support for designers and manufacturers trying to attend trade fairs, which are crucial to driving export growth. However, it was noted that the cuts to higher education could spur a much-needed restructuring, helping to address some of the skill mis-matches which currently exist.

SWOT analysis provides a simple but robust framework to assess current industry trends and gain insight into key future risks that are likely to shape market outcomes. Strengths and weaknesses refer to internal factors which are likely to affect the UK fashion industry's response to external threats and opportunities. An overview of the theoretical substance of SWOT analysis is provided in Table 8.1 below:

TABLE 8.1: THEORETICAL UNDERPINNINGS OF SWOT ANALYSIS

SWOT Analysis	Strengths (internal)	Weaknesses (internal)
Opportunities (external)	How do I use these strengths to take ad- vantage of the opportunities?	How do I overcome the weaknesses that prevent me taking advantage of these oppor- tunities?
Threats (external)	How do I use my strengths to reduce the likelihood and impact of these threats?	How do I address the weaknesses that will make these threats a reality?

The answers of interviewees typically reflected their own interests e.g. retailers generally focused on threats/opportunities confronting the UK fashion retail market. However, given the variety of stakeholders that were covered we feel confident that the following analysis provides a relatively wide-ranging overview of the UK fashion industry²⁶. Part of the analysis also draws upon past studies and other contributions to the literature.

8.1 STRENGTHS

Creativity of UK design: A very high proportion of respondents referenced this factor as one of the UK's core strengths. In particular, UK design retains a unique "edgy" feel helping to set it apart from other leaders in world fashion and thereby creating a more substantial brand image. Reference was often made to the influence of urban culture and music on designers, which was cited as a factor contributing to the more cutting edge UK brand. The value and reputation of classic British heritage looks and quality - "i.e. style anglais" - should not be underestimated.

Variety of UK high street: The variety of designs and products on the high street was cited as one of the key strengths of the retail sector. In this respect, shopping on Oxford Street offered a truly unique experience, even in comparison to other major fashion centres. This can be corroborated by the fact that London now ranks behind only New York in terms of the number of major chain flagship stores, having overtaken Paris, Milan, Tokyo and LA over the past decade.²⁷

World class education system: In terms of design and creativity, it was noted by a variety of stakeholders that the UK retained a significant competitive advantage in terms of the guality of its higher education system. This was reflected in the very high, and still rising, level of demand from overseas students (according to HESA, the proportion of overseas students in design studies has increased by over five percentage points since 1996). However, although most stakeholders acknowledged the guality of design education, it was also suggested that the current system was producing a surplus of designers, many of whom subsequently struggled to find employment. In clothing, textiles and footwear courses, too little emphasis is put on the many other roles in the fashion chain, such as garment technologist, pattern cutter, grader and logistics specialist, while the role of the designer is centre-stage.

26 A full list of interview participants is provided in Appendix A. London Evening Standard, "Oxford St aims to take world retail title from New York", 26/7/10 27

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Innovation of UK retailers: It was emphasised that UK retailers have become increasingly cutting-edge in terms of their use of market research and other key aspects of business such as supply chain management and brand promotion. The key driving forces in this process were the fierce nature of competition on the high street and the dynamic demand cycle of the UK industry where designer fashion drives trend-led product at retail as well as encouraging close collaborations with designers re-enforcing retailers' design-led market position. In addition, the fashion PR sector was highlighted as being particularly creative, often playing the key role in brand development.

Specialist manufacturing: It is well documented that UK manufacturing has endured a painful period of retrenchment over the past 20 years due to the rise of low-cost competitors in emerging markets. However, it was emphasised that the manufacturing that remains is extremely lean; employing skilled workers in highly specialised areas.

8.2 WEAKNESSES

Lack of linkages between design and scientific disciplines: it was noted that the lack of overlap with hard scientific disciplines was weakening the sector's ability to innovate. The small number of Science, Technology, Engineering and Mathematics (STEM) graduates who were attracted into the more technical aspects of design/production was cited as a particular failure. Whilst examples of cutting-edge innovation in UK fashion design were certainly visible, the overall impression was that such instances could be increased given the right type of intervention.

Skill gaps in the labour market: whilst it was readily acknowledged that the UK higher education system offered world class training for would-be designers, it was mentioned that this could come at the loss of other relevant technical and entrepreneurial skills. This gap is partly responsible for the high failure rates of new design businesses. Although the latest data from Skillset indicates that current skill gaps are below the national average, the fashion and textiles industry finds it harder to fill vacancies due to the lack of qualified graduates, implying that without appropriate intervention these skill gaps are likely to widen over the next decade.

Barriers to sustained success for new talent: certain participants identified barriers to entry as a factor which was stifling new designers to some extent. Whilst initiatives such as New Generation and Fashion East do provide an excellent source of support for emerging designers, helping to raise awareness of their products, building a sustainable business model often proves much more tricky. Financial institutions often perceive lending to emerging designers as a risk due to the seasonality of productions, high upfront costs of collections and the frequent lack of entrepreneurial skills.

8.3 **OPPORTUNITIES**

Rise of new mass markets abroad: rapid growth in major emerging markets (EMs) such as Brazil, Russia, India and China (the BRICs), Turkey and Mexico has implied a sharp rise in external demand for retailers and designers over the past 10 years. Indeed, given much stronger mediumterm growth prospects in EMs relative to more developed countries, it is likely that sales growth will be increasingly export-led²⁸.

Oxford Economics forecasts imply that by 2020, Brazil, Russia, India, China, Mexico and Turkey will account for 20% of global consumption compared 28 to 10% in 2000. Meanwhile, the G7's share will slip to 53% from 65% over the same period.

Growing importance of online sales: with internet penetration rates having grown exponentially over the past decade, online retailing has become increasingly important as a source of growth across most industries, including fashion. Indeed, a recent study by Verdict, the consumer research group, forecast that online sales of clothing and footwear would grow at the fastest rate over the next four years compared to all other sectors analysed.

The depreciation of sterling: Anecdotal evidence from the interviews suggested that this provided a major boost to retailers during 2009, with sales in flagship London stores typically enjoying strong growth, despite fairly lacklustre local demand, as tourists flooded to the capital in search of bargains. In this respect, the New West End Group's plans for continued investment in Oxford Street and the surrounding area should bring significant benefits, particularly if sterling fails to regain its lost ground. Moreover, by making imports more expensive, the exchange rate movement should boost local manufacturing. It is worth noting that currency fluctuations can be seen as a threat as well as an opportunity since many retailers may have been adversely affected by the relative strength of the US dollar.

8.4 THREATS

Economic stagnation: Although the threat of a long period of economic stagnation, coupled with deflation, has receded since the height of the global financial crisis, concerns linger over a prolonged spell of economic weakness. Such a scenario would be characterised by a high rate of unemployment and very muted real income growth, which would imply lower consumer spending.

Issues of sustainability/ecology: the growing global consensus surrounding the importance of moving towards more sustainable production patterns given the threat of global warming was cited by a number of respondents as a key future risk. The issue is likely to be particularly relevant to retailers, who will have to weigh up the benefits of outsourcing in terms of lower-cost production against the wider societal costs.

Rise of emerging markets (EMs) as design hubs: although the rapid growth of EMs has clearly been beneficial in raising global demand, some concerns were expressed with regards to the potential for these countries to eventually become rival design hubs. Over the last four years, the number of fashion events held in a number of emerging markets has more than doubled; including India, UAE, Singapore and South Africa. Moreover, China was also highlighted as a key potential future rival given a recent "brain-drain" of top UK academics, attracted by higher salaries and the industry's large domestic manufacturing base.

Rise of alternative fashion weeks: Recently a range of countries, including both mature and emerging economies, has significantly increased expenditure on their own fashion weeks in an effort to compete with traditional market-leaders (New York, London, Milan and Paris). Of the major fashion capitals, London is probably the most vulnerable due to the predominance of small businesses and the small number of global brands.

Public funding pressures: the impending sharp cuts to university funding were cited by a range of stakeholders as a significant risk, given future implications for the labour market. In addition, several retailers expressed concerns about the implications of cuts generally for UK consumer demand, particularly given the impending rise in VAT. The impending abolition of the LDA has also created uncertainty in terms of whether its support of the London fashion industry will continue to be financed by the Greater London Authority (GLA). Finally, concerns were raised about government cuts to support for trade fairs and initiatives, such as the Tradeshow Access Programme

Inflationary pressures in the supply chain: these are expected to increase significantly in the medium term. They are likely to build through a variety of channels. Firstly, supply and demand fundamentals for relevant commodities, particularly cotton, suggest that prices could rise significantly. Secondly, as China seeks to move up the value added chain and rebalance its economy more toward domestic consumption, labour costs will rise. Indeed, retail price inflation of clothing and footwear jumped to over 6% in 2010Q2, its highest level since records began, although this was partly linked to the rise in VAT.

8.5 CONCLUSION

The majority of factors highlighted previously are interrelated, and this section will seek to explore these connections further, whilst also analysing implications for policy. At a macroeconomic level, the rise of emerging markets (particularly China) has been one of the most significant developments of the past decade. Moreover, our analysis of current fundamentals suggests that this trend is likely to continue over the next ten years. Together with the current muted outlook for growth domestically, this suggests that sales growth is likely to be increasingly externally-driven, with implications for both designers and retailers. This underscores the need for consistent, reliable assistance in the form of grants for exports promotion.

On the designer-side, the importance of the UK retaining the unique "edgy" image that differentiates it from the more classical styles of other major fashion centres is heightened, as is the salience of events such as London Fashion Week, which are crucial to the promotion of the UK brand. On these fronts, the short-term risks appear to be limited, although the prominence of London Fashion Week has been threatened recently by the rise of fashion centres in both emerging markets and more mature economies such as Germany. In the longer term, however, these factors underscore the importance of the UK higher education system. In this respect, it was worrying to hear of an ongoing "brain drain" to China, with top academics attracted by higher remuneration packages. Such a trend would only be reinforced were significant funding cuts to increase the relevant monetary incentives. In a downside scenario, a sharp cut in university funding would lead to a further exodus of top UK teaching talent, stifling creativity of new UK designers. Moreover, such a pattern would also encourage the long-term rise of China as an alternative creative hub.

For designers and retailers, on the other hand, the rise of emerging markets represents much more of an opportunity than a threat. Growth strategies are set to be increasingly externally-focused with examples already of major high street outlets attempting to establish themselves in the BRICs. Retailers and designers typically both cited China, and to a lesser extent India, as key sources of future growth, particularly given the development of online technology.

Another key theme that was continually raised during the interview process was that of sustainability. Clearly, such issues have attracted increasing levels of political attention in recent years and a fairly broad global consensus now exists regarding the need to reduce carbon emissions, evidenced by the Copenhagen Accord²⁹. Although the carbon intensity of most apparel production is not particularly strong³⁰, the widespread outsourcing of production to emerging markets, particularly China, implies high levels of emissions associated with transport. Moreover, the production of clothing, particularly in developing countries, consumes vast quantities of water.

Agreed on the 18th December 2009, the Accord endorses the continuation of the Kyoto Protocol and underlines the status of 29 climate change as one the greatest challenges of our time

It should be noted, though, that the production of synthetic fibres such as nylon and polyester does involve the consumption of oil.

Currently, amongst retailers. movements towards more sustainable production patterns have been relatively limited, although, as was documented in Section 7.1, some clear exceptions to this do exist. Currently, it appears that the appetite for sustainably-produced items amongst UK consumers is insufficient to offset the associated cost increases. However, several retailers have noted a movement away from fast fashion over the past year, as the recession has encouraged consumers to place a higher premium on quality. It is too early to judge whether such a trend is permanent, although a longer term trend towards a less consumerist attitude to clothing purchases appears likely.

SECTION 09 GONGLUSIONS & PROPOSED INTERVENTIONS



09. CONCLUSIONS & PROPOSED INTERVENTIONS

The core aim of this report has been to define the UK fashion industry and value its contribution to UK plc and UK society. It is primarily an economic impact study - but flowing from this analysis are a number of broad areas (including showcasing, manufacturing, technical skills and business management) within which future research, policy or communications interventions could further benefit the industry in terms of growth, success and contribution to UK economy and society.

ics of the quantitative analysis contained in this report.

The objective of producing these 'intervention areas' is to encourage and prompt the further development of a united, economically thriving, inclusive and sustainable industry that fully contributes to the economic and cultural life of the UK. This is, by no means an exhaustive list, but we hope that it will stimulate debate, inside and outside the industry and form part of a 'national fashion action plan' agreed by stakeholders and government.

Core Areas

TACKLING THE BUSINESS/MANAGEMENT SKILLS GAP: 9.1

increasing business content in fashion courses:

Evidence indicates that young people across the UK don't fully understand the breadth and scope of careers within the UK fashion industry. This is leading to a well documented skills gap within the industry in areas such as manufacturing and business management.

More extensive and co-ordinated campaigns in partnership with the Sector Skills councils to communicate initiatives would help to demonstrate the breadth of careers supported by the fashion industry and to signpost young people towards relevant training. In particular, the diversity of employment opportunities needs to be emphasised. This could help to address the current skills mismatch which leads to a surplus of those wishing to follow a career as a designer.

It would also be beneficial for Higher Education courses in fashion to contain greater entrepreneurial content. The London College of Fashion will offer an EMBA in fashion design from 2011 and the success and effectiveness of this should be monitored and promulgated as appropriate.

(ii) Encouraging business support partnerships:

One of the most effective models for designer fashion businesses is to link the creative skills of the designers with a business partner.

This partnership is at the heart of the world's most successful designer business brands (i.e. Gucci, LVMH, Burberry) where a strong business partner complements the creativity of the designer. This not only allows the businesses to operate successfully from a financial perspective, it also allows the designer to maximise his or her creative input as business challenges (outside their skill set) are removed from their action list.

The proposed interventions reflect a combination of intelligence gathered during the interview process, analysis of the related literature and careful consideration by Oxford Econom-

(i) Engagement and recruitment of diverse young people into the UK fashion industry and

This needs assistance on two levels - encouraging business graduates to consider this partnership opportunity as a career option and highlighting the opportunities to the broader business community and incentivising this involvement.

In addition, the existence of targeted business counsel/support from local enterprise partnerships (LEPs) and other bodies should be more effectively communicated to fashion businesses.

A combination of these interventions may help to reduce the current high rate of small fashion businesses that fold in the initial years of operation.

9.2 SUPPORT FOR HIGH-SKILLED MANUFACTURING:

The loss of a large swathe of UK manufacturing to lower-cost locations in the Far East is unlikely to be reversed. However, the textiles, clothing and footwear manufacturing that remains in the UK is very lean, concentrating on specialist high value-added areas. The Manufacturing Alliance comprising the British Fashion Council, Centre for Fashion Enterprise, London Manufacturing Advisory Service, Skillset, UK Fashion and Textile Association and supported by NESTA, has been working with designers and manufacturers in London to explore how best to strengthen relationships and grow capacity. Encouraging growth in this area would help towards the goal of structural rebalancing. One key issue in the current climate will be encouraging lending to small and medium-sized enterprises (SMEs) and new start-ups.

It is also important that immigration policies do not become so restrictive as to create skill gaps, particularly given the looming potential problems with the ageing workforce of the textiles manufacturing industry. One partial solution to this issue would be to extend apprenticeship schemes. Mulberry's apprenticeship scheme at its Somerset factory, which is based on its determination to keep 30% of production in the UK, attracts strong levels of demand from the local population.

Furthermore, to tackle the issue of UK manufacturers missing high-end skills available abroad (especially in France and Italy) policies and best practice should be developed - such as UK fashion graduates undertaking mandatory placements with key manufacturers in Europe.

INVESTMENT IN THE PROMOTION OF UK FASHION: 9.3

Strong quantitative and qualitative evidence underlines the critical importance of initiatives that effectively showcase UK fashion design to local, national and international audiences. These showcasing activities have significant economic benefits for the fashion industry, the wider creative industries, other sectors (such as tourism) and also 'Brand Britain'.

The premiere showcasing event in the UK, London Fashion Week (LFW), has been described as a 'creative launch pad' driving a 'dynamic demand cycle' within the UK fashion industry, in influencing new designs/products and consequent demand for them. Ultimately, the event generates orders in the region of £100m, contributes over £20 million to the London economy in terms of direct spend, and attracts visitors from over 25 countries including US, France, Italy, Russia, Middle East, China and UAE.

It is no coincidence, however, that other European cities such as Berlin, as well as emerging markets such as the Far East, are now 'catching up' and investing in major fashion showcasing events with some success. Given the strengthened competition in this area, it seems imperative that a long term cross-sector strategic plan is created to fund and build on London Fashion Week's hisIn a broader vein, these are just examples of cross-sector interventions that will help boost the fashion design sector. They are pivotally important, however, and need to built up on, since fashion design has had the greatest influence on the growth of the whole industry over the last ten years but also faces the most challenges.

9.4 POLICIES TO ATTRACT FURTHER FOREIGN DIRECT INVESTMENT (FDI):

With the macroeconomic balance of power increasingly shifting towards emerging markets, Foreign Direct Investment is likely to become an ever more important source of growth over the next decade. Promoting the British "brand" is likely to be particularly important in this context as it represents one of the most important "pull" factors for foreign investors.

A broad range of measures could be considered, including the provision of a portfolio of resources and evidence to the British Foreign and Commonwealth Office (FCO) and UKTI commercial officers abroad, on the benefits fashion brings to a business thinking of locating in the UK.

9.5 EXPORT PROMOTION:

The majority of British fashion businesses export. UKFT, and its predecessor bodies, have been taking British design-led companies from all sectors into foreign markets for more than 30 years. As the largest user of the Tradeshow Access Programme (TAP) and other grants schemes sponsored by UKTI, it typically assists more than 600 companies in each year, working at more than 70 trade events across the world.

In general these small designer businesses are particularly vulnerable when exporting their wholesale orders to international stores. Fashion stakeholders could help build knowledge around exporting, delivery windows and delivery terms. With support from UKTI and LDA, the British Fashion Council is able to commission reports to gain market intelligence that assists in targeting stores to come to London Fashion Week, sharing information with designer businesses through seminars to help them develop their international sales strategies. UKTI and LDA also support the British Fashion Council to take emerging design talent to Paris and, for the first time in March 2010, to New York, to develop relationships with designer retailers and the media to generate orders in the immediate and longer term. Whilst these initiatives are successful and are essential for growth, exporting for designer businesses continues to be high risk.

The Government's Export Credit Guarantee Department (ECGD) could work with the fashion industry to create initiatives for British designer businesses and, in doing so, assist this highly influential yet fragile end of the fashion industry. Support from the ECGD could see those mechanisms already put in place for UK Film adapted for fashion, such as guarantees and payment insurance for export orders and assistance in finance for export orders through credit guarantee schemes.

9.6 ENCOURAGING THE GROWTH OF FASHION 'CLUSTERS' ACROSS THE UK:

Given the influence, leverage and impact of the fashion industry in London we believe that, given

torical success so that it maintains its pre-eminence as a cutting edge and internationally influential event. The efficacy of investment in other London-based, as well as regional, showcasing events certain circumstances and policy stimulus, the sector could help boost other regional and local economies across the UK. There is emerging evidence from other countries concerning the efficacy of supporting local fashion clusters or hubs in key cities and local areas. For example, in Johannesburg and New York, cross-sector funding is being provided to protect and stimulate prospeous fashion districts (where a critical mass of colleges, designers, manufacturers and retailers work in close proximity); policies include fashion zoning, negotiating good rents for business space, sharing best practice and providing training for designers. More evidence is needed on the potential of specific local areas to target for maximum economic and social gain. One approach may be for the proposed Local Enterprise Partnerships (LEPs), in conjunction with local authorities and partnerships, to appoint a "fashion lead" to provide an overview on potential districts ie existing hubs of local fashion colleges, businesses and manufacturers. Local "fashion action plans" could then evaluate the size and impact of the fashion sector in their localities and detail a "plan" of how the sector could be strengthened. There is a real opportunity for greater analysis and planning of "fashion clusters" given the upcoming provision of greater quality data to local authorities detailing employment and economic activity of the creative industries at a local level.

9.7 POLICIES AND CAMPAIGNS AIMED AT INCREASING THE SUSTAINABILITY OF PRODUCTION AND REDUCING THE UK FASHION INDUSTRY'S CARBON FOOTPRINT

At present, sustainability is a growing area of focus and concern for government, industry and consumers and there is a sense that the UK has a real opportunity to be a global leader in this area. There are already a number of major and innovative cross sector initiatives that are leading the way, including Defra's Sustainability Clothing Action Plan and the Carbon Trust's carbon reduction label and standard (for both brands and organisations). There is also a growing movement of commercial industry sustainability initiatives by Estethica (a British Fashion Council initiative), M&S, John Lewis, Stella McCartney and others.

In the short-term, it is likely that this "movement" will be primarily driven by government and key cross-sector organisations, in consultation with the views of consumers. However, the broad actions contained within the Defra action plan are sensible and should be "rolled out" – i.e. gather evidence (including public understanding about sustainable clothing and the business case for sustainable fibres), engage with a broad group of stakeholders along the supply chain to discuss and agree options and develop UK policies (and influence international policy), including practical actions to improve the environmental and ethical performance of clothing.

Within this, the following forms of intervention appear plausible:

(i) A concerted communications campaign by specific businesses, or a cross sector consortium, encouraging consumers to buy ethically and sustainably sourced & produced clothes, with the possible creation of a logo/trademark for ethically sourced and produced lines;

(ii) The use of fiscal incentives to encourage more sustainable behaviour by individual firms.

9.8 IMPROVING STATISTICAL REPORTING OF THE FASHION INDUSTRY AND SHARING THE EVIDENCE BASE:

In this report our definition of the fashion industry builds on previous work and reflects its current dynamics and boundaries. It is important that DCMS and statistical agencies utilise this work in agreeing a definition of fashion, which can be used as part of the official statistics on the creative industries. Building on recent improvements in the quality of local data being made available on the creative industries it would seem sensible to create an annual 'fashion industry tracker' that represents and analyses the value and outputs of the fashion industry across all regions of the UK, year on year.

This data could be used to assess changes within the industry and underpin interventions to increase innovation and the socio-economic contribution of 'fashion'. Furthermore, all data and resources concerning the industry should be collated and located in a central accessible location.

9.9 TAKING THE INDUSTRY INTO THE FUTURE – A UNIFIED APPROACH

In preparing this report we have interviewed a variety of cross-sector stakeholders within the industry.

Although there is no single organisation representing the whole sector, in our analysis we have identified the British Fashion Council, UK Fashion and Textiles Association (UKFT) and the British Retail Consortium (BRC) as three significant industry stakeholders who broadly cover the key areas of fashion design, retail, manufacturing, creative and marketing/promotion.

It seems a sensible approach for these organisations to work with key government departments and public sector agencies, education and skills organisations, professional bodies and stakeholders across all other sectors and industries, using the evidence and intervention suggestions in this report, to formulate and agree upon a detailed 'fashion action plan', covering the whole industry, to plan its future growth and success.





APPENDIX A: INTERVIEW PARTICIPANTS

Table A1 lists interviewees from phase one of the project, table A2 from phase two.

TABLE A1: LIST OF INTERVIEWEES IN PHASE ONE BY AREA OF INTEREST

LIST OF INTERVIE	WEES		
Main Area	Sub Area	Organisation	Name
Retail	Online	ASOS	Caren Downie
	Boutique	A La Mode	Josephine Turner
	Department Store	M&S	Sir Stuart Rose
	Multiples	Jaeger	Harold Tillman
		Harvey Nichols	April Glassborow
		formerly of Aquascutum	Kim Winser
		Whistles	Jane Shepherdson
		formerly of River Island	Sarah Walter
	Beauty & Grooming	Proctor & Gamble	Andrea Witty
Design	Designers	Anya Hindmarch	Anya Hindmarch
		Vivienne Westwood	Christopher Di Pietro
		Sara Berman	Sara Berman
		Erdem	Erdem Moralioglu
Media	Online	Net-a-Porter	Natalie Massenet
		Style.com	Sarah Mower
	Magazines	Vogue	Alexandra Shulman, Stephen Quinn
		GQ	Dylan Jones
	Newspapers	The Times	Lisa Armstrong
PR/Events Organisation		Single Market Events	Tim Etchells
		The Communications Store	Daniel Marks
		INCA	Charlotte Clark
		Fashion East	Lulu Kennedy
Academia		Central Saint Martins	Louise Wilson
Researchers	Trends, Research & Design	WGSN	Juliet Warkentin
	Innovation	NESTA	Angela Pugh
Public Sector		DCMS	Wendy Parker
		LDA	Helen Keenan
Other	Trade Association	UKFE	Paul Alger
	Recruitment Consultancy	Smith & Pye	Cressida Pye, Alice Smith

TABLE A2: LIST OF INTERVIEWEES IN PHASE TWO BY AREA OF INTEREST

LIST OF INTERVIEWEES			
Main Area	Sub Area	Organisation	Name
Retail	Department/variety stores	Debenhams	Michael Sharp
		House of Fraser	Stephanie Chen
		M&S	Tania Littlehales
		Anya Hindmarch	Anya Hindmarch
Design	Designers	Matthew Williamson	Joseph Velosa
	Academic	London College of Fashion	Frances Corner
Education	Academic	Central Saint Martins	Louise Wilson
	Skills	Skillset	Catherine Godward, Jamie Petrie
Research		Mintel	Katrin Magnusson
		Malcolm Newbery	Malcolm Newbery
Other	Museums	V&A	Claire Wilcox
	Trade Association	UKFT	Eric Musgrave, Mark Henderson
	Industry Experts	BFC	Hilary Riva

APPENDIX B: ESTIMATION OF GVA

As was intimated in Chapter 3, our estimation of GVA figures involved a sequential process that aimed to identify the value added at each separate stage of production (retail, wholesale etc) for a list of ten fashion products, identified from the results of the industry survey conducted by the British Fashion Council. In terms of processes, three separate means of estimation can be identified as:

- 1. The value-chain approach used to estimate Retail, Wholesale and Manufacturing
- 2. Input-output modelling used to estimate Textiles and Advertising/PR
- 3. Other methods required to estimate Education, Media and Creative

Value-chain approach:

The first stage in the value-chain approach was to estimate the value of retail spending on each of the ten products. Our primary source for this exercise was the Family Expenditure Survey (FES) produced by the ONS, which asks respondents about spending habits during the past year. Answers are given in response to the question, "how much is your average weekly expenditure on good x/service y", implying that to generate an annual estimate these figures would need to be multiplied by 52. Table B1 details the weekly expenditure associated with the relevant items:

TABLE B1: FAMILY EXPENDITURE SURVEY DETAIL (2008)

PRODUCT	TOTAL WEEKLY EXPENDITURE (£MNS)
Men's outer garments	116
Men's undergarments	9
Women's outer garments	196
Women's undergarments	27
Boys' outer garments (5-15)	20
Girls' outer garments (5-15)	25
Infants' outer garments (under 5)	16
Children's undergarments (under 16)	8
Men's accessories	6
Women's accessories	8
Children's accessories	3
Footwear for men	31
Footwear for women	53
Footwear for children and infants	21
Jewellery, clocks & watches and other personal effects	54
Leather and travel goods (excluding baby items)	21
Hair products	19
Cosmetics and related accessories	62

From this it was straightforward to estimate annual expenditure for the ten products we were interested in. However, we had to account for two factors; firstly, that this survey would reflect 2008 rather than 2009 spending patterns and, secondly, that it would only reflect spending by UK residents on fashion products, i.e. using these estimates would ignore the effect of tourist spending. To adjust for these two factors we used national accounts data on consumer trends published by the ONS. This data went all the way through to 2009 and accounted for total (resident plus non-resident) retail spending. The disadvantage of using ONS figures compared to the FES is that they are less disaggregated at the product level. Table B2 details the consumer trends data for the relevant products:

TABLE B2: ONS CONSUMER EXPENDITURE DATA (2009)

PRODUCT	TOTAL EXPENDITURE (£MNS)
Garments	36679
Shoes & Other Footwear	6721
Other Clothing & Clothing Accessories	2214
Jewellery, Clocks & Watches	4753

In order to transform these figures into estimates for our relevant ten product categories we had to make a series of simplifying assumptions. Table B3 details our final spending estimates with methodological notes:

	-	 		-		-	-	-	-	-	-	-	-	 	 		 -	-	-	-	-	-	-	-	-			-	-	-	-	-	 	 -	 	-	 	-	 		 -	 	-	-	-	-	-	-	-	-	 	

TABLE B3: FINAL EXPENDITURE ESTIMATES AND METHODOLOGICAL ASSUMPTIONS

PRODUCT	Total Expenditure (£mns)	Notes
Footwear	6,721	
Men's	10,995	Garments and remaining quarter of other clothing and clothing accessories split using FES implied relative size of clothing
Women's	17,240	Garments and remaining quarter of other clothing and clothing accessories split using FES implied relative size of clothing
Children's	6,069	Garments and remaining quarter of other clothing and clothing accessories split using FES implied relative size of clothing
Cosmetics/Beauty	2,738	Grossed up using consumer trends : FES ratio of seven other products (1.59)
Jewellery & Watches	4,040	Assumed to be 85% of Jewellery, Watches and Clocks
Accessories	1,771	Assumed to be three quarters of spending on other clothing and clothing accessories
Luggage & Bags	1,384	Grossed up using consumer trends : FES ratio of seven other products (1.59)
Hair	1,546	Grossed up using consumer trends : FES ratio of seven other products (1.59)
Lingerie	2,375	Garments and remaining quarter of other clothing and clothing accessories split using FES implied relative size of clothing

Having generated these estimates for spending, it was then necessary to deflate them into basic (before tax) prices by accounting for the impact of VAT. Therefore, each figure was multiplied by 0.85 (VAT was reduced to 15% in 2009) except for childrenswear, which is exempt from VAT. Our aim was to use these basic price expenditure figures to generate estimates for retail GVA using implied GVA:GO ratios. These were sourced from the latest ABI, which covered 2008. Although this was a year out-of-date it is unlikely that the relationship between GVA and GO (essentially turnover) altered significantly last year, suggesting that no significant adjustment needed to be made for this factor. The idea was to use the ABI survey to estimate the proportion of retail spending which went towards GVA, i.e. wages and profits, rather than intermediate consumption. Table B4 details the ratios that were used:

TABLE B4: GVA:GO RATIOS BASED ON ABI

PRODUCT
Footwear
Men's
Women's
Children's
Cosmetics/Perfume
Jewellery & Watches
Accessories
Luggage & Bags
Hair
Lingerie

The next stage of the value chain was wholesale. Having estimated the value of retail value added for each product, the aim was to determine what proportion of the residual (expenditure at basic prices minus retail GVA) was accounted for by wholesale GVA, i.e. the salaries of employees and profits of whoesalers. The ABI provided data on wholesale GVA for three relevant categories: clothing and footwear (£2,520 million); jewellery and watches (£405 million); and cosmetics/perfume products (£1,267 million). We then adjusted these figures by spending growth in 2009 (a reasonable approximation for changes in GVA) and split the clothing and footwear aggregate between our six clothing and footwear products (footwear, menswear, womenswear, childrenswear, accessories and lingerie) based on their relative share of total expenditure.

Before we could estimate figures for manufacturing, we needed to account for net trade flows, particularly relevant in this case due to the outsourcing trends identified in Chapter 3. In order to estimate net trade flows for each of the different goods, we used 8-digit product data produced by HMRC. The disaggregation of the HMRC data is very extensive, implying that we were able to generate more precise estimates for net trade flows compared to our GVA estimates, which required more approximation.

Theoretically, the final figure that remained should have been equal to gross output in the manufacture of the particular product plus the other parts of intermediate consumption at the retail and wholesale level e.g. accountancy services employed by fashion retailers. In order to approximate what proportion of this was accounted for by manufacturing GO, as opposed to other parts of intermediate consumption, we used "bottom-up" figures from the 2008 ABI survey, adjusted for the change in employment in 2009Q1 compared to a year ago³¹. This adjustment was particularly important given the context of the economic collapse in the aftermath of Lehmann Brothers.

Input-Output (I-O) modelling

In order to estimate the GVA of the associated textiles and advertising/PR industries we used an I-O model to capture the implied demand created by the wholesale, retail and manufacture of these fashion products for these sectors. We used the 1995 I-O matrix³² and shocked the relevant sector by the level of gross output already estimated. For textiles we summed together the following

GVA:GO Ratio
0.3
0.3
0.3
0.3
0.19
0.35
0.3
0.2
0.19
0.3

³¹ The LDA provided us with, then unpublished, data for employment by SIC code for 2009Q1. 32 The reason for using the 1995, as opposed to a more recent, matrix was that it accounts for imported goods/services.

categories: textile fibres; textile weaving; textile finishing; made-up textiles and other textiles, whilst for advertising/PR we summed together advertising and 5.8% of market research/management consultancy (the estimated share of PR in this category³³. We then used the GO to GVA ratios for the relevant sectors (textile weaving, textile fibres etc) to generate equivalent GVA figures, and summed them across the wholesale, retail and manufacturing sectors to create final estimates for the extra value added created by the demand for each product.

APPENDIX C: ESTIMATION OF EMPLOYMENT

Calculating equivalent employment figures once the GVA estimates had been generated was relatively straightforward. Several alternative methods were used depending on the stage of production/distribution under consideration:

- 2. The input-output method used to estimate Textiles and Advertising/PR
- 3. Other methods required to estimate Education, Media and Creative

Implied productivity approach:

For retail, wholesale and manufacturing our methodology was very straightforward and relied upon implied productivity ratios documented in the most recent ABI survey (2008). The ABI provides detail on both approximate GVA and employment by industry/sector, so, for example, we were able to establish that the wholesale of cosmetics and beauty products generated £1,267 million of GVA whilst employing 23,000 people, implying that average GVA per employee was £55,087. Given our estimate that the wholesale of cosmetics and beauty products generated £1,190 million of GVA in 2009, assuming that the GVA to employee ratio was unchanged leads to an estimate for total employment in the wholesale of cosmetics and beauty products of 21,600 jobs. Again we faced the problem that the ABI data was insufficiently disaggregated in places. Table C1 provides a list of the relevant categories and implied productivity ratios for each product.

TABLE C1: EMPLOYMENT - GVA RATIOS USED BY SECTOR AND PRODUCT

CATEGORY	RETAIL	WHOLESALE	MANUFACTURING
Footwear	56.33	17.46	25.97
Men's	45.23	17.46	33.21
Women's	45.23	17.46	33.21
Children's	45.23	17.46	33.21
Cosmetics/Beauty	67.14	18.15	33.21
Jewellery & Watches	28.2	19.75	35.34
Accessories	45.23	17.46	33.21
Luggage & Bags	45.23	17.46	20
Hair	67.14	18.15	33.21
Lingerie	45.23	17.46	52.63
		·	

1. The implied productivity approach used to estimate Retail, Wholesale and Manufacturing

Input-Output method:

Our estimates for textiles and advertising/PR GVA were generated using an I-O model of the economy which indicated the level of demand created for these sectors by the retail, wholesale and manufacturing of fashion products. In order to estimate the associated levels of employment we used implied employment to GVA ratios from the Oxford Economics regional model. Using these numbers, it was assumed that every £1 million of GVA created an additonal 42.5 jobs in textiles, whilst every £1 million of GVA in business services (the category which subsumes advertising) creates 28.8 jobs.

APPENDIX D: ESTIMATION OF CONTRIBUTION TO THE EXCHEQUER

For the purpose of simplicity, we confined our estimate of the impact on government revenue to indirect taxes, income and corporation tax. For indirect taxes on the direct side, we estimated two impacts: firstly revenues raised via spending on fashion products by consumers; and secondly the VAT paid by workers, directly employed by the fashion industry, in their everyday expenditure.

We had already calculated the first of these impacts in our estimation of retail GVA, during the stage in which we converted spending in current prices to basic prices. For the second impact, we estimated the gross income of those directly employed in the UK fashion industry by assuming that workers are, on average, paid the national mean wage of £26,470 per annum. We then used estimates from Barnard (2010), which imply that, on average, 13.3% of consumers' gross income is spent on VAT and other indirect taxes. We used a similar method to calculate figures for income tax, again applying a Barnard (2010) estimate that, on average, 12.7% of an individual's gross income was spent on income tax in 2008/9 to annual gross income in the UK fashion industry. Finally, for corporation tax we used the economy-wide Gross Operating Surplus (GOS) to GVA ratio (calculated using the 1995 I-O table) of 0.339 and applied it to our estimate of direct fashion industry GVA. To account for depreciation of capital, we then multiplied this figure by 0.7, which gave us an approximation of the profit levels of the fashion industry in 2009. Estimated total revenues were calculated by applying a 24.5% tax rate to this figure (24.5% being the mean average of the two different corporate tax rates then operating in the UK economy). The equivalent methodology was then applied to the indirect and induced employment and GVA figures in order to generate an aggregate measure. Table D1 summarises the methodology:

TABLE D1: SUMMARY OF RESULTS AND METHODOLOGY

	DIRECT	INDIRECT	INDUCED
Employment ('000s)	815.5	216.9	276.9
Mean Wage	26,470	26,470	26,470
Gross Income (£bns)	21.6	5.7	7.3
Income Tax (£mns)	2,741	729	931
Indirect by employees (£mns)	2,871	764	975
GVA (£mns)	20,928	7,681	8,597
Gross Operating Surplus* (£mns)	4,967	1,823	2,040
Corporation Tax (£mns)	1217	447	500
VAT on fashion products (£mns)	6,367	N/A	N/A
Total Tax Income (£mns)	13,196	1,939	2,406

* Includes impact of depreciation of capital.

APPENDIX E: ESTIMATION OF MULTIPLIER IMPACTS

Estimation of indirect & induced GVA:

In order to estimate the size of the so-called "multiplier" effects, we used I-O analysis, analogous to that used to estimate the size of advertising and textiles GVA. The first stage was to construct an I-O model using the 1995 I-O table published by the ONS. The downside of using a dated table is that structural relationships in the economy have inevitably changed during the intervening 15 year period. However, it is the most recent I-O table that accounts for imported goods/services within the supply chain. The 1995 I-O table breaks down the economy into 123 sectors. Reading vertically, one could deduce the proportion of a sector's output that was supplied by the other 122 sectors, whilst reading horizontally provides an indication of which sectors purchase a given sector's output. Therefore, an I-O table offers a means to systematically analyse and quantify the flow of money around an economy.

Having constructed the I-O model, the idea was to shock the relevant sector(s) by the estimated level of gross output estimated in the direct calculations. So, for example, we shocked the manufacture of footwear sector by £244 million. The model then calculated the impact of that shock in terms of type I and type II multiplier effects. Type I multipliers are the "indirect" impact referred to in Chapter 4 (i.e. the additional demand created via the supply chain), whilst a type II multiplier quantifies the induced impact, via the extra spending of those employed directly and indirectly in the industry. These figures were transformed into implied GVA numbers, using ratios taken from the 1995 I-O table with a separate estimate produced for each product and each stage of production (retail, wholesale, manufacturing, textiles and advertising/PR). Table E1 provides a full breakdown of the results:

EFFECT (£mns)	RE	TAIL	WHOLESALE MANUFACTURING		TEXTILES		ADVERTISING/PR			
Product	Indirect	Induced	Indirect	Induced	Indirect	Induced	Indirect	Induced	Indirect	Induced
Footwear	512	592	150	141	73	88	4	4	19	14
Men's	816	945	246	230	265	372	53	49	29	26
Women's	1,285	1,485	386	361	422	591	91	78	45	41
Children's	518	600	136	127	135	189	28	26	17	16
Cosmetics	126	146	244	228	193	209	2	1	11	10
Jewellery & Watches	337	391	150	141	244	264	3	2	15	14
Accessories	131	152	40	37	34	47	7	6	4	4
Luggage & Bags	105	121	23	21	84	72	2	1	4	4
Hair	71	83	23	22	165	179	1	1	5	5
Lingerie	176	204	53	50	25	35	6	5	5	5
Total	4,077	4,719	1,452	1,358	1,639	2,046	195	174	156	138

In order to transform these multiplier GVA estimates into employment figures, we used sectoral employment data from the Oxford Economics regional model. Using the model, we were able to compute employment using GVA ratios for 28 sectors across the economy, which we could then apply to our estimates for indirect and induced GVA. This process was repeated across all products for the five channels of production/distribution (retail, wholesale, manufacturing, textiles, advertising/PR). In a final stage, the induced numbers were adjusted in order to avoid double counting. Our estimate of UK fashion spending indicated that in 2009 6.3%, of total consumer spending was on fashion-related products. Therefore, we reduced our estimates of induced GVA by 6.3% to reflect the fact that approximately 6.3% of this would have been generated through spending on fashion-products, already accounted for in our direct estimate. A full breakdown of the results is provided in table E2:

TABLE E2: BREAKDOWN OF INDIRECT AND INDUCED IMPACT ON EMPLOYMENT BY PRODUCT

EFFECT ('000s jobs) RETAIL		WHOL	WHOLESALE		MANUFACTURING		TEXTILES		ADVERTISING/PR	
Product	Indirect	Induced	Indirect	Induced	Indirect	Induced	Indirect	Induced	Indirect	Induced
Footwear	14.3	18.7	4.0	4.5	2.1	2.8	0.6	0.3	0.5	0.6
Men's	22.9	30.0	6.5	7.3	7.4	11.8	1.5	1.9	0.9	1.0
Women's	35.9	47.1	10.1	11.5	11.8	18.8	2.4	3.1	1.4	1.6
Children's	14.5	19.1	3.6	4.0	3.8	6.0	0.8	1.0	2.6	1.6
Cosmetics/Beauty	3.5	4.6	6.4	7.3	5.6	6.6	0.0	0.1	0.1	0.4
Jewellery & Watches	9.5	12.4	4.0	4.5	7.1	8.4	0.1	0.1	0.4	0.6
Accessories	3.7	4.8	1.0	1.2	0.9	1.5	0.2	0.3	0.1	0.2
Luggage & Bags	2.9	3.9	0.6	0.7	2.4	2.3	0.0	0.1	0.1	0.1
Hair	2.0	2.6	0.6	0.7	4.8	5.7	0.0	0.0	0.2	0.2
Lingerie	4.9	6.5	1.4	1.6	0.7	1.1	0.2	0.2	0.2	0.2
Total	114.3	149.8	38.1	43.1	46.7	65.0	5.9	7.0	6.4	6.5

APPENDIX F: ESTIMATION OF REGIONAL BREAKDOWN

Our regional analysis was split into two main areas: spending patterns and manufacturing employment. For spending patterns, we made use of data from the most recent FES (2008). Therefore, it was analogous to the first stage of our estimation for retail GVA. One important distinction was that since figures were only provided for average weekly expenditure, this needed to be multiplied by the number of households to generate a regional total. Again, we were confronted by the issue of how to adjust for the fact that the survey would only give an indication of resident (rather than total) spending. Given that we already had a proxy for the level of extra non-resident spending, that is, the gap between the ONS consumer spending data and the implied FES levels of consumption, we needed to split this between the regions. In order to do this we used VisitBritain data which breaks down total tourism spending by region. Although this is a slightly imperfect measure, in that it concentrates on total rather than solely fashion spending, there is no a priori reason to expect that this would induce a significant bias towards a particular region. Table F1 summarises this process for footwear.

TABLE F1: ADJUSTMENT FOR NON-RESIDENT SPENDING

	FES spending (£mns)	% UK tourist spending	Implied Tourist Spending (£mns)	Total Spending (£mns)	
North East	235.4	1.2	14.7	250.1	
North West	655.1	5.0	59.9	715.0	
Yorks & the Humber	393.3	2.8	34.2	427.5	
East Midlands	395.8	2.4	29.3	425.2	
West Midlands	513.5	3.6	44.0	557.5	
East	481.2	4.8	57.4	538.7	
London	834.1	50.4	609.9	1,444.1	
South East	633.3	11.4	138.1	771.4	
South West	441.8	6.7	80.7	522.5	
England	4,532.8	88.4	1,068.3	5,601.1	
Wales	232.3	2.0	24.4	256.8	
Scotland	471.5	8.4	101.5	573.0	
Northern Ireland	224.6	1.2	14.7	239.3	
ик	5,512.0	100.0	1,208.9	6,720.9	

On the other hand, for the manufacturing employment results we made use of industrial location quotients (LQs). An LQ is a measure of the concentration of an industry in a region compared to the national average e.g. if 15% of manufacturing employment in a region is in textiles, and the national average for textile employment is only 5%, then the LQ for textiles in that region will be 3. These LQs were applied to employment data from the 2008 ABI survey (which provided a sectoral breakdown of the labour market by SIC) to produce separate regional estimates for manufacturing employment. Unfortunately, data limitations meant that it was not possible to produce estimates for three of the product categories (jewellery and watches; cosmetics and beauty products and hair products).

APPENDIX G: ESTIMATION OF LABOUR FORCE DIVERSITY

Our data source for analysing alternative metrics of labour force diversity was the Labour Force Survey (LFS) produced by the ONS for 2009Q4. This breaks down the labour market by sector and a variety of demographic and other factors such as gender, ethnicity, skill level, age etc. The only real methodological issue was to determine which sectors were included as part of the fashion industry. Our aim was to make the analysis as consistent as possible, with the definition established at the outset of the project. Therefore, we included relevant categories from retail, wholesale, manufacturing and textile production across as wide a variety of the relevant fashion products as possible. A list of the sectors and classification codes that were included by channel of production is provided below:

- Finishing of textiles
- watches & clocks; Manufacture of jewellery & related articles
- footwear on stalls and markets

Textiles: 13.10 Preparation & spinning of textile fibres; 13.20 Weaving of textiles; 13.30

Manufacturing: 14.12 Manufacture of workwear; 14.13 Manufacture of other outerwear; 14.14 Manufacture of underwear; 14.19 Manufacture of other wearing apparel & accessories; 14.20 Manufacture of articles of fur; 14.31 Manufacture of knitted & crocheted hosiery; 14.39 Manufacture of other knitted & crocheted apparel; 15.12 Manufacture of luggage, handbags, saddlery and harness; Manufacture of footwear; Manufacture of

Wholesale: 46.41 Wholesale of textiles; 46.42 Wholesale of clothing & footwear

• Retail: 47.71 Retail sale of clothing in specialised stores; 47.72 Retail sale of footwear and leather goods; 47.77 Retail sale of jewellery items; 47.82 Retail sale of clothing and

APPENDIX H: LIST OF PUBLICATIONS USED IN GVA ESTIMATE OF MEDIA

Magazine	Circulation	Frequency	Revenue Estimate Included (Yes/No)	Magazine	Circulation	Frequency	Revenue Estimate Included (Yes/No)
10 Men	na	_ na	No	JoystickJunkies.com	20000	Website	No
69 Degrees	29849	vear	No	JUKE	20000	Monthly	No
7th Man Magazine	na	Bi-annual	No	Let Them Eat Cake	15000	Quarterly	Yes
AGENT2	10000	Bi Monthly	No	Lingerie Buver	3000	8 issues per	No
	15000	Quarterly	Yes	Look	313013	Weekly	Yes
	175000	2 issues per	Vee	Lawa	010010	2 issues per	Na
Another Magazine	175000	2 issues per	Tes	Love	na	year	INO
AnOther Man	88517	year 2 issues per	Yes	lovehome.co.uk	150000	Website	No
Arena Homme Plus	90000	year	Yes	Lula	72000	Bi-annual 2 issues per	Yes
ARISE	na	Monthly 2 issues per	No	Luxure	25000	year	No
Bon Magazine	45000	year	Yes	Marie Claire	283025	Monthly 2 issues per	Yes
BuckStyle.com	na	Website	No	Man About Town	160000	year	Yes
Catch 22	na	Quarterly	No	Milk	na	Website	No
Chic Londres	na	Website	No	mycelebrityfashion.co.uk	na	Website	No
Clash	40000	Bi Monthly	Yes	My-wardrobe.com	na	Daily	No
Clique Magazine	na	Website	No	Net-A-Porter.com	na	Website	No
Company	240035	Monthly	Yes	Nude Magazine	na	Quarterly	No
Cosmopolitan	430353	Monthly 7 issues per	Yes	Observer (Woman)	340247	Weekly	Yes
Dare	271263	year	Yes	OSOYOU.com	na	Website 2 issues per	No
Dazed and Confused	85362	Monthly	Yes	Plastique	60000	year	Yes
Distill	84500	Bi Monthly	Yes	Portermagazine.com	na	Website	No
DRAMA Magazine	na	Bi-annual	No	Red	226502	Monthly	Yes
Elle (UK)	195455	Monthly	Yes	Runninginheels.co.uk	45000	Website	No
Esquire Evening Standard (Fashion	59160	Monthly	Yes	She	150074	Monthly	Yes
magazine)	na	Daily	No	SheerLuxe.com	120000	Website	No
EVE Magazine (Northern Ireland)	20000	Monthly	No	Shoo Magazine	30000	Quarterly	Yes
Exit Magazine	42000	Quarterly	Yes	shudoo.co.uk	na	Website	No
Fashion Confidential		Website	No	stilorama.com	500000	Website	No
Fashion Monitor	10500	Website	No	Stimulus Respond	75000	Quarterly	No
FASHION.MUSIC.STYLE	5000	Quarterly	Yes	stormstyle.com	95000	Website	No
fashion156.com	360000	Website	No	Style	20000	Monthly	No
Fashionable Mavern	na	Website	No	Stylebible.com	41000	Website	No
Fashioncapital.co.uk	na	Website	No	StyleFiles Magazine	na	Monthly	No
Fashion-Conscience.com	na	Website	No	Stylist	410674	Weekly	No
Fashionexchange.co.uk	125000	Website	No	Sunday Express (S magazine)	574323	Weekly	Yes
	20000	Website	No	Sunday Telegraph (Stella)	512819	Weekly	Yes
Financial Times (How to spend it)	399862	Daily	tes	Sunday Times (Style)	66000	Veekiy	tes
	19500	Monthly	No	Super Super	14000	Monthly	No
Footwear Today	12000	Monthly	No		60000	Quarterly	Yee
Fused Magazine	20000	Website	No	Tatler	86345	Monthly	Yes
Gallery Magazine	10000	Monthly	No	The Arbuturian	25000	Website	No
Glamour	515281	Monthly	Yes	The Gentlewoman	na	Bi-annual	No
GQ	na	Monthly	No	The Gin Lady	25000	Website	No
GQ Style	70000	2 issues per vear	Yes	The Knitter	na	Monthly	No
Gr8 Life	20000	Quarterly	Yes	The Playground	3649988	Website	No
Grazia	229732	Weekly	Yes	TheDish	na	Website	No
handbag.com	60935	Website	No	Trace	130000	year	No
Harper's Bazaar	110638	Monthly	Yes	Velour Magazine	na	Monthly	No
Henny Letailleur Stylist	na	2 times a week	No	VICE	89000	Monthly	Yes
howtolookgood.com	55000	Website	No	Vogue (UK)	210526	Monthly	Yes
i-D	68304	Monthly	Yes	Volt	12000	Bi-annual	Yes
Image Magazine	27107	Monthly	Yes	War!	30000	Quarterly	No
Imagine Fashion	na	Website	No	WGSN.com	35000	Website	No
Instyle (U.K)	184141	Monthly	Yes	Who's Jack	10000	na 2 issues per	No
International Life	40000	Quarterly	No	Wig	20000	year	Yes
Issue One iStylista com	na 50000	Monthly Website	No No	Women's Wear Daily	43981	na	Yes
	00000	TODOILE	140		na	Quarterly	No

APPENDIX I: COMPARISON OF GVA AND EMPLOYMENT ESTIMATES WITH OTHER CREATIVE INDUSTRIES

As was highlighted in the executive summary the definition we employ for the UK fashion industry is significantly wider than that defined by DCMS. This appendix illustrates the extent to which this causes a discrepancy between our estimates of GVA and employment and those of DCMS. Chart I1 presents the most recent DCMS GVA estimates for the creative industries, Chart I2 compares these estimates to our estimation of GVA excluding the retail sector, whilst Chart I3 presents the same results in comparison to our estimate of total direct GVA i.e. including retail. Charts I4, I5 and I6 present a similar comparison for employment.

CHART I1: DCMS ESTIMATE FOR GVA ACROSS CREATIVE INDUSTRIES



Source: DCMS

We are aware that our methodology has led to the exclusion of publications such as Drapers, WWB, MWB but we felt that in order to ensure that the objectivity of our research was not compromised we should rigorously adhere to the criteria provided by the Gorkana database.





CHART 12: DCMS ESTIMATE FOR GVA ACROSS CREATIVE INDUSTRIES WITH THE FASHION INDUSTRY EXCLUDING RETAIL

CHART 14: DCMS ESTIMATE FOR EMPLOYMENT ACROSS CREATIVE INDUSTRIES



Source: DCMS

Source: Oxford Economics/DCMS

CHART 13: DCMS ESTIMATE FOR GVA ACROSS CREATIVE INDUSTRIES WITH THE FASHION INDUSTRY **INCLUDING RETAIL**



CHART 15: DCMS ESTIMATE FOR EMPLOYMENT ACROSS CREATIVE INDUSTRIES WITH THE FASHION INDUSTRY EXCLUDING RETAIL



Source: DCMS/Oxford Economics

Software, Computer Games & Electronic Publishing
Music and the Visual & Performing Arts
Advertising
Publishing
Fashion
Architecture
Radio and TV
Video, Film & Photography
Art & Antiques

CHART I6: DCMS ESTIMATE FOR EMPLOYMENT ACROSS CREATIVE INDUSTRIES WITH THE FASHION INDUSTRY INCLUDING RETAIL



Source: DCMS/Oxford Economics