

Summary Findings

- Companies in the sample generated £165m revenues, employing 900 people
- Revenues per employee are well above average at £184k compared to the national average of £161,700 and £170k reported by Grant Thornton for medium-sized businesses, demonstrating well above national average levels of productivity for similar sized businesses
- 56% of the sample owned property with the rest (11 companies) renting, of which 10 rented from Birmingham City Council
- Companies felt the City Council lacked leadership and vision, was largely an absentee landlord owning considerable tracts of land in the JQ, notably in Vyse and Northampton Streets, failing to coordinate its approach across strategic teams including those dealing with rent, rates, property services and regeneration/planning and valuation
- 85% of businesses interviewed felt that higher rents and rates posed a serious threat to the Jewellery Quarter Industry Cluster (JQ-IC) with 69% of the sample seeing the heightened focus on residential development similarly posing a further threat to the viability of the JQ-IC
- In spite of this 96% of the sample wanted to see higher footfall through the JQ and greater diversity of offer, but they did not want this at the expense of the existing JQ-IC cluster
- Greater availability of business parking was an issue highlighted by 89% of the sample with reductions in parking permits, costs of parking for staff and lack of availability of van permits cited as reasons holding back business efficiency and ultimately competitiveness and productivity, with parking permits given to residents at the expense of business
- 48% of businesses stated that they could relocate out of the Jewellery Quarter; however most businesses did not wish to relocate or were unable to relocate
- 70% of businesses were training for the future but in insufficient numbers to replace the industry; of 899 employees in the sample 51 were apprentices represented 5.6% of all staff employed, with many of the practical skills drawn upon reaching or past retirement and an urgent requirement for replacement. The industry has been trying to address this problem for the last 4 years with apprenticeship schemes and training initiatives
- All businesses required more practical (Bench, Engineering, IT) and more commercial skills training, with insufficient emphasis on these skills to meet JQ-IC business need
- More focus on start-up development would help to ensure replacement rates, with just six businesses under 10 years old, and just two (under 10%) under three years old.
- With the average age of businesses in the sample at 78 years, this was a well-established business cluster, consistently contributing taxes and rates and providing employment to local people, in many cases generations of members from the same family
- 93% of those surveyed felt that some form of JQ Hub, promoting practical skills development with strong market focus, would help provide a transition option for graduates to work collaboratively and collectively to promote their start-ups, sharing equipment, machinery, marketing. The Hub, if housed in one place, rather than distributed, could house new business, making, retail, café / restaurant and even accommodation.
- Council requires greater care when granting planning permission for residential next to industrial as conflicts have been arising
- In the light of Brexit, a greater collective marketing focus for the JQ-IC would be required to promote a stronger, clearer voice for the manufacturers / makers, nationally and internationally - in light of their special requirements and to promote their unique story and contribution.

Introduction

Policy makers traditionally regard manufacturing as a sector in decline. Yet in the West Midlands manufacturing accounts for 14% of GVA and up to 38% when taking into account its secondary contribution.

In the Jewellery Quarter a wide range of manufacturing, designer-maker, outworker and retail businesses compete, collaborate and thrive as part of the little understood and recognised Jewellery Quarter Industry Cluster (JQ-IC). These companies have a particular capacity in making to order through their problem-solving, can-do manufacturing ability – a skills-set which has powered a global reputation. This reputation has been enhanced through the combination of individual competencies pooled together amongst competitors to produce heightened capabilities. For example, three companies pooled together to supply and manufacture, on-time, 360,000 medals for the Queen's Diamond Jubilee. Situated in close geographic proximity a large number of businesses are gathered together operating in the B1, B18 and B19 postcodes.

Far from being a small and dwindling group many are thriving and challenged by the demands of rapid growth, space constraints, suitable buildings for industrial activity and parking availability as a feature alongside the greater focus on residential development in the Quarter. This has not been fully appreciated in the policy formulated to-date, which has tended to focus on the Jewellery Quarter as a visitor attraction, retail destination and location for a growing creative sector, rather than as a tightly knit, interlinked and connected manufacturing industry cluster, where operators are mutually interdependent on each other for continuing success, competitive viability, productive capacity and flexibility and market promotion.

It is often assumed that the Birmingham retail jewellery trade is intimately connected to the jewellery makers and manufacturers. Retailers started appearing in the quarter from the 1970s as cheap imports entered the country undercutting domestic manufacturers. To survive manufacturers have had to specialise focussing on mid and upper price points, in general, although not exclusively. Whilst there are a number of retail manufacturers in the quarter, by far the largest number of retail outlets are importing jewellery with the quarter recognised for its 'value' offer. The JQ-IC comprises a highly varied range of activities within the producers and associated industries estimated to be employing around 5-7k people across around 800 businesses, although there is little clarity about the total size and value of the cluster.

The JQ-IC depends on its physical co-location for the support afforded to all businesses and gained through mutual cooperation. Alongside traditional jewellery producers companies make automotive parts (lamps and badges), medals, national awards and honours, civic insignia, ceremonial maces, a large range of silverware, badges, sports trophies, buttons, uniform accessories, signs, whistles, pens, with their associated supply chains including bullion dealers and every stage of processing required to produce final products. Many of these businesses do not appear within traditional Standard Industrial Codes (SIC) used by the Office of National Statistics (ONS). One manufacturer producing chain, bangles, cufflinks stated, "there isn't a clear category for our business. Looking at the DTI charts we fit into three categories – findings, precious metals manufacturer and wholesale importer. One manufacturer commented, "The government regard us as a dying sector, but as a nation we've been 'doing pomp and circumstance' better than anyone else for centuries. Now the new economies are looking to us as leaders and buying from the 'best'. We should be promoting this to overseas markets but in fact we are ignoring it." During August-September 2016 one manufacturer serviced an order for an Eastern European Country (Turkmenistan) which required the help and resources of their competitors together with every stone setter in the city involved in

setting 175,000 stones over a six week period. This pooling of resources allows the JQ-IC take on very large orders cost effectively.

The portfolio of skills across the JQ-IC include – designing, tool making, spinning, model making, engine turning, silversmithing, sintering, chasing, stamping, champlevé enamelling, hand painted enamelling, polishing, plating, dye casting, lost wax casting, RP, CAD CAM, stone setting, welding and soldering, hand engraving, computer engraving, with related skills such as wood working, wooden presentation box making, frame making and sign making.

This survey has been driven by planning considerations – to ensure sufficient space required for new start-ups, manufacturing and retail requirements, and the likely growth or contraction of the cluster along with other relevant policy recommendations made to support sustainable growth of the cluster.

The Prince's Foundation, *Jewellery Quarter - Unlocking the Industrial Middle*

This non-statutory planning and regeneration framework identifies the key JQ issues as:

- lack of public spaces beyond St Paul's Square and the Cemeteries
- Poor connections with the City Core
- long-standing vacant and underused sites along key main corridors
- supporting small jewellery design, manufacturing and creative businesses and adding further economic activity
- how development pressures can be effectively managed to maintain and enhance the qualities of the historic environment

"Our vision is to bring new growth and investment to create a Jewellery Quarter which is driven by its historic jewellery trade and emerging creative industries, and revitalised by a sustainably growing residential population. Key to its future success will be re-establishing historical links to the City Core across Great Charles Street and improving pedestrian routes to the heart of the quarter."

Under the auspices of the Jewellery Quarter Development Trust (JQDT) Neighbourhood Forum, a Neighbourhood Plan is being formulated. Neighbourhood planning is a right for communities in their areas through the production of Neighbourhood Development Plans, Neighbourhood Development Orders and Community Right to Build Orders.

The *Institute for Design & Economic Acceleration, IDEA*, at Birmingham City University, was commissioned by Greg Fattorini, MD, Thomas Fattorini Ltd, to ensure that the views of the Jewellery Quarter Industry Cluster (JQ-IC) are heard and fully articulated as part of this consultation and in particular ahead of two referenda of residents and businesses operating in the Jewellery Quarter scheduled to take place over the next year to eighteen months. Once the Neighbourhood Plan has been ratified it will supersede the current planning regulations of Birmingham City Council (JQ Conservation Area Supplementary Planning Guidance January 2002), identifying zones for industrial activity.

Jewellery Quarter Industry Cluster (JQ-IC) Survey – in detail

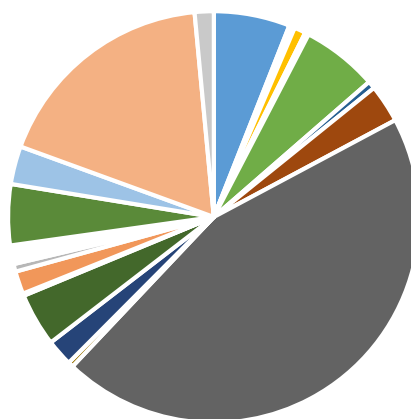
From mid-August to early September 27 companies, with revenues of over £165m in the past year employing 900 people, were interviewed to assess these employers' views on a range of topics bearing on planning regulation in the Jewellery Quarter, including the impact of an increased focus on residential development, rising rents, rates, including service charges, overheads, training, parking, security, footfall, diversity of offer and promotion. The complexity associated with new pension arrangements was cited as adding further costs and regulations were regarded as frequently costly and applied on a 'strict' one-size fits all basis rather than with some sensitivity to the particular needs of a business, its staff and market.

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Three of the largest businesses accounted for just under 60% of revenues generated, with seven of the twenty seven businesses accounting for 89% of total revenues generated, and with all these representing jewellery and/or associated manufacturing businesses. The JQ-IC is highly productive with £183,748.61 (£184k rounded) revenues per employee generated, considerably above national average levels of revenue per head at £161,700, and above the average level for medium-sized businesses reported by Grant Thornton in 2014 at £170k each, with all companies interviewed falling into the category of medium-sized businesses (Agents of Growth, The Power of Mid-Sized Businesses, Grant Thornton, 2014).

There was tremendous pride amongst the maker community about their heritage, traditions, origins and a strong desire to see 'Birmingham Made' promoted. Much greater emphasis on promoting the thought gone into the design, production, along with the considered, hand-crafted nature of many of the products being produced in the quarter was seen by many as a priority for future promotions with quality and price going hand-in-hand. Promoting the quarter for its quality at value prices, or exceptional quality and heirloom items to be passed from generation to generation with greater emphasis on merchandising and presentation to heighten the retail experience was equally seen as a requirement with infrastructure upgrades including pedestrianisation, upgrading to Soho or Argyll Arcade quality, along with far greater investment in promotion and sales directly to consumers.

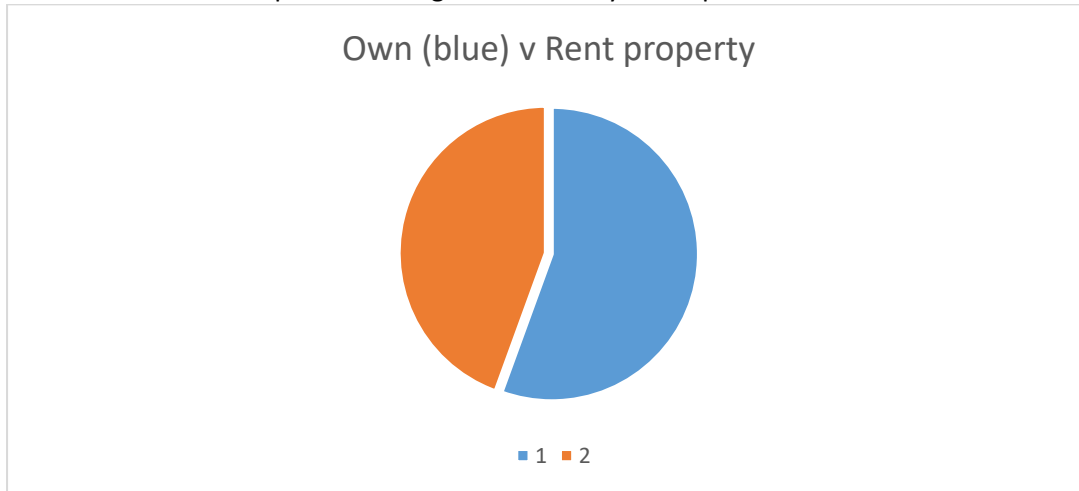
Jewellery Quarter Operators Revenue Split, 2016



■ 1 ■ 2 ■ 3 ■ 4 ■ 5 ■ 6 ■ 7 ■ 8 ■ 9 ■ 10 ■ 11 ■ 12 ■ 13 ■ 14
■ 15 ■ 16 ■ 17 ■ 18 ■ 19 ■ 20 ■ 21 ■ 22 ■ 23 ■ 24 ■ 25 ■ 26 ■ 27

Property Issues

Of the 27 companies surveyed 15 owned their own properties, with 12 renting, of which 11 rented from Birmingham City Council (BCC) owning extensive tracts of property in Vyse and Northampton Streets. Of the 11 companies renting from BCC only 1 was positive about BCC as a landlord.



<u>Company Turnover</u>	<u>No. Employees</u>	<u>Co. Postcode</u>	<u>Own Property</u>	<u>Rent Property</u>	<u>Rent from BCC</u>
£10,000,000	70		1	0	0
£500,000	9		1	0	0
£250,000	2		0	1	1
£1,500,000	20		0	1	1
£500,000	4		0	1	1
£8,000,000	58		1	0	0
£1,000,000	9		1	0	0
£5,000,000	30		1	0	0
75,000,000	210		1	0	0
£690,000	9		1	0	0
£3,500,000	26		1	0	0
£7,000,000	65		1	0	0
£300,000	9		0	1	1
£3,000,000	28		1	0	0
£1,000,000	5		0	1	1
£500,000	10		0	1	1
£200,000	2		0	1	1
£200,000	1		0	1	1
£350,000	5		0	1	1
£400,000	5		1	0	0
£500,000	3		0	1	1
£200,000	2		0	1	1
£100,000	2		0	1	0
8,000,000	70		1	0	0
5,000,000	45		1	0	0
£30,000,000	185		1	0	0
£2,500,000	15		1	0	0

**REVENUE TOTALS =
£165,190,000.00**

	899	15	12	11
Turnover per Employee = £183,748.61		Do not own 12	Do not Rent 16	Not Rent off BCC 16
Sample Total		27	27	27

All those (100%) renting and 56% of the total sample interviewed saw a threat to individual business viability from increased rents in the Jewellery Quarter. 85% of all companies interviewed saw increasing rents and rates as a threat to the ongoing viability of the Jewellery Quarter Industry Cluster as a whole.

The council was, in the vast majority of instances, depicted as an absentee landlord failing to fulfil its obligations under its leasehold agreements, with the various departmental teams involved with renting, rates, planning and property services, failing to share information or take a holistic view of the businesses and their requirements, or indeed any strategic overview on how best to assist the Jewellery Quarter whilst acting in a coordinated or collective manner.

This lack of coordination between City Council departments was affecting viability of younger businesses and start-ups. In one instance a 25% rent increase was demanded from a business start-up after four years renting from the council and following a £40k investment by them into the building. When the business asked for a smaller rent increase they were threatened with eviction noticing giving 6 days' notice to leave.

In a further instance the start-up signed a leasehold agreement in a near derelict building, described as having 'holes in the walls and where an electrician they later called in declared the wiring to be dangerous'. They claimed that whilst the City Council were initially helpful they filled in the forms incorrectly and later claimed three years back payment on rates. They then found themselves passed from pillar to post between the small business rates relief team, the discretionary rates relief team, Property services, Birmingham Valuation office.

They state:

"None of these teams seem to speak to each other or coordinate clients across the teams.
"We have spent hours in phone calls to the City Council - letters, calls, wrong information provided which we have acted on only to be told by another team in City Council that we have done the wrong thing without reference to the other team but who simply say that we spoke to the wrong department. We were asked to prove that we did not have the money to pay the supposed outstanding back rates. This was humiliating, but we did this, then one employee from discretionary rates relief said to us, 'You're not valuable enough to keep in Birmingham'. For this reason we wanted to leave."

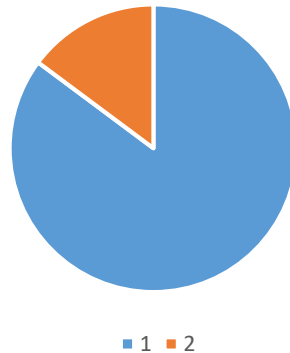
This and other businesses cite the following as reasons why, as operators, they would be keen to leave the JQ:

- 1) Communications with the Council – cost money, are time-consuming and stressful
- 2) Contracts are handed out to tenants – they have a 'bums on seats' mentality rather than caring about the types and sizes of businesses
- 3) Condition of property is a constant challenge
- 4) Value of property. This start-up stated, "as young business people with debts still from studying at university this is preventing us from buying and having a stake in the JQ. With our debts from University and our lack of support, lack of finance, it will be very difficult for us to move into a more stable position".

Rent Increase Challenge to individual businesses (blue = yes)



JQ Threat from Rent Increases (blue = yes)

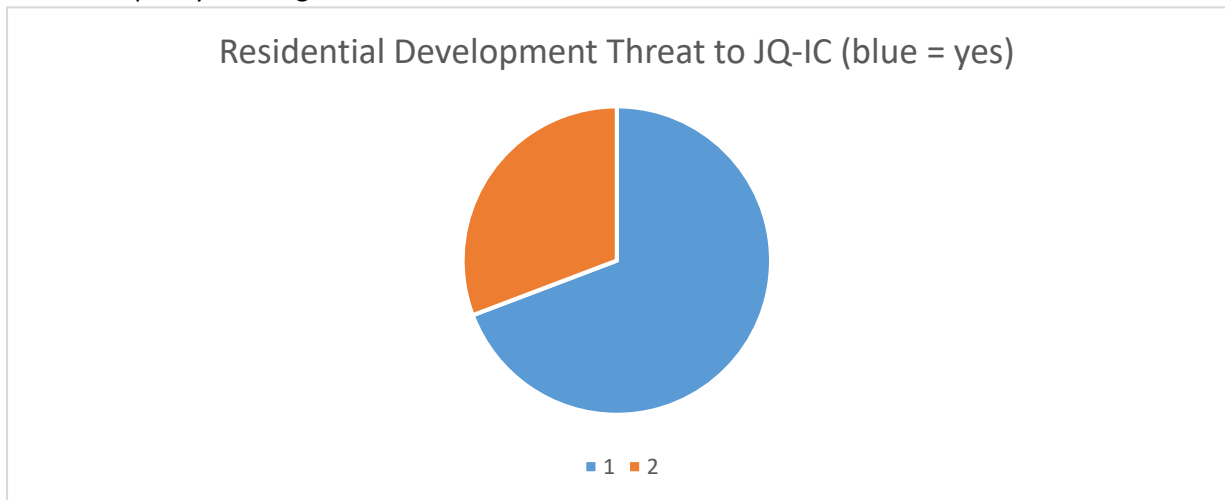


Another company spoke of how on sub-letting part of their premises they had still been charged the same rates. On enquiring from the Council about the necessary adjustment in rates to be paid the Council stated they would see them in Court. The judge threw the case out stating that both parties needed to sort things out, out of court. The focus on residential development was seen by 70% of all businesses as a threat to the JQ-IC. Several companies commented on resident complaints made against their businesses about noise levels even though they had made this clear to developers prior to construction of accommodation.

Residential focus had resulted in planning decisions which manufacturers were struggling with. For example, in one instance the council took noise measurements for a new development site on a Friday afternoon when businesses are closed. As a result of the low noise levels planning permission was granted. When the apartments were occupied the residents complained to the Council about noise levels, testing took place again, noise levels were deemed excessive with the manufacturer duly asked to insulate their walls backing onto the residential apartment block. One manufacturer stated that the focus on residential development in the Quarter threatened to overwhelm the JQ-IC.

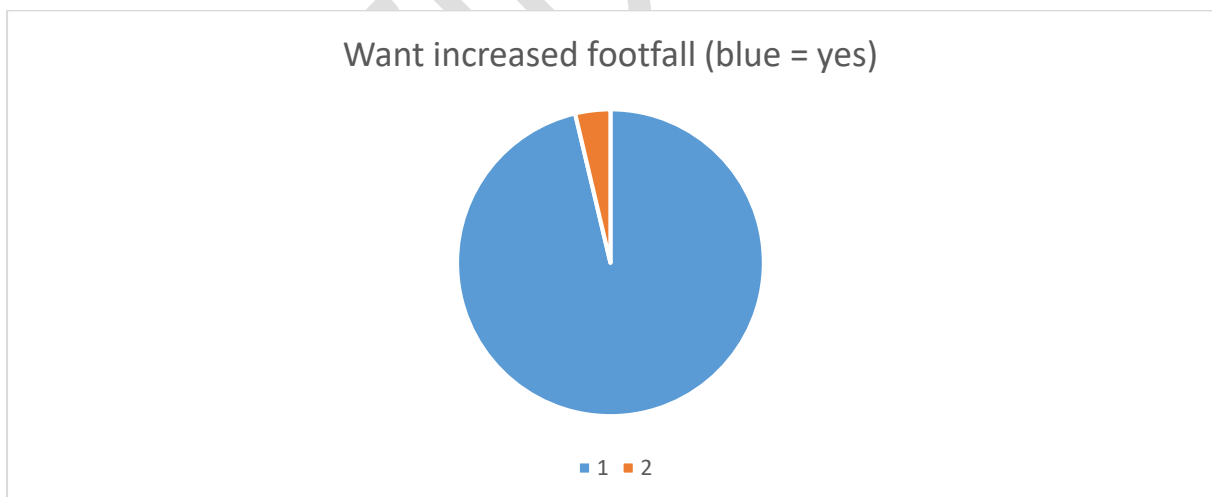
All agreed that it was a question of balance – ensuring that the industrial middle was observed and that industrial buildings designed to accommodate production processes were used for manufacturing where there was manufacturing demand. Some manufacturers complained about lack of space available for business expansion given their specific requirements and one commented

on the number of churches springing up around the JQ which did not pay rates and were occupying industrial quality buildings.

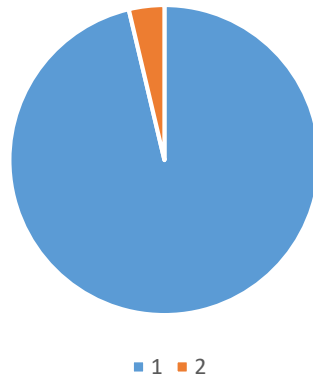


JQ Vision

All 27 businesses interviewed regarded driving increased footfall into the Jewellery Quarter as a priority, along with diversification of offer. Primarily it was considered that the Jewellery Quarter needed to move from being considered a destination known for its low-priced jewellery offer – of predominantly imported jewellery – to offering quality jewellery made in Birmingham at value prices with Bicester Village (quality and branded products offered at value prices) seen by many as the inspiration for this vision. Some expressed frustration that the Birmingham Christmas market did not come as far as the Jewellery Quarter. However, delivering a mixed offer and increased footfall was to be delivered alongside the continued sustainability of the JQ-IC.



JQ - greater diversity of offer required (blue = yes)



To achieve this all surveyed felt better promotion of the Jewellery Quarter's manufacturing capability locally, nationally and internationally.

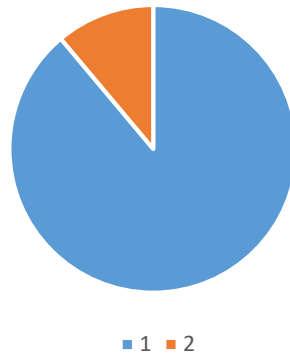
Locally & Nationally - through a targeted offer for sale itemising products, product style groupings, and emphasising hand-crafted or low volume, specialist, niche production, highlighting the quarter's traditions, heritage and authenticity, combined with customisation with high tech features and versatility of available options. 'Birmingham Made' was seen as a priority and in light of this focus there was concern about the use of the well-known Birmingham Anchor hallmark by the Assay Office in Mumbai with a desire to see an alternative stamp used for products hallmarked overseas.

Internationally - illustrating and emphasising the skills and capabilities of the JQ-IC as a one stop shop for minting coins, the design and manufacture of unique jewellery items, the manufacture of national awards honours and medals, and bespoke hand crafted silverware.

There were concerns about the closure of the JQ Police station, which was stated to have become an administrative presence in the quarter based in The Big Peg. Many regretted no longer seeing 'Bobbies on the Beat' in the quarter. Retailers were concerned that the banking presence had been reduced to two bank outlets (HSBC and TSB) with those impacted having to cash up and transport takings to banks outside the quarter as required.

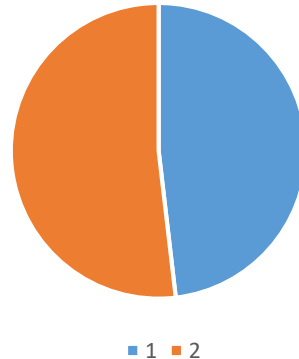
The availability of business parking was the single biggest concern of businesses questioned, with 90% seeking greater options for their business and staff, apart from a couple with sufficient parking on-site to cater to staff and business requirements. Many commented on the cost of parking in the multi-storey car park on Vyse Street (£250 p.a.) and others commenting on the time taken to acquire staff or van parking permits. One business had been unable to acquire a van permit for its van to park in its loading bay. It had been allowed to park on the opposite side of the road, but this required the forklift truck to cross the public highway, which it did not have permission to do and was consequently forced to unload the van in its loading bay.

More Business Parking Required (Blue = yes)



Businesses were split regarding their ability to re-locate out of the Quarter with almost half stating that they would be able to relocate whilst the other half were embedded within the business cluster, interlinked with the skills and capabilities found within the JQ-IC enabling them to compete, flex capacity to meet demand and promote themselves more effectively delivering enhanced sustainability for all involved. The ability of business to relocate to alternative locations suggests the need to support greater stability for the JQ-IC participants through greater awareness of this cluster, the benefits it brings to the City and the opportunities it offers for accelerating growth and further wealth and job creation.

Able to re-locate: Blue = Yes



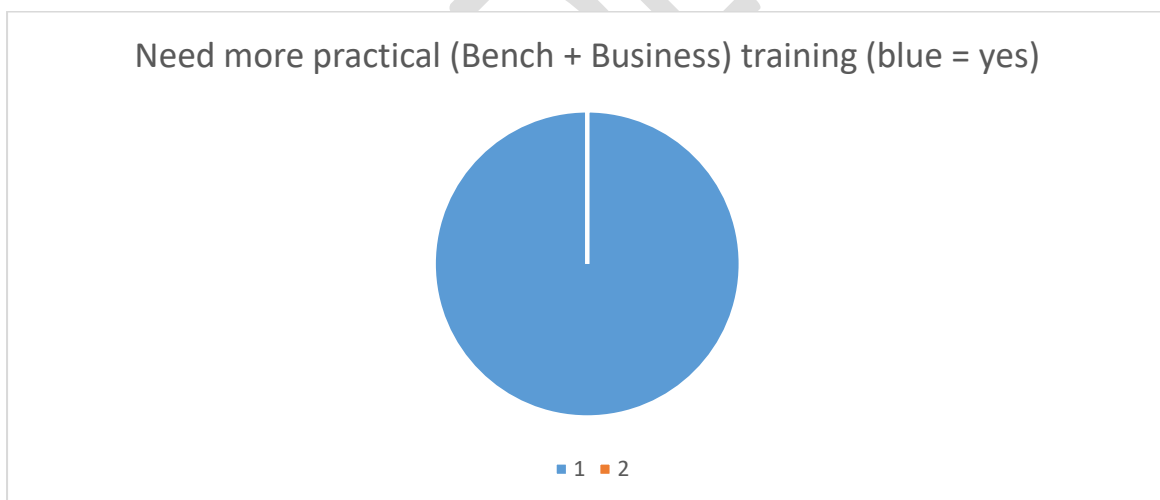
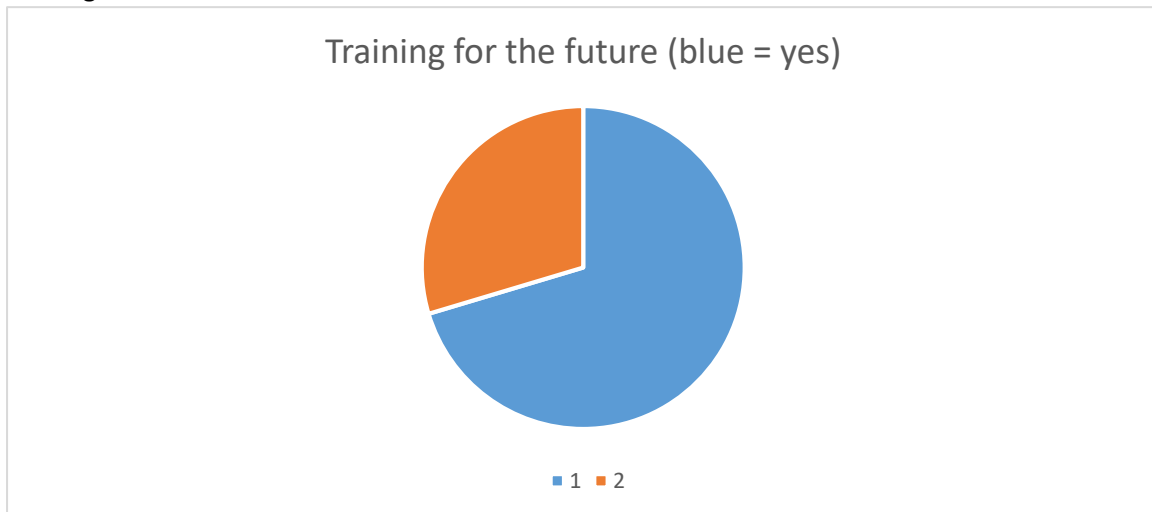
Training for the Future

Concern has been expressed about the JQ-IC's ability to replace itself given the ageing existing workforce currently nearing (or past) retirement. Whilst the majority of businesses are training this is not taking place at sufficient levels to ensure replacement and ongoing sustainability for the business cluster.

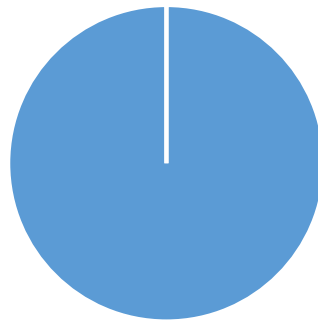
Concerns were expressed regarding the need for more practical training – the bench skills comprising craft, specialist and engineering skills, along with greater understanding of materials, precious metals and stones. However these were not the only skills the JQ-IC businesses wanted to see increased emphasis on developing – high tech skills, IT, business and commercial management skills were required along with far greater emphasis on market understanding and the ability to apply skills acquired in the context of business need. Most businesses were keen to work with

education and training providers to offer access for students to machines during vacations and to offer visiting lectures and mentoring.

Some disappointment was expressed about the mixed quality of apprenticeship provision, with courses not as tailored to meet business need as they would have liked. The apprentice scheme has been running for 4 years with mixed results, with the training provided by a London company. The need for a home grown training facility in the Jewellery Quarter is welcome. Recent initiatives to transfer skills from master craftsmen to young apprentices independent to the apprenticeship program has been successfully tried, however the resource (Space, appropriate Equipment) is a limiting factor.



Increased business and commercial skills required

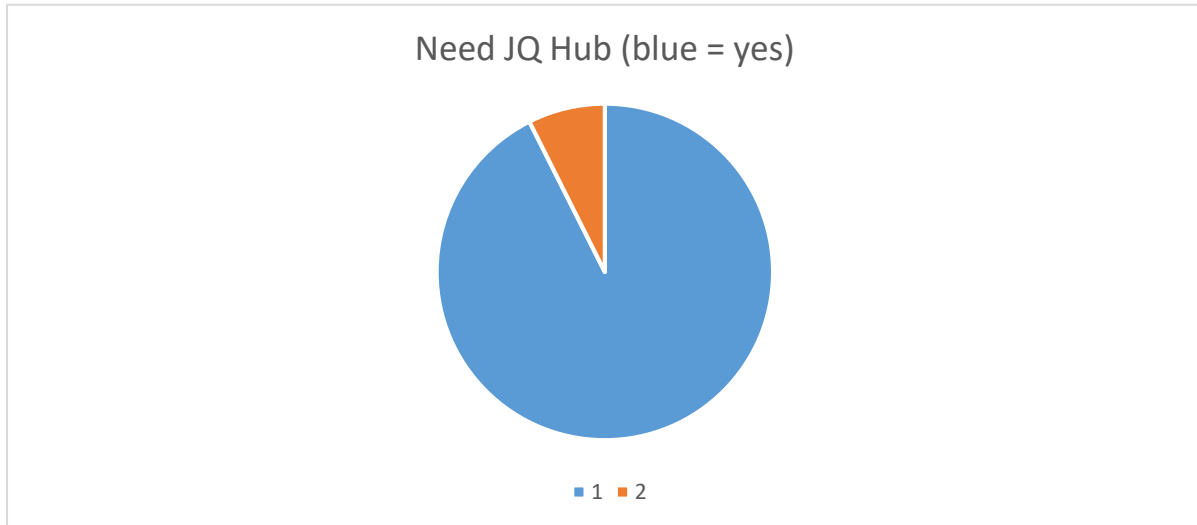


Developing greater focus on raising awareness of the sector from a much earlier age was seen as the way forward, learning from industry leading approaches, such as that taken by WMG, University of Warwick which has recently launched its highly successful Engineering Academy with 540 pupils attending in its first year, leading onto practically focussed industry-led Degree, Post Graduate and CPD programmes. The dialogue generated through this approach led in turn to greater collaboration on projects, research, knowledge transfer and IP exploitation.

The Cluster is keen to explore whether an Academy could be launched promoting a main stream school curriculum enhanced with opportunities to understand the JQ-IC, whilst developing collaborative projects, leading to practical, industry-led Degree or Higher Modern Apprenticeship options. Developing such an option perhaps in conjunction with Goldsmiths, whose Goldsmiths Centre, London is regarded as best practice is also seen by the sector as a goal. In order to encourage graduates to consider opportunities within the Quarter, a JQ Hub was one option proposed by those interviewed where designer-makers could start new businesses for no or low rent, whilst offering and supporting further training of under graduates and apprentices. The Hub, it was felt, would enable visitors and residents to observe designers, makers and producers at work, learning more about the sector, its heritage, pedigree and economic contribution.

An alternative proposal flows from new alternatives resulting from funds collected from employers giving them greater control over provision. By working together the JQ-IC could set up a consortium drawing down courses from different providers to meet specific training and skills requirements and based at employer premises throughout the quarter. One employer stated the whole of the Jewellery Quarter was an Innovation Centre; this proposal would drive even greater collaboration, with perhaps greater pooled research and focus on JQ-IC development for the next decade and beyond. A further alternative is the model that Goldsmiths provides where Level 4 City & Guilds is available with Goldsmiths funding one third of the provision themselves and employers a further

two thirds.



One business interviewed, when asked about its vision for the JQ, listed 11 priorities, stating: (This “one vision” appears like a summary and distorts the message)

- 1) We do want a mix of activity in the JQ
- 2) We need a balanced approach as it also has to be a making area and to ensure that there is enough low rental workspace for specialist jewellers and makers
- 3) Need more observation of the agreed planning regulations
- 4) We need to upgrade the jewellery retail offer and promote more strongly for design quality
- 5) Skills remain a definite challenge – we need a rounded skills set for entrepreneurs and designer makers. With regards to Modern Higher Apprentices companies need to take more of a leadership role to invest for the future of this sector.
- 6) Need to invest to upgrade the Quarter (perhaps like Soho in London) to build on our authenticity. There are walking tours around JQ but they do not come to purchase but with back packs and walking poles
- 7) We need to promote JQ as a ‘Village within a City’
- 8) Jewellery Quarter Museum and other attractions need to do more to explain to people, businesses and use stories more effectively to communicate what is so special about what goes on here
- 9) Need to market the quarter internationally, nationally, and locally more effectively – a clear message

This activity, taken in conjunction with greater promotion of the existing offer and a clearer sales focus, would also support recent graduates keen to gain greater market traction for their offer. Designer-makers interviewed stressed the need for graduates seeking to start their own businesses to gain all-round multi-disciplinary business and making skills. This group were not alone in seeking a greater emphasis on multi-disciplinary skills; these were generally regarded throughout the JQ-IC as essential. Growth of the internet had led to the need for greater social media, IT and software skills within the Cluster, in turn leading to greater diversity of routes to market and the ability to specialise market offers was also leading to greater focus on brand development and a move from B2B distribution to B2C or direct to consumer offers.

Greg Fattorini
Dr Steve McCabe
Beverley Nielsen
Institute for Design & Economic Acceleration, IDEA Birmingham City University

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