

Jewelry

Market Information



Three Main Categories of Jewelry:



FINE JEWELRY

Precious metals - Fine Jewelry does not necessarily guarantee you a certain quality, but when properly used, it should refer to Platinum, 18K Gold, 14K Gold, and rarely Sterling Silver. Any assortment of diamonds and precious gemstone settings can be associated with Fine Jewelry.



BRIDGE JEWELRY

Bridging the gap between Fine Jewelry and Costume Jewelry, bridge is often sterling silver with semi-precious stones as opposed to the gold and precious stones of Fine Jewelry or the faux materials of Costume Jewelry.



COSTUME JEWELRY

Brass, Bronze, Copper, Tin, White Metals - Costume Jewelry is made with anything inexpensive except gold or silver (unless it's a flash plating) and set with glass (crystal), plastic, and faux stones.

New "Spin-off" Terms Associated with the Main Categories:

DESIGNER JEWELRY

This is an often debated and misused term. Designer Jewelry is defined by a stylistic quality that can be identified with an artist evolving with time. Unlike a manufacturer's line which could be following any trend or being designed by multiple people, a designer line has a certain continuity that also has an artistic quality. In the fashion industry, designers are normally granted this title by being juried (with an industry based panel) into special "designer" sections at tradeshows. In recent years, many people are now misusing that label to claim a more fashionable look with their line or just calling themselves a "designer" as that trend is growing.



DESIGNER-INSPIRED JEWELRY

It is exactly what you think - someone thought it would be easier to be "inspired," a.k.a replicate (possibly using lower quality materials), designs from someone else in the industry. They are able to also offer it at lower prices because not only does the quality often go down, but there was no design time, no product development, no models, etc.

CONTEMPORARY JEWELRY

This term is often found in the "designer jewelry" industry, but it is truly defined by modern, artistic design that fits in the "contemporary" art world.

FASHION JEWELRY

A really nice way to say we make "slightly more expensive" costume jewelry. This term gained a lot of popularity after many mainstream designer clothing brands began adding jewelry to their lines and larger department stores wanted to give a new label to these products that were more fashion forward than past costume pieces.



The Jewelry Market:

- > Global jewelry market is estimated to be approximately **\$150 billion USD** annually
- > U.S. Market alone generates approximately **\$60 billion USD** in annual revenues
- > Wal-Mart is the largest jewelry retailer in America today but controls only a small portion of the marketplace, which is very fragmented between small jewelry stores, chains, and various types of apparel stores
- > Jewelry market is largely divided by price points with large differences in inventory/demographics of customers/and customer needs between high-end jewelry and costume jewelry, with Fashion or costume jewelry having the highest volume and lowest price points usually below \$100.00 Bridge having second highest volume and price points generally \$60.00 to \$400.00 and Fine jewelry having the highest price points \$400 and up
- > Currently in the U.S., women's Fashion and Bridge jewelry alone accounted for over **\$9 billion USD** in revenue; this is the primary target market for Jewel Lok products (both earrings and loose jewelry as it has the highest volumes at a higher cost and sales price). **UK** market estimated at **\$3.2 billion** with segmentation similar to U.S.
- > The Jewelry market makes up one of the most fragmented, but also one of the most lucrative sectors of the retail industry with products aimed at men, women and children with very high margins
- > **U.S. apparel retailers commonly report double digit shrink figures for jewelry; shrink numbers 14% and above are common and large chains will often have one or two stores with shrink in excess of 50%. 14% - estimated shrink on \$9 billion (estimated sales in 2010 on bridge and fashion jewelry), is a \$1.26 billion dollar per year opportunity for recovery of bottom line dollars in this department**
- > The 3 largest seasons in U.S. for jewelry sales are Christmas (Nov. Dec.), Valentine's Day (Jan. Feb.), and Mother's Day (April May)
- > Jewelry suppliers generally work 6-7 months in advance to prepare for holidays and seasonal merchandise changes
- > Jewelry is a trend-driven business so it is a high volume business with high turnover rates. Turns of 5-7 times a year are conservative estimates. Most large retailers restock jewelry twice a week, with some re-stocking almost daily in high traffic stores. Protecting high-theft, high-volume merchandise like jewelry, is where Alpha solutions excel.
- > In the U.S., the FBI indicates that jewelry is a leading target for ORC with an average ORC theft of \$7,000.00 at retail. A re-usable tag providing benefit denial and/or EAS level of protection, that can only be removed at point of sale can deter this type of organized theft. **Current disposable jewelry tags are too easily defeated to be effective against ORC.**
- > Jewel Lok is the only re-usable product on the market for jewelry that is aesthetic and effective; and the only product that locks onto the jewelry in a manner that it cannot be easily cut off in-store or at home without damaging the jewelry to which it is attached. This is true for both earrings and necklaces.
- > Jewelry shrink is usually calculated on the department as a whole. Because there has been no good solution to the problem, jewelry shrink has not been tracked at the item or SKU level. Therefore, it may be good business practice to encourage retailers to try all three products together to show the best ROI for the department as a whole, if they cannot track and do cycle counts at sku level.
- > Jewelry sales in 2010 were up over 2009, with increases expected in 2011 as well. New, relatively inexpensive (Bridge & Fashion) jewelry spruces up existing clothing items. Fine jewelry sales were stable in 2010 as the market sector that purchases fine jewelry has not been hard hit by recent economic downturns.

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Jewelry Solutions - Competition:

> B & G – Disposable Solutions – using AM or RF labels

- Earrings label applied to back of card
- Loose jewelry – paper tag with am label inside with elastic attachment
- Loose jewelry – swivel plastic tag with plastic attacher

> A & H - Disposable Solutions

- AM or RF label applied to back of earring card or fold over
- Loose jewelry – **disposable** paper tag with am label inside with elastic attachment, usually printed with logo and with scannable barcode label
- Loose jewelry – swivel plastic tag with AM label, plastic or wire attacher can be cut with scissors
- Plastic zip tie with plastic tag with am label can be cut with scissors

> ADT Jewelry Tag – Disposable AM label with hole in end for hanging with swift tach

- Deactivatable
- Easily removed or defeated
- No space for scannable barcode or logo

> USS Sterling Tag

- **NO EAS**
- Visual Deterrent Only not true benefit denial
- Re-usable



A&H and B&G disposable solutions



Custom logo printed on front of tear-resistant paper w elastic attachment



Plastic Swivel Tag



B&G plastic tag



USS Sterling Tag

Current Tests:

LOEHMAN'S - A chain of off-price department stores in the United States

1 store test installed in November 2011, too early for results yet, but store personnel indicate they like product and are happy with it so far.

Indicating one tag defeat first week but we have not see pictures to determine if it was truly defeated or if jewelry was broken before it could be removed, which would mean it functioned appropriately. Overall customer loves the tags and does not feel they are a problem to apply and/or remove at POS. Already talking about potential expansion to other stores.



BLOOMINGDALES - Premiere American department store owned by Macy*s with a total of 41 stores and 4 outlet stores
2 outlet stores installed in October 2011

"The Jewelry area has undergone a remodel since the installation of Alpha Jewelry Solutions. Due to this, Marty is requesting a stationary hand key on a long lanyard. She would like this to be placed in the first front jewel drawer. She did note there were two to three items damaged in the Stud Solution line. We searched for the items but could not locate them. Overall, Marty likes this program. She says it does it's job and they are not having issues with application or removal." --- Shannon Beeson and Donna Gudridge

- (1) Test has been in place since 10/7/11
- (2) Cycle counts being done weekly but results not expected until January inventories are done
- (3) The damaged items may be due to thieves trying to defeat tags and destroying the jewelry before they could defeat the tags (exactly the way a benefit denial device is supposed to perform) or it could be due to tags being improperly installed, but we cannot tell since we could not find the items to inspect them

NORDSTROM - An upscale department store chain in the United States

2 stores in Los Angeles, CA, U.S.A. are installed – see email from customer below which should not be sent to anyone, but treated as confidential information for you to see how the test is proceeding.

*"Glendale 340
Jewelry Sensor Initiative Diary*

Since we have implemented the Jewelry sensors by Alpha in our store, we have received tons of feedback. The Jewelry department loves the new sensors and feels that they have helped deter a lot of the theft that has been occurring.

Some of the issues that I have been made aware of is customer's complaining about wanting to try on the Jewelry and cannot due to the Sensors being placed on. We are finding that some of the Jewelry items, particularly Nadri brand that cannot be tagged are beginning to show up in other departments with merchandise missing and empty backings. I know you are currently working on creating a new sensor for (French hoops and Bangle bracelets) as well, but wanted to let you know that we have noticed this trend.

So far we have had one sensor left behind due to theft. This was the loose jewelry sensor and it wasn't defeated, just placed on the necklace improperly so that they broke the clasp off and left the sensor with the clasp attached on the counter. We have also only had one salesperson forget to remove the sensor which caused a complaint, which was followed up by educating that employee as well as the store.

I have been working on doing an inventory count and am having a hard time doing so. I will be conducting as much of an accurate count as I can this weekend and will have results for you by the beginning of next week.

I will give you a full detailed report next week.

*Tressie Hill
Glendale Nordstrom Store #340"*

Notes:

1. **Customer reports theft is migrating to items not tagged**
2. **After approximately 3 weeks of testing, only found one tag defeated which was improperly applied and then the thief had to break the jewelry to remove it**
3. **Only one failure to remove on an item that had never been previously protected is actually a very good ratio of success as there are 500 items tagged with the loose jewelry tag**
4. **Customer complaints about not being able to try on earrings without removing Alpha tags, may be because they can't steal the jewelry that is protected without alerting an associate to remove the tag. Obviously, if they want to try on the jewelry, the associate can remove the tag for customer to try on and then replace it if item is not purchased.**

GAP - American clothing and accessories retailer based in San Francisco, California, U.S.A. that has 5 primary brands
Testing at 2 Banana Republic Stores in San Francisco

MACY'S, SAKS FIFTH AVENUE, and several other accounts in the U.S. to begin tests in January 2013

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