

CHAPTER

1

INTRODUCTION

JEWELRY REPORT 2006 UPDATE OVERVIEW

RESEARCH OBJECTIVES

The objective of this study is to help jewelry marketers and retailers better understand the consumer market for jewelry and watches. Based upon research among recent jewelry purchasers, this report focuses on market opportunities available to product manufacturers and retailers to help them deliver products and services that satisfy the consumers' craving for this ultimate category of luxury goods.

With a focus on the consumers, their buying behaviors, needs, desires and preferences, this research study includes research data and statistics about:

- **Jewelry Market Size and Growth:** What is the size of the jewelry market and how rapidly is it growing? How is the jewelry and watch market segmented by the type of jewelry product and material of composition?
- **Demographics of the Jewelry Market:** What kinds of households buy jewelry and how do different demographic characteristics impact and influence jewelry buying behavior, (e.g.: HHI, size, composition, ethnicity/race, education, etc.); what are the different demographic segments within the jewelry market? How similar or different are households/consumers who purchase jewelry for personal use and for gifting.
- **Jewelry Buying Behavior:** What are the primary characteristics of the consumers' buying behavior related to jewelry and why they buy, e.g. for self or for gift? Where do they shop for jewelry; how do they decide to purchase one

piece vs. another; how do they set a budget for jewelry buying; what is the role of brand in jewelry buying behavior; how much do they purchase and how much do they spend on key categories of jewelry. How do men and women differ in their jewelry shopping and buying behavior?

- **Psychographic Profile and Segmentation of the Jewelry Market:** The psychographic profile of jewelry consumers will reveal their different drives and motivations in purchasing jewelry; what factors are more or less important in driving jewelry purchasing decisions; how can jewelry marketers and retailers better understand the hearts and minds of their consumers. In essence, we will discover “why people buy jewelry.”

METHODOLOGY

A research methodology combining both qualitative focus groups and quantitative surveys was designed to meet the defined research objectives. This report summarizes results of the quantitative jewelry consumer research survey, as well as the focus groups, plus new information collected during Unity Marketing’s Luxury Tracking study conducted throughout 2005.

FOCUS GROUP RESEARCH

A total of four focus groups were held, two groups outside Chicago, IL (Schaumburg, IL) and New York City (Fort Lee, NJ). The focus groups were conducted in May 2004. In each city, one group was recruited among fine jewelry gift buyers and one group among fine jewelry self-purchasers. While it was expected that these groups would largely be divided by gender (e.g. men would make up the gift buyer groups and women the self-purchasers) the gender composition of each group was mixed. In fact, the NYC self-purchasers group had more male participants than female.

This segmentation strategy enabled the research to investigate key differences in fine jewelry buying needs between men, primarily gift consumers buying for women, and women, primarily making self and/or gift purchases.

Respondents were prescreened to identify target respondents. The focus group respondents were between the ages of 25-to-64, with household income of \$35,000 or more. All were recent fine jewelry purchasers, having spent \$150 or more on the last piece of fine jewelry bought and at least \$250 buying fine jewelry over the past 12 months.

QUANTITATIVE JEWELRY CONSUMER SURVEY

Based upon hypotheses and preliminary findings in the focus groups, Unity Marketing designed a research questionnaire suitable to field across a nationwide representative sample of about 600 jewelry and watch consumers. A total of 581 recent jewelry and watch consumers were included in the survey sample. The survey was conducted during September 2004 among a representative panel of U.S. consumers using an electronic internet-based survey platform. A copy of the survey questionnaire is included in the appendix of this report.

Survey respondents were screened for their purchase of any fine jewelry or costume jewelry in the past 12 months, from September 2003 to August 2004, including fine or costume watches. Only individuals who personally made jewelry purchases were included in the survey. Not unexpectedly the survey sample skewed female with two-thirds of the sample (66 percent) being women and one-third (34 percent) men. The sample was also composed of more self-purchasers (57 percent made most recent jewelry purchase for themselves) than gift-purchasers (43 percent made most recent jewelry purchase as a gift). It is also no surprise that the majority of self-purchasers (82 percent) are women, while the majority of gift purchasers (56 percent) are men.

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Total industry sales data for the jewelry and watch market was obtained from the Bureau of Economic Analysis' Personal Consumption Survey (NIPA files 2.4.5U) and was used to update industry sales figures in Chapter 2 of this report.. Total industry sales grew only 3.9 percent from 2005 to 2004. Given this fairly low level of industry growth, another comprehensive nationwide survey of jewelry consumers was not conducted for the 2006 update, but is planned for the 2007 sales year.

New consumer survey data on jewelry and watch purchases was collected in Unity Marketing's Luxury Tracking Study, conducted quarterly among luxury consumers and reported in Chapter 7 of this report. For the Luxury Tracking Study, four surveys of luxury consumers, ranging from 600 to 700 luxury consumers for 1Q2005 to 1,100 to 1,300 luxury consumers for 2Q through 4Q2005, were conducted quarterly through 2005 with the results published in the Unity Marketing Luxury Tracking Report. The quarterly luxury tracking surveys were conducted online using a panel of high income respondents (\$75,000 and above household incomes) which roughly equates with the top 25 percent of U.S. households based upon income.

The average income of the 2005 Luxury Tracking sample was \$139,075, approximately 2.3 percent higher than the average income of \$136,000 in the 2004 sample. In 2005 the percentage of the sample representing near-affluents (\$75,000-\$99,999) was 25 percent; affluents (\$100,000-\$149,999), 45 percent; and super-affluents (\$150,000+), 30 percent. This represents a fairly even distribution across all affluent income levels.

In 2005 women represented 65 percent of the total luxury survey sample, as compared with 35 percent being men. This gender distribution is roughly the same as found in 2004. The 2003 sample, however, was more evenly split by gender, with 51 percent female and 49 percent male.

The average age of the survey respondents in 2005 was 42.9 years, virtually the same as the average age in the 2004 sample (43 years). Members of the baby boomer generation represented the largest share of respondents in 2005, or 47 percent, which is about the same as the 49 percent of boomers in the 2004 sample. GenXers represented 38 percent of the sample, up slightly from the 35 percent in 2004.

APPENDIX A: JEWELRY BUYERS SURVEY QUESTIONNAIRE

JEWELRY BUYERS SURVEY QUESTIONNAIRE

Sample: Representative sample of adults 18-70 years old;

Goal: 500 completes. Standard demographics.

Qualifying Question

1. In the past 12 months, since September 2003 to August 2004, have you personally purchased any fine jewelry or costume jewelry, including fine watches or costume watches?
Y/N (NO- disqualified)

About Last Purchase

2. Thinking about your most recent jewelry purchase, was your purchase made:
As a gift for someone else
For yourself

3. During your most recent jewelry purchase, how many jewelry items did you purchase?
1
2-3
4-5
6 or more

For the following questions, if more than one item was purchased, please report details about the most expensive item that was bought.

4. What kind of jewelry did you purchase?

1. Woman's Fine Jewelry or Fine Watch, defined as jewelry made from precious or semi-precious stones and/or 14K and above gold, sterling silver or platinum
2. Woman's Costume or Fashion Jewelry or Costume Watch, defined as jewelry made from base metal, plastic, wood or other non-precious material, with sterling or gold plate and/or man-made stones, such as CZ's.
3. Men's Fine Jewelry or Fine Watch
4. Men's Costume or Fashion Watch of Costume Watch

[If Women's Fine Jewelry, ask...]

4a. What type of Woman's Fine Jewelry did you purchase? (Please check only one corresponding with the last item purchased - If "none," please indicate "none of the above") (Please check type of jewelry and material of composition.

- 1-Ring
- 2-Necklace
- 3-Bracelet
- 4-Earring
- 5-Pin/Brooch
- 6-Bridal Jewelry
- 7-Charms
- 8-Watch
- 9-Other Women's Fine Jewelry
- 10-None of the above

What is the material or composition of the last Woman's fine jewelry item purchased? For example, if you bought a platinum diamond ring with sapphire stones, you would indicate "Platinum," "Diamond," and "Semi-Precious Stones." (Please check all that apply - If "none," please indicate "none of the above")

Metals:

- 1-Fine gold jewelry (e.g. 14k and above, not gold plate)
- 2-Fine platinum jewelry
- 3-Fine sterling silver jewelry
- 4-Gold plate, gold filled or vermeil
- 5- Other, not known
- 6-None of the above

Gemstones: (Please check all that apply - If "none," please indicate "none of the above")

- 1-Diamond jewelry
- 2-Pearl jewelry
- 3-Other precious gemstone jewelry (such as emeralds, sapphires, rubies, etc.)
- 4-Semi-precious gemstone jewelry (such as opals, topaz, amethyst, etc.)
- 5-Other/Not Known
- 6-No Gemstones/None of the above

[If Women's Costume Jewelry, ask...]

4b. What type of Woman's Costume or Fashion Jewelry did you purchase? (Please check only one corresponding with the last item purchased - If "none," please indicate "none of the above")

- 1-Ring
- 2-Necklace
- 3-Bracelet
- 4-Earring
- 5-Pin/Brooch
- 6- Charm
- 7-Watch
- 8-Other Women's Costume Jewelry
- 9-None of the above

[If Men's Fine Jewelry, ask...]

4c. What type of Men's Fine Jewelry did you purchase? (Please check only one corresponding with the last item purchased - If "none," please indicate "none of the above") ? (Please check type of jewelry and material of composition.

- 1-Ring
- 2-Necklace
- 3-Bracelet
- 4-Tie Tack/Bar
- 5-Cuff Links
- 6-Bridal Jewelry
- 7-Watch
- 8-Other Men's Jewelry
- 9-None of the above

What is the material or composition of the last Men's jewelry item purchased? For example, if you bought a platinum diamond ring with sapphire stones, you would indicate "Platinum," "Diamond," and "Semi-Precious Stones." (Please check all that apply - If "none," please indicate "none of the above")

Metal:

- 1-Fine gold jewelry (e.g. 14k and above, not gold plate)
- 2-Fine platinum jewelry
- 3-Fine sterling silver jewelry
- 4-Gold plate, gold filled or vermeil
- 5-Other/Not Known
- 6-None of the above

Gemstones: (Please check all that apply - If "none," please indicate "none of the above")

- 1-Diamond jewelry
- 2-Pearl jewelry
- 3-Other precious gemstone jewelry (such as emeralds, sapphires, rubies, etc.)
- 4-Semi-precious gemstone jewelry (such as opals, topaz, amethyst, etc.)
- 5-Other/Not Known
- 6-No Gemstones/None of the above

[If Men's Costume Jewelry, ask...]

4d. What type of Men's Costume Jewelry did you purchase? (Please check only one corresponding with the last item purchased - If "none," please indicate "none of the above")

- 1-Ring
- 2-Necklace
- 3-Bracelet
- 4-Tie Tack/Bar
- 5-Cuff Links
- 6-Bridal Jewelry
- 7-Watch
- 8-Other Men's Jewelry
- 9-None of the above

5. How much did you spend on your last jewelry item purchased? (For multiple items purchased most recently, please report the most expensive single item purchased)

- 1-Under \$50
- 2-\$51-\$100
- 3-\$101-\$249

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- 4-\$250-\$499
- 5-\$500-\$999
- 6-\$1,000-\$2,499
- 7-\$2,500-\$4,999
- 8-\$5,000-\$9,999
- 9-\$10,000-\$24,999
- 10-\$25,000 or more

6. Was the last jewelry item purchased bought on sale or at a discount off the list price?
Y/N

7. What were the primary reasons why you bought the last jewelry item? (Check up to three reasons)

- 1- Price/Value Relationship
- 2- Style and Design
- 3- Favorite Gemstone or Color of Gemstone
- 4- Excellent Quality
- 5- Favorite Metal or Color of Metal
- 6- Matches a Particular Outfit
- 7- For a Special Occasion
- 8- Perfect Gift
- 9- Discounted Price
- 10- Favorite Brand or Designer
- 11- Replace a Worn Out/Lost Item
- 12- Custom Design
- 13- Gift for myself/Special treat
- 14-Other Reasons not mentioned above

8. How satisfied were you with your most recent jewelry item purchased?

- 1-Very Satisfied
- 2-Somewhat Satisfied
- 3-Neither Satisfied or Dissatisfied
- 4-Somewhat Dissatisfied
- 5-Very Dissatisfied

9. In what kind of store did you make your last jewelry purchase?

- 1-Department Store, such as Sears, JC Penney, Neiman Marcus, Bloomingdales, etc.
- 2-Specialty Fashion Shop or Boutique, such as Gap, Banana Republic, Limited, Chico's, etc.
- 3-Independently or Locally-Owned Jewelry Store
- 4-Chain Jewelry Store, such as Sales, Kay's, Bailey Banks & Biddle, Tiffany's, etc.
- 5-Duty-free store
- 6-Other Specialty Luxury Shop or Boutique
- 7-Warehouse Club, Outlet Store, and/or Discount Store
- 8-Through Internet, Mail Order or TV Shopping
- 9-Other Types of Stores Not Listed Above
- 10-None of the above

10. Before making this last jewelry purchase, did you shop around to compare items and prices?

Y/N

11. What were the primary reasons why you made your most recent purchase at this store? (Check up to three reasons)

- 1-Helpfulness of Staff/Attention to My Needs
- 2-Convenience of Store
- 3-Quality of Merchandise
- 4-Brands carried
- 5-Wide Selection of Merchandise
- 6-Good Prices for Merchandise
- 7-Knowledge of Sales Staff/Information Provided
- 8-Trust in the Store
- 9-Place where I like to shop for other things besides jewelry
- 10-Pleasant environment for shopping
- 11-Other Reasons Not Mentioned Above

12. How satisfying was your most recent jewelry shopping experience?

- 1-Very Satisfying
- 2-Somewhat Satisfying
- 3-Neutral
- 4-Somewhat Dissatisfying
- 5-Very Dissatisfying

About Last Year's Jewelry Purchases

13. Thinking about all your jewelry purchases in the past year, approximately how many of the following types of jewelry did you buy?

- 13a. Woman's Fine Jewelry and/or Fine Watches
- 13b. Women's Costume or Fashion Jewelry and/or Costume Watches
- 13c. Men's Fine Jewelry and/or Fine Watches
- 13d. Men's Costume or Fashion Jewelry and/or Costume Watches

- 1-1 only
- 2- 2
- 3-3
- 4-4
- 5-5
- 6-6
- 7-7
- 8-8
- 9-9
- 10-10
- 11-11 to 15
- 12-16 to 20
- 13-21 to 25
- 14-26 or more
- 15-None

14. Approximately how much in total did you spend buying these kinds of jewelry in the past year?

- 14a. Woman's Fine Jewelry and/or Fine Watches
- 14b. Women's Costume or Fashion Jewelry and/or Costume Watches
- 14c. Men's Fine Jewelry and/or Fine Watches
- 14d. Men's Costume or Fashion Jewelry and/or Costume Watches

- 1-Under \$100
- 2-\$101-\$249
- 3-\$250-\$499
- 4-\$500-\$999
- 5-\$1,000-\$2,499
- 6-\$2,500-\$4,999
- 7-\$5,000-\$9,999
- 8-\$10,000-\$24,999
- 9-\$25,000-\$50,000
- 10-More than \$50,000
- 11-None

15. Thinking about all your jewelry purchases in the past year, approximately how many of your purchases were gifts to be given to someone else? [select which applies best]

- 1-Almost all/all (90-100%)
- 2-Some/Many (Around 75%)
- 3-About half (50%)
- 4-Few (Around 25%)
- 5-Almost none/none (10% to none)

16. In what kind of stores did you make your jewelry purchases in the past year? (Check all that apply)

- 1-Department Store, such as Sears, JC Penney, Neiman Marcus, Bloomingdales, etc.
- 2-Specialty Fashion Shop or Boutique, such as Gap, Banana Republic, Limited, Chicos, etc.
- 3-Independently or Locally-Owned Jewelry Store
- 4-Chain Jewelry Store, such as Zales, Kay's, Bailey Banks & Biddle, Tiffany's, etc.
- 5-Duty-free store
- 6-Other Specialty Luxury Shop or Boutique
- 7-Warehouse Club, Outlet Store, and/or Discount Store
- 8-Through Internet, Mail Order or TV Shopping
- 9-Other Types of Stores Not Listed Above
- 10-None of the above

17. In the past year, which of these stores did you shop for jewelry in? (Check all that apply)

Jewelry Stores

- 1-Zales
- 2-Kays
- 3-Tiffany's
- 4-Whitehall
- 5-Gordons
- 6-Bailey Banks & Biddle
- 7-Mayors
- 8-Michael Anthony Jewelers
- 9-Fossil

- 10-Friedmans
- 11-Cartier
- 12-Harry Winston
- 13-Reeds Jewelers
- 14-Jareds
- 15-Swatch
- 16-Lundstrom
- 17-Fortunoffs
- 18-Fred Meyers
- 19-Littman Jewelers
- 20-Jewelry Exchange
- 21-Other Jewelry Store

Department Stores

- 1-JC Penneys
- 2-Sears
- 3-Macy's
- 4-May Department Stores
- 5-Dillard's
- 7-Bloomingtons
- 8-Neiman Marcus
- 9-Nordstroms
- 10-Other Department Store

Fashion & Clothing Stores

- 1-Gap
- 2-Banana Republic
- 3-The Limited
- 4-Chicos
- 5-Talbots
- 6-Other Fashion or Clothing Store

Discount Stores

- 1-Wal-Mart
- 2-Target
- 3-Kmart
- 4-Sam's Club
- 5-Costco
- 6-Kohls
- 7-TJ Maxx
- 8-Marshall's
- 9-Other Discount Store

Television/Mail Order/Internet

- 1-QVC
- 2-HSN
- 3-Ross-Simons
- 4-NBC Shop
- 5-Blue Nile.com
- 6-Amazon.com
- 5-Other Television/Mail Order Source

18. When choosing a store to shop for jewelry and/or watches, how important are these factors, using a scale where 1=Very Important to 5=Not Important

- 1-Very Important
- 2-Somewhat Important
- 3-Neither Important/Unimportant
- 4-Somewhat Unimportant
- 5-Not Important

18a. Helpfulness of Staff/Attention to My Needs

18b. Convenience of Store

18c. Quality of Merchandise

18d. Brands Carried

18e. Wide Selection of Merchandise

18f. Good Prices for Merchandise

18g. Knowledge of Sales Staff/Information Provided

18h. Trust in the Store

18i. Place where I like to shop for other things besides jewelry

18j. Pleasant environment for shopping

Trends

19. In the coming year, do you expect to spend more than, less than or the same buying jewelry?

- 1-More than
- 2-About the same
- 3-Less than

Attitudinals

20. Please check how strongly you agree or disagree with the following statements, using a scale where 1=Strongly Agree; 2=Somewhat Agree; 3=Neither Agree or Disagree; 4=Somewhat Disagree; 5=Strongly Disagree

20a. Jewelry is the best gift to buy when you want to make a statement about how you feel about another person.

20b. Costume jewelry is always less expensive than fine jewelry.

20c. I am more careful to comparison shop when purchasing a piece of fine jewelry than when purchasing costume jewelry.

20d. Fine jewelry is to be worn mostly for special occasions, while costume jewelry is appropriate almost anytime.

20e. You can tell the difference between fine jewelry and costume because fine jewelry has a luster and character that costume jewelry does not.

20f. When I buy fine jewelry, I feel that I am getting a piece of jewelry that has long-lasting value and can be passed down to my children or grandchildren.

20g. I often buy jewelry on the spur of the moment if I see something that you like.

20h. I feel uncomfortable buying a piece of jewelry if you cannot see it, hold it, and try it on in person.

20i. When I buy a piece of jewelry, it must be made of only the finest materials and crafted to the highest standards, even if I have to pay more for it.

20j. Most jewelry at retail is overpriced, so I usually look for sales or discounts before I buy.

20k. When I buy jewelry for myself, I think of it as a special gift to myself as a reward.

20l. Fine jewelry is too expensive, so I mostly buy costume jewelry for myself.

20m. I prefer to buy and own costume jewelry because I don't have to worry about losing it or it being stolen.

20n. Whenever I dress up for work or other "dressy" occasions, I like to accessorize my clothes with carefully chosen pieces of jewelry.