

MARKETING

Long-term outlook for British luxury bright amid Brexit, tariffs: Walpole

October 25, 2019



British luxury is making a U.S. push this week. Image credit: Lock & Co Hatters

By SARAH JONES

NEW YORK Opportunities abound for British brands across the pond in the U.S., but the challenge for market entry revolves around being selective and finding the right retail placements.

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The United Kingdom's luxury organization Walpole has journeyed to New York for a week filled with building relationships in the important overseas market. Amid Brexit and U.S. tariff hikes on British goods, the nonprofit is looking to forge deeper ties with American customers.

"[Brexit] will have an impact on the U.K. economy, but luxury's got this great ability to sail through these things," said Michael Ward, chairman of **Walpole** and managing director of **Harrods**. "Yes, we're going to be hit for three to four years, but you've got to look at what the long-term is."

Transatlantic trip

The overseas trip, now in its third year, reflects the goals of Walpole's members. Three-quarters of the member brands say that the U.S. is among their top three market priorities.

Additionally, the U.S. receives about a quarter of all British luxury exports. With New York accounting for roughly a third of the entire U.S. luxury market, the city was the prime target for the trip.

During the trade trip, the nonprofit hosted briefings featuring speakers from companies including CBRE and J.P. Morgan, a cocktail party at the Consul General's residence, a tea party and talk with *Harper's Bazaar* editor in chief Glenda Bailey and a visit to Neiman Marcus at Hudson Yards. The focus has been on giving brands an idea of how to crack the U.S. market, including providing insights into the U.S. consumer and retail landscape.

Helen Brocklebank, CEO of Walpole, noted that while large luxury brands such as Burberry have succeeded in the U.S., so too have smaller companies.

"There's an incredibly sophisticated customer here," Ms. Brocklebank said. "That makes it a great joy to unlock the kind of storytelling that all these brands have."

"There's no barrier," she said. "You don't have to be a global behemoth to flourish, you can also be a great discovery brand as long as you have a story for a sophisticated customer."



Helen Brocklebank and Michael Ward. Image courtesy of Walpole

British brands also have the cultural benefit of being associated with their home nation. The popularity of television shows and movies such as "The Crown," "Downton Abbey," the Bond franchise and even "Fleabag" have helped create an excitement around Britishness.

In some cases, British television has even propelled brands, such as an iconic appearance of a Molly Goddard dress in "Killing Eve" that catapulted the designer to international awareness.

Walpole's tour wrapped with a showcase including brands as diverse as centuries old cashmere label Johnstons of Elgin to relative newcomers such as bootmaker Mou and London Sock Company.



Designer Sabina Savage's designs at the showcase. Image credit: Walpole

Some of British luxury's recent success stories have been more recent entrants, including the more than 110 firms who have come through Walpole's Brands of Tomorrow program. Swimwear maker Orlebar Brown, one of the first participants, was recently purchased by Chanel ([see story](#)).

Beyond nationality, what ties British luxury brands of all ages together is a sense of entrepreneurship and innovation, according to Ms. Brocklebank.

For brands looking to venture into the U.S. Mr. Ward suggests trying a pop-up location to test the waters.

"I think the biggest challenge is to make sure you don't get swamped by the opportunity," Mr. Ward said. "And being selective is really quite important for the brands, because it's easy to be seduced into the big department store franchises, but actually that's probably not right, it's only a handful.

"So it's making sure you stay selective, and to be successful we've got to keep this aura of Britishness and really sell what we're doing in terms of the quality of product and the manufacturing," he said. "And I think that's probably the hardest thing."



Walpole's showcase. Image courtesy of Walpole

Aside from British brands making it in the U.S., American labels have also had success stories overseas.

During the trip, Walpole honored Este Lauder chairman emeritus Leonard Lauder. The beauty label first ventured into international sales in the U.K. at Harrods in the 1960s, making its own transatlantic extension.

Brexit and Boeing

Despite Britain's impending split from the European Union, Walpole's leadership is positive about the long-term outlook for British luxury.

So far, Brexit has not impacted luxury spending, with sales of U.K. luxury goods rising 49 percent in the last four years.

In the near term, businesses are preparing for increased operational costs. For instance, Mr. Ward said that Harrods has estimated it will create an additional 700,000 pounds worth, or almost \$900,000, of extra paperwork.

According to a report from Walpole, British luxury could lose up to a 6.8 billion pounds, or almost \$9 billion if the United Kingdom leaves the E.U. without any sort of deal. Additional tariffs, taxes and regulation differences between the U.K. and the E.U. may cause a fifth of British luxury businesses to be at risk ([see story](#)).

British brands are also dealing with tariffs imposed by the U.S. on European goods, including luxury products such as whisky, cashmere and linens.

The WTO ruled in favor of the U.S. in a long running dispute over subsidies given to Airbus, which the U.S. said put its plane manufacturer Boeing at a disadvantage. As part of its decision, the WTO gave the U.S. permission to tax \$7.5 billion worth of European goods ([see story](#)).

These taxes went into effect on the Oct. 18, mere days before Walpole's journey to the U.S.

"I actually think it's really quite sad on two levels," Mr. Ward said. "The first of which is, anybody looking at where Britain stands in Europe, actually penalizing the U.K. has got no ability to change anything in Europe at the moment.

Seems to me one of the silliest things to do.

"And the second is, when a friend's going through a difficult period, you should put your arm around them and not kick them," he said. "And I have to say, it seems to me that's what's happening."



Fairmont's The Savoy, part of Walpole's delegation to the U.S. Image credit: The Savoy

As it becomes more expensive and complex to do business overseas, one of the main focuses of the delegation's journey to the U.S. is promoting inbound tourism. In 2017, 3.9 million Americans visited the U.K., up 13 percent year-over-year.

"If we can't export the goods very easily, we'll just import the customer," Ms. Brocklebank said.

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