

State of the core market report

2014-2015 US Jewelry Market

Actionable market intelligence for jewelry businesses



Diamond Shades
Point of View

Acknowledgements

2014-2015 State of the Core Market Report is based on research by the Diamond Industry Research Team at Equity Communications: Tinashe Takafuma, Romeo Takafuma, Fred Divine and Gerald Manyengavana.

2014-2015 State of the Core Market Report is based on information available up to the end of September 2014, for the most part.

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Market Intelligence Selected Highlights

1. \$9.8 billion – core marriage jewelry sales in 2013 (engagement rings and wedding rings)

Core marriage jewelry market has upper limit of **\$14.6 billion** until at least 2024, based on our reading of population dynamics

2. Age profile of first-time brides up to 44 years

15 percent are ages 18 to 24

49 percent are ages 25 to 29

20 percent are ages 30 to 34

10 percent are ages 35 to 39

6 percent are ages 40 to 44

3. Number of qualified married-men prospects (2006-2013)

28.997 million qualified married-men prospects in 2013, up 1.6 percent from **28.544 million** in 2012. But still down 3.7 percent from 2008

However, quality of prospects has improved since 2008. **44 percent** of qualified prospects had annual income greater than \$75,000 in 2013, up 5 percentage points from **39 percent** in 2008

4. 2013 Income report for married-couple families

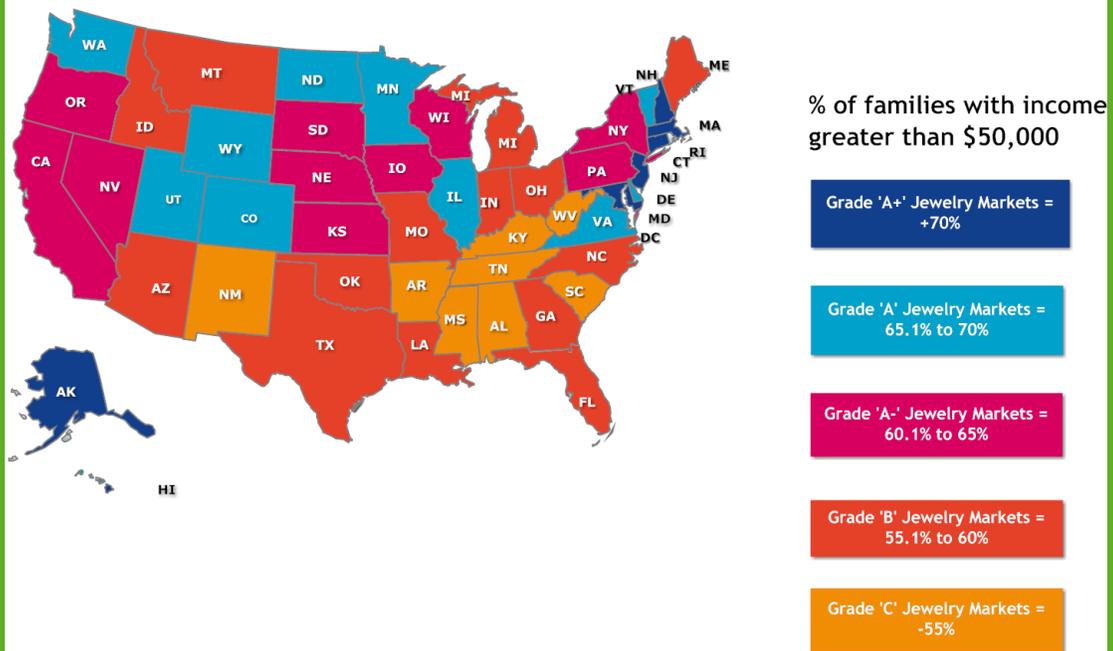
Married-couple families had income of **\$4.571 trillion** in 2013

Only **24.9 percent** of married-couple families had income less than \$50,000

The average income for married-couple families in 2013 was **\$98,323**

5. Percent of qualified jewelry prospects per state

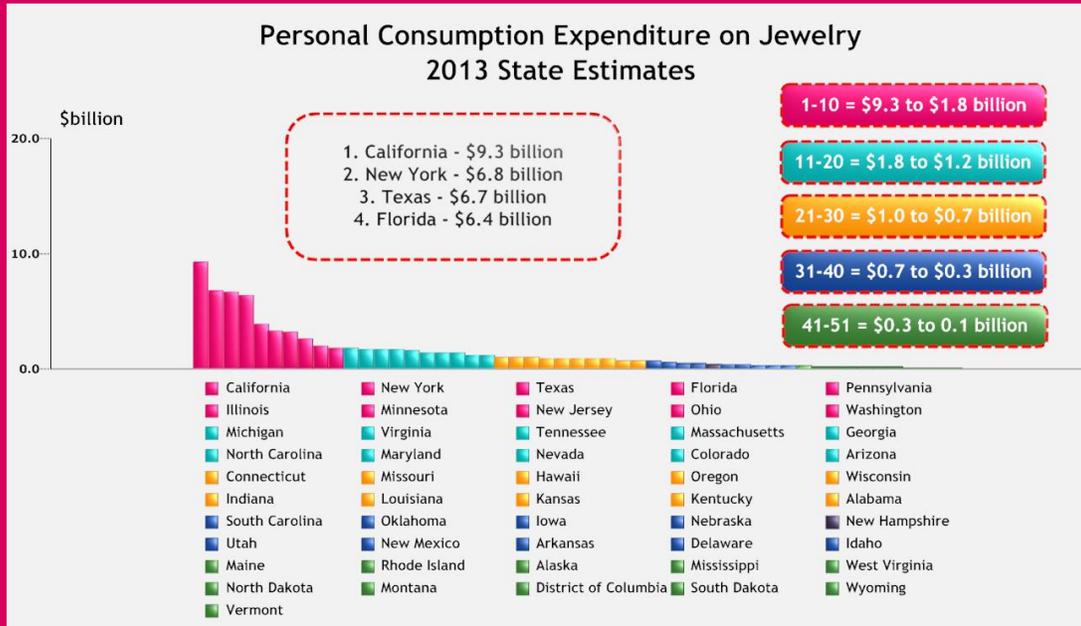
Qualified Jewelry Prospects
As Percent Of Total Number of Families In State



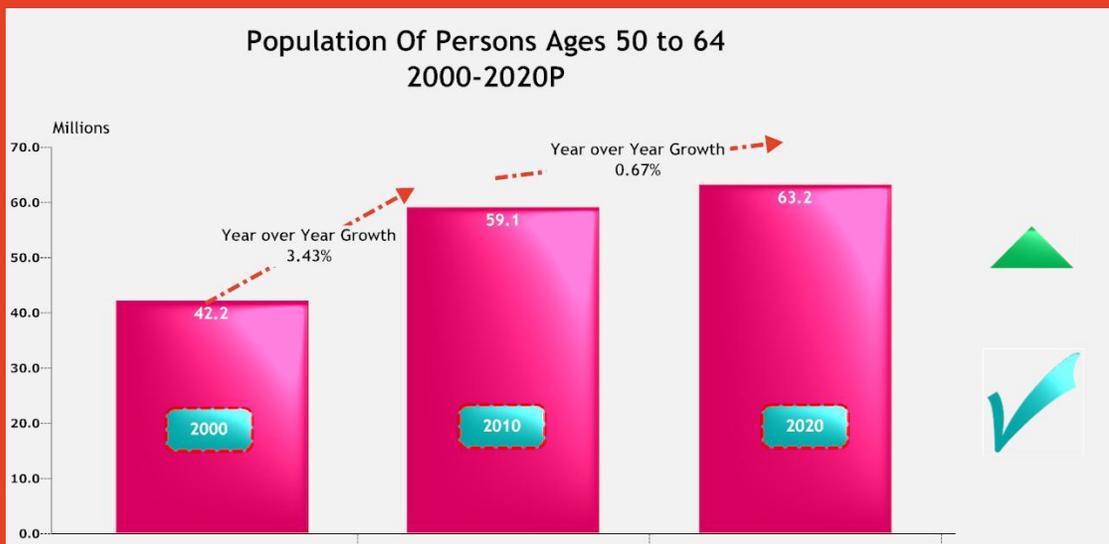
6. Regional variances in average annual jewelry store sales



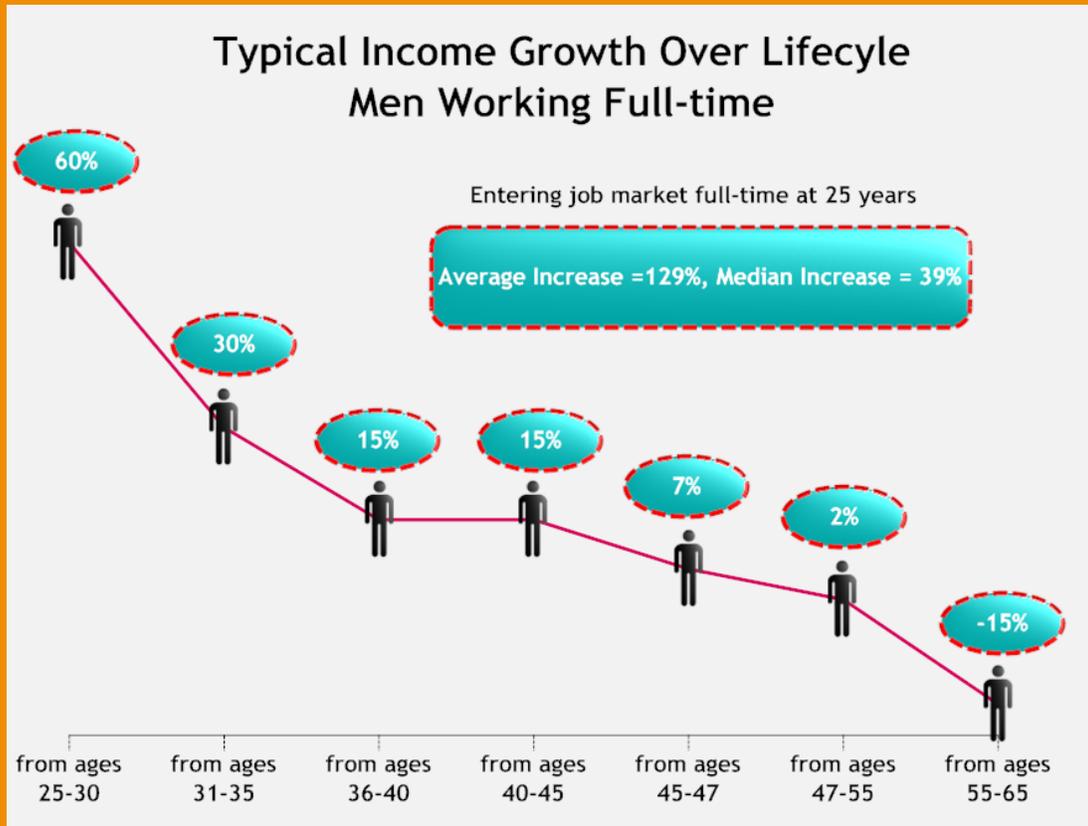
7. Personal Consumption Expenditure – jewelry and watches, 2013 State estimates



8. Jewelry retailers encouraged to follow the money



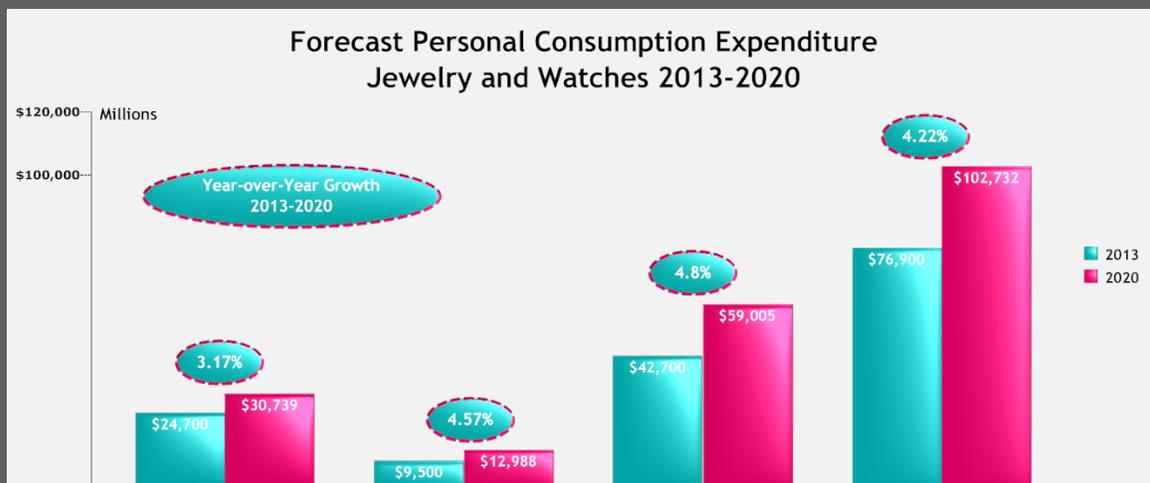
9. Typical income growth trend for men working full-time



10. Jewelry store revenue from actual sales of jewelry



11. Forecast Personal Consumption Expenditure on jewelry and watches



Additional Highlights

1. “The increasing number of single, never married Americans shrinks the size of the customer base for marriage jewelry”

% change in the marital status of US Population 15 and over, 1970 Base year

- Male population 15 years and older +72%
- Married male population +39%
- Never-married male population +110%
- Divorced male population +599%
- Female population 15 years and older +66%
- Married female population +38%
- Never-married female population +115%
- Divorced female population +531%

2. "Most people eventually do get married at least once in a lifetime"

80 percent of current adults ages 18 and over eventually get married

Of the generation of adults aged over 65 years, only **4 percent** have never been married

3. “At current trends, less than 50 percent of adult women will be married in 2020. It is a combination of much improved financial independence for women, shortages of eligible bachelors and shifting cultural values and attitudes”

54 percent of men were in a marital relationship in 2013, down from **59.9 percent** in 1993

51.5 percent of women were in a marital relation in 2013, down from **56.4 percent** in 1993

4. "Marriage, for the most part, is still about men"

Among the most consistent and robust predictors of marriage are men's employment and economic potential.

Those who are employed and who demonstrate greater economic potential have been shown to be more likely to enter into marriage across many time periods and for various types of groups.

97.7% of married men had income in 2013. 72.2% of single men, never married had income in 2013

5. "Both men and women still expect the man rather than the woman to be able to support an anticipated family before transitioning to marriage"

37 percent. Contribution of wives' earnings to family income in 2011, up 10.4 percentage points from **26.6 percent** in 1970

28.1 percent. Wives who earned more than their husbands in 2011, up 10.3 percentage points from **17.8 percent** in 1987

6. "Probability of getting married"

44 percent of women are married at age 25. The number increase to **78 percent** at age 35

36 percent of men are married at age 25. The number increases to **75 percent** at age 35

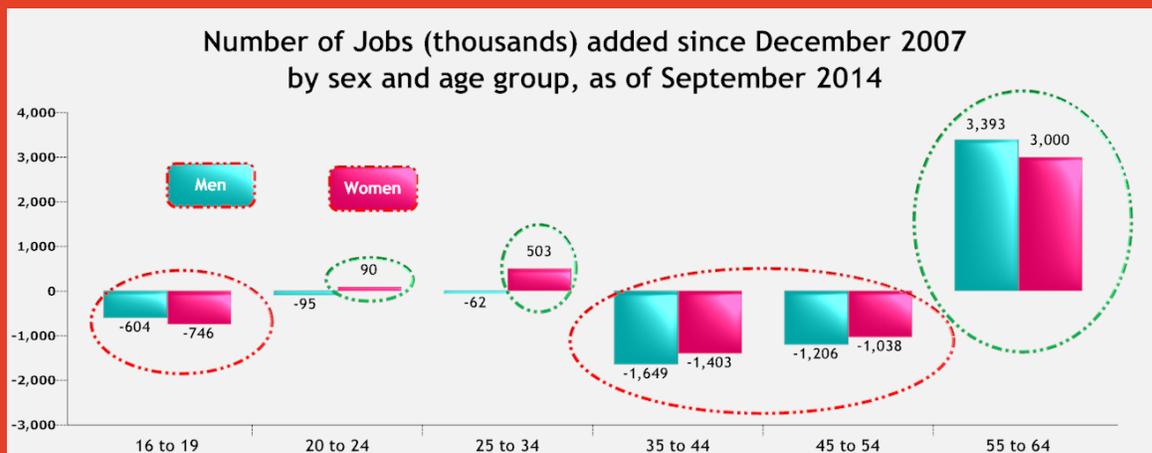
7. “Young adults are still becoming mothers and fathers. They are just doing it without a ring”

More women giving birth out of wedlock

	1970	2013
Median age at first marriage	20.8	26.6
Median age at first sexual intercourse	17.5	17.8
Non-marital births %	10.7	40.6

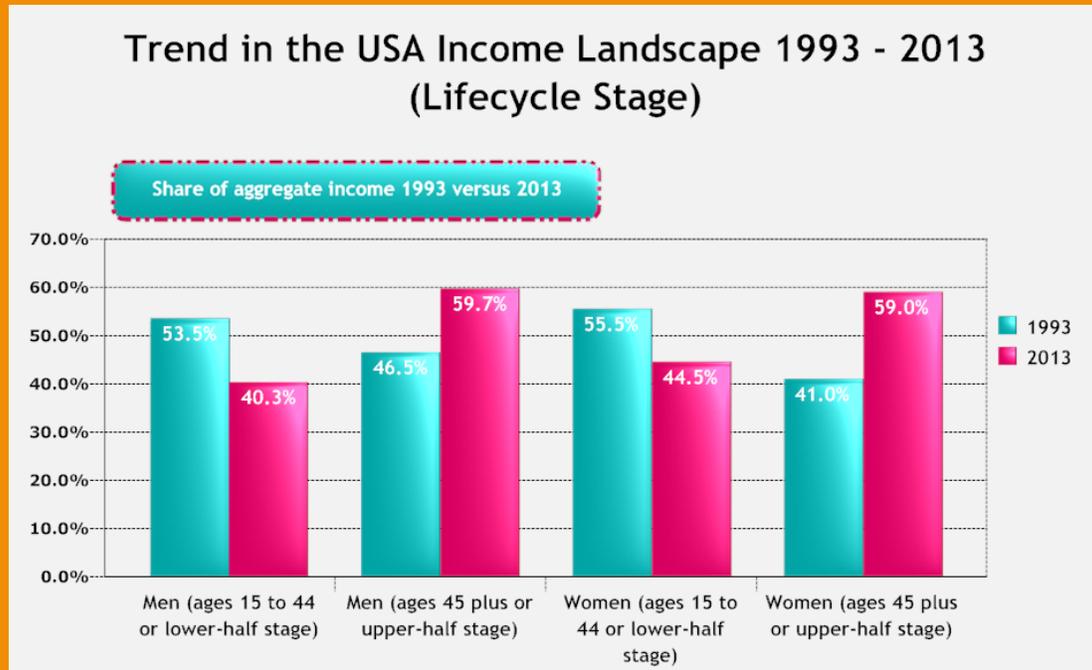
8. “Businesses like jewelry stores, which depend on lifecycle transitions for sales, can be affected by drastic population changes as cohorts move across the lifecycle stages”

This is what has happened to the labor market and your customer base since December 2007



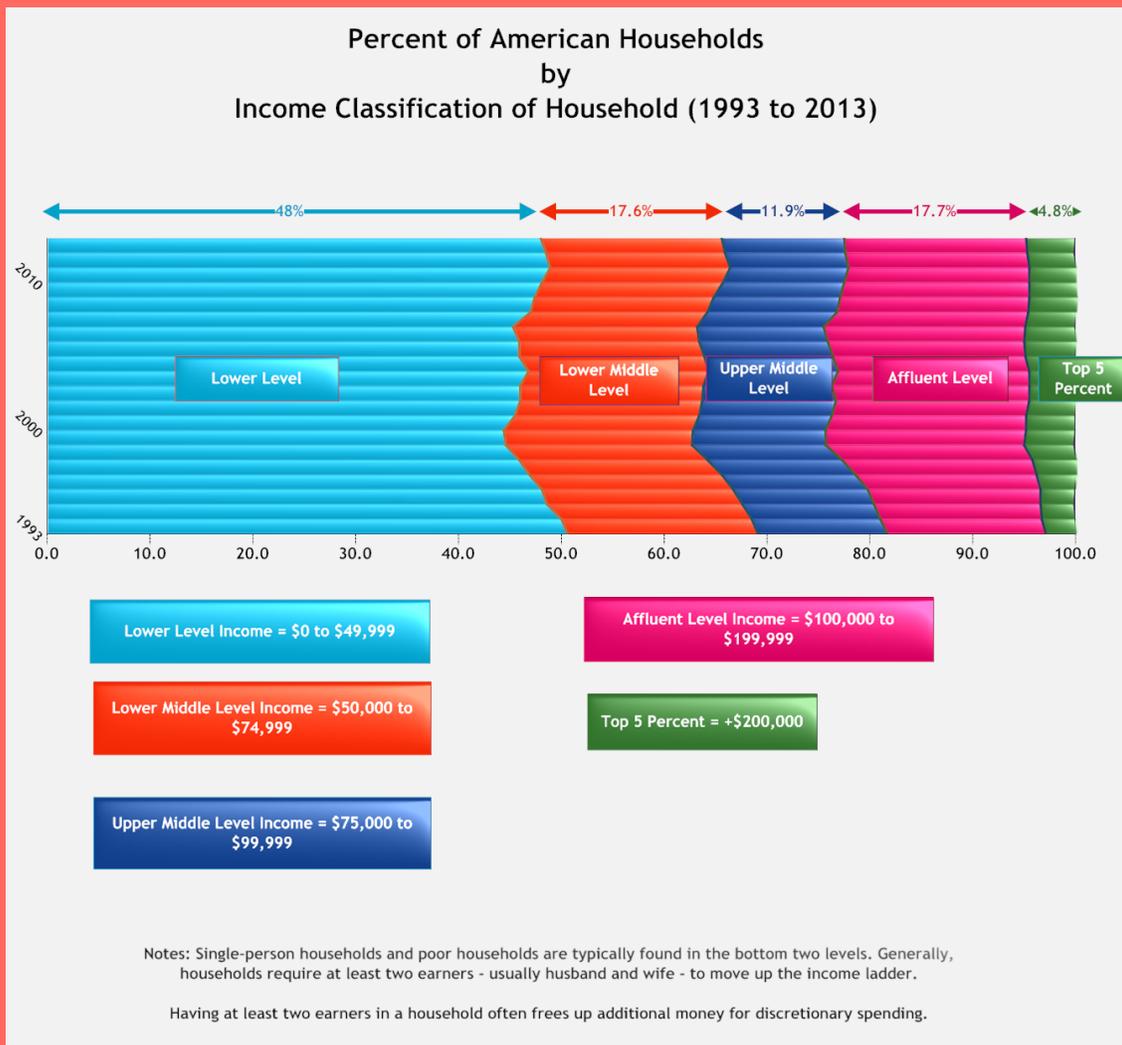
9. “The first half of the lifecycle has lost earning power for both men and women. The ages 55 to 64 for both sexes have grabbed a bigger share of annual income”

Trend in the USA income landscape



10. "Distribution of American households by income classification 1993 to 2013"

Trend in the distribution of household income



A measure of the USA Jewelry Market

The State of the Core Market Report provides actionable market intelligence for jewelry businesses. It measures the vibrancy of the three core pillars that drive jewelry consumption:

1. Marriage formation trends
2. The economic well-being of American households, families and individuals
3. The business of jewelry store establishments

Methodology:

In compiling the State of the Core Market Report, Equity Communications relies heavily on comprehensive analysis of data provided by the **United States Census Bureau, United States Bureau of Labor Services and the triennial Survey of Consumer Finances provided by the Federal Reserve System**. When put together, data from these very reputable agencies provides the most authoritative study of the economic condition of Americans and American businesses.

Why the three core pillars are important for jewelry consumption:

Fundamentally, a huge component of jewelry consumption is a result of lifecycle transitions. For instance, jewelry retailers need to have awareness of the popular shapes and sizes of diamonds for successful engagement ring sales. However, the reality is that demand for engagement rings is limited to individuals who want to get married.

So marketing the most popular shapes and sizes of engagement rings will still result in failure if very few people are planning to get married in a target market. **Advertising cannot change the facts.**

Taking it a step further, a jewelry retailer can successfully target markets in which a large number of people are getting married and provide the most popular shapes and sizes of diamonds. Nevertheless, the business can still result in failure if the retailer does not correctly match price points for his products with the buying power of the customer base.

Lastly, jewelry for love events like engagements, weddings and anniversaries is traditionally costly. Buying jewelry for such occasions has serious purpose for consumers. To the average person, money comes slowly and by sacrifice. Few people have enough. The average person is constantly choosing between one way to spend money and another.

With this in mind, an engagement ring is often the third most expensive good a person will likely buy in a lifetime - other than a house and a car. For this reason, such a purchase often requires the specialized attention of qualified sellers - specialist jewelry stores.

People who buy expensive jewelry from jewelry stores and are satisfied with both the financial and emotional aspects of the process often go on to make other significant jewelry purchases in a lifetime. **Nonetheless, the jewelry retailing landscape in America suggests the nation now has less need for specialist jewelry stores.** More retail establishments are selling jewelry but the number of specialist jewelry stores has gone in the opposite direction.

In summary:

- at least 30 percent of all jewelry sales by value are linked to marriage
- at least 40 percent of all jewelry by value is bought at specialist jewelry stores
- it requires a certain level of income for individuals, households and families to afford fine jewelry

Here are useful things you will get to find out in Equity Communications' State of the Core Market Report (2015 US Jewelry Market)

1. The number of qualified jewelry prospects in each state

Income is an obvious factor in who buys jewelry and how much they can afford. As a group, affluent and wealthy consumers spend proportionately more than those who make less money.

But middle and lower income consumers also buy jewelry. Consumers in these lower income groups are much more numerous and thus form important market segments. However, they typically target lower price points for consumption.

Our cut-off for qualified jewelry prospects is the \$50,000 to \$75,000 income range for families. But this does not mean poorer families do not buy fine jewelry. It is just that their combined spending is less than ten percent of the market by value.

We have deliberately chosen family income over household income to reduce the distortive effects of single-person, high-income households.

Furthermore, a substantial share of jewelry is bought for marriage-formation events and for in-marriage celebrations. Five-year families' income data also captures qualifying prospects from single-person households who transition into families.

Why it matters:

Do your product price points match the quality of your market?

Online retailers who just provide a platform to market jewelry owned by other people generally don't have this problem...but jewelry inventory is costly for many jewelers. A lot of money is tied up in your stock so you have to make sure you can profitably sell it within a reasonable period.

If you can get to refresh your stock at least once a year then you are doing a good thing. Even better if you can refresh your stock twice a year. **The median for an American jewelry store is 1.3**

2. Which states make the best targets for jewelry sales?

Our clients asked us to provide a ranking of the 50 states according to jewelry sales...something we only mentioned in passing last year. We listened to them and even added in information like average jewelry store sales per state, states with the best and worst population to jewelry store ratio and much more.

Why it matters:

Every state in America has qualified prospects for your jewelry products. However, some states have few prospects while other states have many. In general, populous states like California, Texas and Florida have many qualified prospects for many types of jewelry products.

The financial and insurance industry accounts for 30 percent of all top earners in USA and many of them work in or near the world's leading financial center - New York City. **For this reason, the North East region dominates sales of luxury jewelry because of the huge presence of wealthy consumers.**

3. How demographics influence consumption of jewelry

A huge component of jewelry consumption is a result of life-cycle transitions.

Why it matters:

We cannot argue with demographics. The population of persons ages 50 to 64 will increase by 50 percent from 42.2 million in 2000 to 63.2 million in 2020. If these cohorts (baby boomers) were massive for sales of marriage jewelry in the 1970s and 1980s, they can also be massive for sales of jewelry to celebrate special events such as milestone anniversaries and birthdays.

With proper promotion and marketing, sales of milestone jewelry could rival sales of engagement rings until at least 2025.

4. Marriage formation trends

The vibrancy of marriage formations in the adult population

Why it matters:

Marriage trends are important for jewelry sales. **Depending on classification of purchase triggers, the marriage-related segment accounts for 30 percent of all jewelry sales by value** - engagement rings, wedding rings, anniversary jewelry, wedding day jewelry for the bridal party and fine jewelry gifts which husbands buy for their wives other than for anniversaries.

5. How the improving economic position of women is transforming the US jewelry market

According to data from the National Center for Educational Statistics, in fall 2012 there were 10.0 million female undergraduate students (56 percent of total enrollment) and 7.7 million male undergraduate students (44 percent of total enrollment). Since 1990, female enrollment increased by 52 percent (from 6.6 million to 10.0 million students), while male enrollment increased by 43 percent (from 5.4 million students to 7.7 million students).

Similarly, the number of working professional women has grown 41.3 percent since 2004. Women now make up 48 percent of workers 25 years and over with at least a bachelor's degree, up from 44 percent in 2004.

Why it matters:

This is a fascinating one. On one hand, women have always been fond of jewelry for adornment purposes and today more of them have money to spend on elaborate jewelry accessories.

For this reason, the fashion jewelry segment is the brightest category for jewelry sales, now accounting for 55.6 percent of total jewelry sales. That is likely to increase to 57.4 percent of sales in 2020.

On the other hand, women have strengthened their economic position but they still want to marry men who demonstrate stronger earning potential. However, that is increasingly becoming unrealistic because women have gradually narrowed the gender income gap.

Consequently, at current trends, less than 50 percent of adult women will likely be in a marital relationship in 2020. 54 percent of men were in a marital relationship in 2013, down from 59.9 percent in 1993. 51.5 percent of women were in a marital relationship in 2013, down from 56.4 percent in 1993.

For this reason, sales of engagement and wedding rings are projected to retreat slightly to 11.4 percent of total jewelry and watch sales in 2020.

You will have to read about the fascinating workings of the marriage market to understand why there's a growing tendency among Americans to retreat from marriage altogether. **Hint: There is a shortage of eligible bachelors...at least according to what women want in a husband.**

"If you are in the jewelry business, here's how you can use the State of the Core Market Report to sale more jewelry in 2015 and beyond"

"If you are well-experienced in the jewelry business, perhaps you have come to understand that most jewelry consumers are actually pre-qualified. You can pretty much predict who is likely going to buy jewelry from you by doing a checklist. For example, income is an obvious factor in who buys jewelry and how much they can afford.

But there are other factors that can further help you determine whether your prospect or potential customer is the right match for your jewelry products. Factors like:

- ✓ **Education level**
- ✓ **Age**
- ✓ **Sex**
- ✓ **Marital Status**
- ✓ **Location**
- ✓ **Time of year**
- ✓ **Life cycle stage**
- ✓ **Race and even religious background**

Every city in America has qualified prospects for your jewelry products. So someone out there will likely buy jewelry from you.

However, after you have sold jewelry to one person, you quickly have to find the next customer. **People buy jewelry infrequently even in the best of times so your business thrives on a constant flow of new customers.**

Incidentally, this is why brick and mortar jewelry stores need those high gross margins that are being attacked relentlessly by some online-only retailers who don't have to stock any jewelry in their business models.

Traditional jewelry retailers need large margins to compensate for the fact that fine jewelry inventory is costly while consumers buy fine jewelry infrequently. The real-world jewelry business is just not sustainable without them.

But both the offline and online jewelry businesses need something extra to be profitable and sustainable - a large enough population of qualified prospects who can buy your jewelry in all months of the year. Even if you are the only jeweler in town, enough people have to come into your store to buy jewelry otherwise you will soon go bankrupt.

Here is why:

Intensity of consumer demand for jewelry is seasonal. As a jewelry retailer, you have to be in business for the whole year but sales are good in certain months and even better in certain other months. This has been historically true for sales of marriage jewelry especially.

For this reason, you have to carefully manage the money that moves into your business in the better months so that you adequately cover inventory costs, inventory carrying costs and other business expenses for the months with slower sales.

"You will need this information if you want to sell more jewelry and make more money"

Pay attention here. This does have meaning for you. Here's why it's important to equip yourself with crucial facts about your market:

If your area of interest is the retailing of wedding jewelry, the good news is that you don't have to search far and wide to figure out the number of qualified prospects in your market. Engagement rings are the big ticket items in your store but the market is limited to people who are getting married. No marriage plans; no need to buy an engagement.

For instance, at the national level, the number of registered marriages in America has been declining by an average of 1 percent every year since 2000. In other words, the number of qualified prospects for engagement rings has not been growing and that is something out of your control.

Let's say your business is located in the state of Indiana where the average number of new marriages is 46,456 per year. Here's how you can use this information to increase gross sales of engagement jewelry in 2015:

Essentially, there are two ways you can go about it:

- 1. You increase unit sales of engagement rings. To do that, you sell to more customers while your competition sells to fewer customers**
- 2. You increase sales of higher priced engagement rings. To do that, you need excellent persuasive skills to divert customers to higher priced engagement rings.**

Frankly, number two is the easier of the two options. But there are other factors you have to consider. For instance, do your price points for engagement rings match the buying power of your customer base?

The best of your qualified prospects are college graduates who are getting married. However, college graduates in a state like Ohio proceed quicker into marriage than college graduates from a state like New Jersey. The difference is reflected in the target price points and value of wedding jewelry sales.

College graduates who get married early in the career life-cycle spend less on wedding jewelry than college graduates who delay marriage by at least five years.

By the way, the population of persons ages 25 to 39 is expected to increase by 1.06 percent annually from 2010 to 2020 after declining by 0.19 percent annually from 2000 to 2010. These are the ages most likely to purchase marriage jewelry due to life stage - the majority of first marriages and second marriages.

I suppose you can expect a gradual pick up in the number of registered marriages until at least 2020. That should prop up sales of engagement jewelry in the coming years.

So that's just an example of the useful insight waiting for you in the State of the Core Market report. We show you how you can identify the number of qualified prospects in your market and their location. Some things just add up when it comes to profiling likely consumers for your jewelry products. We have done this for you at the national and state level and you can even repeat the process at the metro, county, city and zip code level. You can use this information to better plan your sales and marketing strategies and grow sales for your business.

"Read this first before you **DOWNLOAD** the full report"

"Technically, this is the third time that we have prepared the State of the Core Market Report. Initially, our research teams prepared these reports (including for China and India, the other two giant diamond markets) for the express purpose of using them internally in our consulting practice with our diamond industry clients. Later, we realized that jewelry businesses could benefit from the same information we were looking at.

JCK online and USA Today thought there was great value in last year's report:

- ✓ <http://www.jckonline.com/2013/12/24/report-us-jewelry-and-watch-sales-expected-to-reach-79-billion-in-2013>
- ✓ <http://www.usatoday.com/story/money/business/2014/02/19/signet-jewelers-zale-kay-jared/5602173/>

Better yet...check out the interview below by JCK with Equity Communications'

Tinashe Takafuma (Lead author of the USA Jewelry Market Report)

<http://www.jckonline.com/blogs/cutting-remarks/2015/02/04/jewelry-industry-and-changing-graying-america>

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