

Holiday Jewelry Sales Expected to be Dismal

Jewelers are preparing for weak holiday sales as the economy continues to struggle. A rise in unemployment, tighter credit and higher prices for food and energy have lessened the demand for jewelry, and analysts are predicting that 2008 will be the worst holiday period in two decades.

Job loss, particularly in the financial sector has contributed to a drop in sales. According to the New York Federal Reserve, 19,000 jobs were lost in New York's securities and financial sectors between March and August. Nationally, it is estimated that more than 100,000 financial sector jobs have been lost so far this year. Jewelers in New York's Diamond District previously benefited from Wall Street bankers splurging with bonus money. In a *New York Times* interview, one jeweler reported that "a banker who might have paid \$40,000 for a ring is now only spending \$10,000."

In September, the National Retail Federation projected a rise of 4.2 percent this holiday season, significantly below the ten year average of 4.4 percent. Sales for retailers such as Saks Fifth Avenue and Nordstrom declined more than 10 percent in October, 20 percent at Blue Nile and 27 percent at Nieman Marcus. Analysts predict that sales for these luxury stores may decline as much as three percent in November and December, a stunning reversal after gains of approximately five percent during the 2007 holidays. Last year as the euro and other currency was strong against the dollar, foreign shoppers buoyed sales in the US. However, the slowdown has caught up to Europe and the dollar is stronger.

Shoppers are expected to do a significant portion of their shopping online this year, with the National Retail Association forecasting \$204 billion in online retail sales, up 17 percent from 2007. Most shoppers are expected to spend less this year and focus on items considered to be necessities. There are no retail segments that will not be affected by the recession, but those in discretionary or luxury sales have reason to be particularly worried.

Most jewelers earn 50 percent of their annual income in November and December, so they should consider any options that may give their business an advantage during what will likely be a very tough holiday season. Online jewelers should consider making the shopping experience as customer friendly as possible, including a site that is easy to navigate, user reviews and videos of products, sale sections and an easy return policy. Position yourself high in a search engine, and also examine your shipping policies. Try renegotiating lower rates with your carrier and consider offering a free shipping promotion to customers.

Retail jewelers should also consider creating a web site so customers are familiar with their product and can comparison shop. They may want to run a promotion to increase sales, such as customers making a purchase before Christmas Day are eligible to win a pair of diamond studs. A postcard mailing to previous customers offering a ten percent discount may bring some repeat business. Theft and robbery increase during difficult economic times, so review security practices with your employees to avoid losses. Traveling salespersons should be extra cautious while on the road, and employees in retail stores should make sure that all locks on showcases are working and should consider showing only one piece at a time.

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