

# Bringing manufacturing back to Britain

*The Festival of Business is our annual event for ambitious medium-sized and small firms. Every day at [www.telegraph.co.uk/festivalofbusiness](http://www.telegraph.co.uk/festivalofbusiness) you will find news and practical advice to help your business grow – you can also sign up to our weekly email and follow us on Twitter. Every week in Friday's Daily Telegraph and The Sunday Telegraph we're exploring the issues that will be featured at this year's event, which takes place in London on November 12. Here, **James Hurley** looks at the growing trend of 'reshoring' and talks to four firms who have tried to bring manufacturing back to Britain*



## TURNING THE TIDE - SLOWLY

A DECADE ago, Tony Caldeira closed one of his UK factories in order to move production to China, with the loss of around 100 jobs. Now, the £17m turnover Merseyside cushion maker is trying to reverse the decision – but it's not proving easy.

"We're doing it step by step," he says. "We've downsized our Chinese factory. It's going OK, but it's not happening as quickly as we would like."

Two familiar bugbears have put the brakes on what Caldeira calls the "turning tide" of globalisation – finding the right people and raising finance.

"Although Chinese manufacturing prices are rising and sterling is weak, we have issues. We struggle to find skilled machinists. And banks don't like retailers or the manufacturers that supply them."

Only three weeks into the "reshoring" project, which began last year, four of the 17 new UK staff hired by the company had quit. Caldeira says it was revealing to encounter "a new generation" that doesn't have the skills, or sometimes the appetite, for the job – in the past, he's always been able to hire experienced machinists from other factories closing.

But Caldeira is undeterred. He says he would "love" to bring all of his manufacturing back "tomorrow". "There are certain high-volume jobs where the Chinese operation still beats the UK on cost, but soaring wages and other costs in the East mean "the first wave of globalisation is over", he says.

He advises other small companies that have outsourced manufacturing overseas to "keep looking" at their

costs.

"You'd be amazed how quickly things can change. On raw cost, China will look much more competitive. But with freight and duty, it can be more expensive than you realise. It's about finding the tipping point. Every SME will have its own – the time will come and it could be sooner than you think."

"My manufacturing peers haven't been

as positive as they are now for some time. With weak sterling [making imports more expensive] and price rises [in the East], they are thinking the tide has turned. Now the tide is coming from East to West. Let's hope that continues."

## KEEPING THE FAITH

OVER its 150-year life, Birmingham-based precision components manufacturer Brandauer has made everything from pen nibs to parts for the Large Hadron Collider, the particle accelerator that revealed the Higgs Boson, or "God" particle.

The company has kept the faith with UK production for the duration. Three-quarters of its £8m sales coming from overseas, with China being its single biggest region.

"The lack of labour in our products means we are competitive – some of our customers have tried to source locally [in China] but the level of technicality on our components mean it's beyond the basic capabilities that are the norm

in China. We're in a niche and at the top end of our game," says sales director Rowan Crozier.

Brandauer is unconcerned that rising costs will see its customers, which range from white goods manufacturers to makers of automotive electronics, start moving out of China. "If our customers move, we move with them."

Indeed, Crozier says there are tentative signs that repatriation of production will bring sales opportunities much closer to home.

"Customers have already moved some of their production to Europe. A few are considering bringing it back to the UK. We've got a good proportion of business in the pipeline like that."

The company is part of the Midlands Assembly Network, a group of 10 small and medium-sized manufacturers that collaborate on projects.

Crozier says the "reshoring" trend is promising for the entire group.

"There is definitely a theme for premium products and people being willing to pay for a made-in-Britain stamp," he says.

He believes repatriation of production "could be" sustainable – but only if consumers are "passionate about making it in the UK".

"It's reliant on changing the habits of the consumer. There is a tendency to buy cheap, but they are starting to understand you get what you pay for."

## SEARCHING FOR A PARTNER

SOLVEJ Biddle's Chinese manufacturing partners have provided "one of the biggest trials and tribulations" for her company, Content & Calm, which makes children's travel products.

"It's getting harder for a number of reasons." Price of labour and commodities, for a start.

In 2010, Biddle won an £80,000 investment from Peter Jones and Deborah Meaden after appearing on the *Dragons' Den* television programme with her TrayKit, a children's backpack that opens into an extendable "play tray". Just as the appearance produced a spike in demand from retailers, her manufacturing costs rose by almost 20pc. Since she'd already agreed prices with retailers, it gave her a "heart-stopping moment".

She managed to get around the issue by agreeing a much larger order with them than she would have liked, but the problems haven't stopped.

"They know they've got a noose around your neck. You have been through all the expense of the testing, you have demand to satisfy. If you have to switch, you have to start again, so it's not easy simply to move factory."

Chinese warehousing costs are also "higher than you'd think", she found.

So why doesn't the company, which is projecting sales of £1.4m, bring manufacturing back to the UK?

"If we could do it at the right price, we'd manufacture everything here. We would shout it from the rafters. The Made in Britain badge is a powerful pull, especially for export. Ironically, China loves it."

However, she says she has discovered it's "harder than you think to even get a quote" from British manufacturers.

"You struggle to get a response – I tried to manufacture in the UK when I started the business. It was embarrassing how unwilling people were to come up with a price."

Through the Government export agency, UK Trade & Investment, she has at last found some potential British partners, and she hopes to be making a third of her range in the UK within a year.

But she says dissatisfaction with Chinese production means there's plenty of untapped potential for British manufacturers to exploit.

"I'm convinced more companies would do it here if there was more gusto and willingness to try from manufacturers."

## THE NEED FOR SPEED

"MORE cost-effective, flexible and faster." That's how upmarket online bathrooms retailer Bathrooms.com explains its decision to move a quarter of its manufacturing to the West Midlands.

The business had previously had all of its products made in the Far East, but this week said it will spend at least £2.5m with manufacturers at home over the next 12 months.

Ian Monk, the former UBS executive who founded the Watford-based company in 2004, says it's all about being able to "turn around certain

product ranges as quickly as possible".

"China is great for... commodity products, [but with] certain high-end, high-design products you have to be there to ensure quality. By bringing our manufacturing to the UK, we shorten our supply chain and have greater management oversight. This will halve the time it will take us to design and ship a new range to our customers."

The company, which has annual sales of more than £5m, says "entry level" products with little design time invested in them will still be made overseas. But making its more expensive lines at home reduces the time it takes to take a new range from design to market from six months to less than two.

Delivery times will also be slashed, from six to 12 weeks to less than two.

"That allows us to be leaders in design rather than followers," says Lucy Powell, the company's buying director.

*'On raw cost, China will look more competitive. But with freight and duty, it can be more expensive than you realise'*



**Solvei Biddle** with **Andrea-Anna Maloney**, left, and **James Maloney**, right, wearing their TrayKit backpacks. She says Chinese warehousing costs are 'higher than you'd think'

NICK MORRISH