

## **Holiday 2007 Retail Jewelry Sales Disappointing, Outlook for 2008 Bleak**

The recent downturn in the housing and financial markets culminated in weak retail sales this holiday season. Spending increased just 3.6% over the same period last year, the weakest performance in four years. Sales grew 6.6% in 2006 and 8.7% in 2005. Jewelry sales declined from 2006, which was a record season for many

November/December sales for jewelers were disappointing, especially for the large retail chains. Zales, which operates 2,200 stores, in the US experienced a 9% drop in sales from the 2006 holiday period. They announced in January that 60 stores would be closing within 90 days as a result. Sterling Jewelry, which operates Kay Jewelers and Jared The Galleria of Jewelry in over 1,400 retail locations experienced a decrease of 8%.

It appears that slowdown in the economy is not just impacting mass retailers, but the luxury market too. Tiffany reported weak sales in mid-tier value items, or those \$1,000 to \$10,000. Revenue rose by 4%, an increase attributed to foreign shoppers in New York, but actual sales fell by 2%.

Online sales were one of the few bright spots. Blue Nile reported a 24% increase for the fourth quarter sales. Ice.com also reported an increase in the average price of each sale and had an overall strong holiday season. According to JCK, sales were brisk in a few categories: diamond studs; bridal jewelry, especially over \$50,000; David Yurman, Mikimoto, Tag Heuer; and colored stone fashion jewelry.

Most in the industry are bracing for a bumpy 2008. Economists believe that we are entering a recession, historically not a popular time for jewelry purchases. Gold and platinum are trading at record prices and experts believe that inflation is inevitable. Essentially, despite less demand, total sales will rise. High end pieces, particularly designer pieces, should weather the storm, as consumers appear to be looking for unique pieces. Low-end, mass market goods will likely fare poorly.

JSIS Insurance, February 2008