



A NEW DAWN
Rebuilding UK Textile Manufacturing
Notes from Conference at Clothworkers' Hall on 2 November 2012

Key Messages

- 260 representatives from across the UK textile industry attended a major conference sponsored by three City Livery Companies – the Clothworkers, Dyers and Weavers.
- Business Secretary Vince Cable stated his belief in a new dawn for the industry, building on the traditions of quality, excellent design and innovation.
- He announced in principle agreement for £2m of Government funding for employer-led training in textile companies.
- Research commissioned by Lord Alliance from Manchester University and unveiled at the conference demonstrates that textiles can be manufactured profitably in the UK on a competitive basis against emerging economies.
- The risks of long supply chains are leading companies to examine the total cost of ownership and benefits of 'reshoring' production.
- Companies able to invest in modern equipment and facilities are reaping the benefit in terms of quality, cost and flexibility.
- Leading global brands are sourcing from the UK because of its reputation for quality and innovation, combined with the attraction of heritage brands.
- The industry believes that Government could do more through higher capital allowances, funding to promote the UK industry in key markets, and greater flexibility in vocational training support.

This conference sought to bring together textile manufacturers, wholesalers and retailers from around the UK to talk about the emerging trend to bring manufacturing back onshore.

The View from Government

Vince Cable, Secretary of State for Business, Innovation and Skills acknowledged the historic importance of the textiles industry in the UK, but the sector continues to be a significant employer, with 100,000 people earning their living from textiles.

He senses there is a new dawn: companies are discovering new markets outside their traditional areas of eg automotive, aerospace, healthcare; there is also a recognition that the 'Made in Britain' brand has real value; the combination of fashion design excellence and reputation for high quality can give the UK a competitive edge.

Cable had seen first-hand at the Textile Centre of Excellence in Huddersfield evidence that UK firms are at the forefront of new technology, including a 3D weaving machine capable of revolutionising the industry.

Research commissioned by Lord Alliance demonstrates that the economics of the industry are changing dramatically, and that previous assumptions may no longer be valid. It may make sense to be close to the customer and market, and not be at the mercy of the reliability of the supply chain.

UK consumer attitudes are changing, whether for environmental or cultural reasons.

We thus may be at the beginning of a new dawn, but need to be careful it is not a false one. A realistic approach is required; a previous Secretary of State commissioned a major strategy report into textiles in 2000, refreshed in 2003, but it did not lead anywhere and Government lost interest. Accordingly, the industry needs to be careful that this time it does not slither away.

The context for the Government is the Industrial Strategy launched by Michael Heseltine. This recognises:

1. The importance of manufacturing

Britain does make things and does it well. Textiles is a small part of this but where it is successful, it is very successful. There should be great scope for expansion and a manufacturing revival.

The industry needs to change young people's perceptions about the attractiveness of a career in manufacturing.

2. The need to think long term

So many incentives force companies to think short term. We need as a country to focus on how we make a living, and why, for example, there is a shortage of engineers. Change has to be planned.

3. **Government and business are not enemies**

There is potential for partnership. Business should be able to expect a reasonable level of taxation, and a minimum level of regulation. Government may be able to have a collaborative relationship with industry, by bringing in policy initiatives which might include supply chain funding, access to finance and addressing deficiencies in infrastructure.

Government can support innovation, by selectively pump priming new ideas. The Technology Strategy Board is a good example of how such funding can be provided, but more could be done.

Skills are a key issue: a lot have disappeared, and new skills need to be paid for. There has been a revival of apprenticeships, and Government have been able to channel more funds into this area, with a particular concentration in advanced manufacturing.

They are trying to change the basis of funding, to have it driven by employers, rather than education and training providers. One of the new employer pilots will, subject to due diligence, be in the textile industry through the Huddersfield Centre of Excellence.

The Secretary believes there is a new dawn and it is real; in the depths of recession, an additional 3,000 people have been employed in textiles. There is optimism.

Importance of Design

Paul Smith talked about the importance of British design for manufacturers. We need to exploit genuine links with the past, what is the company famous for? Many labels have history, but not necessarily a reputation.

Design is not just about fabric, it encompasses everything, from image to stationery to exhibition stands.

He encouraged manufacturers to help young designers by producing small orders – flexibility is now a lot easier digital print.

We need to improve the image of the industry – how can the Italians advertise Biella as the “Yorkshire of Italy”?!

Companies need to be distinctive, promoting attractive niche products which get buyers’ attention, whilst having more mainstream offerings which generate stable revenues. Such a balance supports success and sustainability.

UK Relative Competitiveness

Professor Chris Carr from Manchester University launched the findings of some groundbreaking research commissioned by Lord Alliance from TDL.

This looked at the relative costs of manufacturing in the UK, India, Bangladesh and Turkey.

Is it possible to have a significant, flexible manufacturing facility in the UK using modern technology and equipment?

The cost comparison study examined the typical factors affecting the establishment of a mill, together with operating costs.

It looked at a variety of cost parameters, from raw materials, conversion and financing to overheads, freight, import duties and export incentives, at each stage of spinning, weaving, knitting and dyeing and finishing.

The study found that a UK facility could operate profitably, although the net margin would be lower than in the other countries. However, the additional benefits accruing to the retailer (in terms of shorter lead times, flexibility, less write-downs etc) should allow for a marginally higher sales price from the factory, improving the overall margin.

The research looked separately at the relative merits of sourcing fabric from the UK or Bangladesh, taking t-shirts, jeans and shirts as contrasting value sectors. It found that labour costs are unsurprisingly significantly lower in the sub-continent than in the UK, but that supply chain factors can outweigh the price disadvantage.

Lord Alliance has a team looking to present a case to Government for textiles to be a priority national industry. Lorna Fitzsimons would be pleased to hear from people in the industry interested in participating in this initiative (mail@lornafitzsimons.net).

The Importance of Logistics

Professor Martin Christopher of Cranfield University spoke about the importance of supply chain issues to the sourcing decision.

There is a growing awareness that it is supply chains that compete, not companies. Volatile demand conditions require high levels of supply chain agility, and argue for moving supply closer to demand.

The trend towards outsourcing has increased supply chain dependencies and created an extended enterprise; offshoring requires a higher level of management involvement and challenge.

Since most costs lie in the upstream supply chain, it can be a source of competitive advantage. Volatility is expected to continue, meaning frequent changes in demand, variety and product. These require shorter supply pipelines and timeframes, which can cause chaos in supply chains (sales promotions, discounts etc).

This is leading to a shift away from a forecast driven mentality to executing against demand, whilst forecasting for capacity.

Offshoring reduces costs to the purchaser and manufacturer, but it results in longer lead times and supply chains, and thus reduced agility. There are thus benefits to bringing manufacturing closer to the marketplace and demand.

Companies need to look at the **total** cost of ownership. This includes transportation, inventory finance, uncertainty of supply (and thus potential for disruption), loss of quality control, increased security risks, and longer development cycles for new products. Longer supply chains, involving multiple companies, put the supplier at risk (the 'bullwhip effect').

There are number of reasons to consider 'reshoring':

- Reducing the total cost of ownership
- Improving the quality and consistency of inputs
- Reducing pipeline and surge inventory in just-in-time operations
- Clustering manufacturing and new R&D facilities to enhance innovation
- Reducing intellectual property and regulatory compliance risk
- Eliminating the waste and instability caused by off-shoring (bullwhip effect)
- Strengthening the company's ability to respond quickly to customers' demands

The Retailer Perspective

Richard Craig, Managing Director of Margaret Howell talked about how the success of the brand is based on authenticity. 56% of their product is made in the UK, with their 30 suppliers tending to be small specialist mills and manufacturers.

The benefits of using UK suppliers include the authenticity and tradition of well-made products, the creations of interesting designs, the convenience of location and ease of working, and the commitment of the staff.

However, there are also weaknesses: an ageing workforce, undercapitalised firms, reliance on drive from owners, and there are not enough companies.

Design is key to success in UK manufacturing and designers need to work closely with those in the factories. We produce wonderful product in the UK and authenticity is in fashion. We need to celebrate and support people who want to make, especially the young.

Joe Dixon, Senior Vice President of Brooks Brothers talked about how UK manufacturing tradition has helped his company's global success.

Brooks Brothers' network of stores creates a global window for UK products. The company uses a number of British suppliers, including Hawick and Barrie (knitwear), Abraham Moon and Johnstons (fabric).

They ship UK woven silk from Vanners to the USA to be made up into ties in their own facilities. They have had a Brooks Brothers' tartan created in Scotland for a new collection which 'preserves the past, and promotes the future'.

They also have a multi-year contract for yarn and sweater manufacture in the UK for products where demand is very predictable, using mill capacity during a slack time in the year at an attractive cost.

Recently, the company has launched a sub brand, Daniel Lawson, producing quintessentially English products for the Asian markets.

Brooks Brothers use UK product to tell their customers a story about tradition and quality. They can rely on great design and innovative fabrics, together with unique high quality products.

Aspirational brands like Brooks Brothers can showcase the UK's capabilities to the key emerging markets, and Government and UK trade groups can support the industry by marketing the UK to the key opinion formers.

Successful UK manufacturers are capturing the traditions of the past with the technology of today, developing talent that can create innovative yarns, fabrics and apparel products.

The Case for Capital Investment

Cheryl Kindness, Development Director of Camira Fabrics, described how her company's recent investment programme has contributed to its success.

Camira has a dominant market share in the office contract market and, more recently, mass transportation fabrics, having bought Holdsworths.

The company encountered issues with poor quality off-shade yarns, and decided to create a joint venture with its major supplier, Holmfirth Dyers, to establish the first dye house built in the UK for over 25 years. Park Valley Dyers has state of the art machinery, is environmentally benign and quality has improved significantly.

When a major supplier failed, Camira bought a controlling stake in the wool spinning company to provide long term security and quality control. It has also allowed greater flexibility in batch sizes and stimulated product innovation.

Camira has also invested heavily in its staff across all levels, and now turns many people away seeking employment as apprentices or graduates.

Skills

Michael Davis, CEO of the UK Commission for Employment Skills provided the backcloth for the current employment environment.

Since 2005, when youth employment was starting to rise, there has been a decline in entry level jobs which has meant that it has become increasingly difficult for those not in employment to get on the first rung of the ladder, since it no longer exists. In tandem, the number of big companies who were traditional recruiters at this level has shrunk.

Almost half of textile companies surveyed had offered no training to their employees in the past year, and as a nation we have made no headway against competing countries in the intermediate level skills which are critical to manufacturing.

Bill Macbeth, Managing Director of the Textile Centre of Excellence in Huddersfield talked about the recruitment and training of the next generation.

The workforce in UK textiles is ageing – 54% are over 45 versus 40% overall in the UK. Over 60% of employees have more than five years' experience in the job, which is a strength for now but a major problem in the future when they retire.

Employers are concerned at the availability of relevant skills and where to access the appropriate training.

The Centre has successfully orchestrated a bid from forty textile companies around the UK for £2m of Government funding to match the companies' own investment in training their workforces. The Secretary of State has confirmed that the bid has been approved in principle as one of the first pilots in this new Government initiative.

The pilot includes several strands: getting greater engagement with schools; a pre-apprenticeship and industry induction programme; apprenticeships at levels 2 and 3; and technical modules at higher levels.

This is an exciting new initiative which the Centre will be taking forward in conjunction with its partners, UKFT, Creative Skillset and NW Texnet.

Summary

During the panel session James Sugden, director of Johnston's of Elgin, and Chairman of the Conference, summarised the major points of the day.

It is clear that Government, whilst being supportive, is unlikely to be putting up significant amounts of money for the industry.

Ahead of the conference, we had suggested to BIS that the industry would benefit from the following support from Government:

- Reduce the tax burden on companies investing in building capacity (capital allowances, NI, Corporation tax)
- Increased financial support for trade shows to promote the UK industry to key overseas markets
- Reduce complexity and red tape involved in seeking access to UK/EU grant funding
- Take a more proactive approach to trade negotiations (eg on US import levy on lambswool knitted garments)
- Tax breaks for companies investing in workforce skills
- Change rules on apprenticeship scheme to allow graduates to participate

It is encouraging that there is some funding for skills, and we need as an industry to demonstrate that the industry can spend the £2m from the employer pilot to good effect.

There are clearly a number of success stories, and companies which survived the 1980s and those created since are thriving in a very competitive environment.

We would have liked to have had more senior delegates from the major UK retailers participate in the Conference, but there are some encouraging signs: John Lewis as one example is doing a 'Made in England' line and continues to be Barbour's largest customer.

The work being championed by Lord Alliance could have a significant impact, but will require investment.

Retailers are starting to acknowledge that long supply chains can lose you business – running out of stock if weather predictions are wrong being a recent example suffered by M&S.

For the country as a whole, a vibrant manufacturing sector is again seen as important for future prosperity. However, we cannot rely on Government for a quick fix and it will be down to the industry to ensure that we have the right skills in our factories to continue to meet our customers' demands.



**The Clothworkers'
Company**



**The Dyers'
Company**



**The Weavers'
Company**