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JAN. 2016

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INDUSTRY REPORT

# Holiday Jewelry & Retail Sales: 2016

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# HOLIDAY JEWELRY & RETAIL SALES: 2016 REPORT

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## EXECUTIVE SUMMARY

The Christmas season was generally a positive one for jewelry stores in 2015, as many top retailers enjoyed increased same-store sales and growing net revenues. The picture was not as rosy for luxury and apparel retailers, some of whom a few enjoyed a positive Q3 while others, such as Macy's, ended the year by laying off thousands of employees in the wake of weak holiday season sales.

Jewelry brands under the Signet umbrella fared particularly well, as mainstays Kay and Jared the Galleria posted strong growth over last year's sales figures. Zale and Piercing Pagoda benefited from increased same-store sales, while Gordon's year-on-year sales dropped considerably for the holiday season.

Online sales for Signet brands also grew, as did sales for Signet's UK division.

Mergers and acquisitions, closures and downsizing of major brands and retail chains also continued to dominate the news cycle in the jewelry, luxury and apparel industries.

## SIGNET

Total year-over-year sales for Signet grew by 5% for the November through December period, reaching \$1.95 billion. This represents an increase of 6.3 percent over 2014, calculated using a constant exchange rate.

Signet same-store sales during the holidays also grew by 4.9%, eclipsing last year's same-store sales growth of 3.6% during the holiday period. Signet's Ernest Jones brand, which operates in the UK, performed particularly well, posting year-on-year growth of 6.9% for the holidays. Signet CEO Mark Light noted that the company's launch of Ever Us, a paired diamond ring offering, was a big seller for the company.

Kay Jewelers did very well during the holidays, with total year-over-year sales growing by 8.9% and same store sales rising by 7.2%. Jared the Galleria stores posted 2.7% same-store sales growth and grew total sales by 6.8%, year-over-year.

Zale US Jewelry outlets grew holiday sales by 6% year-over-year, with same-store sales rising by 5.6%. Zale's Jewelers posted same-store holiday sales increases of 6.4% and total holiday sales growth of 7.6%. Zale also noted that bridal was a particularly strong revenue driver this season.

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## SIGNET

Zale Canada Jewelry reported a 2.8% increase in same-store holiday sales year-over-year, while Peoples Jewellers and Mappins stores reported same-store holiday sales growth of 2.0% and 8.2% year-over-year, respectively. Total holiday season sales at Peoples grew by 16.5% year-over-year, while at Mappins total holiday sales increased by 25.4% over last year.

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## TIFFANY & CO.

For many jewelry brands, building and managing an online presence is one of the most challenging aspects of doing business today. Countering this truism is Tiffany & Co., which continues to do an excellent job of promoting their products and leveraging their brand across all digital channels, providing other companies with a benchmark example of how majors can do digital right.

In 2015, digital strategy think-tank L2 named Tiffany as the leading jewelry brand in terms of digital reach, quality of ecommerce channels and overall online footprint. In the 3<sup>rd</sup> quarter of 2015, Tiffany & Co. reported that worldwide net sales grew by 4% on a constant-exchange rate basis, with comparable same-store sales up 1%, but the 4% figure actually represents a decline of 2% thanks to the strong USD: Worldwide net sales for Tiffany, as measured in U.S. dollars, shrank to \$938 million in Q3 2015, versus \$960 million in Q3 2014.

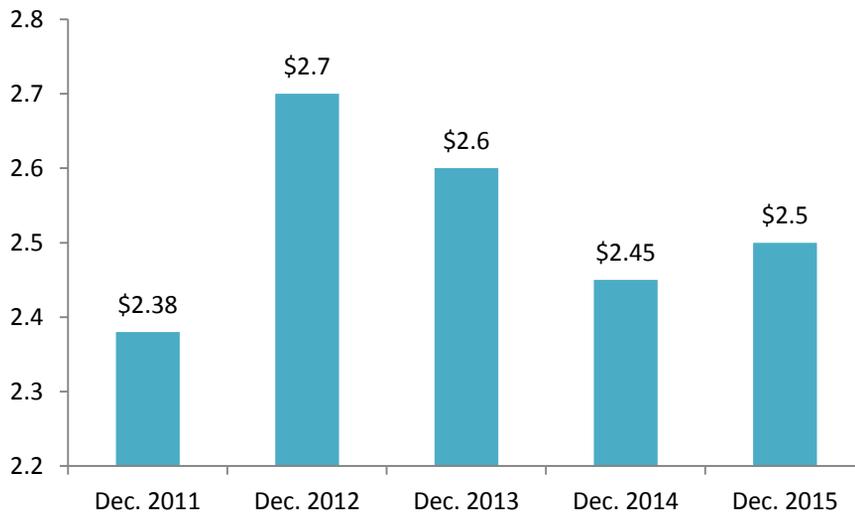
As for year-end sales, things took a turn for the worse for Tiffany & Co.: comps for November through December 2015 shrank by 5% year-over-year, and global net sales tumbled by 6%. As a result, the company announced impending layoffs for January 2016.

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## U.S. RETAIL JEWELRY STORE PERFORMANCE

Data from the U.S. Census Bureau shows that December sales at retail jewelry stores in the United States grew to \$2.50 billion in 2015, up from \$2.45 billion in 2014.

### U.S. Retail Jewelry Store Sales (Billions)



## STRONG U.S. DOLLAR

The increasing strength of the USD in 2015 had a negative effect on the revenues of U.S. exporters, retailers and manufacturers. Many retail jewelers, apparel retailers and other corporations are reporting FY2015 sales figures using a “constant exchange rate”, meaning that they are disregarding the recent fluctuations in the value of the U.S. dollar when calculating net revenues.

This helps revenue figures to appear more attractive; however the actual USD exchange rate must be used in order to arrive at an accurate figure.

## JEWELRY, RETAIL, E-COMMERCE: QUICK STATS

- De Beers CEO Philippe Mellier reported that, according to his statistics, both holiday sales and yearly net sales at Forevermark increased by 7% year-over-year.

-J.C. Penney reported that net sales during the holiday season increased by 3.9%, while online sales also grew to reach an all-time high. Q4 and FY2015 results will be published by the company on February 26, 2016.

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## JEWELRY, RETAIL, E-COMMERCE: QUICK STATS CONT'D.

- E-commerce monitoring firm ComScore reported that online sales of merchandise in the U.S. grew by 13% year-over-year, driven by the increasing use of mobile devices to shop. Online purchases from desktop computers reached \$56.4 billion, while purchases from mobile devices grew to an estimated \$12.7 billion, a year-over-year increase of 59%.
- The National Retail Federation reported that total 2016 holiday season retail sales in the U.S. (excluding car sales, gas station revenues and restaurant sales) grew by 3% year-over-year to reach \$626.14 billion.
- The U.S. Department of Commerce reported that December retail sales increased by 2.2% year-over-year.

## CLOSURES, MERGERS AND ACQUISITIONS

American retail chain Macy's announced that it will lay off 4500 employees after posting lower-than-expected holiday sales figures. November-December revenues for the chain fell by 4.7% year-over-year, which the company blamed on warm weather and a corresponding drop in sales of cold-weather clothing. Of the employees that will be losing their jobs, 3000 are retail workers, 165 are managers or executives, 600 work in administration, and more than 600 positions will be cut from the retailer's customer service and order processing call centers. On a positive note, revenue from Macy's online sales increased significantly year-over-year for the holiday period.

Dorfman Jewelers, an iconic Boston jewelry store founded in 1941, has closed their doors for good.

The Hudson's Bay Company has taken a major leap into online retail by purchasing Gilt Groupe, a "flash-sale" site that sells brand-name fashion and apparel items at a steep discount for short periods of time. Founded in 2007, discounted designer jewelry quickly became among the most popular categories of merchandise on Gilt, accounting for 15 percent of total revenue at the company in 2010. Hudson's Bay paid \$250 million for the site and has said that some retail stores under the Hudson's Bay umbrella will begin processing merchandise returns for Gilt.