

## A Leap Into the Unknown: Post-Brexit, Britain Goes It Alone

Brexit worries receded amid the panic of COVID-19, and British businesses are now looking forward to 2021 with cautious optimism, and the prospect of free trade with the European Union and the U.S.

By [Samantha Conti](#) on January 4, 2021



📷 Harrods reopened on June 15, but is now shut again due to another lockdown in England.  
Photo Courtesy of Harrods/Eva Espresso

LONDON — No one asked for it, or expected it, but the COVID-19 pandemic turned out to be a dress rehearsal that made the main event, [Brexit](#), loom a lot less large in the minds of retailers, brand owners and consumers alike.

Even before COVID-19 hit earlier this year, industry bodies had been telling their members to prepare for a worst-case “no deal” trade scenario with Europe, with difficult and costly cross-border transactions, threats of trucks blocked on their way to the continent, or vice versa, and mountains of red tape required to move goods and samples across borders.



### ESSENTIALIST

— TODAY'S MUST READ —



[Behind Nordstrom's New Online Vintage Shop With Goodfair](#)

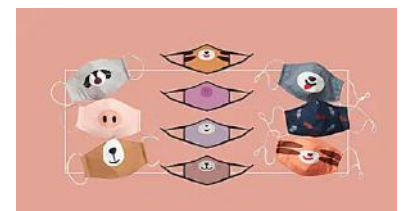
### WWD FREE ALERTS & NEWSLETTERS

Enter your email address:

**SIGN UP**

By subscribing, you agree to our [Privacy Policy](#) and [Terms of Use](#).

### WHAT WE'RE



SheKnows

[If Your Kid is Obsessed With Cubcoats Face Masks, They'll Love](#)

Since the U.K. voted to leave the European Union in June 2016 most fashion, luxury and textile companies — whether they wanted [Brexit](#) or not — had organized themselves to suit the new and imminent reality, rethinking business models, supply chains, logistics and distribution.

---

## Read Next Article

**British Industry Bodies Give Thumbs Up to Knife-Edge U.K.-EU Trade Deal**

**Valentino Couture Spring 2021**

But then COVID-19 came along and knocked Brexit down the agenda, forcing companies to shift into survival mode.

They closed stores, laid off staff, accepted rescue packages from the government, recapitalized and fought for their survival as the country locked down, opened and then locked down again, in what the British government has described as “the largest peacetime shock to the global economy on record.”

[For the first time since World War Two, shops in London and other parts of the country were dark in the run-up to Christmas, and there is still no indication here of when they might reopen.](#)

---



 VIEW GALLERY

### RELATED GALLERY

## Valentino Couture Spring 2021

---

For the first time, the prospect of leaving the EU — the U.K.’s largest trading partner — was annoying, rather than terrifying.



Footwear News

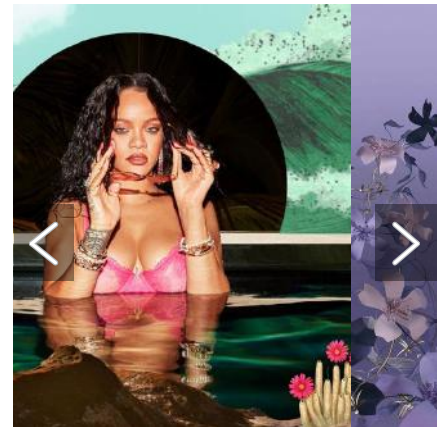
**These Meghan Markle-Approved Veja Sneakers Are 25% Off Right Now**



Footwear News

**13 Durable Men’s Shoe Styles for Every Occasion**

## SOCIAL STUDIES



@wwd



“In a way, Brexit has diminished in importance,” said Helen Brocklebank, chief executive officer of Walpole, the lobby for British luxury companies across a variety of sectors.

“Businesses have been preparing for it for the past four years, hoping for the best and preparing for the worst. People have done everything they can,” said Brocklebank, whose organization had been projecting a 6.8 billion pound loss in value terms, per year, to exports, or a 20 percent reduction overall, had no free trade deal been struck with the EU.

By the time COVID-19 hit the U.K. in March, designers’ and brands’ Brexit plans were already in place.

[Katharine Hamnett set up a product development, production, logistics and distribution hub outside Treviso, Italy; the contemporary men’s wear brand Universal Works moved its logistics operations closer to its suppliers and manufacturers in Portugal,](#)


while beauty and wellness retailers The Hut Group and Lush began buying warehouses, distribution centers and factories outside the U.K. to serve international customers.

U.K.-based, multibrand e-tailers took a cue from the big luxury groups, art and auction firms, and set up bonded warehouses, allowing them to take delivery of high-end goods from Europe and elsewhere without having to pay an added import tax.

Other groups that had relied on entry level, or unskilled workers, from around Europe have begun to implement automated warehousing to get around stricter work permit requirements now that the U.K. is no longer part of the EU trading bloc.

While the deal with Europe is far from perfect — just ask the British fishermen and small, independent retailers selling their goods to Europeans — it is better than no deal, and many are looking to 2021 with cautious optimism.

After months of wrangling, the U.K. and the EU revealed their free trade deal on Christmas Eve, wiping out the possibility of onerous World Trade Organization duties on goods passing between the two regions. That said, U.K. customers purchasing European goods will still be stung with customs levies and

 added tax, similar to what they’re forced to pay on  
products they order from the U.S.



The Fendi Caffè in Selfridges Courtesy of Fendi

---

British Prime Minister [Boris Johnson](#) described it as a “jumbo” deal, although the Bank of England has projected that Britain’s gross domestic product is likely to suffer a 1 percent loss from Brexit in the first quarter of 2021 — on top of its decline as a result of the coronavirus. The U.K. Office for Budget Responsibility, a fiscal watchdog, has projected the economy will be 4 percent smaller over 15 years than it would have been if Britain had stayed in the EU.

“It was always going to be a slightly strange trade agreement in that it is one which inevitably increases barriers rather than removes them,” said Brocklebank of the deal with the EU. “But British luxury brands will breathe a huge sigh of relief, and between this, and the promise of the vaccine, everyone will be much more optimistic about what can be achieved in 2021.”

UKFT, the U.K. Fashion and Textile Association, welcomed the free trade agreement with the EU.

“The EU is the U.K. fashion and textiles industry’s biggest market, and we are relieved that a deal has been secured. The deal should help secure the 7.4 billion pounds of fashion and textiles that the U.K. sells to the EU every year, as well as helping to secure the future of thousands of jobs and hundreds of companies.”

The organization added that while the deal is “extremely welcome and provides some clarity,” there is still much that companies need to do, as the trading environment with the EU “will be very different even with this deal.”

The alternative no-deal was almost unthinkable for British businesses. It would have meant a default to WTO rules, and a of single and double-digit tariffs on everything from food  
hion.



Brocklebank added that before COVID-19 landed, the British luxury sector, including cosmetics, footwear, accessories, tailored suits and high-end hotels, was bringing 48 billion pounds to the U.K. economy each year, and supporting more than 160,000 jobs.



The “Browns 50: Height of Fashion” anniversary campaign. Courtesy of Browns

---

The sector, she said, has taken a “body blow” since March, [with lockdowns damaging businesses that were forced to close, often at short notice, and zero international tourism.](#)

A no-deal Brexit, [coupled with the British government’s controversial decision to end the highly successful tax-free shopping scheme at the end of December,](#) would have meant that many businesses were not going to make it through, Brocklebank said.

Under the new deal, there will still be duties on goods flowing between the two regions, but they’ll be manageable for most businesses, and nothing compared to disruption from COVID-19.

According to Neil Kuschel, ceo Europe at Global-e, a retail technology business that handles online, cross-border trading for brands and retailers such as Harvey Nichols, Boden, Marks & Spencer and Etam, the biggest challenge for businesses now is transparency, and managing customers’ price expectations.

He pointed to “post-Brexit friction across the EU customer journey,” related mainly to VAT, customs duties and paperwork. Kuschel said that for EU consumers, seeing additional costs from taxes or duties at the checkout will be off-putting, while unexpected charges for customs clearance at delivery will be even worse.



“U.K. e-commerce retailers and brands must ensure they are able to offer EU consumers the same seamless shopping experience that they are used to, and provide them with a guaranteed cost of their purchase within the ‘browsing pricing,’ to maintain conversion rates and customer satisfaction. Our advice would be to integrate all fees into the product price, and clearly communicate to your consumers that no additional costs will be charged upon delivery,” he said.



An image from the campaign promoting the Watches & Wonders collaboration with Net-a-porter and Mr Porter. Image Courtesy of Net-a-porter

While bigger U.K.-based retailers — [Matchesfashion.com](https://www.matchesfashion.com), Yoox Net-a-porter Group and [Farfetch](https://www.farfetch.com) — have plans in place and will be able to deliver stock worldwide, without too much disruption, it’s the small independent businesses that will be hit hard. Independent businesses that trade over eBay and Etsy, small artisanal and artists’ companies will suffer from customs duties and VAT on imports and exports.

With regard to human resources, c-suite executives from outside the U.K. will be less impacted than entry-level employees working in places like warehouses, care homes and logistics centers. As of Jan. 1, EU citizens moving to the U.K. to work will be treated much like American or Canadian job-seekers would, and will need to get a “skilled worker” visa in advance and show they have a job offer from an approved employer sponsor.

Orlando Martins, founder and ceo of Oresa, a consulting and headhunting firm that focuses on board, c-suite and director positions, said: “We are less concerned about Brexit from a variety of services perspective. This is because senior-level

candidates will, in the main, meet the criteria of the points-based system and will positively contribute to the U.K. economy.”

Martins said his concern with Brexit “is primarily on behalf of our clients in the fashion, digital and luxury retail sector who have relied on both highly qualified, and entry-level, European workers to aid their operations.”

Rules governing U.K. financial services and trading operations with the EU still have to be ironed out, but due to its location, English language and access to top talent, it is likely the U.K. will remain the largest financial hub in Europe even though international banks and financial institutions have shifted many workers to Ireland or continental Europe.

Meanwhile, M&A activity here is set to surge in 2021, with the pound still relatively weak against the dollar and the euro, and British companies looking like good value. To wit, [the Arcadia group brands Topshop and Topman, Thomas Pink and others have already attracted interest from U.S., U.K. and international suitors.](#)



Liberty's latest logo. Image Courtesy of Liberty

---

Other companies have been stockpiling money and recapitalizing during the pandemic. Historically low interest rates and cheap debt will give them new incentive to snap up competitors, or complementary businesses.

Matthew Moulding, chairman and ceo of The Hut Group beauty and wellness platform, has been in acquisition mode all year: In the past four months alone, the Manchester-based [THG has listed on the London Stock Exchange and purchased U.S. brands, Perricone MD and Dermstore.com, the latter for \\$350 million in](#)



cash. In December, THG also bought two of its longstanding U.K.-based nutrition product suppliers for a combined price of 59.5 million pounds.

While Britain has cleared its hurdle with Europe, it's also done a raft of other deals. The British government confirmed that in under two years it has reached agreements with more than 60 countries, including Canada, Japan, Switzerland and Turkey, to cover 885 billion pounds of U.K. trade.

The government said its ambition is to secure free trade agreements with countries that cover 80 percent of U.K. trade within three years.

Sources say Britain is on track to secure a free trade deal with the U.S., despite the imminent change in presidential administration. It is also understood those troublesome 25 percent tariffs on U.K. luxury exports to the U.S., including cashmere knitwear, tailored suits and Scottish whisky, products caught in the crossfire of the Airbus-Boeing dispute, will be wiped out in early 2021.

A few weeks ago, the U.K. suspended new retaliatory tariffs imposed by the EU on the U.S. in the long-running Airbus-Boeing dispute. The British government had said it wanted to “de-escalate trade tensions” so that both sides could move forward to the next phase of their trading relationship. In November, the European Commission had imposed a 15 percent duty on U.S. aircraft, and 25 percent duties on agricultural and industrial products landing in Europe.

Walpole's Brocklebank said the pandemic and Brexit have tested luxury businesses to the limit and, looking ahead, those companies will be taking the knocks they suffered in 2020 and turning them into potentially profitable strategies.

She foresees a rise in social retail, and faster expansion into the U.S. and Asia Pacific, with Burberry's new Shenzhen, China, store a prime example.

The 5,800-square-foot store was created in collaboration with WeChat's owner, Tencent. Its aim is to offer the world's most sophisticated digital audience experiences that can straddle the online and physical worlds with a custom-made, mini WeChat program and the chance to build and spend “social currency” inside the store.







**Anissa Kermiche/Matchesfashion**  
Courtesy of Anissa Kermich

---

Brocklebank said companies are asking themselves, “How do you transmit luxury in a non-tactile way?’ and ‘How do you work around the barriers?’”

She also pointed to Harrods, which was forced to shut during the various national and local lockdowns and lay off up to 14 percent of its workforce of 4,800. She listed the retailer’s achievements in this unusually stressful year, including a web site deal with [Farfetch](#), [the launch of H Beauty stand-alone stores](#), [the outlet store at Westfield London](#), and [luxury pop-ups and openings with the likes of Dior and Prada in between all the lockdowns](#).

Harrods wasn’t alone, and the luxury retailers persisted with their projects: Selfridges opened new concept shops, [and most recently welcomed a Fendi café to The Corner Shop](#), while [Liberty re-branded](#) and [Browns marked 50 years in business](#), albeit virtually. [Matchesfashion supported a raft of young designers](#), while [Net-a-porter and Mr Porter did a major selling campaign with the Watches & Wonders trade show](#).

“Businesses are energized and are sprinting ahead,” Brocklebank said. With key trade deals in the bank and a second vaccine — from Oxford-AstraZeneca — approved in the U.K. in the last days of December, life post-Brexit doesn’t seem as daunting as it once did.



## WWD Recommends



FASHION SHOW REVIEWS

### Valentino Couture Spring 2021

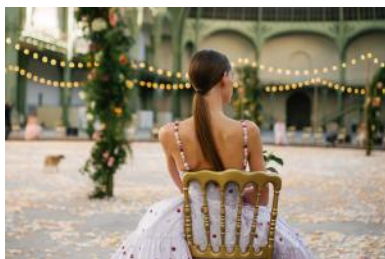
See all the looks from the collection.



GOVERNMENT AND TRADE

### British Industry Bodies Give Thumbs Up to Knife-Edge U.K.-EU Trade Deal

As of Jan. 1, there will be no duties on goods passing between the two regions after a free trade deal was agreed just days before the final Brexit deadline



FASHION SHOW REVIEWS

### Backstage at Chanel Couture Spring 2021

See all the looks from the collection.

0 Comments

WWD

Privacy Policy

Log

Recommend

Tweet

Share

Sort by New



Start the discussion...

LOG IN WITH

OR SIGN UP WITH DISQUS

Name

Be the first to comment.

Subscribe Add Disqus to your siteAdd DisqusAdd

Do Not Sell My Data

blog comments powered by Disqus

Click here for  
Corporate Subscriptions

WWD



## More From Our Brands



[FOOTWEAR NEWS](#)

**[Industry Moves: The Latest Executive Changes at Sneakersnstuff, Furla, Chanel + More](#)**



[FAIRCHILD LIVE](#)

**[2021 WWD Virtual Beauty Inc Digital Forum](#)**



[SOURCING JOURNAL](#)

**[New Systems 'Unite' the Fashion Supply Chain With a 'Single Source of Truth'](#)**



[SPORTICO](#)

**[No Class of 2021: Bonds, Schilling, Clemens Fall Short in Hall of Fame Vote](#)**



[ARTNEWS](#)

**[Kara Walker's Tate Modern Fountain Stars in New FKA twigs Video](#)**



**Subscribe to WWD's newsletters**

**SIGN UP**

By subscribing, you agree to our [Privacy Policy](#) and [Terms Of Use](#)



Get all the top news stories and alerts straight to your inbox.

© Copyright 2021 - Penske Media Corporation

