



# Fashion in the UK

## Pricing: Understanding UK Pricing, Margins and Duties/Taxes

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There are a number of key factors that you need to add to your Australian wholesale price to make up your retail pricing in the UK. These include freight, import duties and agent or distributor margins.

Even if you are selling through a distributor or the buyer is paying for freight and duties, it's still important that you know where your range will sit in the UK market in terms of price. Once you have an estimated retail price, you can then research other labels around the same price point and start working on your selling message as to why buyers should take on your collection. You may find that your retail price puts your range next to well-known European designers, in which case you will need to make some tough decisions as to whether you can compete against these big brands with big marketing budgets.

In general, Agents seek *approximately* 10-15% commission for acting as sales and marketing representatives. They do not usually hold or handle stock, invoice customers, or collect debts. Agents are the 'normal' representation model in the UK within the high end fashion industry.

Distributors in the fashion industry also exist, however there are fewer of them. They take title to the goods and provide the full service – stock handling and distribution, invoicing and debt collecting. Thus, they require a higher margin to cover the greater costs involved. This margin varies and can be anywhere upward of 25%.

Whilst retail prices when converted back to Australian dollars are much higher in the UK than in Australia, there are significant costs the product attracts that result in these higher prices. Retailer mark-ups start at 2.3 (100% + VAT) times the landed price. The average mark-up is based on a factor of 2.6 and can even reach more than 3. Remember that the landed price or DDP London (Delivery Duty Paid) price includes freight and import duty.

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These higher retailer margins will result in Australian products at much higher retail prices than the local market.

For example:

Wholesale price in Australia – A\$100	<b>Retail price in Australia – A\$200</b>
Australian wholesale price less GST	- A\$90
Freight and import duties	- A\$25 estimate only, please ensure you do your own calculations
Landed price to London (DDP London)	- A\$115 or £65 at exchange rate of A\$1 = £0.57
<b>Retail price (retailer markup of 2.6)</b>	<b>- £169 (A\$295)</b>
<b>Retail price (retailer markup of 3)</b>	<b>- £195 (A\$340)</b>

The UK is part of the [harmonised trade system of the European Union \(EU\)](#). Common Customs Tariff is applicable to goods from non-EU countries, including Australia.

Most clothing of Australian manufacture is valued at 12% duty (but not all!). Lingerie, swimwear, accessories and shoes may vary. We recommend that you always confirm the Customs tariff code for each item in your range, which will then dictate the duty rate applicable. Before shipping any goods to Europe, you should obtain a written customs duty ruling from the [UK customs service](#). These rulings are called [Binding Tariff Information \(BTI\)](#). Getting a BTI is free and will prevent any conflict over customs or excise duty. See the Austrade - UK Export Pricing and Customs and Duties information sheet for more detail.

All clothing and accessory products are liable for VAT (similar to Australian GST) aside from some children's wear and accessories. The current rate in the UK is 17.5%. You should consult a specialist accountant for advice on VAT issues in the UK. Austrade can refer you to a selection of contacts.

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