

Continental COOPERATION

Europe's luxury sector is finally getting the recognition it deserves, as Ben Hughes, the new Chairman of Walpole, tells Simon Brooke

Simon Brooke: Congratulations on your appointment. Why did you decide to take this job?

BH: I had been on the board for two years and seen first-hand the enormous role that Walpole British Luxury fulfils in the luxury sector. We have some great people on the board who are brimming with ideas, and the thought of being an integral part of Walpole's future was too hard an opportunity to turn down.

SB: Walpole British Luxury has certainly been very active in Europe lately, hasn't it?

BH: Yes, it's been very successful in promoting the luxury sector in Britain for a long time but in the last few years it's been working on the European level as well. Along with our sister creative industry associations, Comité Colbert (France), Fondazione Altgamma (Italy), Circulo Fortuny (Spain) and Meisterkreis (Germany), Walpole has been working with EU policy makers to shape the right policy and regulatory framework to protect our business and to help it grow. The European Cultural and Creative Industries Alliance (ECCIA) was established in 2010 and represents around 400 of Europe's leading luxury brands covering 14 different high-end product and service markets.

SB: What's the significance of the ECCIA?

BH: It means that for the first time the European luxury sector has one single body that can campaign for it. As we've been stressing to European policymakers, this is a sector that's estimated to be worth over €440

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billion. It employs about a million workers directly and at least a further 500,000 indirectly and it represents over 10 per cent of all exports from Europe.

SB: And the luxury sector now has at least one high-level supporter, doesn't it?

BH: That's right. Antonio Tajani, Vice-President of the European Commission for Industry and Entrepreneurship, has recognised the significance of our industry to the European economy. And, as a result, he's established a top-level CEO group to advise him on policies that impact on the high-end and fashion industries which includes British luxury representatives Jonathan Heilbron, CEO of Thomas Pink, and Michael Ward, MD of Harrods. Walpole is represented by Julia Carrick and Charlotte Keesing on the ECCIA Executive Committee. Special thanks must also go to Armando Branchini, Executive Director of Fondazione Altgamma, and Paloma Castro, Director of Global Corporate Affairs for LVMH, for their dedication in driving the work of the ECCIA forward.

Alongside the work of the Commission, the ECCIA commissioned a study by Frontier Economics, an economic consultancy, to develop reliable figures on our sector and this study was launched in the

European Parliament last summer and endorsed by Antonio Tajani.

SB: But do you think that European policymakers really understand what makes the luxury sector tick and how it differs from other industries?

BH: I think increasingly they do, yes. For example, another important step for us is that in September last year the European Commission adopted its Communication on Cultural and Creative sectors. This recognises that our sector relies on culture and creativity.

The Commission also adopted two staff working papers: one on the competitiveness of the fashion sector and one on the competitiveness of the high-end sector. It concludes that, "Considering the significant impact of the high-end industries on the EU economy and their contribution to EU employment and innovation, it is important to ensure that adequate policies are in place at EU level that take into account the high-end business model and help the sector to continue to grow and create jobs".

So, in the last few months, we've made considerable progress in persuading the EU that the luxury sector adds real value to Europe's economy – and, like any other sector, it needs support and encouragement.

SB: OK, what's next?

BH: Now the ECCIA is focused on ensuring that there is the necessary investment in skills, innovation, creativity and excellence. This is particularly important now, when quality and craftsmanship are at the heart of the luxury proposition.



We've also got work to do on protecting Intellectual Property (IP) as this is more important to luxury companies than it is for many other sectors. The recent study by Frontier Economics, for example, shows that a further increase in IP infringements in our sector, either in the online or offline environment, could result in an output loss of between €43 and €79 billion. That could translate into the loss of between 100,000 and 180,000 direct jobs within the sector. It could also lead to losses to the tax authorities of between €14 and €26 billion.

SB: Exports are essential for the growth of the luxury sector – what are you doing here?

BH: You're right. In order to grow, we need fair and free access to high-growth developing markets. A further increase in trade and non-trade barriers in key markets could potentially reduce output by between €2 and €3.4 billion, costing the tax authorities up to €1 billion – and jobs and investment in our industry.

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SB: So, where do we go from here?

BH: I'm very optimistic about the prospects for the European luxury sector. We have an ever greater bank of creativity and craftsmanship and increasing demand from Asia and other fast growing economies over the next decade or so. Medium-term forecasts suggest the sector will continue to grow at between seven and nine per cent per year. If this level of growth is realised, we'll contribute between €790 and €930 billion to the European economy in 2020, and employ between 1.8 and 2.2 million people directly.

As I say, we've demonstrated how our talents and skills really contribute to the European economy. We've also now getting support from those at the highest levels and so I believe that the future for European luxury goods, and those coming from Britain in particular, looks brighter than ever. Meanwhile, in the UK, Walpole is also helping to ensure a smooth passage of entry for wealthy Chinese tourists as we lead the UK China Visa Alliance and work alongside the UK Border Agency to simplify the visa process and make Britain a more accessible place for these incredibly valuable visitors.