



# Jewelers of America press release

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FOR IMMEDIATE RELEASE

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## **JA Releases 2007 Cost of Doing Business Survey**

*Survey says...JA member retailers experiencing growth*

New York, NY – Jewelers of America (JA), the national association of retail jewelers, has released the *JA 2007 Cost of Doing Business Survey*, which analyzes JA member stores' financial data from 2006.

The *JA 2007 Cost of Doing Business Survey* represents the most complete comparative financial information available to retail jewelers in the U.S. JA compiles data from a cross section of retail jewelers: independent high-end and independent mid-range firms, jewelry chains, and designer or custom jewelers all responded.

### **Sales Growth & Profit**

The results for 2006 report good news for JA members: all retail categories saw sales growth, although it was varied. The median growth for all jewelers was 4.1% (up slightly from 3.9% in 2005). Independent high-end retailers fared best with a 7.4% sales increase over 2005, which is in keeping with 7.1% growth of jewelry sales nationwide, according to *IDEX Magazine*. Designer and custom retailers also saw great growth at 6.5%. Chain stores experienced 4.3% sales growth, while mid-range retailers had the least growth with only 2.4% increase over 2005 sales.

The good news continued as 2006 store profitability saw a significant 32% increase over 2005 results; in 2006, JA retailers had a median 5.3% net profit as a percent of net sales

compared to last year's 4% [Chart 1]. Although gross margins fell last year, the overall gross margin was up to 49.1% from 48.4% in 2005.

### **Share of Sales**

The *Survey* shows that the distribution of sales remains consistent from year to year. Diamonds (loose and set) are still in the majority with 50% of sales. Colored stone jewelry (10%) and karat gold (8%) provide the other two largest shares of retailers' sales.

### **High-Profit vs. Low-Profit Stores**

Since growth is becoming more varied, it is clear that effectively managing and marketing is vital to the success of retail stores, and differentiates high-profit from low-profit firms. While high-profit stores in 2006 did not necessarily have greater sales per store (\$985,000 on average compared to \$1,179,000 for low-profit stores), they did have characteristics of efficient management: higher sales per square foot and turnover frequency, but lower payroll and operating expenses. For instance, high-profit stores had a 20% greater inventory turnover than low-profit firms and, therefore, much higher sales growth (6.8% versus 3.7%) [Chart 2].

High-profit retailers also contain their operating expenses by spending a lower percentage of net sales on payroll (17.8% compared to the average of 22.4% of low-profit firms). In fact, high-profit retailers are so efficient at saving on occupancy, advertising, and other related expenses, that they spent 7.2% less on total operating expenses than low-profit companies in 2006 [Chart 3].

### **Improve Retail Performance with *Cost of Doing Business Survey***

The *JA Cost of Doing Business Survey* is crucial to a retailer's understanding of how best to manage his or her business. Reviewing the 2007 *Survey* can help retailers generate greater profits, as comparing individual data can help a retail owner or manager judge where opportunities for improvement lie and prioritize them. The *Survey* contains 75 pages of data tables that measure key performance areas like expenses, sales growth and inventory.

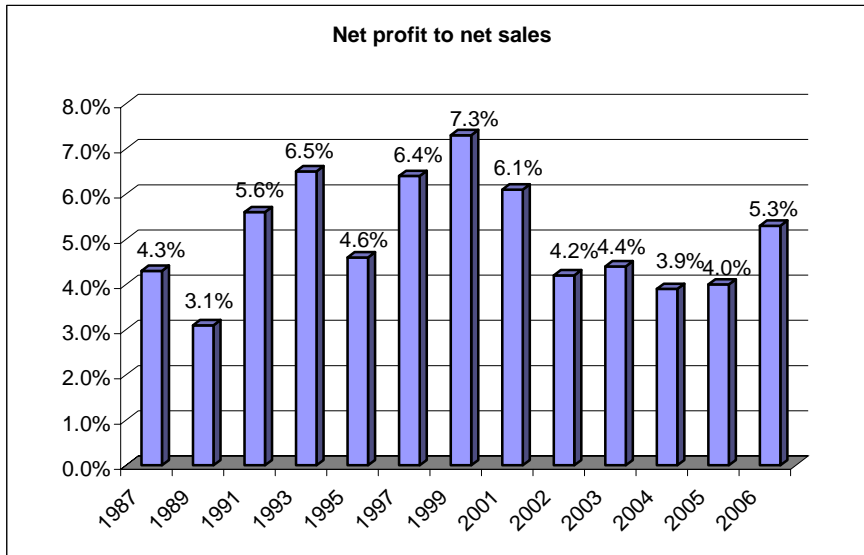
To order the *2007 Cost of Doing Business Survey*, visit [www.jewelers.org](http://www.jewelers.org) or call Jewelers of America at 800-223-0673. It is available to JA members for \$24.95, and to non-members for \$150.

For more information about Jewelers of America, visit [www.jewelers.org](http://www.jewelers.org).

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– Charts on Following Page –

**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	Low-Profit
EBIT to Total Assets	17.4%	4.2%
Net Profit Before Taxes to Net Sales	9.5%	1.5%
Asset Turnover (net sales/total assets)	1.6X	1.5X
Inventory Turnover	1.2X	1.0X
Sales Per Square Foot – Total	\$538.27	\$488.76
Sales Per Full Time Employee	\$223,304	\$204,060
Sales Growth	6.8%	3.7%
Total Debt to Total Assets	52.4%	58.7%
Current Ratio	3.0	2.9
Sales Per Store	\$985,500	\$1,179,904
Store Size	1,888	2,400

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

	High-Profit	Low-Profit
Net Sales	100%	100%
Cost of Goods Sold	52.3%	50.9%
Gross Margin	47.7%	49.1%
Operating Expenses:		
Payroll (Incl. Benefits)	17.8%	22.4%
Occupancy	4.6%	6.1%
Advertising & Promotion	4.4%	5.1%
Employee Training & Ed.	0.2%	0.2%
Other Operating Expenses	7.9%	10.8%
Total Operating Expense	37.4%	44.6%
Operating Profit	10.1%	2.8%
Interest Expense	0.9%	1.2%
Other Income/Exp.	0.2%	0.3%
Profit Before Taxes	9.5%	1.4%