

The verdict is in on festive trading

The last few months has seen a rebound in the trading environment for most jewelry retailers. The make or break time however is always the December trading season which is the “money shot” for every jewelry store. Whether the year is a success or failure can often come down to little more than twenty days of trading out of a whole year – a sobering thought for any retailer!

This Decembers trading has seen a significant improvement across the board on a very gloomy December 2008 as the results below show:

| | 2008 | 2009 | % change |
|---------------|-----------|-----------|----------|
| Sales | \$182,831 | \$213,963 | 17% |
| Quantity sold | 885 | 1344 | 51% |
| Average sale | \$206 | \$159 | -22% |
| Gross Profit | \$92,157 | \$108,837 | 18% |

The results above represent the average single store performance for those stores covered in our data pool. As can clearly be seen the average store has seen an increase in sales for the month of \$31,132 an increase of 17% on the equivalent month last year. Gross profit has also reflected an equivalent increase showing that mark ups were maintained across both periods. The most noticeable factor is the significant reduction in average ticket value of 22% that has been more than offset by a large-scale increase in the quantity sold on the same month last year. Quantities have shown a 51% increase month on month and demonstrates the impact the bead market has had over the last twelve months – an amazing situation given how tight spending has been. We can only be grateful for its impact and wonder how much further this market can grow now that consumer confidence is starting to return.

So if Silver Jewelry has had such a positive impact, what has the performance been like in other categories?

| | 2008 | 2009 | % change |
|---------------|----------|----------|----------|
| Diamond Sales | \$78,920 | \$95,056 | 20% |
| Gold Sales | \$27,211 | \$19,426 | -28% |
| Silver Sales | \$14,536 | \$35,966 | 47% |
| Watches | \$10,486 | \$10,000 | -4% |

The above sales information from the sample data shows the December monthly trading for the calendar years 2008 and 2009. Diamonds have had a positive impact this year with a 20% increase in sales for the average store for December to \$95,056, up from \$78,920 last year. Conversely, gold has dropped by 28% showing that if clients saw gold as a hedge during 2009 it wasn't in the form of jewelry! Increasing prices saw demand fall as customers tried to maintain or reduce their spending power in other areas. Watches largely maintained the status quo.

Although silver sales increased, interestingly the average ticket value saw a significant drop between December 2008 and December 2009 with last years silver average of \$72 reducing to only \$49 – the share volume of cheap beads serving to

bring this amount down. Across the Silver Departments, December comparative trading looked like this:

| | 2008 | 2009 | % change |
|---------------------------|---------|----------|----------|
| Silver Rings | \$2,131 | \$1,970 | -7.5% |
| Silver Pendants | \$2,722 | \$3,874 | 42.3% |
| Silver Bracelets | \$3,304 | \$5,881 | 78.0% |
| Silver Earrings | \$2,288 | \$2,611 | 14.1% |
| Silver Chain | \$ 579 | \$1,304 | 125.2% |
| Silver Other (incl beads) | \$3,511 | \$20,326 | 478.9% |

No prizes for working out the biggest area of growth! The bead market has seen this department now become more than 50% of total Silver sales. Most other Silver areas have also shown strong growth showing that Silver doesn't just owe the bead market for its strong growth this year. The increase in gold prices and the overall affordability of Silver during a recession has seen other Silver departments posting some pretty good numbers too. Silver bracelets have had the double impact of benefiting from Silvers growth and the selling of bracelets to be adorned with beads. Generally this overall increase in Silver sales has come about from an increase in volume with average sale values being largely maintained in most areas except Silver Rings which have seen its average fall. Given this department has traditionally had the highest average sale value of Silver Jewelry this drop is a reflection of the switch to cheaper Silver product.

So where to for 2010? It seems the publics' interest in bead product is not ending any time soon and if this growth can continue along with an improvement in Diamond Rings and other areas then we will continue to see an improvement in trading conditions. Gold's performance will be closely tied to its price (or the media's preoccupation with its price) and will struggle to see a growth in volume unless its price reduces or the attention currently focused on it disappears and the public accept its new found pricing level as the status quo. We will watch to see this development with interest.