

W A L P O L E

Rt. Hon. Oliver Dowden CBE MP
Secretary of State
Department for Digital, Culture, Media and Sport
100 Parliament Street
London SW1A 2BQ 07

18 August 2020

Dear Secretary of State,

Urgent need to get high-spending international shoppers and business people back to London

As the chief executive of Walpole, the sector body for the British luxury industry, I am concerned by the impact that the COVID-19 crisis continues to have on the sector as the furlough scheme is scheduled to end. As a whole, the sector contributes £48 billion to the UK economy – a significant contribution to GDP - and supports over 160,000 sustainable jobs in retail, hospitality, manufacturing and creative industries across the country. International visitors and tourism are a crucial driver of that revenue and enabler of those jobs.

Walpole represents more than 270 member companies from the high-end creative and cultural industries with members spanning brands including Alexander McQueen, Burberry, Claridge's, Glenmorangie, Harrods, NET-A-PORTER, Rolls-Royce Motor Cars, Wedgwood and numerous small and medium-sized enterprises (SMEs), which currently make up 60% of the sector, such as, Chapel Down, Ettinger, Floris, Savoir Beds and Temperley London.

Prior to the Covid-19 lockdown, the luxury sector was growing at 9.6% annually, outpacing UK annual growth of 4%, and accounts for 8% of total exports. The UK's high-end creative and cultural industries – of which the luxury sector is part – performed strongly with the overall contribution rising 49%, from £32.2bn to £48bn between 2013 to 2017^{[1](#)}.

The pandemic has caused on average a 60% decline in sector revenue over the first 6 months of the year and it faces grave economic consequences unless all potential economic levers are used to support a return to growth. Businesses including Mulberry, Burberry, Johnstons of Elgin, Bentley Motors and Harrods have all announced redundancies and more are to follow with public announcements planned in the coming weeks. International tourism must be encouraged, and time is of the essence, to support recovery and protect jobs. UK luxury businesses are adept at operating highly sophisticated and segmented strategies to ensure maximum revenue growth and the UK Government needs to do the same. There is an urgent need to get the international shoppers who spend the most back to our shores swiftly and safely.

The rise in shopping tourism has previously been well documented by Walpole - the value of sales of high-end goods to non-UK resident customers was around £4.5 billion in 2017, with tourist spend accounting for between 25% to 80% of revenues for some British luxury businesses. Tax Free Shopping data released by Global Blue shows the world's wealthiest shoppers account for 17% of global tax free spend. These international elite shoppers come from the following territories and show a preference for shopping in Europe:

- Greater China (39%)
- Southeast Asia (15%)
- Gulf Countries (14%)
- USA (6%)

W A L P O L E

- Russia (6%)

For a quarter of the year (March – June 2020) store revenues dropped to zero following uncertain trading in the preceding months as tourism flows were already impacted by the spread of the Covid-19 virus in Asia and Europe (down by an average of 22% from Jan – March 2020 and an expected decline by 60-80% over the whole year). British luxury executives are anticipating a reduction of footfall in their stores of 70% and 80% in Summer 2020.

The pandemic has disproportionately affected central London, the shop window of British luxury for UK and international visitors. London-based luxury businesses are reporting that trade is currently running at five to 10% of normal. This is a cause for deep concern as spend in the Capital drives revenues and employment across the country.

Prior to the pandemic, France was the number one destination, followed by the UK and then Italy. As the UK aims to 'Build back Better' we must signal that the UK is open for business to overseas customers and we must retain our competitive edge with the rest of Europe. Now that borders are mostly open within the Schengen countries, the UK is at a competitive disadvantage which will be compounded if we do not focus on getting travellers from the key nations listed above safely back to the UK.

Research from Global Blue shows that international visitors are deterred from visiting the UK because of a perception that it is not safe.

Walpole would like to see the following measures implemented:

- A campaign to demonstrate that the UK is a safe to visit, the virus is under control, that effective measures are in place and that the UK remains an incredible place to visit. The luxury sector has demonstrated this very ably by moving swiftly to make customers safe and comfortable.
- Every effort should be made to accelerate the development and implementation of systems that enable these high-spending tourists to enter the UK safely.
- A segmented tourism campaign with a phased schedule that attracts the highest-spending tourists from regions listed above.

The international appeal of British luxury brands, hotels, restaurants and cultural experiences are highly influential in attracting visitors to the UK and our soft power. The regional manufacturing and employment supported by brands including Burberry (S.Yorks), Bentley (Crewe) Gleneagles, (Perthshire) and Mulberry (Somerset) are long-term assets in the story we communicate about British innovation and creativity. British luxury brands bolster both the UK brand and our economy. Government must act fast to ensure that the sector is not damaged further.

Yours sincerely



Helen Brocklebank
Chief Executive Walpole