

Finance

“Buyers demand 30-day payment terms, my fabric mills are pro-forma payment and the manufacturing units are cash on delivery – sometimes I can be months in the red at the bank – I just don’t know how many seasons I have to sustain this for.”

Designer

Many designers find it difficult to obtain any sort of credit agreements with manufacturers, and this puts a massive strain on the financial part of their businesses. Cash-on-delivery is the normal arrangement with UK manufacturers, compared with Italy, for example, where it is usually 30 days, even if it is a new client.

When credit is given in the UK, this is usually limited to 7-10 days and is almost entirely dependent upon an established relationship between the designer and the manufacturer, which usually takes several seasons to develop. But even this is no guarantee of credit – some larger design companies have ongoing relationships with manufacturers, and still don’t get credit. The current unstable economic climate has made many manufacturers very wary of giving credit to any companies. Manufacturers also feel that some young designers mismanage their finances – spending large sums of money on shows, but not paying for goods on time.

For many designers, payment of production costs is way down their list of priorities, so they end up using credit cards, or expensive finance agreements, to pay for production at the last minute. Better planning could help prevent this.

It’s also helpful for designers to understand why UK manufacturers can be reluctant to give credit. They usually pay their staff on a weekly basis, so need constant, steady payments rather than large sums at the end of a season. Manufacturers themselves often find it very hard to get credit from banks, and most have had the experience of getting ‘burned’ by designers who have collected goods and never paid for them as their companies have liquidated. For small manufacturing units, perhaps with fewer than ten



machinists, a late payment can mean the difference between paying staff and having to let staff go. Obviously, this impacts negatively on the whole sector as it means there are even fewer places for designers to get their garments made.

Top Solutions:

- Designers need to plan large, regular seasonal payments into their cashflows in order to be prepared for them.
- Designers need to stick to agreed payment terms and if not possible then communicate this as soon as possible to the manufacturer.
- Both Designers and Manufacturers need access to solid financial advice.

Relevant sections from the Fashion Toolkit:

- Code of Practice.
- Factory Assessment Checklist.
- Production Management.



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An Alliance of five key partners working together to support the UK's high-end designer manufacturing sector