

National Jeweler

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# Out Ahead

By Beth Braverman

**U**ncertain about what the year's economy would mean for the holiday selling season, jewelers took a gamble and—for the most part—they came out ahead. Many jewelers reported that they nudged up their price points and largely avoided discounting any deeper than they had in 2004. The results: sales increases for the year that ranged from modest to boast-worthy.

So much for Hurricane Katrina and rising gas prices. Despite some lukewarm pre-holiday predictions from retail analysts speculating on holiday sales, 2005 ended up being a good year for many jewelers, and a very good year for quite a few of them.

More than half of jewelers polled in NATIONAL JEWELER's Post-Holiday 2005 survey saw an increase in sales for the 2005 holiday season.

Among the jewelers surveyed, 56 percent reported a rise in same-store revenues for October-December 2005, with 27 percent reporting that sales rose more than 10 percent over the same period last year. Fourteen percent of retailers said their sales grew 6 to 10 percent for the period, and another 15 percent said sales rose 1 to 5 percent compared to last year's holiday season.

"Things went very well for us this Christmas," says Shay Heckle, owner of Chadwick's Fine Jewelry in St. Simon's Island, Ga. "Traffic was definitely up compared to last year. The economy is stronger and people are happier. The stock market is less shaky. This was our best year since 9/11."

For November and December, the store's sales grew 35 percent over last year. Chadwick's average price point for the period was a relatively modest \$1,200 to \$2,000. But Heckle boosted her bottom line with some banner sales of larger-ticket items, including several pieces featuring hefty diamond and tanzanite stones, sold at prices exceeding \$10,000.

"We did some larger-ticket items we didn't do in past years," Heckle says.

Faced with price-slashing rivals online and at discount stores, many jewelers who responded to the survey—most of whom identify themselves as independents—decided to take the high road. More than half said their average price point per item increased over the holidays, with 17 percent of respondents reporting that price points had risen significantly and 41 percent reporting that price points had ticked up at least slightly compared with 2004.

Finished diamond and colored stone jewelry were respondents' strongest categories for the season, with 53 percent of retailers reporting an increase in sales for diamond pieces, and 50 percent reporting that sales had gone up for colored stone jewelry. Other strong categories included sterling silver (up for 43 percent of jewelers), karat gold jewelry (sales increased for 36 percent of jewelers) and bridal jewelry (up for 40 percent of jewelers).

At Chadwick's, best sellers included diamond jewelry, anything with circles, freshwater pearls and custom-made pieces.

Survey results and interviews with retailers illustrate a solid end-of-the-year performance for many jewelers, following a shaky few months in the fall due to hurricanes throughout the Southeast and spikes in gas prices. This represents the third strong holiday sales season in a row for independent jewelers, although early reports show that mass retailers and discounters saw a flatter holiday season.

In addition to increased sales, more than half (54 percent) of retailers reported that gross margins improved from October to December 2005 when compared with the same period of 2004, with 11 percent of retailers saying gross margins grew significantly. Of those surveyed, 18 percent reported gross margins remained flat for the year, and 26 percent said gross margins were down.

Meanwhile, retailers seemed to rely less on discounting to move goods for the holidays, with 35 percent of retailers keeping their discounting the same in 2005 as the prior year, and 22 percent of retailers discounting less this season than they did in 2004. Nineteen percent of jewelers said they never offer discounts on merchandise, while another 19 percent said they discounted slightly more in 2005.

"It was a good Christmas for us—I don't think it was our best, but it was pretty good," says Dave Spalding, owner of Timmreck & McNicol Jewelers in McMinnville, Ore.

### Shoppers late to the counter

Many retailers interviewed by NATIONAL JEWELER said they saw an increase in traffic immediately after Thanksgiving, followed by a lull until mid-December. Of those surveyed, 69 percent reported that the bulk of their sales were rung up Dec. 16-31.

"It's always last minute here," Spalding says. "It's definitely in late December. From the 16th on, we're flat-out busy."

Best sellers at Timmreck & McNicol included designer, sterling silver and colored stone jewelry.

"I think we really sold more of the expensive items than in previous years," Spalding adds.

The jeweler says he expects sales figures to reflect an 8 or 9 percent increase for the holidays. For the year, Spalding's sales grew more than 50 percent, due in large part to a giant sale the jeweler held in the spring.

More than half (57 percent) of retailers surveyed showed an increase in sales for all of 2005, with 22 percent reporting a gain of more than 10 percent.

Of those surveyed, 11 percent said sales remained flat for the year, and 31 percent said sales were down for the year.

Many retailers who spoke with NATIONAL JEWELER reported an increase in bigger-ticket items and pieces at entry-level prices, but saw a continued slide in sales of mid-range pieces for the holidays, as well as for the year as a whole.

"The people who were willing to spend spent a lot," says Drue Sanders, owner of Drue Sanders Custom Jewelers in Provincetown, Mass. "But there was no real middle market."

Of course, not every retailer saw improved sales for the holiday season or the year. Many of those who saw sales dips for the period blamed lagging local economies, higher fuel costs and the impact of competition from the Internet and discounters.

"We didn't have the sales we thought we would have this year," says Debbie Sanders, owner of Young Jewelers in Jasper, Ala.

Sanders attributed Young's dismal season to increased use of the Internet by her customers and a change in the downtown area where her store resides. Despite a slight decrease in sales for the holiday season and the year, the store did see strong sales of jewelry featuring circle motifs, designs by Simon G., diamond stud earrings, larger diamonds and three-stone jewelry.

"The Internet has really brought on some new ideas for the trade," Sanders says. "We'll have to adjust more next year. Maybe we'll become Internet sellers ourselves."

See our Feb. 16 issue for category-specific reports.

### About the survey

The third annual Post Holiday 2005 Sales Survey was conducted via e-mail in December 2005 by NATIONAL JEWELER through Zoomerang.com, an online market research service owned and operated by MarketTools Inc. of Mill Valley, Calif.

Nearly 200 readers responded to the survey. Roughly 83 percent of the respondents were independent retail jewelry stores; 3 percent were jewelry chains, 1 percent were department stores, 2 percent were discounters, and the remaining 12 percent included designers, wholesalers, custom repair shops, antiques dealers, appraisers, import/export firms, Web sites, pawn shops and similar businesses.

Responses were tallied geographically, based upon four main regional designations:

- Northeast—CT, ME, MA, NH, NJ, NY, PA, RI, VT
- South—AL, AR, DC, DE, FL, GA, KY, LA, MD, MS, NC, SC, OK, TN, TX, VA, WV
- North Central—IA, IL, IN, KS, MI, MN, MO, NE, ND, OH, SD, WI
- West—AK, AZ, CA, CO, HI, ID, MT, NV, NM, OR, UT, WA, WY

About a third of respondents (33 percent) were from the North Central region of the U.S.; 31 percent were from the South; 19 percent were from the Northeast; and 16 percent were from the West.

The vast majority of respondents (about 88 percent) operate just one store; 9 percent operate 2-4 stores; 2 percent operate 5-14 stores; 1 percent operate 15-49 stores, 1 percent operate 50-99 stores, and 1 percent operate 500 or more locations.

The survey also characterized respondents by annual per store sales. About 22 percent of the retailers queried generate less than \$250,000 in annual jewelry sales per store; 26 percent have sales of \$250,000-\$499,999 per store; 13 percent have sales of \$500,000-\$749,999 per store; 6 percent have sales of \$750,000-\$999,999 per store; 15 percent have sales of \$1,000,000-\$1,499,999 per store; and 18 percent have sales of \$1,500,000 or more per store. (Totals may not add up to 100 percent due to rounding.)

In addition to recording basic percentage results, NATIONAL JEWELER also cross-tabulated most of the survey questions by region and by annual per store sales, to get more in-depth results of the industry's holiday sales reported by respondents.