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Fashion Prepares for Brexit Disaster

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Thursday's debate left Britain in Brexit gridlock. While no deal may yet be averted, fashion giants from Kering to Burberry have started planning for worst-case scenarios.

LONDON, United Kingdom — From pricier [Gucci](#) to a nationwide shortage of seamstresses, fashion is preparing for the worst-case Brexit scenario.

Here's where the debate currently stands: the UK government remains at an impasse after Parliament overwhelmingly voted against Prime Minister Theresa May's Brexit deal last month. May has spent the last week shuttling between Dublin and Brussels to convince key parties to agree to changes that would make her deal more palatable to MPs.

On Thursday, May's strategy was rejected again. Efforts to extend article 50 or avoid a no deal Brexit were both defeated in parliament, leaving Britain in Brexit gridlock.

But with the clock ticking down, businesses are left facing the prospect that the UK could crash out without a deal in place. That could cause havoc as freedom of movement and trade guaranteed by EU membership is abruptly suspended. The potential fallout includes sharply higher import costs, potential delays either side of the border and uncertainty for European nationals looking to work in the UK.

For the fashion world, a no-deal Brexit, with the tariffs and economic disruption it would likely bring, is the worst-case scenario everyone had hoped to avoid. But with the UK due to leave the European Union in less than two months — and some key links in the fashion supply chain already starting to reflect a post-Brexit world — companies are bracing for impact.

"We're looking at all the measures that need to be taken when it comes to [product] stocks [and] pricing," [Francois-Henri Pinault](#), chief executive of [Kering](#), which owns [Gucci](#), [Balenciaga](#) and [Saint Laurent](#), said earlier this week.

Kering is stocking up on products in anticipation of delivery delays and tariffs that would kick in after the UK leaves the EU, putting up new hurdles to cross-border trade. Long-term, everything from labour contracts to intellectual property are potentially in play, Pinault said.

"It's hard to prepare because the English authorities themselves aren't ready," he said. "We don't know what will happen."

Burberry chief operating and financial officer [Julie Brown](#) warned in January that the British luxury brand might face tens of millions of dollars in new duties under a no-deal Brexit.

The UK Fashion and Textile Association is advising companies to prepare as if there won't be a deal. Last week, the trade group sent out a notice to its members advising on largely administrative procedures intended to simplify cross-border trading in the event the UK leaves the EU without a deal in place.

"Our advice to companies now is plan for the worst, and that is a no-deal Brexit," said [Adam Mansell](#), the group's chief executive.

Mansell said he's already hearing complaints about Brexit jitters negatively affecting business. Goods on the water coming from places like Asia may already not get there until after the March 29 deadline, leaving importers in a limbo as to whether trade agreements in place through the EU will still be in operation when their products arrive. The UK government has vowed to replicate those deals, but progress has been slow.

"We're in the middle of selling season, and we've got Paris Fashion week coming up and major textile fairs," Mansell said. "I've lots and lots of stories about UK companies' European clients saying, 'We love your product, but we're not going to place an order because we don't know tariff implications, we don't know VAT.'"

Elsewhere, retailers and big importers have been bringing forward shipment dates, effectively stockpiling products, something that "has never happened before," Mansell said.

If the industry is confused, they're not alone. Since Prime Minister May's deal was rejected last month, no credible alternative has been put forward. The main stumbling block is the deal's controversial backstop arrangement — an "insurance" policy intended to avoid the return of visible Northern Irish border checks. MPs want changes to the arrangement, but the EU has said it won't renegotiate the withdrawal agreement.

Within the fashion sector there is little support for Brexit, with the [British Fashion Council](#) throwing its support behind a second referendum last month. But with the deadline for the UK's departure on March 29 looming large, companies are bracing for a challenging reality.

"Some customers seem to be very active in terms of planning," said [David Emerson](#), a director at [Seko Logistics](#), which helps manage companies' supply chains. "Some seem to only just be grasping that there could be a problem."

One way to manage potential delays and tariffs at the UK border is to move inventory overseas. [Seko Logistics](#) is working with two e-tailers and a beauty platform to provide warehouse space in the Netherlands. British luxury silk brand [Olivia von Halle](#) is also considering moving its warehousing to Asia or the US if necessary, though the company has some breathing room as it won't need to receive its Autumn/Winter range until June.

For many smaller companies, the uncertainty is overwhelming.

"It's so disruptive and completely destructive," said designer [Phoebe English](#). "It's been very hard to prepare, or put anything in place, or figure out how we can provide for what's happening in a very short space of time."

For English whose luxury label is entirely made in England, the biggest concern is whether the skilled seamstresses she relies on to manufacture her clothing lines will be able to remain in the country.

"We're living with the awful fear that the manufacturer we're working with in the UK won't be able to work with these people anymore because they won't reach the income to be able to stay in the country," she said. "That's something we're really worried about."

For the most part, companies are prepping under the radar, asserting that they are taking steps to bullet-proof their businesses against Brexit chaos but offering few details. [LVMH](#) said during its earnings last month that it has stockpiled four months of additional inventory of wines and spirits in the UK in case of a "worst case scenario" where there are difficulties with deliveries. The luxury giant gave no indication of any preparations relating to its clothing businesses.

[H&M](#) Group said it is planning for a number of different scenarios. "The lack of certainty at this point in time is challenging," it said in a statement.

A no deal Brexit is still no sure thing. After months of political stonewalling, there are signs of a thaw between political parties that could pave the way for a negotiated and orderly exit. The advice to brands though, is not to wait and see.

"I don't think anyone's prepared," said [Tamara Cincik](#), founder and chief executive of [Fashion Roundtable](#). "I don't think they're prepared, and that worries me."

This article was updated on Thursday, February 14.

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