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Cottoning on: Revenue is set to expand as operators benefit from increased consumer spending

IBISWorld Industry Report G46.410
Textile Wholesaling in the UK

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About this Industry

Industry Definition

Firms in this industry wholesale various textile products, including yarn, thread, fabric, cloth, household linen and haberdashery. The industry excludes textile fibre wholesaling.

Main Activities

The primary activities of this industry are

Yarn and thread wholesaling
Fabric and cloth wholesaling
Household linen wholesaling
Haberdashery wholesaling

The major products and services in this industry are

Bed linen
Fabric and cloth
Haberdashery
Other household linen
Other textile products
Soft furnishings
Yarn

Similar Industries

C13.200 Textile Weaving & Finishing in the UK
Operators in this industry weave and spin textiles from raw materials.

C13.920 Household Textile & Soft Furnishing Manufacturing in the UK
Firms in this industry manufacture household textile products.

C14.000 Clothing Manufacturing in the UK
Participants in this industry manufacture clothing and outerwear.

G46.420 Clothing & Footwear Wholesaling in the UK
Businesses in this industry wholesale clothing and footwear to retailers.

Additional Resources

For additional information on this industry

www.interiortextiles.com
British Interior Textiles Association

www.ons.gov.uk
Office for National Statistics

www.texi.org
The Textile Institute

www.ukft.org
UK Fashion & Textile Association

Industry at a Glance

Textile Wholesaling in 2015-16

Key Statistics Snapshot

Revenue	Annual Growth 11-16	Annual Growth 16-21
£4bn	2.5%	1.2%
Profit	**Wages**	**Businesses**
£214.3m	£340.7m	2,258

Market Share

There are no major players in this industry

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Key External Drivers

- Demand from department stores
- Demand from furniture, lighting and homeware retailers
- Real effective exchange rate
- Demand from household textile and soft furnishing manufacturing
- World price of cotton

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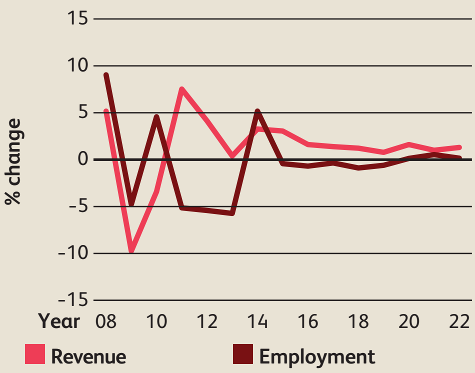
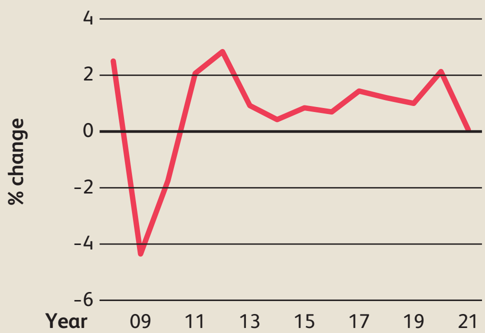
Revenue vs. employment growth

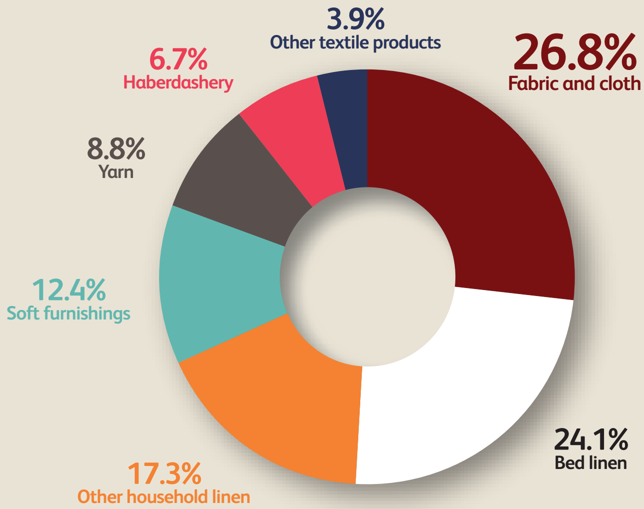


Demand from department stores



SOURCE: WWW.IBISWORLD.CO.UK

Products and services segmentation (2015-16)



SOURCE: WWW.IBISWORLD.COM

Industry Structure

Life Cycle Stage	Mature	Regulation Level	Light
Revenue Volatility	Low	Technology Change	Low
Capital Intensity	Low	Barriers to Entry	Low
Industry Assistance	None	Industry Globalisation	Low
Concentration Level	Low	Competition Level	Medium

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 23

Industry Performance

Executive Summary | Key External Drivers | Current Performance
Industry Outlook | Life Cycle Stage

Executive Summary

Industry operators source fabric and household linen from domestic and international manufacturers and sell it on to retailers and other manufacturers for further processing. The Textile Wholesaling industry has struggled against challenging conditions in recent years, with industry employment declining over the past five years. Operators have been suffering from intensified competition along the supply chain for the provision of textiles from both manufacturers of textile products at home and abroad. The development of e-commerce platforms has increased this competitive threat by allowing retailers to obtain stock from foreign manufacturers over the internet with minimum hassle. Operators have had to make efficiency improvements in order to reduce lead times and become more competitive. Changes include quality checks and labour reductions. Employment is estimated to decline at a compound annual rate of 1.5% over the five years through 2015-16.

The aftermath of the downturn has continued to affect the industry's downstream markets

The aftermath of the economic downturn has continued to affect the industry's downstream markets negatively, especially in the domestic retail and manufacturing sectors. However, the industry has been supported by strong demand from luxury retailers, department stores and producers of high-end clothing, accessories and homeware over the past five years. The trend towards onshoring by some UK manufacturers and the drive to shorten supply chains, as a result of fast fashion, has played into the hands of the remaining wholesalers. As a result, revenue is expected to expand at a compound annual rate of 2.5% over the five years through 2015-16. Industry revenue is expected to total £4 billion in 2015-16, up 1.6% on the previous year.

The UK economy is expected to strengthen over the next five years, which should push up income and spending levels; operators are anticipated to perform well as consumers increase their spending. Furthermore, the expanding trend towards onshoring is resulting in more textile manufacturers returning to the United Kingdom, which is beneficial for operators. However, the outlook for the industry remains fairly unstable. Wholesale bypass will be the main barrier to success for the industry and should constrain profitability levels. Revenue is forecast to increase modestly over the next five years, at a compound annual rate of 1.2% to reach £4.3 billion by 2020-21.

Key External Drivers

Demand from furniture, lighting and homeware retailers

Furniture, lighting and homeware retailers stock bedding and other household linen and are a substantial market for industry operators. As demand for these retailers rises, their revenue is likely to increase, resulting in their purchasing more textile product lines to satisfy consumer interest. As consumer confidence has rebounded, consumers have rediscovered their appetites for homeware. Demand from this market is expected to grow in 2015-16, creating an opportunity for textile wholesalers.

Real effective exchange rate

Industry operations involve a significant amount of movement of textile products across international borders, leaving operators vulnerable to changes in the value of the pound. In particular, the price of imports can affect the margin of wholesalers wishing to sell foreign fabrics in the UK market. A higher valued pound is represented by a higher real effective exchange rate, which tends to make imported products cheaper and exported products more expensive in international markets. The real effective exchange rate is expected to increase in 2015-16.

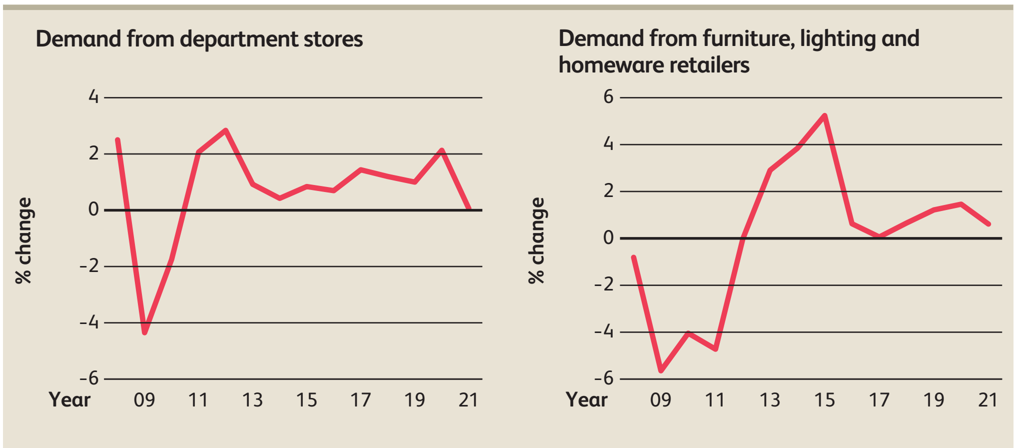
Industry Performance

Key External Drivers continued

Demand from household textile and soft furnishing manufacturing
Manufacturers purchase fabric and threads from wholesalers to use in the production of home textiles and soft furnishings. However, the market stagnated slightly during the past five years and soft furnishing manufacturers have been bypassing wholesalers and purchasing directly from fabric manufacturers at a lower cost. Demand from manufacturers is expected to increase in 2015-16.

World price of cotton
As many textile products are made from cotton, the price of cotton can reflect the performance of the Textile Wholesaling industry. If cotton prices increase dramatically, manufacturers generally need to pass on these higher costs on to wholesalers. The world price of cotton is expected to have fallen during 2015.

Demand from department stores
Department stores are a major market for wholesalers because they purchase fabric, cloth, bed linen, other household linen and haberdashery. These stores also stock high-quality textile products. An increase in demand from department stores is likely to result in higher revenue for wholesalers. Demand from department stores is expected to increase in 2015-16. However, department stores are increasingly bypassing wholesalers, which is a threat to operators.



SOURCE: WWW.IBISWORLD.CO.UK

Current Performance

The Textile Wholesaling industry has expanded at a fairly steady pace over the past five years, with growth limited by a significant change in the buying behaviour of its downstream markets. As consumers and businesses struggled to cope with the effects of the protracted economic downturn, they tended to seek out cheaper textile items. Domestic wholesalers faced a challenge from international manufacturers and wholesalers, which forced them to reduce their prices and mark-ups in order to remain competitive and retain their existing customers.

However, these constraints have been mitigated by increasing demand from high-end premium markets, where consumer demand has remained strong. High-end homeware stores and department stores such as John Lewis have helped to keep operators afloat and those wholesalers that cater to these markets have performed well. Revenue is anticipated to increase at a compound annual rate of 2.5% over the five years through 2015-16 to reach £4 billion. However, this strong growth rate is partly a result of revenue having started from a low base, which skews the growth figure,

Industry Performance

Current Performance continued

and means that companies are recouping lost ground. Apart from 2012-13, when the UK economy was rocked by international headwinds, the industry has largely strengthened in real terms since 2010-11.

Growth of 1.6% is expected in the current year thanks to strong demand conditions as consumers ride the wave of a strengthening economy and increase their spending. Nevertheless, wholesale bypass has negatively affected the structure of the industry and is expected to restrict growth. Additionally, profit margins have been hampered by increased competition and relatively high costs for both domestic and foreign manufacturers, which have passed these cost increases on to wholesalers. The average profit margin for industry operators is estimated to be 5.3% in the current year.

Picking up new threads

In the late 1980s, China introduced a series of economic reforms that opened the market to privatisation and foreign capital. China quickly became a global superpower in terms of manufacturing and 'Made in China' tags began to appear in a large portion of textile products globally. China's rise significantly affected manufacturing sectors worldwide included that of the United Kingdom. British textile wholesalers buy textiles manufactured in the United Kingdom or source textile products in international markets to sell to local or foreign customers. The rise of countries with cheap labour and low production costs, such as China and India, has significantly reduced the cost of manufacturing cloths and textiles, making British manufacturers less competitive and more expensive in relative terms.

Since 2010-11, however, UK manufacturing industries have enjoyed a more positive outlook. Onshoring manufacturing, whereby local manufacturers move some of their manufacturing operations back to the United Kingdom, is a current industry trend. While the maturation of the Chinese economy is partly responsible for this change, increased demand for items that are made in Britain has significantly affected this shift. Exporters of British-made textiles and other textile wholesalers have been supported by this development.

Trends that originate at the retail end of the market are also encouraging this movement towards manufacturing in the United Kingdom. Fast fashion has been a feature of high-street clothing retail for some years, with Zara, a Spanish clothing firm, stepping up the game as early as 2005. The fast fashion concept involves moving designs from the runway to the retail market quickly in order to take advantage of trends that are currently in vogue. The burgeoning online market for clothing is speeding up demand for fashion ranges to be made quickly available to consumers. Although China and other Asian countries still offer the best price when buying bulky items, fast fashion requires shorter supply chains, which has a direct influence on clothing wholesalers and benefits UK manufacturers. The most successful textile wholesalers have taken advantage of this change by offering retailers the detailed knowledge of supply chains that they require.

> Industry operators have been forced to focus on improving their supply chains and client services

Operators have been forced to focus on improving their supply chains and client services as other market preferences have shifted. Wholesalers such as Turner Bianca are investing heavily in technological developments to reduce lead times and improve the quality of their service. Manufacturers may require raw materials of a particular quality and will deal with wholesalers that can provide this. In addition, retailers may source stock from a wide range of wholesalers, or only those than can supply specific textile products.

Industry Performance

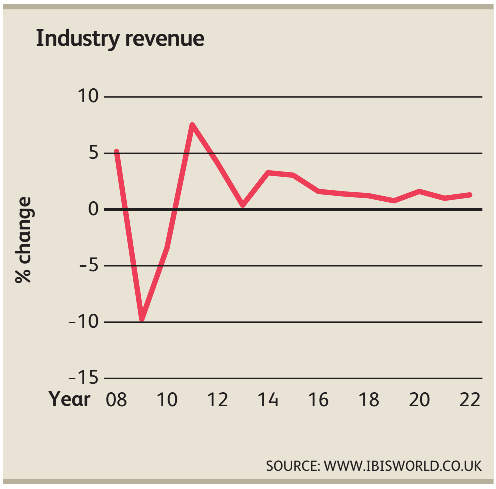
Hanging by a thread

Despite improvement in retail markets in the United Kingdom since 2010-11, wholesalers have not necessarily felt the full reward. Large retailers are increasingly importing stock directly from international manufacturers and wholesalers in order to reduce their costs. For example, Inditex, the owner of Zara, Bershka, Pull&Bear and other brands, manufactures a large percentage of its clothes in Spain, Portugal and Morocco. Wholesalers are being pushed out of some supply chains or forced to cut their prices in order to remain competitive. A number of department stores have entered into long-term contracts with manufacturers, thereby completely cutting out the role of wholesalers. Larger retail stores are developing own-label products such as bed linen, curtains and household linen, which puts them in direct competition with the stock sold by wholesalers because they obtain their own-label merchandise directly from manufacturing partnerships.

Traditionally, specialist and independent retailers have been a big market for industry wholesalers. However, with the traditional retail market flat and retail establishments on the decline, demand from this market has weakened significantly. However, the online retail market has skyrocketed over the past decade, providing consumers with an easier way of shopping. Higher operating costs mean that larger retailers are becoming stronger and capturing the market share of smaller retailers. This means that many independent retailers have gone out of business. Unfortunately, wholesalers are losing out on a significant market because it is the smaller and independent retailers that are less likely to bypass wholesalers.

Industry Outlook

The UK economy is expected to strengthen consistently over the next five years, which should generate rising UK employment, income and spending levels. This is anticipated to support increased retail demand as consumers loosen their purse strings and look to renovate their homes, helping to drive downstream demand for wholesaling operations. However, the trend towards circumventing wholesalers in order to shorten firms' supply chains will persist, forcing firms to make efficiency improvements. In the five years through 2020-21, industry employment is forecast to decline at a compound annual rate of 0.2% and revenue is forecast to increase at a compound annual rate of 1.2% to £4.3 billion.



Fashioning the future

The retail landscape is expected to follow existing trends over the next five years. Independent stores are likely to continue to fold and establishment figures are likewise forecast to decline. The online market is likely to keep growing, pushing more retailers off the high street. Nevertheless, online retailers represent a significant growth opportunity for wholesalers. The proportion of household items and haberdashery bought online is forecast to grow rapidly,

Industry Performance

Fashioning the future continued

so wholesalers that can win contracts with these internet retailers will have the opportunity to secure a stable revenue stream. However, in order to secure this chunk of revenue, wholesalers may need to cut their prices, since industry operators will still face competition from international wholesalers and manufacturers. On the other hand, operators could use the e-commerce platform for their own ends by using it to simplify clients' stock purchases.

The growing trend towards onshoring in the manufacturing sector is likely to benefit operators, as more manufacturers are moving a portion of their operations back into the United Kingdom following increased demand for items made in Britain and calls for shorter supply chains. According to the government's Manufacturing Advisory Services, one in six manufacturers brought some of their operations back to the United Kingdom in 2013. The trend is expected to intensify over the next five years as long as government regulations remain relatively supportive of the manufacturing sector, particularly in respect of trade support.

Wholesale bypass is likely to continue to be a threat for industry operators. Both textile producers and end consumers are keen to surpass wholesalers in an effort to eliminate the extra mark-up they represent. Several producers and consumers support wholesale bypass, because, in theory, without wholesalers, consumers pay a lower price for textiles and producers increase profit levels. Therefore, streamlining delivery operations and making efficiency improvements is essential for any operators that want to remain competitive and attract customers. Increased costs relating to this strategy may limit profit margins as industry operators attempt to win back demand.

The fabric of society

There are also some major opportunities for firms operating in the industry over the next five years. Demand for high-end bespoke furniture fabrics and bed linen will benefit firms that wholesale premium and designer fabrics. Niche markets for these types of products are expected to develop as wealthy consumers look for ways to differentiate themselves. Many designer fabric stores aimed at affluent clients have opened across the United Kingdom in the past few years, a trend that is expected to continue. As a result, wholesalers should receive extra demand from bespoke retailers.

Higher textile imports will benefit some textile wholesaling companies. Lower costs for yarn, fabric and finished textile products and soft furnishings are likely to result in wider margins for these importers. Wholesalers may be able to pass cost savings on to manufacturers and retailers or increase their own margins. However, as import volumes continue to rise, supply chains could become longer, which would raise transportation and storage costs for wholesalers. Firms that are unable to pass these extra costs on to their retail and manufacturing clients will be forced to endure lower profit margins.

> Demand for high-end bespoke furniture fabrics will benefit firms that wholesale designer fabrics

Long-term currency fluctuations can add to the risks for companies that import textile products. While importers prefer a strong pound in order to minimise their purchase costs, textile product exporters benefit from a weaker pound. Those textile wholesalers that implement relevant and sufficient hedging strategies will be able to minimise their foreign exchange risks and limit revenue fluctuations.

Industry Performance

Life Cycle Stage

Industry value added is forecast to increase at a slower rate than GDP over the decade through 2020-21

The industry is focusing on efficiency maximisation and cost reductions

Wholesale bypass is decreasing the inventory purchased from industry operators

Industry Performance

Industry Life Cycle

This industry is **Mature**

The Textile Wholesaling industry is in the mature stage of its life cycle. Industry value added (IVA), a measure of the industry's contribution to the overall UK economy is expected to grow at a compound annual rate of 0.5% over the 10 years through 2020-21. Real GDP is expected to grow at a compound annual rate of 2.1% over the same period. Despite falling margins and a declining proportion of revenue going to pay labour, rising turnover over the 10-year period are likely to ensure that textile wholesalers continue to contribute to the growth of the economy.

Some features of the industry are indicative of slowing performance and an industry under pressure. The industry has been adversely affected by wholesale bypass, a situation that is becoming increasingly common. Larger customers have in recent years taken advantage of their purchasing power to make direct purchases from domestic and international manufacturers to save costs. This practice has intensified negative trends in the industry and forced many wholesalers to stop operating altogether. Wholesale bypass practices and competition can potentially push inefficient operators out of the market. The firms in the industry intend to reduce costs and maximise efficiencies, as technological innovation is rare.

Products & Markets

Supply Chain | Products & Services | Major Markets
Globalisation & Trade | Business Locations

Supply Chain

KEY BUYING INDUSTRIES

C13.200 **Textile Weaving & Finishing in the UK**
Textile weaving and finishing firms acquire yarn from textile wholesalers for further processing.

C13.920 **Household Textile & Soft Furnishing Manufacturing in the UK**
Textile product manufacturers purchase yarn and fabrics to produce towels, bed linen, blankets, quilts and other textile products.

C14.000 **Clothing Manufacturing in the UK**
Apparel manufacturers are important users of yarn and fabrics.

G47.190 **Department Stores in the UK**
Department stores acquire finished textile products from textile wholesalers, including domestically made and imported products.

G47.530 **Carpet, Rug & Curtain Retailers in the UK**
Curtain retailers sell products supplied by textile wholesalers to final customers.

KEY SELLING INDUSTRIES

C13.100 **Preparation and Spinning of Textile Fibres in the UK**
Textile wholesalers purchase yarn and other products from firms in this industry.

C13.200 **Textile Weaving & Finishing in the UK**
Weaved fabrics are supplied to textile wholesalers for resale to downstream manufacturers for further processing.

C13.920 **Household Textile & Soft Furnishing Manufacturing in the UK**
Textile product manufacturers sell textile products to wholesalers for resale to retailers.

Products & Services

Fabric and cloth

Fabric and cloth purchased as intermediate inputs in the production of clothing, household linen, furnishings and other products are estimated to generate 26.8% of revenue in 2015-16. These items are purchased by large-scale manufacturers, tailors, fashion designers and retailers. Fabric and cloth products have contributed a declining share of revenue over the past five years because rising production and labour costs have driven manufacturers out of business. The majority of clothing sold in the United Kingdom is imported from overseas, which has severely affected the performance of UK clothing makers. Those industry operators that specialise in supplying the few remaining UK clothing manufacturers have typically done well because UK manufacturers demand higher quality and more expensive materials.

Bed linen

Bed linen, which includes duvets, duvet covers, blankets, pillows, pillowcases and sheets, is the second-largest segment. In the current year about 24.1% of industry revenue is expected to be generated by bed linen products. Demand for these products was suppressed during the recession but the segment has grown slightly as a share of revenue because operators have moved away from producing fabric and cloth to concentrate more on other products. Furthermore, in the past two years, demand for finer quality bed linen has been rising. This segment is expected to overtake the fabric and cloth segment over the next five years.

Other household linen

This segment covers towels and other related bathroom products, curtains, tablecloths and other household linen. Demand for products in this segment is estimated to have declined as consumers cut back on discretionary purchases. However, demand for higher quality items is expected to have sustained the segment.

Products & Markets

Products & Services continued

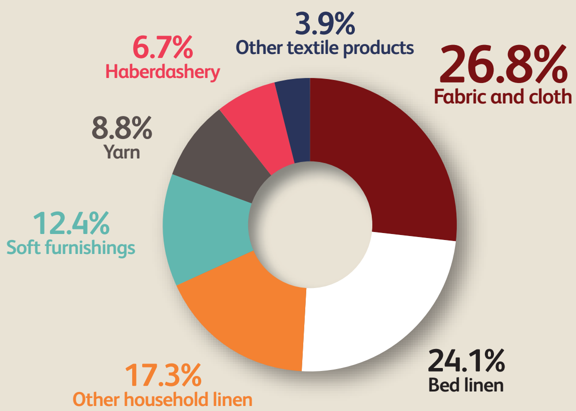
Soft furnishings

This segment includes cushions, upholstery and designed textiles for households. Its share of revenue has grown over the past five years to constitute an estimated 12.4% of the total as consumers have chosen to upgrade their furniture by changing covers and purchasing new furnishings instead of fully renovating their homes. Operators have also increased their stock of soft furnishings.

Other products

Yarn is estimated to account for 8.8% of revenue and is typically sold to mass manufacturers of knitted products and downstream retailers. Haberdashery includes thread, sewing needles and trimmings and is estimated to account for 6.7% of revenue. Examples of items included under other textile products are rope, tarpaulin, sacks and bags.

Products and services segmentation (2015-16)



Total £4bn

SOURCE: WWW.IBISWORLD.CO.UK

Major Markets

Department stores

The largest segment is department stores, which generate 34.2% of industry revenue. Department stores sell a wide range of textile products and soft furnishings, and are a traditional retail outlet for these goods. They usually offer premium and luxury products that sell at higher prices. However, a number of department stores have begun to offer own-label versions of bed linen, which they procure directly from manufacturers rather than wholesalers. Nevertheless, larger department stores such as John Lewis are significant buyers of fabric and haberdashery for the consumer's personal use.

Specialist retailers

Specialist textile product retailers are estimated to account for 27.7% of industry revenue, and are usually at the medium and high-end of the market. These include specialist retailers for bed linen, curtains, soft furnishings and other household textile products as well as fabric, cloth, yarn and haberdashery. The wavering retail market has affected demand from specialist retailers over the past five years. Priced out by department stores, supermarkets and online retailers, the independent retail store is slowly declining and is struggling to maintain its revenue share. As establishments continue to vanish off the high street, the segment's future seems shaky. However, higher-end stores have benefited from unwavering demand in the past five years and wholesalers such as Turner Bianca that cater to this market have done particularly well.

Products & Markets

Major Markets continued

Manufacturers

The manufacturing market segment is estimated to account for 17.4% of industry revenue. Clothing manufacturers are estimated to make up the largest sub-segment within this; they acquire yarn, fabric and cloth from textile wholesalers to process into finished clothing. Textile product manufacturers purchase intermediate goods from textile wholesalers for the manufacture of household textile products and soft furnishings. The segment has grown in recent times due to a wave of onshoring whereby firms that previously moved operations overseas to avoid higher UK production costs are moving back into the UK. However, manufacturers are still more likely to purchase directly from other manufacturers, bypassing the wholesaler.

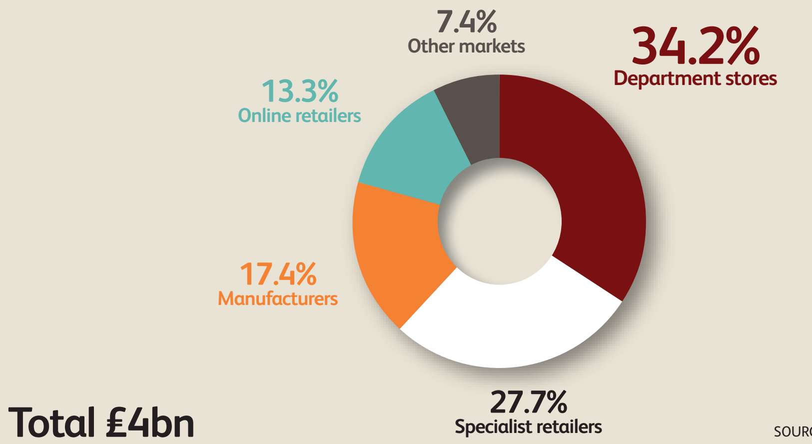
Online retailers

Online retail has been given a major boost over the past five years as tech-savvy consumers have become more comfortable with online shopping experiences. The increase in popularity of appliances such as mobile phones, portable computers and efficient payment options have all contributed to a sudden boom in online shopping. However, industry operators face competition from foreign competitors as online retailers are able to import stock from cheaper economies such as China. Nevertheless, the segment remains a huge opportunity for industry operators. Revenue for this segment is expected to increase but competition will remain a major issue. Online retailers are estimated to account for 13.3% of industry revenue.

Other markets

Other retailers include supermarkets, discount stores and other miscellaneous outlets. These retailers usually stock a wide range of household textile products often sold at the lower end of the market.

Major market segmentation (2015-16)



SOURCE: WWW.IBISWORLD.CO.UK

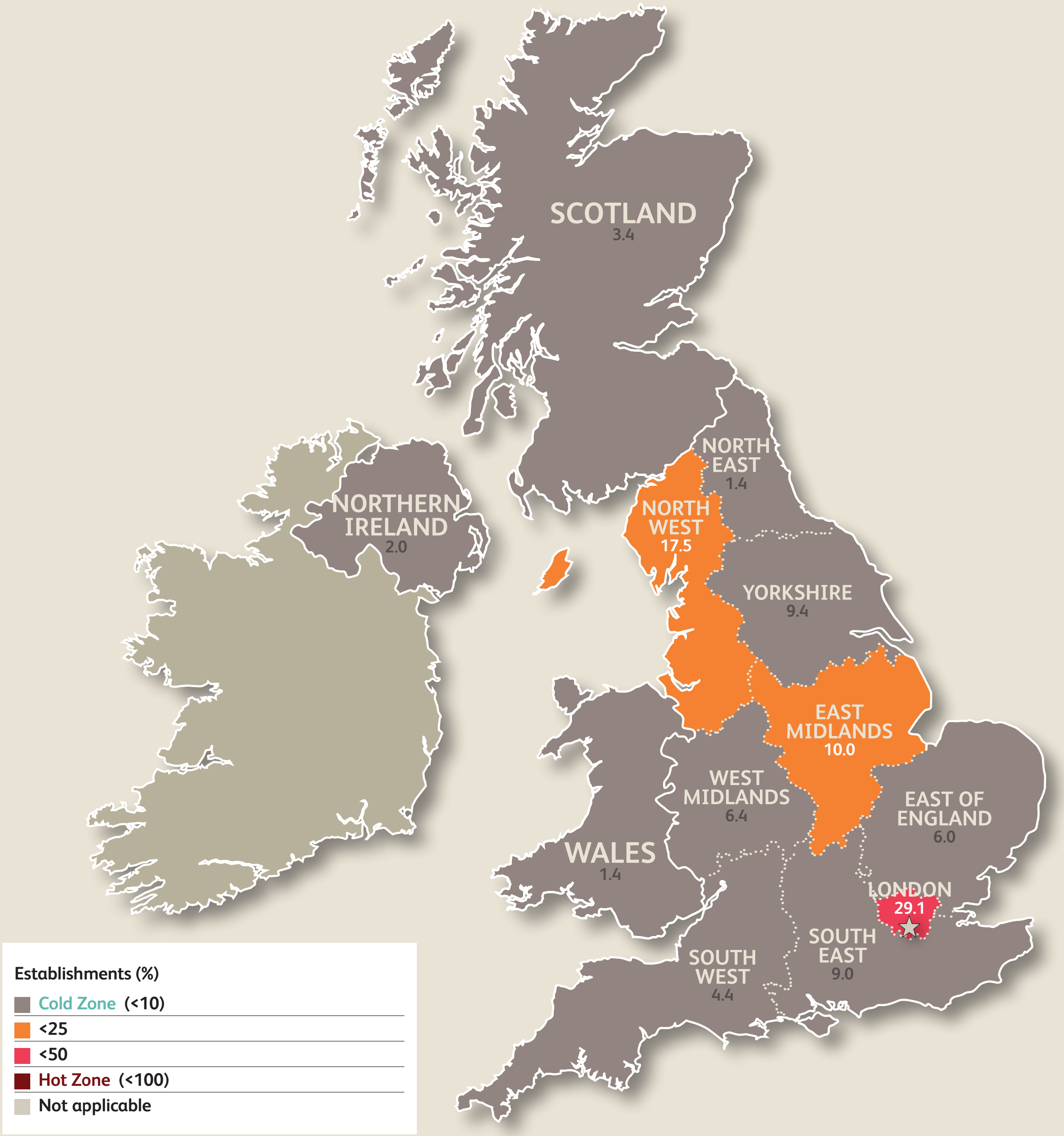
Globalisation & Trade

Textile wholesalers purchase textile products for resale directly from domestic manufacturers, or import these products from foreign firms. Exports are estimated to account for a relatively small proportion of textile product revenue while import levels have increased significantly. However, international trade is conducted at the manufacturing level and is hence not a part of this industry.

Globalisation levels are low in the industry because the vast majority of firms are UK-owned rather than foreign-owned. Few UK firms are estimated to own textile wholesaling businesses in other countries. However, the industry is sensitive to globalisation trends through the volatility of exchange rates.

Products & Markets

Business Locations 2015-16



SOURCE: WWW.IBISWORLD.CO.UK

Products & Markets

Business Locations

In line with other wholesaling industries, establishments in the Textile Wholesaling industry are primarily located close to major retailers and distributors, which are in turn predominantly situated around major population clusters and areas where household wealth and incomes are relatively high. Proximity to head offices of major customers such as corporations is also important. The distance between major market segments can be critical, because it impacts transportation costs and the time for products to reach clients. Industry establishments are particularly concentrated in four regions: London, the North West, East Midlands and Yorkshire.

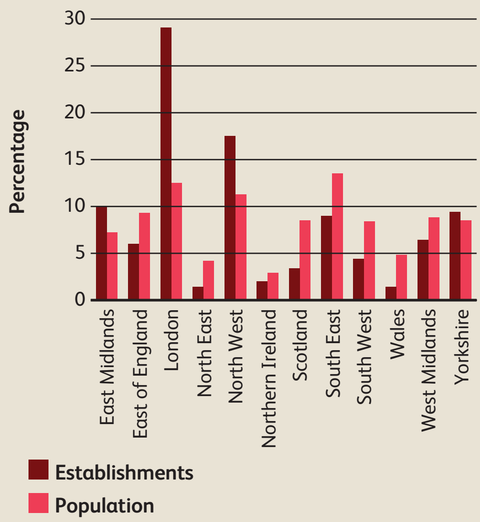
London

London is estimated to account for the largest share of industry establishment with 29.1% of the total. The city and surrounding areas are densely packed with retailers. The density of the population and high levels of disposable income around the region make it a fertile market for retailers. Luxury products with higher average selling prices are more popular in London. The distribution of clothing manufacturers is now skewed towards London as well make the region even more attractive to wholesalers. Good transport links around the region are also important for wholesalers.

Other regions

The East Midlands accounts for 10% of establishments while the North West accounts for 17.5%, which is overwhelmingly higher than its share of the population. Both of which have relatively sizeable clusters of clothing manufacturers. Traditionally the North West had been closely associated with textile and clothing manufacturing, but has been in long-term decline. Nevertheless, the North West is still an appealing area for textile. Yorkshire accounts for 9.4% of establishments while the South East accounts for 9%. On the other end, the regions with the smallest number of establishments are Wales and the North East, with 1.4% each, due to low income levels and low levels of business activity.

Distribution of establishments vs. population



SOURCE: WWW.IBISWORLD.CO.UK

Competitive Landscape

Market Share Concentration | Key Success Factors
Cost Structure Benchmarks | Barriers to Entry

Market Share Concentration

Level
Concentration in this industry is **Low**

Since it is highly fragmented and there are no significant major players, the Textile Wholesaling industry is considered to have a low level of market share concentration. Together, the top four players in the industry are estimated to account for just 5.6% of the market in 2015-16. The biggest player, Turner Bianca, accounts for just 2.3% of total industry revenue. Wholesalers that serve the premium and luxury markets with products that offer broad margins have a stronger position than enterprises that distribute unbranded or low-quality merchandise. However, the sheer volume of players and intense competition keep concentration down so that no one player dominates the market. Figures from the Office for National Statistics (ONS) suggests that 85% of enterprises employed fewer than 10 people in 2015, while only 0.4% of textile wholesaling businesses have more than 99 staff.

Enterprises by employment size, 2015

Employees	Share of total (%)
0-4	69.6
5-9	15.4
10-19	9.2
20-49	4.4
50-99	1.0
100+	0.4

SOURCE: OFFICE FOR NATIONAL STATISTICS

Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

Ability to control stock on hand
Wholesalers need to ensure stock levels are optimised to maintain customer needs and minimise storage and insurance costs.

Control of distribution arrangements
To operate successfully, wholesalers need to be able to control distribution costs while maximising operational efficiencies.

Ability to avoid wholesale bypass
An increasing number of downstream retailers are purchasing and importing textile products and clothing directly rather than through wholesalers. The ability to avoid being bypassed in the supply chain is imperative to survival in the industry.

Economies of scope
Textile wholesaling companies that can supply a wide range of intermediate goods for manufacturers, and finished products for retailers, can increase revenue and profit.

Having a diverse range of clients
Wholesalers that can supply a wide range of products to a large number of clients are more likely to be successful.

Cost Structure Benchmarks

Profit
Operators' profit margins have been squeezed over the past five years by higher purchasing costs. UK textile producers that supply the domestic market can often command higher prices because the domestic market usually demands higher quality products. Nevertheless, average import prices are continuing to climb as overseas suppliers pass on the cost increases from rising labour and material prices to customers, thereby squeezing profit margins. A weaker pound over much of the past five years has also contributed to higher importing costs although the pound has strengthened in recent times. Overall, luxury item wholesalers have typically fared better generating higher margins due to the higher price points associated with the products. The average profit for an industry participant is estimated to amount to 5.3% of revenue in 2015-16.

Competitive Landscape

Cost Structure Benchmarks continued

Purchases

Over the past five years, purchases as a percentage of revenue have been on the increase, largely due to the relatively low value of the pound since the onset of the credit crisis which has made it more expensive to purchase imported goods. Tight conditions in downstream markets has meant many customers have not been able to absorb higher prices, such that revenue increases have not matched increases in purchase costs in recent years. Purchases are estimated to account for 77.2% of revenue. The shift towards more expensive textiles has raised the share of revenue that wholesalers need to outlay on products. Rising prices for certain traditional fabrics has also been a cause for concern. For example, the domestic price of wool has risen significantly over the past five years. The products operators purchase include bed linen, soft furnishings, wall coverings, curtains as well as raw textile materials such as cloth, fabric, yarn and thread.

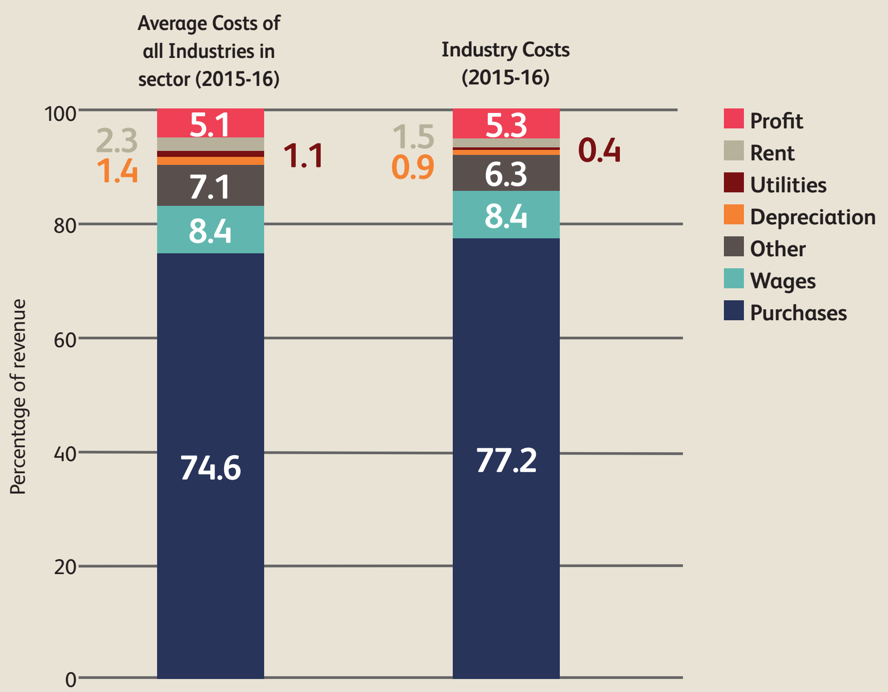
Wages

Wages are the second largest expense for industry operators, constituting an estimated 8.4% of industry revenue in 2015-16. Industry employees focus on selling products to clients, handling items and performing administrative tasks. Operating warehouses does not require many employees on a daily basis, and these tasks do not require highly skilled labour. Technological advancements, including inventory software and automated machinery, are replacing the need for employees and wages as a percentage of revenue has declined slightly over the past five years.

Other costs

Depreciation is estimated to account for 0.9% of industry revenue. Depreciable assets include buildings, storage equipment, machinery used to move products and computer inventory systems. Depreciation costs have been increasing as industry participants move

Sector vs. Industry Costs



SOURCE: WWW.IBISWORLD.CO.UK

Competitive Landscape

Cost Structure Benchmarks continued

towards more automated systems. Rent costs are expected to absorb 1.5% of industry revenue. Costs in this industry largely cover expenditure required for storage facilities. This cost has remained fairly constant. Other costs include advertising costs, general expenses, shipping and handling costs, utilities, costs for the renting of machinery and equipment, and administrative costs. These costs have remained fairly constant over the past five years.

Barriers to Entry

Level & Trend
Barriers to Entry in this industry are **Low** and **Steady**

The barriers to entering the Textile Wholesaling industry are low because start-up costs are minimal, there are few regulatory requirements and no licensing requirements, and a wide variety of products can be imported and distributed. For a new wholesaling company, there can be very low costs associated with entering this industry. For companies handling stock, a new firm may require a van or small truck to transport goods, which can be acquired second-hand or leased. Some firms may not physically handle stock, instead engaging a third-party to collect and deliver items. Funds are also required to purchase stock, which can then be resold or supplied to clients. Depending on ordering and delivery arrangements, cash flow monitoring is usually of primary concern for new textile wholesaling firms.

There are few government requirements affecting those that want to enter and operate in the industry, and there are no specific licensing requirements that apply when a textile wholesaling firm is established, although standard worker safety and environmental conditions must be met.

There are many textile products that are wholesaled by this industry, which provides numerous opportunities for new firms entering the industry. As new products and niche markets are developed, new textile wholesaling companies can increase the number of clients they serve and boost revenue. For yarns and fabrics that are generally sold to apparel and textile product manufacturers, this industry's wholesalers face pressures from declining manufacturer numbers and increased internal competition. For finished textile products that are distributed and sold to retailers, industry competition is expected to remain high as retailers exert pricing pressures on wholesalers to minimise costs.

Barriers to Entry checklist	Level
Competition	Medium
Concentration	Low
Life Cycle Stage	Mature
Capital Intensity	Low
Technology Change	Low
Regulation & Policy	Light
Industry Assistance	None

SOURCE: WWW.IBISWORLD.CO.UK

Major Companies

There are no major players in this industry | Other

Other Companies

Turner Bianca plc

Estimated market share: 2.3 %

Turner Bianca plc supplies a wide variety of home textiles to UK retailers, including soft furnishings and household textiles. The company's brands include Dorma, Cath Kidston, Margaret Muir and Catherine Lansfield. Employing over 250 people in the United Kingdom, the company's headquarters are located in Oldham. Turner Bianca also has offices in Spain, Portugal, China, India, and Pakistan. The company has design studios and showrooms at its head office, which also controls worldwide production, quality control, sales and distribution. Turner Bianca has invested heavily in technology development in the past few years. This includes radio-frequency technology at distribution locations and critical path management systems to reduce lead times and improve efficiencies across the supply chain.

In 2010-11, the company reported a strong increase in revenue and profit, to £101 million and £3.6 million respectively. This followed strong revenue growth in the previous two years, due to continued expansion of operations and steady downstream demand. Revenue slipped back again in 2011-12 as downstream demand was curtailed. However, the popularity of its major brand, Cath Kidston, helped it gain momentum again in 2012-13.

Turner Bianca's performance over the past four years has been characterised by slow, yet consistent growth, which help it to grow 5.5% in 2013-14. Revenue decreased marginally in 2014-15, but growth is expected to resume in 2015-16 as the UK economy strengthens. In the current year, Turner Bianca is expected to generate revenue of £93.1 million.

Romo Ltd

Estimated market share: 1.4 %

Established in 1902, Romo Ltd is a family-operated company based in Nottinghamshire, with additional offices in London, as well as Germany, the Netherlands and the United States, and with subsidiaries in eight other European countries. The company employs over 200 people and markets furnishing and upholstery fabrics, wall coverings and trimmings for residential and contract interiors. These are produced under six main brands: Romo, Romo Black Edition, Mark Alexander, Zinc Textile, Villa Nova and Kirkby Design. Romo's revenue has grown over the past five years as the company has expanded its product lines and paired with new designers to offer fashionable textile designs. The company reported a revenue surge of 7.3% in 2013, and this pace of expansion was maintained in 2014 with revenue reaching £52.1 million. The company has grown at a fairly similar

Turner Bianca plc – financial performance

Year	Revenue (£ million)	(% change)	Operating Profit (£ million)	(% change)
2010-11	101.0	N/C	3.6	N/C
2011-12	86.3	-14.6	0.7	-80.6
2012-13	87.8	1.7	1.6	128.6
2013-14	92.6	5.5	2.0	25.0
2014-15	91.4	-1.3	2.0	0.0
2015-16*	93.1	1.9	2.1	5.0

*Estimate

SOURCE: COMPANY CHECK AND IBISWORLD

Major Companies

Other Companies continued

rate to the wider industry, indicating that this is likely to continue in 2015, with Romo expected to have generated approximately £55.4 million in revenue.

Designers Guild Ltd

Estimated market share: 1 %

Designers Guild Ltd was established in 1970 and is headquartered in London. The company designs, wholesales and distributes fabric, wallpaper, upholstery, bed linen, bathroom products and other home products. These are sold and distributed in the United Kingdom and around the world under the Designers Guild brand. The company employs 230 people in the United Kingdom and another 30 in Munich and Paris. It has further agents and distributors located in 60 countries across the rest of Europe and around the world.

Designers Guild sells and distributes over 2 million metres of fabric and wallpaper each year. It also wholesales furniture, which is not included in the industry. The company generated £49 million in revenue in 2014-15, with an estimated 85% coming from industry-related activities, thanks to its luxury and premium items receiving high demand. This is expected to continue, with the company estimated to generate industry-related revenue of about £42 million in 2015-16.

J Rosenthal & Son Ltd

Estimated market share: 0.9 %

Established in 1911, J Rosenthal & Son Ltd is headquartered in Manchester and employs over 200 staff. It sells and distributes ready-made curtains, bed linen, blinds and cushions across the United Kingdom. These are manufactured under the following brands and company subsidiaries: Dreams 'N' Drapes, Curtina, D P Textiles and Designatex. The company has been negatively affected by declining demand and revenue contracted each year between 2010-11 and 2012-13, before returning to growth in 2013-14. The company is expected to continue down growing and to generate revenue of approximately £34 million in the year through September 2016.

Prestigious Textiles Ltd

Estimated market share: 0.8 %

Prestigious Textiles was founded in 1988 by Trevor Helliwell and has carved out a niche in the industry. The company supplies textiles to retailers across the United Kingdom. Headquartered in West Yorkshire, the company also has partner businesses in Ireland, France, Germany, South Africa and China. It has over 60 collections of textiles and wall coverings. The company has been subject to more significant fluctuations in revenue than some of its competitors but revenue is expected to grow more steadily thanks to improved downstream demand in recent years. In expectation of future expansion, the company opened a new 40,000 square foot warehouse in January 2016. In the year through August 2016, the company is expected to generate revenue of approximately £33 million.

Romo Ltd – financial performance

Year*	Revenue (£ million)	(% change)	Operating Profit (£ million)	(% change)
2010	42.9	N/C	5.2	N/C
2011	44.7	4.2	5.8	11.5
2012	45.0	0.7	4.7	-19.0
2013	48.3	7.3	5.8	23.4
2014	52.1	7.9	6.0	3.4
2015**	55.4	6.3	6.4	6.7

*Year end December **Estimate

SOURCE: COMPANY CHECK AND IBISWORLD

Major Companies

Other Companies continued

Richard Haworth Ltd

Estimated market share: 0.5 %

Richard Haworth was established in 1854 in Manchester, where it originally manufactured textiles and operated numerous cotton mills, weaving sheds and warehouses. The company thrived during the second half of the nineteenth century, when the United Kingdom was a global leader in textile production and cotton spinning. Nowadays, the company's main activity is the wholesale and distribution of industrial and household textiles.

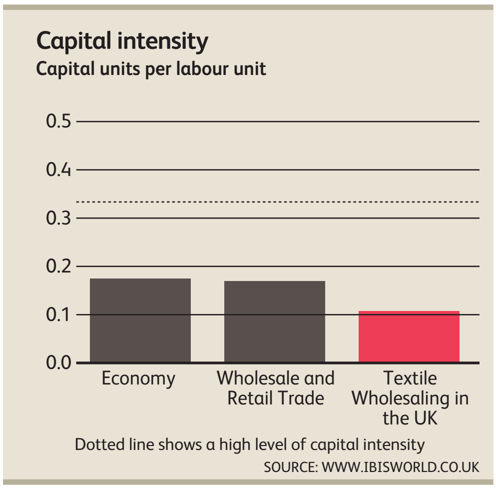
Richard Haworth is part of Ruia Group Ltd, which manufactures and wholesales textiles and clothing. Most of the firm's main clients are part of the hospitality sector, such as chain and boutique hotels, restaurants, social clubs and private institutions. The company's profit levels are growing, while revenue is estimated to grow at a compound annual rate of 5.5% over the five years through 2015-16. IBISWorld estimates that Richard Haworth Ltd will generate £19 million of revenue in the current year.

Operating Conditions

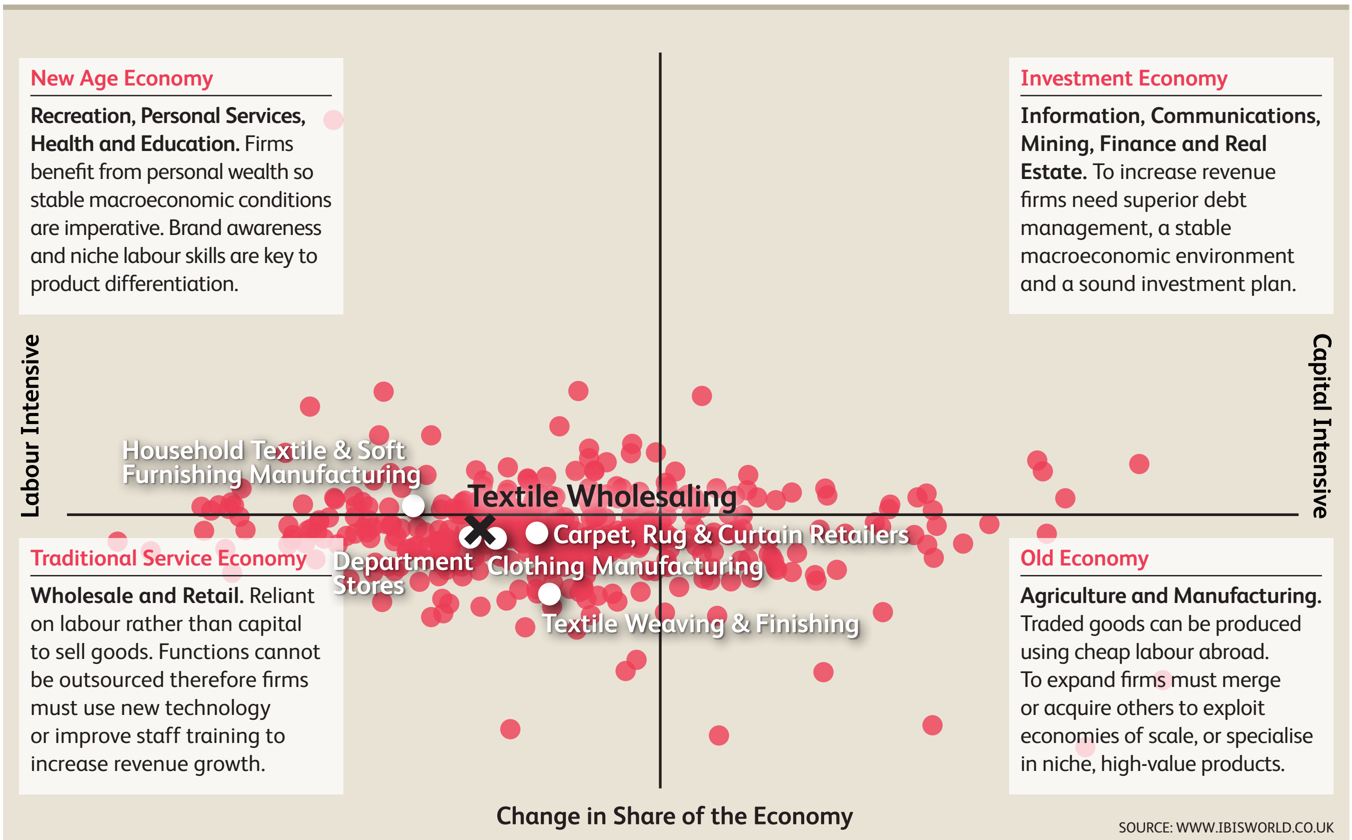
Capital Intensity

Level
The level of capital intensity is **Low**

The Textile Wholesaling industry has a low capital intensity level due to the high labour component required. There are also relatively low capital inputs required by firms in the industry, while the majority of industry costs are associated with the acquisition of goods to resell and distribute to downstream manufacturers and retailers. Comparing capital costs to expenditure on wages, the industry is estimated to have a capital-to-labour ratio of 1:9.37. This indicates that for every £1.00 spent on capital equipment, such as vehicles, machinery and buildings, industry operators typically spend £9.37 on wages. Nonetheless, the ratio has been declining as automatisation gradually replaces some jobs.



Tools of the Trade: Growth Strategies for Success



Key Statistics

Industry Data

	Revenue (£ million)	Industry Value Added (£ million)	Establishments	Enterprises	Employment	Exports	Imports	Wages (£ million)	Domestic Demand
2007-08	3,815.2	643.3	2,185	2,082	16,885	--	--	375.6	N/A
2008-09	3,443.5	561.8	2,480	2,201	16,079	--	--	342.6	N/A
2009-10	3,326.0	575.1	2,530	2,179	16,814	--	--	345.3	N/A
2010-11	3,576.3	576.8	2,370	2,076	15,950	--	--	346.0	N/A
2011-12	3,724.3	545.0	2,220	2,002	15,086	--	--	324.1	N/A
2012-13	3,738.8	541.1	2,155	1,930	14,221	--	--	333.4	N/A
2013-14	3,861.0	567.7	2,175	2,086	14,957	--	--	360.8	N/A
2014-15	3,978.8	573.5	2,345	2,212	14,893	--	--	342.7	N/A
2015-16	**4,042.8**	**591.4**	**2,495**	**2,258**	**14,790**	**--**	**--**	**340.7**	**N/A**
2016-17	4,098.9	587.9	2,511	2,278	14,738	--	--	341.9	N/A
2017-18	4,149.0	586.5	2,522	2,300	14,607	--	--	341.8	N/A
2018-19	4,181.3	596.7	2,545	2,317	14,519	--	--	341.6	N/A
2019-20	4,248.6	603.2	2,593	2,346	14,538	--	--	344.1	N/A
2020-21	4,291.1	604.0	2,648	2,381	14,616	--	--	346.5	N/A
2021-22	4,346.9	613.8	2,710	2,426	14,639	--	--	348.7	N/A

Annual Change

	Revenue (%)	Industry Value Added (%)	Establishments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)
2008-09	-9.7	-12.7	13.5	5.7	-4.8	N/A	N/A	-8.8	N/A
2009-10	-3.4	2.4	2.0	-1.0	4.6	N/A	N/A	0.8	N/A
2010-11	7.5	0.3	-6.3	-4.7	-5.1	N/A	N/A	0.2	N/A
2011-12	4.1	-5.5	-6.3	-3.6	-5.4	N/A	N/A	-6.3	N/A
2012-13	0.4	-0.7	-2.9	-3.6	-5.7	N/A	N/A	2.9	N/A
2013-14	3.3	4.9	0.9	8.1	5.2	N/A	N/A	8.2	N/A
2014-15	3.1	1.0	7.8	6.0	-0.4	N/A	N/A	-5.0	N/A
2015-16	**1.6**	**3.1**	**6.4**	**2.1**	**-0.7**	**N/A**	**N/A**	**-0.6**	**N/A**
2016-17	1.4	-0.6	0.6	0.9	-0.4	N/A	N/A	0.4	N/A
2017-18	1.2	-0.2	0.4	1.0	-0.9	N/A	N/A	0.0	N/A
2018-19	0.8	1.7	0.9	0.7	-0.6	N/A	N/A	-0.1	N/A
2019-20	1.6	1.1	1.9	1.3	0.1	N/A	N/A	0.7	N/A
2020-21	1.0	0.1	2.1	1.5	0.5	N/A	N/A	0.7	N/A
2021-22	1.3	1.6	2.3	1.9	0.2	N/A	N/A	0.6	N/A

Key Ratios

	IVA/Revenue (%)	Imports/Demand (%)	Exports/Revenue (%)	Revenue per Employee (£'000)	Wages/Revenue (%)	Employees per Est.	Average Wage (£)	Share of the Economy (%)
2007-08	16.86	N/A	N/A	225.95	9.84	7.73	22,244.60	0.04
2008-09	16.31	N/A	N/A	214.16	9.95	6.48	21,307.30	0.03
2009-10	17.29	N/A	N/A	197.81	10.38	6.65	20,536.46	0.04
2010-11	16.13	N/A	N/A	224.22	9.67	6.73	21,692.79	0.04
2011-12	14.63	N/A	N/A	246.87	8.70	6.80	21,483.49	0.03
2012-13	14.47	N/A	N/A	262.91	8.92	6.60	23,444.20	0.03
2013-14	14.70	N/A	N/A	258.14	9.34	6.88	24,122.48	0.03
2014-15	14.41	N/A	N/A	267.16	8.61	6.35	23,010.81	0.03
2015-16	**14.63**	**N/A**	**N/A**	**273.35**	**8.43**	**5.93**	**23,035.84**	**0.03**
2016-17	14.34	N/A	N/A	278.12	8.34	5.87	23,198.53	0.03
2017-18	14.14	N/A	N/A	284.04	8.24	5.79	23,399.74	0.03
2018-19	14.27	N/A	N/A	287.99	8.17	5.70	23,527.79	0.03
2019-20	14.20	N/A	N/A	292.24	8.10	5.61	23,669.01	0.03
2020-21	14.08	N/A	N/A	293.59	8.07	5.52	23,706.90	0.03
2021-22	14.12	N/A	N/A	296.94	8.02	5.40	23,819.93	0.03

Figures are inflation-adjusted to 2015-16.

SOURCE: WWW.IBISWORLD.COM

Jargon & Glossary

Industry Jargon

HABERDASHERY Small items used in sewing or a store that sells such items.

SOFT FURNISHINGS Textile products that are generally used to decorate items, such as cushions, curtains, blinds and furniture covers.

WHOLESALE BYPASS When retailers purchase directly from manufacturers, cutting out wholesalers.

IBISWorld Glossary

BARRIERS TO ENTRY High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

CAPITAL INTENSITY Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labour. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than £0.333 of capital to £1 of labour; medium is £0.125 to £0.333 of capital to £1 of labour; low is less than £0.125 of capital for every £1 of labour.

CONSTANT PRICES The pound figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the pound, leaving only the 'real' growth or decline in industry metrics. The inflation adjustments in IBISWorld's reports are made using the Office for National Statistics' implicit GDP price deflator.

DOMESTIC DEMAND Spending on industry goods and services within the UK, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

EMPLOYMENT The number of permanent, part-time, temporary and casual employees, working proprietors, partners, managers and executives within the industry.

ENTERPRISE A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

ESTABLISHMENT The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

EXPORTS Total value of industry goods and services sold by UK companies to customers abroad.

IMPORTS Total value of industry goods and services brought in from foreign countries to be sold in the UK.

INDUSTRY CONCENTRATION An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70 % of industry revenue. Medium is 40 % to 70 % of industry revenue. Low is less than 40 %.

INDUSTRY REVENUE The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

INDUSTRY VALUE ADDED (IVA) The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

INTERNATIONAL TRADE The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5 %; medium is 5 % to 20 %; and high is more than 20 %. Imports/domestic demand: low is less than 5 %; medium is 5 % to 35 %; and high is more than 35 %.

LIFE CYCLE All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

NONEMPLOYING ESTABLISHMENT Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

PROFIT IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding interest and tax.

VOLATILITY The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than ±20 %; high volatility is ±10 % to ±20 %; moderate volatility is ±3 % to ±10 %; and low volatility is less than ±3 %.

WAGES The gross total wages and salaries of all employees in the industry. Benefits and on-costs are included in this figure.