



JEWELERS OF AMERICA

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Jewelers of America Releases 2009 *Cost of Doing Business Report*

The expanded report reflects the challenging economy, with every category of retailer showing declines

New York, NY – Jewelers of America, the national trade association for businesses serving the fine jewelry retail marketplace, has released the 2009 *Jewelers of America Cost of Doing Business Report*, which analyzes retailers' financial data from 2008. The *Report*, which has been published annually for 18 years, represents the most complete and historical comparative financial information available to specialty jewelers in the U.S. It compiles data from a cross section of jewelers, including independent high-end firms (30.7%), independent mid-range firms (44.2%), jewelry chains (8.4%) and designer/custom jewelers (22.2%).

Benchmarking: More Important Than Ever

The current economy has forced jewelers to take a closer look at their balance sheets in order to better identify where they can cut back, and how to prepare for future growth. The 2009 *Cost of Doing Business Report* is an invaluable tool in accomplishing this task. The 91-page *Report* makes it easy for retailers to benchmark their business operations against those of their competitors, with data tables organized by jeweler category, size and high- or low-profit firms.

“The *Jewelers of America Cost of Doing Business Report* helps storeowners better understand the basic, but critically important, measures that drive their business,” says David Peters, Director of Member Services. “They can use these metrics to benchmark and develop strategies that will steer them through the current economy, so they’re poised for better days ahead.”

Sales Stall with Economy

As the general economy faltered in 2008, so did retail jewelry sales, which declined across the board. Overall sales declined by 3.5% (down from -0.3% in 2007). Designer/custom retailers weathered the downturn with only a 0.8% sales decrease, following an increase of 6.1% in 2007. Independent high-end retailers were down 1.3%, compared to growth of 3.5% in 2007. Mid-range retailers were down

5.5% (versus -1.7% in 2007), while chains saw the steepest declines, off by 13.2% (versus growth of 2.5% in 2007).

Industry profitability was also down, with specialty jewelers experiencing a median 3.6% net profit as a percent of net sales compared to last year's 4.6% **[Chart 1]**. Gross margins declined across all store types; however, the median gross margin at 48.6% remained consistent with 2007 (48.7%).

High-Profit vs. Low-Profit Stores

The 2009 *Jewelers of America Cost of Doing Business Report* demonstrates that effective management is even more critical during economically challenging times, with high-profit firms experiencing overall sales growth of 3.1%, versus their low-profit counterparts, who had sales decline of 12.6%.

High-profit stores not only had greater sales per store in 2008 (\$1,290,372 compared to \$1,176,100 for low-profit stores), but they had higher sales per full-time employee and sales per square foot, with lower payroll and operating expenses. Additionally, high-profit stores continued to experience a 20% greater inventory turnover than low-profit firms **[Chart 2]**.

High-profit retailers were able to soften the impact of the down economy by containing operating expenses in 2008. They spent 9.6% less on total operating expenses than low-profit companies **[Chart 3]**. "Jewelers who controlled their costs were able to hold the line in 2008, successfully managing their businesses, despite the more challenging environment," says Peters.

Distribution of Sales

The distribution of sales remains relatively consistent year to year. In 2008, the diamond category (loose and set) remained the majority, with 49% of sales, down 3% from 2007. The next biggest product categories are colored stone jewelry (9% of sales) and karat gold (8%). Repair sales remain an important category, bringing in 10% of sales. Timepieces saw growth, up from 3% of sales in 2007 to 6% in 2008.

Survey Participation Greater Than Ever

This year's survey was conducted in association with *National Jeweler* magazine and its "America's Best Jewelers" program. In addition to Jewelers of America members, the survey was sent to retailers in *National Jeweler's* database. As a result, participation was up significantly, with nearly 700 stores filling out the survey online or in print. Retailers who completed the 2008 survey received a great discount on the *Report*. JA members who participated received a complimentary copy.

To Order

The 2009 *Jewelers of America Cost of Doing Business Report* is available on compact disc or via email. To order, visit www.jewelers.org or contact Jewelers of America's Member Services department at 800-223-0673 or info@jewelers.org. It is available to Jewelers of America members for \$24.95 and non-members for \$150.

Charts Pages 3-4:

Chart 1. *Net Profit as Percent of Net Sales*

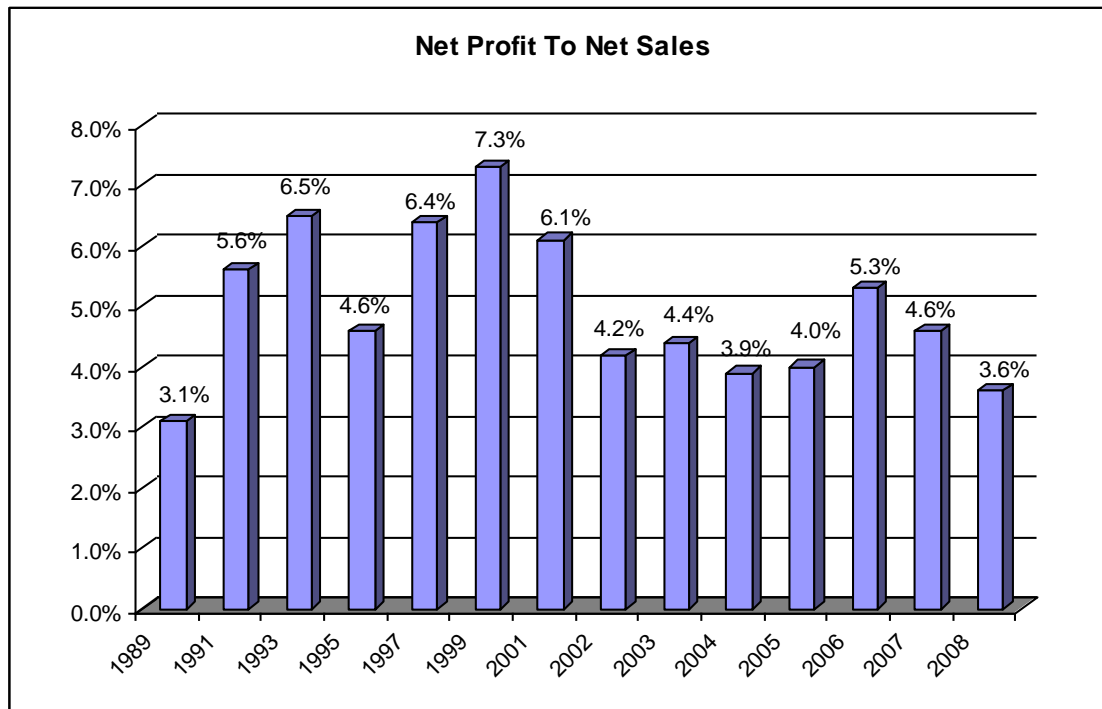


Chart 2. *Comparative Financial & Operating Ratios High-Profit vs. Low-Profit Firms*

| Performance Measure | High-Profit Firms | Low-Profit Firms |
|---|-------------------|------------------|
| EBIT to Total Assets | 16.0% | 0.5% |
| Net Profit Before Taxes to Net Sales | 9.0% | -0.8% |
| Asset Turnover (net sales/total assets) | 1.6% | 1.4% |
| Inventory Turnover | 1.2 | 1.0 |
| Sales Per Square Foot – Total | \$621.61 | \$613.43 |
| Sales Per Full Time Employee | \$261,715 | \$247,961 |
| Sales Growth | 3.1% | -12.6% |
| Total Debt to Total Assets | 42.2% | 44.4% |
| Current Ratio | 3.2 | 3.0 |
| Sales Per Store | \$1,290,372 | \$1,176,100 |
| Store Size | 2,232 | 2,284 |

Chart 3. Comparative Income Statement High-Profit vs. Low-Profit Firms

| | High-Profit Firms | Low-Profit Firms |
|-----------------------------|-------------------|------------------|
| Net Sales | 100% | 100% |
| Cost of Goods Sold | 51.3% | 53.3% |
| Gross Margin | 48.6% | 46.6% |
| Operating Expenses: | | |
| Payroll (Incl. Benefits) | 17.9% | 22.2% |
| Occupancy | 4.5% | 7.2% |
| Advertising & Promotion | 3.6% | 5.5% |
| Employee Training & Ed. | 0.1% | 0.1% |
| Other Operating Expenses | 8.9% | 10.8% |
| Total Operating Expense | 36.8% | 46.4% |
| Operating Profit | 9.4% | -0.2% |
| Interest Expense | 0.8% | 0.9% |
| Other Non-Operating Income | 0.1% | 0.2% |
| Other Non-Operating Expense | 0.0% | 0.0% |
| Profit Before Taxes | 9.0% | -0.8% |

About Jewelers of America:

Jewelers of America is the national trade association for businesses serving the fine jewelry retail marketplace, representing. Jewelers of America's primary purpose is to improve consumer confidence in the jewelry industry by: serving as a forum for discussion and analysis of issues; playing a leadership role in public, government and industry affairs; advocating professionalism, including high ethical, social and environmental standards; and facilitating members' access to education. For more information about Jewelers of America, visit www.jewelers.org.