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# The Retail Jewelry Industry in U.S Report 2012

*Current Picture & Opportunities for Future Growth  
for Jewelry Stores*

*State of Jewelry Industry*

*Evolution of the jewelry  
market*

*Jewelry industry forecast*

*Opportunities for Jewelry  
Shop Owners*



## Key highlights from the 2012 Retail Jewelry industry in America Report

### \$68.3 Billion

U.S. jewelry and watch sales for  
the year 2011, compared to  
\$61.5 Billion in 2010

### \$59.2 Billion

U.S jewelry sales in 2011. A  
10.8% year over year increase

## Overview

Sales numbers confirm that the U.S. jewelry market has nearly fully recovered from the recession climate of 2007, at which time the luxury and jewelry industries were particularly hard hit. According to the *U.S. Department of Commerce*, total U.S. jewelry and watch sales reached the record level of **\$68.3 billion in 2011** and forecasts for 2012 are more than encouraging for the industry. Sources such as *The World Jewellery Confederation* or *The Altagamma Foundation*, predict that the luxury industry globally will see a growth in jewelry and watch sales of around 10 % in 2012 compared with 2011.

The changing profile of the jewelry market is not only being affected by a shift in consumer shopping habits, but also by the **emergence of global markets**, particularly the rise up of a powerful middle class in both China and India and the growing international demand for luxury goods. In order to excel in this new business climate, jewelry business owners should be looking at their sales strategies and brand identities and keep in mind that nowadays, buyers and sellers are not always just across the street but all around the world.

The **demand for diamonds** is ever-growing and reaching new heights with the emergence of a new generation of consumers in the two most populous countries in the world. Diamond prices spiked in 2010 and 2011, in part due to increasing demand from China and India and in part due to uncertainty from the international markets with the European financial crisis in full swing. Many diamond sight holders held goods back considering the instability of the market and pricing.

The changing climate of the jewelry industry **means new opportunities for jewelry store owners** and other industry professionals, who should look to develop fresh and innovative revenue streams and sources for procurement. For traditional brick and mortar jewelry shops, it is also imperative to look at ways not only to drive new sales but increase profits in order to remain viable in a stiffly competitive environment. Building client relationships to cultivate loyalty and creating a niche for your brand are also key factors in mitigating risk in a market that continues to evolve.

## \$9.1 Billion

U.S watch sales in 2011. A 12.1% year over year increase

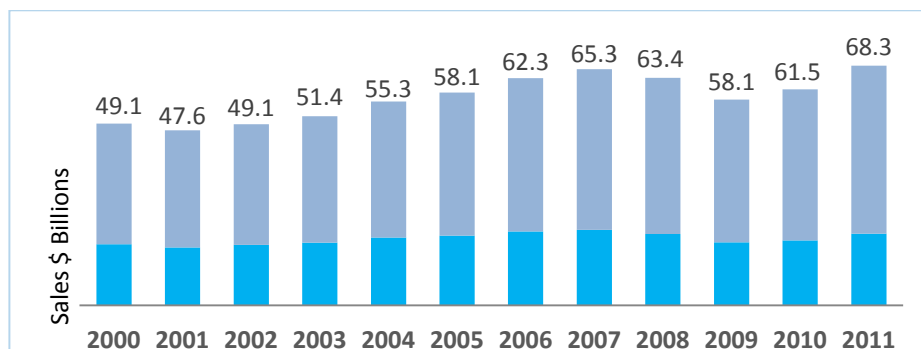
## California

Top state by number of jewelry stores and sales. California accounted for \$3.8 Billion of total U.S jewelry sales or 13% of total sales

## 2011: A Record Year

Based on U.S. government data, total U.S. jewelry and watch sales reached the record level of **\$68.3 billion in 2011, a gain of 11 percent compared to 2010**. This was well above the \$61.5 billion in 2010, and substantially ahead of the prior record year – 2007 – just before the recession began. The graph below clearly shows that sales made through the network of U.S. jewelers follow this curve. The recessionary conditions of high unemployment and low consumer confidence during 2008 and 2009 caused sales to decline significantly. By 2010, as the U.S. economy showed signs of stabilization and the retail jewelry industry showed signs of improvement as many consumers started once again to spend their incomes on discretionary luxury items. Total jewelry sales rose by 10.8 percent to \$59.2 billion in 2011, while total watch sales rose by 12.1 percent to \$9.1 billion. Watch sales represented 13 percent of total industry sales, a number that is in line with the prior couple of years.

### U.S. Jewelry Sales - Industry Total vs. Jewelry Stores



Total	49.1	47.6	49.1	51.4	55.3	58.1	62.3	65.3	63.4	58.1	61.5	68.3
Jewelry Stores	24.9	23.6	24.6	25.5	27.6	28.4	30.1	30.8	29.1	25.6	26.4	29.1

Source: U.S. Department of Commerce/Census Bureau

Estimates are shown in billions of dollars and are based on data from the Annual Retail Trade Survey. Estimates have been adjusted using final results of the 2007 Economic Census

60%

Percentage of jewelry establishments represented by independents in the retail fine jewelry industry

10%

Forecasted growth for Global luxury industry, jewelry and watches sales in 2012

## Jewelry Stores Across The U.S

According to the last official census conducted by the Census Bureau in the US, the top three states for both jewelry retail sales and number of stores are California, New York and Florida followed closely by Texas. This said, other independent studies such as that conducted by Dunn & Bradstreet in 2009, cite Texas as being in the number 2 position, clearly showing Texas as the stronghold in the southern states and an emerging and growing market on the whole across the country.

### Geographic Distribution – Jewelry Stores U.S

Location	Establishments	Sales (\$1,000)	Sales % of U.S
United States	27,745	29,231,749	100
California	3,269	3,822,813	13.08
New York	2,510	3,189,797	10.91
Florida	2,283	2,502,710	8.56
Texas	1,786	2,228,957	7.63
Illinois	1,088	1,151,763	3.94
Pennsylvania	1,185	1,062,114	3.63
New Jersey	1,076	1,026,800	3.51
Massachusetts	691	830,696	2.84
Ohio	929	826,695	2.83
Georgia	849	797,706	2.73
Virginia	749	792,657	2.71
Michigan	867	729,011	2.49
North Carolina	820	692,512	2.37
Maryland	485	591,127	2.02
Arizona	470	540,835	1.85
Washington	477	536,173	1.83
Nevada	267	513,195	1.76
Hawaii	397	480,301	1.64
Connecticut	360	448,446	1.53
Indiana	480	439,609	1.5
Colorado	407	438,400	1.5
Missouri	421	435,568	1.49

7%

Forecasted growth for North America luxury industry, jewelry and watches sales in 2012

30%

Approximate percentage of total jewelry sales generated through physical jewelry stores. Continuous decline since 2005, where Jewelry store sales accounted for approximately 33%

Location	Establishments	Sales (\$1,000)	Sales % of U.S
Minnesota	426	418,054	1.43
Tennessee	481	409,217	1.4
Wisconsin	429	380,606	1.3
Louisiana	360	360,661	1.23
Alabama	386	302,397	1.03
South Carolina	435	293,588	1
Oregon	293	292,766	1
Kentucky	327	252,407	0.86
Oklahoma	243	237,238	0.81
Iowa	234	203,658	0.7
New Hampshire	160	178,138	0.61
New Mexico	194	175,446	0.6
Kansas	210	170,761	0.58
Maine	122	106,352	0.36
Alaska	83	92,543	0.32
West Virginia	126	91,581	0.31
Montana	97	65,178	0.22
Dist. of Columbia	48	58,156	0.2
North Dakota	53	53,218	0.18
Vermont	59	40,500	0.14
Wyoming	46	32,018	0.11

Source: U.S. Department of Commerce/Census Bureau  
<http://www.census.gov/econ/industry/geo/g44831.htm>

A significant portion of retail jewelry stores in the U.S. are non employers, that is, businesses with no paid employees. This could include corporations, individual proprietorships or partnership. According to the U.S. Census Bureau, independents represent 60% of all the establishments doing business in the retail fine jewelry industry.

20%

Increase in polished diamond imports in 2011. Accounting for a total of \$22 Billion

NAICS Code	NAICS Title	All firms	
		Establishments	Receipts (\$1,000)
44831	Jewelry stores	71,349	31,032,136

\$2.4 – 2.6 Billion

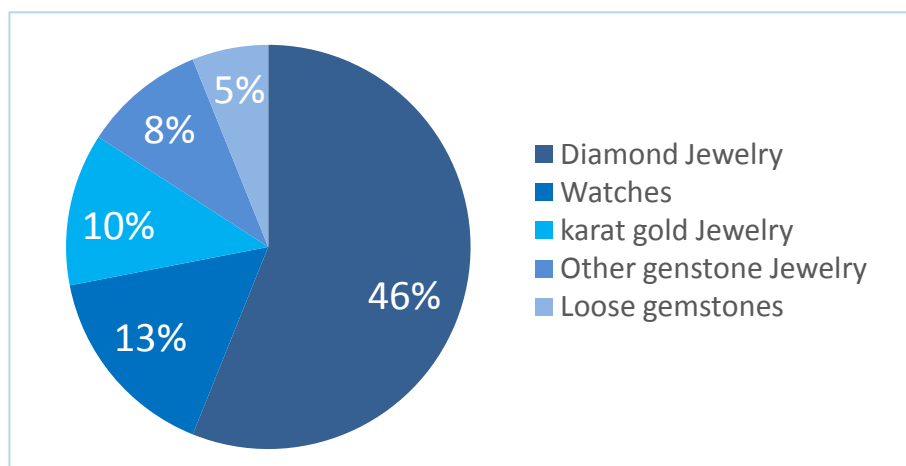
U.S monthly sales through jewelry stores

Non employers				Employers	
Establishments		Receipts		Establishments	Sales (\$1,000)
Number	% of all	\$1,000	% of all		
43,604	61.1	1,800,387	5.8	27,745	29,231,749

Source: U.S. Department of Commerce/Census Bureau

The three major segments of the U.S. jewelry industry remain diamonds, watches and gold jewelry. The sale of diamond jewelry accounts for nearly half of all jewelry sales in the United States. The sale of watches and gold jewelry is an important part with a third of all sales recorded an annual basis.

### Percent of Industry sales by jewelry type



Source: U.S. Department of Commerce/Census Bureau

## India - China

Would account for approximately 30 percent of diamond jewelry sales by 2015. This would equal the U.S diamond jewelry sales

## \$2.6 Billion

2011 monthly sales for key industry holiday months May and February for Mother's day and Valentine's day

## Jewelry Forecast 2012

According to a report published by Fondazione Altagamma on the worldwide luxury industry, jewelry and watch sales are going to grow by 10 % over the course of 2012. International analysts who worked with Altagamma anticipated that the North American market would grow steadily in 2012 with a 7 % increase for the year.

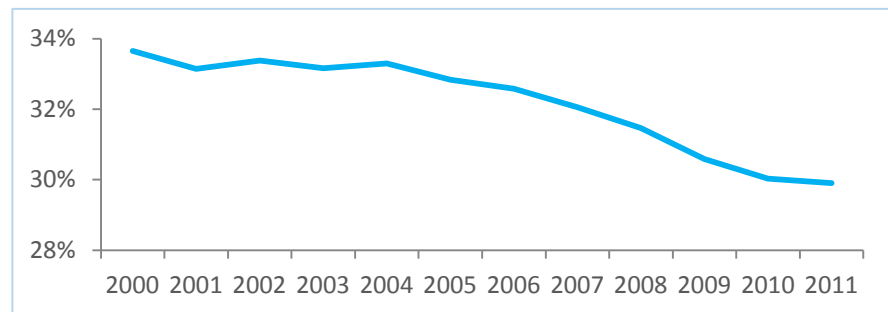
Products	1H 2012	2H 2012	2012
Apparel	6.50%	6.50%	6.50%
Art de la Table	2.50%	2.50%	2.50%
Jewelry, Watches etc.	9.50%	10.00%	10.00%
Leather, Shoes and Accessories	10.00%	10.00%	10.00%
Fragrances and Cosmetics	5.00%	5.00%	5.00%

Source: Altagamma – Forecast on Worldwide Luxury Industry in 2012

## Jewelry Stores Decline

Although the jewelry market has been doing well for two years (2010-2011) and forecasts for 2012 are favourable, the figures clearly show that the percentage of sales coming directly from jewelry stores has been declining since the early 2000s, with a particularly noticeable drop in 2007 at the time the recession hit.

### Percent of sales through jewelry stores



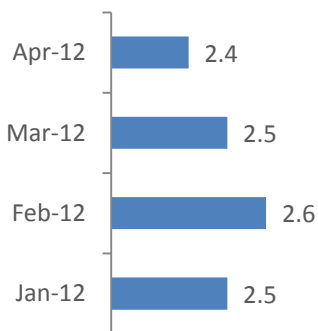
Source: U.S. Department of Commerce/Census Bureau <<http://www.census.gov/retail>>

## \$1.5 Billion

Annual value of recycled diamond jewelry on an estimated inventory of \$250 billion

## Monthly Sales

Jewelry Stores U.S



Source: U.S. Department of Commerce/Census Bureau

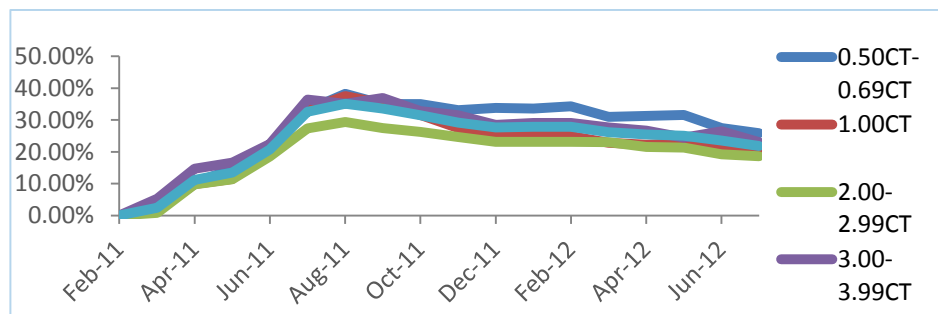
This marked decrease is not unrelated to the fact that more and more jewelers are engaging in selling jewelry on the web. Online jewelry sales have been steadily increasing since 2007, a trend which follows the sales numbers of most other consumer products. However, demand for jewelry sold online – especially high end pieces – has been restricted by the need for consumers to see a piece before committing to a final purchase. While online jewelry sales are growing, the customer is ultimately still seeking a traditional experience, especially when it comes to bridal. On the other hand, lower-priced products like non precious costume jewelry have expanded their market share.

Traditionally, the holiday months are those in which jewelers record their best sales figures. December is a particularly lucrative period. Other key industry holiday months are May with Mother's Day and February with Valentine's Day (more than \$2.6 billion in sales this year). Also, a study by the Jewelry Consumer Opinion Council (JCOC) indicated that Father's Day gift-giving of jewelry and watches tied for second among all purchases with power tools, trailing only clothing purchases.

## Diamond Prices Trended Up

Over the past 2 years, diamond prices have surged. For diamond dealers and jewelry store owners alike, this has translated into the need to find creative ways to source good prices. Many retail jewelers have also taken a hit when it comes to their profit margins. Though prices have stabilized and even slightly decreased since the fall of 2011, prices are still much higher than they were two or three years prior.

The following chart shows the percentage change in polished round GSI1 diamonds over the past 18 months based on actual wholesale asking prices.



Despite the continued economic crisis in Europe and more conservative predictions for growth in the emerging markets of China, India and Brazil, the diamond market is showing some stability due in part to a renewal in American demand.

In the short to mid term, the diamond market is likely to remain volatile due to the global economic slowdown and cautious buyers. Despite the stability of the rupee, the recently introduced 2% import tax in India continues to affect the polished stones market. In Israel, the market continues to take a hit following the exposure of a financial scandal at the Ramat Gan Diamond Bourse in January 2012.

Lower trading volume among dealers is expected to continue as manufacturers struggle financially to meet production demands and suppliers place less rough on the market to limit supply in an effort to control prices. The overall look on both the wholesale and retail fronts remains cautious.

Statistics showed that polished diamond imports jumped 20 percent to \$22 billion in 2011, but polished exports surged 29 percent to \$18 billion, leaving only \$3.9 billion of polished diamonds to circulate, representing a 9 percent decrease from 2010.

Nonetheless, many experts are predicting diamond prices to rise given the expanding middle class and resulting demand in China, India and in the Middle East.

## The Jewelry Market is Evolving

According to a report released by The World Jewellery Confederation, the more established and developed markets (primarily U.S. and Japan) will continue to see their share erode. It is projected that by 2015, India and China will account for the same share (approximately 30 percent) of diamond jewelry sales, equal to the U.S. Japan's share will drop to around 8 percent (from 12 percent currently)

## Future Opportunities for Jewelry Shop Owners

The continuing evolution of the industry means new opportunities for savvy jewelers. While it is true that the industry has seen consolidation when it comes to traditional brick and mortar jewelry stores, online sales continue to grow. And the consumer, though shopping more online, is still looking to compliment that with a traditional experience, especially when it comes to bridal. Many jewelers are using their 'virtual inventory' to attract new clientele and not only generate a new revenue stream, but in turn, to draw new clients into their stores and offer a unique personalized service. Moreover, an online presence has the advantage of being both local and international and allows you to service your clientele 24/7.

More and more, jewelers are not only using their websites to promote their online presence. There is a lot that can be done with social media, and many jewelry store owners and managers are finding a huge advantage to going viral. Launch a campaign from your company FaceBook page, have readers 'pin' different goods you want to promote, use the concept of a lost leader on Groupon or other similar sites to attract new people into your shop. Jewelers who think creatively about marketing online can gain a lot of new interest. And it is one of the best ways to directly interact with your customers and get real feedback that you can use concretely in your business.

Buying off the streets represents another great opportunity for smart jewelry store managers and owners. When the recession hit in 2007, jewelry sales like all luxury goods, dropped. Though these numbers are on the mend and back to pre-recession levels, many jewelers that weathered the storm did so because they were buying over the counter. Buying OTC is a great way foster good relationships with both new and existing clientele who may not

always be in a position to buy. In most cases, a 'buying' relationship eventually leads to a 'selling' one; a happy customer is a loyal customer.

Moreover, buying OTC allows jewelers to get goods at competitive prices and in turn, protect their profit margins, even in a market that has been witness to a surge in gold, precious metal and diamond prices. Depending on the state of the goods, metals can be sold for melt, stones reset, repolished or recut. You may even get rare and unique items that you can resell "as is". Recycling is one of the most lucrative activities of the diamond jewelry business these days and will be for the years ahead. Some statistics shows that about each year an estimated \$ 1.5 billion in diamond jewelry is recycled on an inventory estimated at \$ 250 Billion. This untapped parallel market, which should not to be ignored, represents huge opportunities for jewelers who should think about buying over the counter in order to increase their revenue and maintain a strong relationship with their customers.

Don't limit your business only to what you know. Expanding your knowledge will mean expanding your business – you should never turn a customer away. If you have a customer come in wanting to sell you a vintage Longines watch (that you happen to know nothing about!), find out about it. Often the greatest way to distinguish your jewelry business from the competition is through the service you provide.

Though the top selling categories in the industry remain diamonds, watches and gold jewelry, other categories – especially in online sales – are growing. With recent hike in the price of gold, many jewelers are selling more sterling jewelry. And higher diamond prices give an opportunity to showcase and sell more colored stones jewelry. Diversifying your inventory can also be a safeguard against changing forces in the industry. However, jewelers should be cautious not to overload on in-stock inventory and keep only the best selling items on hand. Other inventory can be ordered as needed.

Generating new sales through existing customers is another great way to boost sales numbers without necessarily having to draw in new traffic. For example, some men may have purchased jewelry for Valentine's Day, but never purchased wedding or anniversary jewelry from your store. By tracking sales per customer, you can more easily propose complimentary products and contribute to increasing the average revenue per client.

Build partnerships. Think about working with one or more jewelry stores in order to gain access to resources or markets that you could not reach alone. Working cooperatively could be profitable for your business in many ways; by reaching each other's customers, sharing advertising costs, expensive equipment, fees and space of a booth in a trade show and supplies costs. Partnership could help you in building your credibility by associating yourself with reputable business and open new business opportunities by networking with other professionals.