

Industry Overview

An estimated 25,000 retail locations specialize in fine jewelry in the U.S. Most jewelry-only retailers are small, independent, family-run businesses that are highly competitive in their local markets.

Issues and Trends

Jewelers of America revealed that, although sales were up for some jewelry stores in 2010, "profitability did not increase commensurate with sales," and with other stores, profits were down. Other bad news concerning jewelry stores is delivered by Unity Marketing's "Jewelry Report 2011," which concludes that fewer consumers are making purchases at the large chains and independent jewelry stores:

"Jewelry shoppers have turned their back on jewelry stores as their chosen place to shop and have instead favored department stores, internet websites, artisans and art galleries, TV shopping and discounters for new jewelry pieces."

Industry analyst Ken Gassman says consumers have shopped wherever they felt they could get the greatest value for their money; "[specialty chain jewelers] never regained the market share when the economy came back" (*National Jeweler*, May 2011). Gassman says that, "by and large, high-end jewelers do very well because those high-end consumers spend so much more on jewelry," while the mid-level and low-end jewelers struggle.

Unity Marketing notes another challenge for jewelry stores, "the rising cost of precious metals, which has caused consumers to seek out more affordable alternatives, such as new metals palladium, plated metal, costume jewelry and faux gems like CZs and moissanite to consumers looking for value."

Opportunities for Jewelry Stores

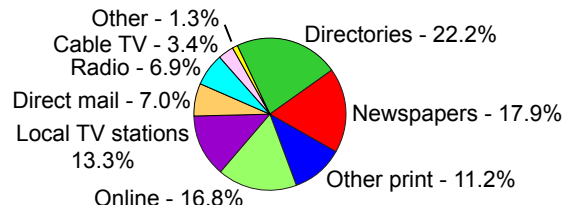
- The industry is seeing a growing demand for men's jewelry. Unity Marketing states, "Over two-thirds of the growth in the jewelry market from 2008 to 2010 is directly attributable to increased expenditures on men's jewelry" (press release, September 28, 2011). In particular, sales of men's cufflinks, tie tacks, necklaces and bracelets are growing (*National Jeweler*, October 2011).
- Hispanic consumers are buying more jewelry than ever. A recent survey found that 80% of Hispanic consumers will purchase jewelry in the next 12 months (*JCK*, September 2011). The Hispanic market (estimated at \$8.7 billion) has increased six-fold since 2005. The survey concludes that "jewelry is a 'big symbol' for these buyers, and they use it to commemorate milestones."
- A growing number of women are buying jewelry for themselves. Some jewelers are targeting this demographic and are encouraging "women to treat themselves" with "the expansion of branding jewelry and an array of fashionable pieces made of alloys or less expensive silver" (*Wall Street Journal*, August 18, 2011). Typically, two-thirds of annual jewelry purchases have occurred during the holidays and men make the purchases.

Pam Danziger, president of Unity Marketing, advises jewelry stores to make changes to gain market share:

"Traditional jewelry stores continue to lose in the game of selling jewelry. They have to work harder and smarter to entice the customers to buy. They need to think of creative ways to touch customers and invite them into their store using all the marketing tools available to them such as social media, local community events, and partnering with other local businesses like bridal shops." (press release, October 14, 2011)

Jewelry retailers typically use a variety of media in their marketing efforts, as shown in the following chart based on advertising budget statistics from Borrell Associates,* a consulting firm specializing in local advertising:

Jewelry Store Local Advertising Spending Percentage of Budget Allocated, by Media*



Source: Borrell Associates, "COMPASS™ Report, 2010 Q4." * Excludes media spending by large national advertisers and other advertisers whose operations are outside the local markets in which they advertise.

* Borrell Associates COMPASS™ data presented herein is national in scope. Local-market data is also available for purchase. For more information, visit www.borrellassociates.com or call 502-552-8937.

National Jeweler notes that "though the jewelry industry is notably slow to change, the past couple years have made embracing the Internet and all of its charms . . . imperative for companies that want to survive" (May 2011).

Value of Products and Services in the Industry

Calculating average annual household spending for jewelry is helpful in estimating market size and market share. Jewelry sales in the U.S. are estimated to generate \$56.23 billion annually. Dividing total spending billion households nets an average annual household-spending amount of \$493.25. Thus, in a market of 50,000 households, it is fair to estimate that approximately \$24.7 million is spent on jewelry. If a jewelry store generates \$1 million in revenue, its market share would be 4.0%, a useful benchmark for comparing future performance.

Critical Success Factors

- **Take measures to convert browsers into buyers.** Observe shoppers' behavior in the store to understand why some people do not buy (could be due to long lines, poor merchandising, lack of acknowledgment or assistance). Observe traffic and conversion patterns to see when conversion rates are dropping.
- **Ensure that every customer's contact information is captured.** Look for ways to grow the contact list, such as asking the name of people who do not make a purchase.
- **Conduct e-mail marketing campaigns.** E-mail marketing is like direct mail in that messages will most likely be seen by the recipient (once they have given permission to be contacted), unlike other forms of digital communication. E-mail marketing can be done in-house or can be outsourced.
- **Evaluate the store in terms of signage,** which can be of great value in communicating with new customers when busy times occur and everyone is already helping someone. When a staff member cannot engage the customer, signage can provide direction and comfort, so the shopper is not confused, intimidated or inclined to leave.

Sources: *JCK*, October and September 2011; *National Jeweler*, October 2011.

Industry Resources

Jewelers of America, www.jewelers.org
National Jeweler, www.national-jeweler.com
Jeweler's Circular Keystone (JCK), www.jckgroup.com