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INDUSTRY REPORT

What's Hot, What's Not: Current Trends in Jewelry Retailing

Popular Jewelry Styles

Major Retailers: Facts & Figures

Celebrity & Online Trends

Polygon Member Insights

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What’s Hot, What’s Not: Current Trends in Jewelry Retailing

INTRODUCTION	2
TOP RETAILERS: REVENUES & NEW PRODUCTS	3
INSIGHT: CUSTOM DESIGN & REPAIR	.....	6
INSIGHT: POPULAR PEARLS	.....	6
CELEBRITY TRENDS	.....	7
ONLINE RETAILING TRENDS	.....	8
POLYGON MEMBER INSIGHTS	.....	9

INTRODUCTION

As we approach what tends to be the busiest time of year for retail jewelers, it's a good time to take a look at what's selling, what's not, which brands are increasing their sales and market share, and what the average retail jeweler is experiencing from their side of the sales counter. We took the time to speak to Polygon members about the trends they are seeing in jewelry retailing, researched how brands are capturing the attention of customers, and how retailers are planning to leverage their physical store and online presences to profit from contemporary buying habits this season.

In this report we also explore which materials and jewelry styles have become popular in recent years, from pieces chosen by celebrities to the cutting-edge jewelry producers and retailers that are experiencing rapid growth in the industry. We also look at sales figures and insights from the annual reports of some of the top retail jewelry brands in the U.S. to see how industry leaders are addressing the needs and concerns of their customers, how they are adapting to current market conditions, and how their business strategies are shifting in response to emerging trends.

Come along as we take an in-depth look at what's happening in the retail jewelry industry today, and gain insight into what a successful selling strategy in 2015 might look like!

Several major retailers have incorporated nature themes into their designs.

TOP RETAILERS: REVENUES AND NEW PRODUCTS

ZALE

FY 2013 revenue: \$1.9 billion*, of which \$1.6 billion was generated by Fine Jewelry (*Zales stores, Peoples, Gordon's, Mappins*) and \$0.24 billion was generated by Kiosk Jewelry (*Piercing Pagoda, Plumb Gold, Silver & Gold Connection*).

New products: Zale is promoting the Celebration Diamond collection, featuring diamond rings and pendants with lifetime guarantees and certificates of authenticity. The company also released a collection of necklaces in heart-shaped designs branded as The Heart Within and offered at relatively low price points.



TIFFANY

FY 2013 revenue: \$4 billion*.

New products: The Tiffany T collection, featuring bracelets, necklaces and rings intended to appeal to a new generation of customers and created by new design director Francesca Amfitheatrof. Many items in the collection are made from 18-karat rose, yellow or white gold and sterling silver. Tiffany's marketing campaign for the new line is focused on the personality of the designer and features photos of and quotes from Amfitheatrof in advertisements and social marketing campaigns.

Trends: According to the Tiffany & Co. 2014 annual report, sales of 'Statement, Fine and Solitaire' jewelry in the Americas increased by 3 percent in 2013, accounting for 23 percent of all sales compared to 20 percent for 2012. Sales of engagement jewelry and wedding bands remained steady, accounting for 23 percent of total sales in the Americas in both 2012 and 2013. Sales of Tiffany products containing one or more diamonds, including accents, side-stones and center-stones, also increased 3 percent year-over-year in the Americas, growing from 55 percent of total sales in 2012 to 58 percent in 2013.

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* All revenue figures are sourced from the respective companies' Annual Reports and SEC filings.

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Many top retailers have introduced vintage-themed or art deco style jewelry.

TOP RETAIL JEWELERS: REVENUES AND NEW PRODUCTS

PANDORA

FY 2013 revenue: 9.0 billion DKK* (Danish kronor)

New products: Pandora's autumn 2014 collection features a selection of rings, earrings, necklaces and the company's trademark charm jewelry in intricate silver designs and gold pave designs. Pieces with natural themes including leaves and flowers are prominent in the collection, and pearls are featured in some of the pieces.



KAY

FY 2014 revenue: \$2.16 billion* (51.3% of Signet sales in 2014)

New products: Neil Lane Bridal, a vintage-themed collection of bridal jewelry designed by Neil Lane, was tested in fiscal 2011 and expanded to all Kay stores in fiscal 2012. A secondary collection called Neil Lane Designs featuring handcrafted jewelry products intended to evoke the glamour of early Hollywood performed well in testing phase and was rolled out to all Kay, Jared and regional brand stores in fiscal 2013.



* All revenue figures are sourced from the respective companies' Annual Reports and SEC filings.

Alex and Ani revenues grew to \$230 million in 2013, up from \$5 million in 2009.

TOP RETAIL JEWELERS: REVENUES AND NEW PRODUCTS

JARED

FY 2014 revenue: \$1.06 billion* (25.3% of Signet sales in 2014)

New products: Jared released the Earthly Treasures Smithsonian collection, featuring colored gemstones and designs with natural themes. Some of the stones used include London Blue Topaz, Turquoise from the Sleeping Beauty Mine, Sapphire with Ceylon Blue coloring, Rubellite, Sugilite, and Morganite. As well, Jared stores tested and released a new line of products called Jared Vivid Diamonds in fiscal 2014, featuring diamonds that have been infused with brilliant colors.

Trends: Combined US eCommerce sales generated by Kay and Jared brands increased by 27.2 percent in FY2014, growing to \$129.0 million and representing 3.7 percent of total US sales, up from sales of \$101.4 million representing 3.1 percent of total US sales in FY2013.



BRANDS TO WATCH

Alex and Ani: Rhode Island-based Alex and Ani continues to enjoy exponential growth and success in online retailing. The company reported a total of \$230 million in revenue for 2013, up from about \$5 million in 2009. Alex and Ani also grew their online sales by 200% from 2012 to 2013, and several A&A bracelet products show as top sellers on Amazon.com.

Chow Tai Fook: CTF is now the largest retail jewelry chain in the world. After acquiring Hearts on Fire in June 2014, CTF stated that they intend to grow the brand into an international household name, and to focus on expanding the brand aggressively into the Chinese market.

* All revenue figures are sourced from the respective companies' Annual Reports and SEC filings.

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New farming techniques have led to the introduction of new varieties of pearls.

INSIGHT: CUSTOM DESIGN AND REPAIR

Signet's fiscal 2014 report reveals that the company will remain committed to providing custom design and repair services to customers. While design and repair services represent less than 10% of Signet's net sales in the US, they account for about 30% of total transactions. The report states that these transactions "have been identified by management as an important opportunity to build customer loyalty". Retail jewelers who do not currently offer design and repair services may want to consider providing them in the future.

For example, each Jared store contains a prominent design and service centre that is open during the same hours as the Jared jewelry counter. Each service centre is equipped to address any repair issue that may arise from the products sold in the store; as a result of this integrated approach, nearly all repair work done on Jared jewelry is performed in-house. This is different from other retailers, who tend to rely on subcontractors to perform repairs, according to the report.

INSIGHT: POPULAR PEARLS

Thanks in part to new farming techniques that have lowered the cost of producing high-quality pearl varieties including the new 'souffle' pearls (nucleus-free freshwater pearls), pearls have become increasingly popular among designers in recent years. New types of pearls include a South Sea baroque variety that is bead-nucleated, and Edison pearls, also marketed as Ming pearls, which are freshwater pearls offered in a variety of colors.



Recently, some designers have incorporated pearls in jewelry with nature themes including animals and plants, and organic-styled designs influenced by the asymmetry of natural structures.

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Celebrities have been buying colored stone and art-deco engagement rings.

CELEBRITIES

Since 2012, celebrities have been donning nontraditional engagement rings in a multitude of colors and styles, kicking off a trend that remains strong today. Actress Halle Berry received a 4-carat Colombian Muzo emerald set in a thick yellow gold band from her partner; the ring was designed by French jeweler Robert Mazlo, and includes a hidden coded message etched into the band.

Country music singer Kelly Clarkson received a ring with a flawless, canary yellow diamond in a radiant-cut and surrounded by white diamonds, while Scarlett Johansson showed off an art-deco inspired ring featuring three large, round diamonds among dozens of other smaller stones.



Actress Blake Lively also showed off a \$2-million, 12-carat oval cut pink diamond set in rose gold and pave diamonds, also in an art-deco style.



Judging by these celebrity purchases, it's clear that colored diamonds and gemstones, art-deco style jewelry, and vintage or antique-styled jewelry pieces are emerging as popular trends.

Nordstrom has partnered with Etsy.com, a popular online marketplace.

ONLINE RETAILING

In 2014, major retailers continued to improve their online presence, expand their online product offerings and partner with specialty retail websites. One platform that is growing in popularity among retail jewelers, artisanal producers and wholesalers is Etsy.com. Etsy is an online marketplace that allows companies and individual producers to sell products online and ship to buyers around the world.

In August 2014, Etsy started allowing producers to sell wholesale on the platform for the first time. One month later, wholesale jewelry had become the largest category of wholesale goods offered on the site.

Nordstrom has also partnered with Etsy for “Etsy & Nordstrom Present”, an ongoing partnership whereby Nordstrom’s ‘Nordstrom At Home’ division sells Etsy products in Nordstrom retail stores. This unprecedented arrangement between a high-end retailer and a cutting-edge eCommerce platform signals a new degree of cooperation between online marketplaces and traditional brick-and-mortar stores.



Etsy display in a Nordstrom store.

Social media photo-sharing platform Instagram has become increasingly popular with companies in recent years. Thanks to the platform’s focus on images, Instagram provides a simple way to share compelling visuals of products. The service has introduced a new suite of tools to allow brands and businesses to track and analyze how their photo content performs, and can measure content reach, number of impressions, and performance of paid advertising campaigns. The new tools also allow brands and advertisers to collaborate on advertisement design.

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Polygon members have reported an increase in custom design requests.

POLYGON MEMBER INSIGHTS

We asked Poly members questions about the jewelry styles, trends and brands that are popular among their customers and our members came through with some informative and insightful responses. Thanks to them, we can get a clearer picture of the real-world interests and behaviors of jewelry customers in the retail store setting.

Anish from **Star Gems** in Norcross, GA notes that requests for custom designs have been increasing as of late, and that retailers are placing an above-average number of special orders for their clients. The Signet annual report that we examined on page 6 details how custom design and repair services are increasingly important to Signet's overall marketing and customer retention strategy.

Kerry from **Bab's Bead Warehouse** in Fort Myers, FL let us know that estate jewelry is currently popular with their customers. This insight also coincides with the rise in popularity of antique and vintage jewelry styles among celebrities, which we mention on page 7 of this report.

Gary from **Ames Silversmithing** in Ames, IA says that regular and custom bridal jewelry is hot among his customers, and that custom silver pieces are also selling well. Gary mentions that mid-priced colored stone sales are strong but that sales of high-priced colored stone jewelry remain weak. Earrings are also a consistent strong seller for Gary, but he notes that colored stone stud sales in particular are soft, indicating that the increased customer interest in colored stones may not extend to stud earrings.