THE RETAIL JEWELER®

The Jewelry Business Magazine • Volume 3, Issue 7 • October 2012

Developing an Inventory Plan for the Retail Jeweler

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Earrings courtesy of MAKUR

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COVER: Our model is wearing diamond (.56 cts) and pearshape morganite (1.98 cts) earrings in 18K rose and white gold. MSRP: $3,875. Created by MAKUR 877-774-7425

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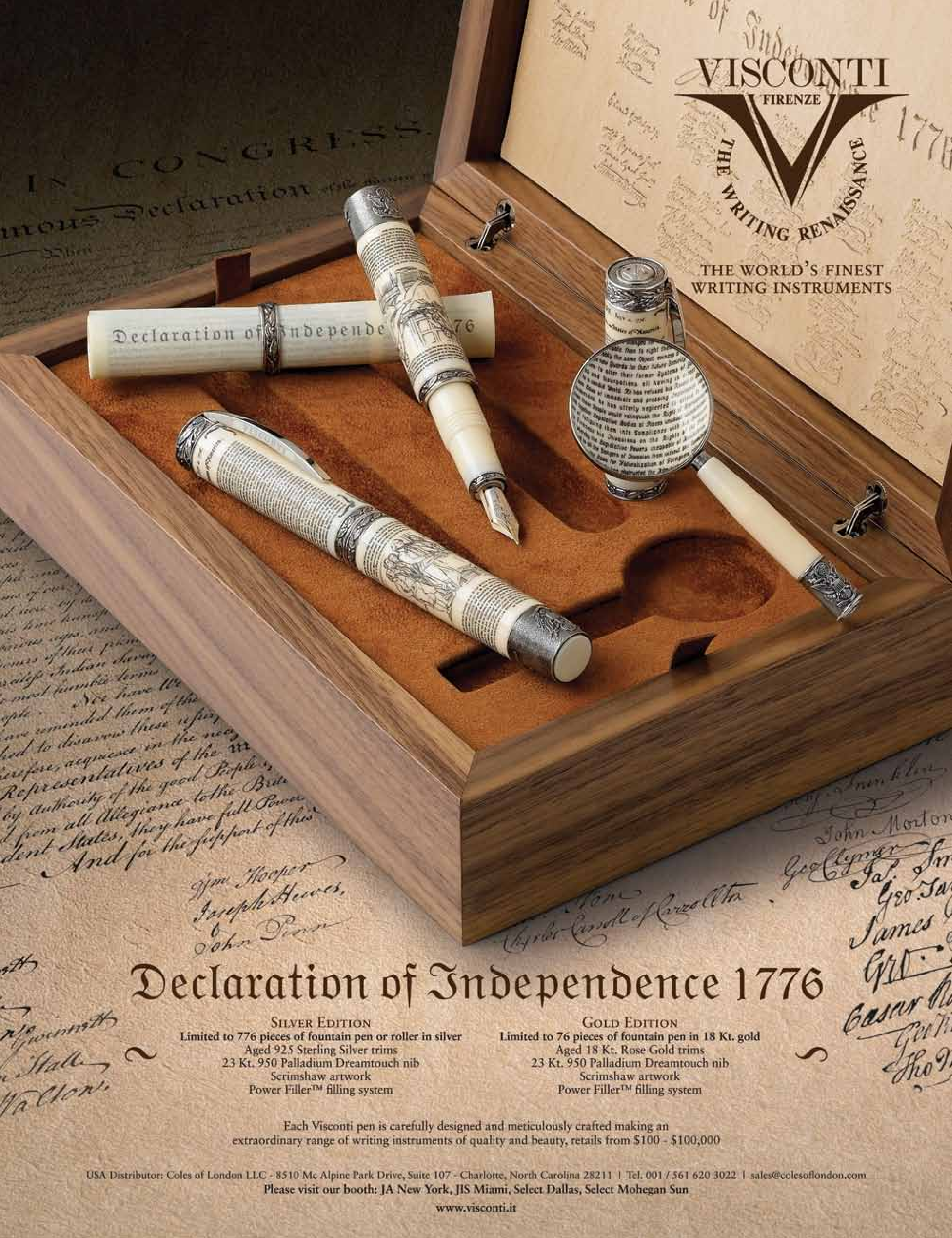
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A BUSINESS OF DETAILS

By Frank Dallahan

When I first arrived in the jewelry industry my route to it was unique. Lenox, Inc., my employer then, was on a growth track through acquisitions by seeking manufacturing businesses in related industries with similar distribution channels and demographics. The management thinking at the time was that the Lenox model could be easily impressed on a highly diverse industry segment like jewelry. The distribution channels were similar with retail jewelry stores commanding a significant portion of the Lenox business at the time. The first of the acquisitions was J.R. Wood, the New York manufacturer of ArtCarved engagement rings and wedding rings. Later, Lenox would acquire Rosenthal Jewelry, John Roberts School Rings, and the jewelry wholesaler Eisenstadt.

As is customary in any acquisition, there is a significant change over in management personnel. So it was with ArtCarved. My boss at Lenox, Dick Gillespie, was sent to New York to serve as ArtCarved's Vice President of Marketing and a game plan to turn ArtCarved into a jewelry industry version of Lenox. A year later, I was invited to join the ArtCarved team as Vice President of Sales.

The CEO of the ArtCarved business during this time was Lyman Wood. Lyman was the grandson of J.R. Wood, the founder of the company. It was unusual for a top executive of an acquired company to be retained and in Lyman's case it was either a smart move on Lenox' part or a smart move on the Wood family's negotiations for the transaction.

Lyman was a mover and shaker in the jewelry industry. He was a very smart guy who was a math wizard. Shortly after I joined the company Lyman invited me into his office for a chat. It evidently was a good "interview" because shortly thereafter he invited me to join him on a trip to Dallas specifically to meet the operating people at the Zale Corporation. ArtCarved had a significant piece of wedding ring business with Zale with a private label product exclusively manufactured by ArtCarved.

We met with all of the merchants responsible for the private label line and their management team to review and update them on our business together. At the conclusion of this meeting, Lyman and I walked down the hall to see if M.B. Zale had a few minutes to speak with us. Mr. Zale was indeed available and we were ushered into his office for a chat.

It was during this chat that I learned an important lesson from the conversation we had with this industry icon. Mr. Zale had a stack of checks on his desk that he was reviewing. He told us that it was his practice of reviewing the outgoing checks from the Zale Corporation to suppliers every day. He paused for a moment and looked directly at me and said, "Young man, this is a business of details. Never forget it."

Our July/August issue featured an article by Abe Sherman on his concept of developing a plan for open to buy. This issue of the magazine contains a second article from Abe entitled "Developing An Inventory Plan." This second article is as important as the first because it takes you to the next step of inventory management. It is very detailed and it is worthy of your concentrated study because it can produce big rewards. Literally, these two papers put together represent the basic course in inventory planning and control for retail jewelers.

Developing a detailed inventory plan means to actually take the original budget plan derived from Sherman's first article on how to develop an open to buy plan and convert it into the specifics of a detailed inventory plan by department, category, and price point. This is the part of the overall plan that helps you make certain that you are well prepared to have, in stock at all times, the products that have a demonstrated history of profitable sales.

M.B. Zale's admonition to me so many years ago about the jewelry business being a business of details has proven true for me time and again. And, Abe Sherman's two articles on the topic of open to buy and inventory planning demonstrate once again the necessity for very detailed planning when it concerns inventory.

If it is true that the retail jewelry industry has always had an over supply of on-hand inventory and if your store is among that group, adopting the principles Sherman has developed over years of actual experience will serve you well. When implemented, the process will help you to do something about it.

Frank Dallahan

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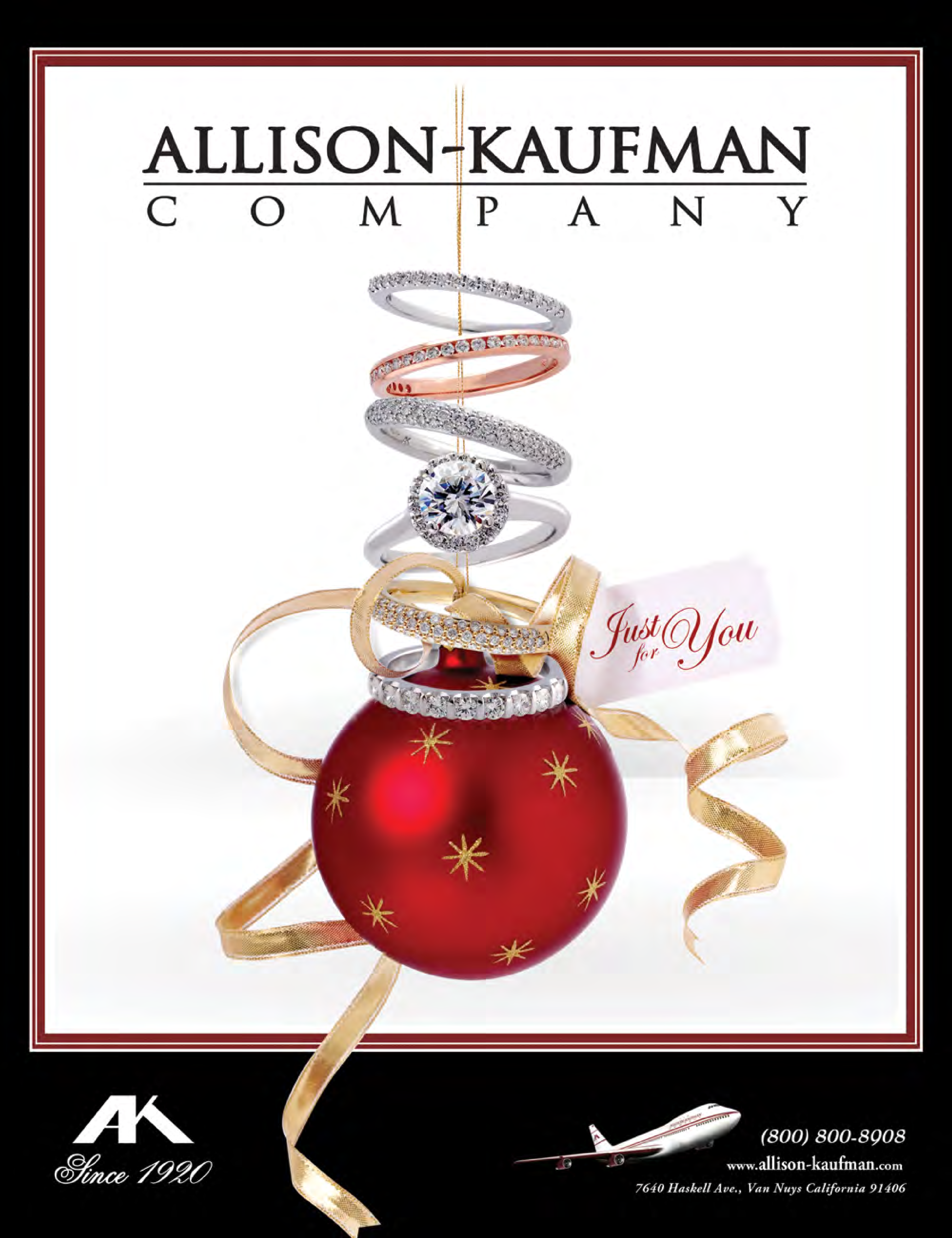
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ARE YOU READY FOR DECEMBER?

By David Brown

Whenever I ask a jeweler what the most important time of year is for their business I get a look as if to say, "you must be kidding right?" Even a ten year old will tell you that most retail stores, but particularly jewelers, have their busiest time in the lead up to the year's end.

However, if I ask that same jeweler how they are preparing for their biggest months of the year there is normally a reaction somewhere between a puzzled expression and a shuffling of feet. Most jewelers take very little time to prepare themselves for their most profitable period - the month that will decide sometimes whether the business will make a profit for the year or not.

By comparison, ask them if their favorite sports team, approaching a championship final with the same effort as they put into the regular season then they will respond with a shake of the head. A team playing in a final will hone their training to specifically meet the strengths of their opposition, they will often take a special training retreat in the week leading up to the final, make publicity commitments to bolster fan support, and bring in specialist advisors and mentors to help the team prepare mentally – and all this is before they even set foot on the field! The result is a final usually played at a level of skill and intensity that you would not see during a mid season fixture – with all that extra physical and mental preparation those athletes are pumped!

So the thought of the typical jeweler approaching the holiday season with the same level of intensity as they approach June leaves me shaking my head at the missed opportunities there are.

So what should the typical store be doing now as the festive season approaches, to make this year "one out of the box?"

Review aged inventory now – Now is your best opportunity to quit this product outside of sale mode. Why? Because the sheer weight of numbers coming through your door means even the ugliest item has someone walking in who will love it. Get those old pieces re-ticketed and re-boxed. Make sure their price reflects current market value. Most importantly, talk to the staff about these products and how important it is to be showing it. Many old items often have nothing wrong with them other than the staff doesn't like them. Start showing it to people and it will eventually go. Offer incentives to the staff to see these items go – it's in their interest to not have to keep cleaning them again!

CARRY SPARES

This is not referring to the tendency of some jewelers to buy all items in lots of 35! Instead I'm talking about the bread and butter items you can't do without but which your vendors may not be able to cater to during the last busy days. Look at anything on your reports that has a fast seller status of 6 or more –these items are likely to sell so fast in December that you will miss sales without a spare. I even know a store that kept three of the same $1495 diamond ring which was their best seller as they knew there was a good chance of selling four at that time of year and they weren't prepared to risk not seeing it happen.

PLAN YOUR MARKETING

and I don't mean wait until the newspaper or radio rep walks through the door in a month's time then scratch your head about what you are going to do! I mean really plan. What product lines are your best sellers? What mediums are available for contacting your customers? What is your marketing budget? What additional evenings will you put on over the Christmas period? What other retailers target customers similar to yours

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that you could be jointly promoting with? What will it take to make your store the shop of choice for December shopping this year?

PREPARE THE STAFF

You wouldn't send your sports team out onto the field without knowing which direction they are playing, who's in what position and what tactics are required to take the opponents down – yet some jewelers do this repeatedly at this crucial time of the year.

Tell your staff about your December goals. Share with them the budgeted target and how you plan to get there. Make sure they understand the importance of keeping the store presentable at all times. Talk about the good sellers and how they can be kept in front of customers, fine tune their customer approach, make sure the rosters are in place with back ups wherever required. The average customer has over 10 people to buy for at this time of year! Simply telling your staff that can open up a whole world of opportunity for the smart salesperson.

REVIEW YOUR PROCEDURES SO YOU CAN COPE WITH DEMAND

Aside from extra staff there may be the need for spare repair books, extra wrapping paper and computer rolls, even an extra POS terminal or till. Make sure all these things are considered well in advance.

GET YOUR BEST SALES PEOPLE ON THE FLOOR

seems obvious I know but its amazing how often retailers see December as the opportunity to let their new staff "have a go". This period is too important to leave for novices. Would you let your tight end "have a go" at goal kicking during the final? Of course not, you get your specialist to do it and I would bet money you would get them having some extra training leading up to the final. But don't forget the back up players. Before the English FA Cup soccer final, teams playing in the final will get members of their squad practicing their penalty kicks leading up to the game even though these players would never take a penalty or practice their kicks during the season. Why? Because they know if the final is a draw these players will be called on to find a result through a penalty shootout, so they need to practice. Your staff is the same. Make sure your best staff are "taking the penalties" (i.e. selling the diamond rings) and that they get the training and practice (and opportunity) they need leading up to the big occasion, but make sure your other staff are ready should the opportunity come along.

RECORD AND MEASURE YOUR ACTIVITIES

It's easy to forget a lot of decisions, processes and marketing initiatives you put in place at this busy time of year. The result is next year you find yourself reinventing the wheel. Record all your marketing initiatives and store policies in a diary so you can easily refer back to them later. The biggest crime of marketing is not that jewelers often get it wrong; it's that they fail to learn from their mistakes or measure their successes. They will often give up on a good idea or continue with a bad one when some simple data collection will show them whether their initiative bore fruit or not. Database mail outs are a case in point where often the store does nothing to measure the effectiveness of how many of the letters or vouchers were bought back in. How then, do they know if the promotion was successful? They don't, so they rely on a hunch instead.

Now is the time to prepare for your biggest month's trading. Time spent wisely now can make you money in the months to come.

David Brown

David Brown is President of the Edge Retail Academy, an organization devoted to the ongoing measurement and growth of jewelry store performance and profitability. For further information about the Academy's management mentoring and industry benchmarking reports contact Carol Druan at carol@edgeretailacademy.com or Phone toll free (877) 5698657

PREPARE YOUR **WEBSITE** AND YOUR **STAFF** FOR THE **HOLIDAYS**

By Matthew A Perosi

As you prepare for the upcoming holiday season, I'd like to share an interesting lesson learned by one of the larger jewelers I worked with after the last holiday season. I was asked to review the Google Analytics account for the jeweler with 5 store locations. Specifically, I needed to identify the most valuable traffic sources for their newly launched website for the first six months, which included the holiday 2011 season.

The website didn't have e-commerce, so measuring the value of traffic was very difficult, and relied heavily on the sales personnel asking customers how they heard about the store. As it turned out, the first six months went by and none of the sales people were trained to ask customers that question.

Google Analytics showed that more than half of the website traffic came from organic Google. New websites usually need more than six months to gain that much organic traffic. In that respect, it was easy to assume that their Search Engine Optimization consultant was getting plenty of people to their website. But without asking customers at the point of purchase, there was no way of knowing if any of it turned into actual sales.

Over those six months nearly 13% of their traffic was from people typing their domain name directly. Consumers don't normally type domain names into their browser and this high number was credited to the success of their direct mail marketing campaign. Unfortunately, we do not have sales figures to measure against the actual website traffic.

The third most popular source of traffic – and this is where it gets interesting – is from the zip code search of one of their designers. A bit over 7% of visitors during their first 6 months came from one of their large, well branded designers. The number is quite impressive considering most jewelry websites only have a few monthly referrals from vendor websites.

This particular vendor is very well known, and I assumed each store had a few sales, but it turned out they hadn't sold a single style from this vendor in the last 6 months. Like leading a horse to water, the customers were coming to the website, but no one was buying in the stores.

Customers referred from that vendor's website looked through more than 2 pages on the jeweler's site. These really were quality referrals, but somehow the sales, at least from that designer, were not being made.

Matthew A Perosi

Matthew Perosi is the Founder of the Jeweler Website Advisory Group (jWAG), a research team devoted to reporting how jewelers can use websites, mobile technology, and marketing trends to further personal and jewelry store goals. A library of articles, videos, and an archive of jWAG daily email "Nuggets" is freely available at www.jwag.biz. Matthew invites your feedback at matt@jwag.biz.

So, as you prepare for the holiday season 2012, I hope you will follow the following lessons my client learned from this experience:

1. All sales associates need to be trained and periodically reminded to ask each customer how they found the store. If they are an existing customer, then they need to be asked if they saw any of the current promotions.

2. Make sure your jewelry store is listed in every one of your vendor's zip code searches. During the holidays this can generate a lot of traffic.

3. Just because you have quality vendor referral traffic, someone is still responsible for making the final sale. Unless you have e-commerce on your website to measure sales directly, your site is just another marketing tool. If your sales associates cannot close the sale then you need to reevaluate their training.

Before the rush of the holidays arrives, take a look at the referral traffic on your website. If designer referral traffic is up, but in-store sales are low, then you need to figure out why. It could be a myriad of situations. Perhaps it's the inventory, or the price point assortment, or the location in the store, or it could be the attitude of the sales team. But above all, make sure your staff is properly trained to handle a sale for every designer line that's sending customers to you and that you are personally monitoring the website traffic and results.

IT'S NOT ALL ABOUT FACEBOOK: LOCAL NEW MEDIA OPPORTUNITIES

By Tony Seideman

New worlds are always difficult to understand – and the new media explosion has created an entire universe that at times seems more incomprehensible than rational. The most important thing local jewelers need to understand about these new media is that they are communities, not publications.

What this means is that the way information is created and moves is fundamentally different from the mass media that have dominated American print and airwaves for so long. Instead of just pushing content out, new-era venues work in a cooperative fashion. They don't have readers so much as users. Many of these users value the material they get from reader comments more than the stories the comments are based on.

Even newspapers today present opportunities for businesses to put content directly on their sites--and the stores that don't take advantage of these possibilities may find themselves falling behind their competitors.

So, what are the best ways to take advantage of these media? Here are five steps you can take:

1 Hire a young person.

For younger people, social media and their cousins, blogs, are like air--something that's so omnipresent and invisible they don't even think of it. Find someone just out of college who has taken computer and creative courses. There are many!

2 Find your on-line newspapers.

If your community is of reasonable size, you'll like have a "Patch" or one somewhere nearby. AOL has created more than 800 of these ultra-targeted venues. Patches are very hungry for copy that generates hits, or views. Stories about expensive, shiny things can do that. Many communities now have two or three venues like this. Check out your conventional media as well. Today's newspapers and magazines all have targeted venues and event calendars.

3 Survey your staff and customers.

Survey your staff and customers. Ask your younger staffers what they're reading, and offer your customers some perk if they alert you to an interesting venue. Make a habit of this--the new media environment is changing all the time. One fast rising tool: pinterest.com. Installing the buttons for it on most sites is relatively easy.

4 Tap into local shopping and

socialite blogs, and don't forget the directories. Many communities don't just have newspapers. They have blogs that have sprung up about shopping, or social events, or fashion, or other specific topics. A cheap banner ad on one of these blogs can buy you a lot of visibility and loyalty. At the least, there are multitude of places you can go to simply list your store--and every place your business appears on the Internet is another hit on Google.

5 Create an action plan and

make it someone's job to make it happen. Maintaining an online presence costs time and money. But you'll know it's worth it when a customer comes in and says, "I saw you. on...," and that's happened to a number of my clients.

Dealing with the new media can also be a great opportunity, especially since most of your competitors won't be taking advantage of it. TRJ

Tony Seideman

Tony Seideman is a marketing consultant and journalist who specializes in helping independent businesses get the valuable new, social and conventional media exposure they deserve. You can find more information on these topics at www.theseidemangroup.com.


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By Abe Sherman

Developing an Inventory Plan

for a Retail Jewelery Store

Most jewelers have an idea of how much inventory they should own. This is usually approximated by the company's total sales, but as was described in an extensive article on this subject (see The Retail Jeweler, July 2012 or on their website for a PDF version www.theretailjeweler.com), determining an inventory budget may not be that straight forward. However, once a budget is determined, how should you go about allocating that budget for each of the company's departments or categories? This article will address how to allocate those inventory dollars. Included in this article is a description of the planning process including links to the spreadsheets you'll need to do the work.

If you haven't read it yet, it would be very helpful for you to read How to Determine Inventory Levels in a Retail Jewelry Store© before diving into this part of the process. This article is going to assume you have already determined your company's total inventory budget as was described in detail in that article. The next steps in the planning process will be to allocate that budget by department, category (or subcategory) and price point.

Each department of your store contributes to sales and gross profit in different amounts and each, therefore, will need to have its own budget. Because price points perform differently from one category to the next, your plan will call for different inventory allocations by price. Finally, gross profit margin will vary from price point to price point as well as one category to the next and your plan must take into account each of these variables. It sounds like a lot of work, but I've built the template for you, so take a deep breath!

There are two good options for creating your budget; you can create a budget by using turnover (or turn) or GMROI (Gross Margin Return on Inventory). When using turnover, your budget will be based on the Cost of Goods Sold (COGS) over the previous 12 months. When using a GMROI goal, your budget will consider Gross Profit, also over the previous 12 months. Gross profit percentages will differ widely from category to category and from price-point to price-point, and I am a strong believer in creating your budgets using GMROI, since your gross profit is the better number to use to justify the amount of inventory where you should invest.

GMROI is actually a measurement of the combination of turnover and gross profit margin, and there is a direct relationship between those two numbers. As gross profit decreases, turns must increase in order to maintain the same return on your investment. Take the example of the supermarket, which works on low margins, but turn their inventory many times. This combination, low margin-high turn, is exactly the opposite of jewelry's high margin-low turn model. The result of these two metrics, turn and margin, produces your gross margin return on inventory, or GMROI. Once it is understood how simple GMROI is to calculate, most people would prefer to use it, rather than a turn goal, to create their inventory budgets.

Take the two categories below as the perfect example. Sales are nearly identical at around $250,000, but the cost of goods sold (COGS) is more than $20,000 higher for Dia Stud Earrings than it is for Dia Semi-Mt Ring's. The COGS is higher because gross profit margin is lower. The difference is in the margin, 52% compared with 43%, which is commonplace within your categories and as you will see, even occurs within the same category, but by price point.

Figure 1

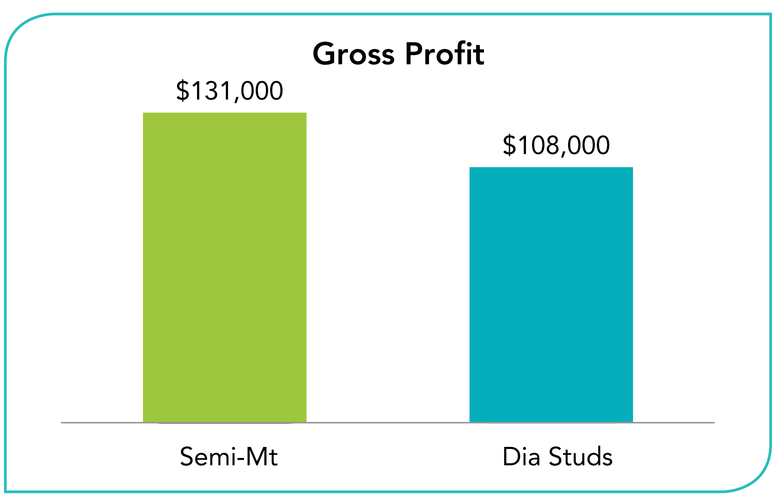
Category	Sales			Cost of Goods		Inventory			Turn	Profit		
	Sales	Units	Avg Ticket	Cost	Avg Cost	Cost Onhand	Units	Avg Cost Onhand		GP$	GP%	GMROI
Dia Semi-Mt Ring	$251,497	94	$2,676	$120,384	$1,281	$157.762	146	$1,081	0.76	$131,113	0.52	$0.83
Dia Stud Earrings	$250,124	110	$2,274	$141,909	$1,290	$65,836	67	$983	2.16	$108,215	0.43	$1.64

Developing an Inventory Plan
for a Retail Jewelery Store

If you are trying to achieve a one-time turn, for example, these numbers would call for inventory budgets of $120,000 for Semi-Mt's and $142,000 for Dia Stud Earrings respectively.

However, when you look to the numbers in the right-hand columns, GP$ (Gross Profit Dollars), GP% (Gross Profit Percentage) and GMROI, you'll find additional information that may influence that decision.

While Sales are nearly identical, this jeweler is generating $131,000 in gross profit in Semi-Mt's compared with $108,000 in Dia Studs. Now take a look at the inventory they are carrying in order to produce that gross profit. There is currently about $66,000 of Dia Stud inventory, which is generating $108,000 of GP. In other words, for each dollar owned ($66,000), $1.64 of gross profit dollars is being generated! It is this relationship, gross profit dollars compared with current inventory, which produces GMROI. Simply stated: How much gross profit are we generating for every dollar of owned inventory we have?



> Let me add an aside here by telling you that a $1.64 GMROI is really good – the average most jewelry stores are getting is in the $0.65 - $0.70 cents range!

While each of these categories is producing near identical sales, the performance results are quite different. For every dollar we own of Dia Semi-Mt's, we are generating 83 cents of gross profit. However, our Dia Studs are generating $1.64 of gross profit for every dollar we own. As you study what is happening here, you will see the relationship between turnover and margin. Semi-Mt's has a relatively high margin, but low turns while Dia Studs have a relatively low margin, but much higher turnover.

If you wanted to set a GMROI goal of $1.00 for each category in this store, for example, you would need to lower your inventory in Dia Semi-Mt's to $131,000, while you could raise your Dia Stud inventory to $108,000 to achieve the same GMROI result. You can see why you may want to drop your semi-mount inventory down to improve your return on investment, but does it make sense to increase your diamond stud inventory by more than $40,000? Not necessarily. In fact, this is an excellent example of why your GMROI goals will likely be different in different categories. Diamond studs are expected to turn much higher than semi-mounts and therefore a higher GMROI can also be expected, which should be your goal.

When we 'drill down' into this data further we will be looking at each category by price-point. It is at the price point level where the sales growth opportunities will be found and where the decisions of inventory planning will be made.

Thinking Retail

Professional merchandisers never mark up from cost – they buy into a retail price point while hitting their margin goals. This is a very important distinction. Independent retailers typically use a range of mark-ups depending on the cost of an item and the category; margins of loose diamonds are going to be very different than sterling silver margins, for example. But I'm going to show you how to plan your inventory by price point and gross profit for every one of your categories. When you buy, you will be buying into your retail price point, based on the margin goals you set. [**Don't worry, I'll show you how – it really is easy!**]

A mark-up strategy leads to odd prices

Take for example three different diamond pendants – the first costs $195, the second costs $200 and the third costs $205. If a 2.5 markup (60% GP) is used, the item that costs $195 will have a retail of $487.50, the $200 item will be priced at $500 retail, and the item that costs $205 will retail for $512.50. Do you really think that $487.50 or $512.50 are "good" retail price points? [**Hint – they're not!**]

When pricing from retail, however, your buyers would be looking for items that will retail for $499 with their goal to achieve a 60% overall gross profit margin. Each of the three items in the example above would therefore retail for the same price, in this case $499 (or $495 or $500 if you prefer). No one ever plans to carry inventory that retails for $487.50; this result happens by using a calculator, not a merchandising plan.

In fact, with the rollercoaster prices of metals and melee we have been experiencing over the past few years, these cost swings can happen with a single item every time you order it! The result is you will have the same or similar items in your showcases with retail prices that make no sense to the consumer. For multi-store operations, this problem will be exacerbated as the number of scenarios for re-ordering the same item on different days into different stores will make pricing a nightmare if a mark-up-from-cost is used. When you begin with the retail price, establish a gross profit goal and buy the items within the category price-point to hit that retail, the only thing you'll have to monitor is the increases and decreases of the cost of the items and the effect it will have on your gross profit.

When metal prices increase significantly, you will have to make some decisions relative to the gross profit in each of your price points. How much of an increase in the cost of goods can you stand before you have to raise your retail prices? Obviously as cost of goods goes up, gross profit goes down, assuming the retail price is left unchanged. When developing your merchandise plan, however, the price points within the plan will not change, but the merchandise carried within each price point may have to move to different price points. [**Do yourself a favor and read this paragraph again!**]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Let's say that a diamond pendant we used in our example above was purchased at $1,300 gold a year ago and that gold is now approaching $1,700. The current replacement cost of that pendant is now $225, and using the same 60% GP, your retail would be $562.50. As a merchandiser you have to make a decision about what to do with that item. Will you accept a lower GP and keep its retail at $499, or will you raise its price? And if you raise the price of that item, what price will you make it? Will it be $562.50 according to a 2.5 markup, or will it be moved to another key price point, such as $599?

These decisions are going to have to be made on a case by case basis, and that's a crucial job of the merchandiser. With items that are competitively shopped (whatever the hot styles of the day are), you may want to keep the $499 price and accept a lower margin, while other items will be marked up to a new price point. The distinction between these two decisions will be based on how shop-able the item is, how competitive you want to be and, of course, the perceived value of the item.

Perceived Value

Perceived value is a tough thing to grasp when you are dealing with jewelry because jewelry is a blind item. There are too many variables with jewelry. Two pieces can look the same, but slight changes in the gold weight, melee weight and gemstone qualities will make significant differences in the prices of the two items. Only by putting this inventory side-by-side can the consumer compare the items. Perceived value isn't a theory – and with the movements in metal and melee prices, it will be necessary to periodically review your inventory for perceived value. Items that sell very well at $500 can stop selling when priced at $750. The difference in performance is due to the perceived value of that item – the customer just doesn't see that item as being worth $750. Being sensitive to the salability of an item as its price changes is an important job of the merchandiser/buyer.

Aged Inventory and Perceived Value

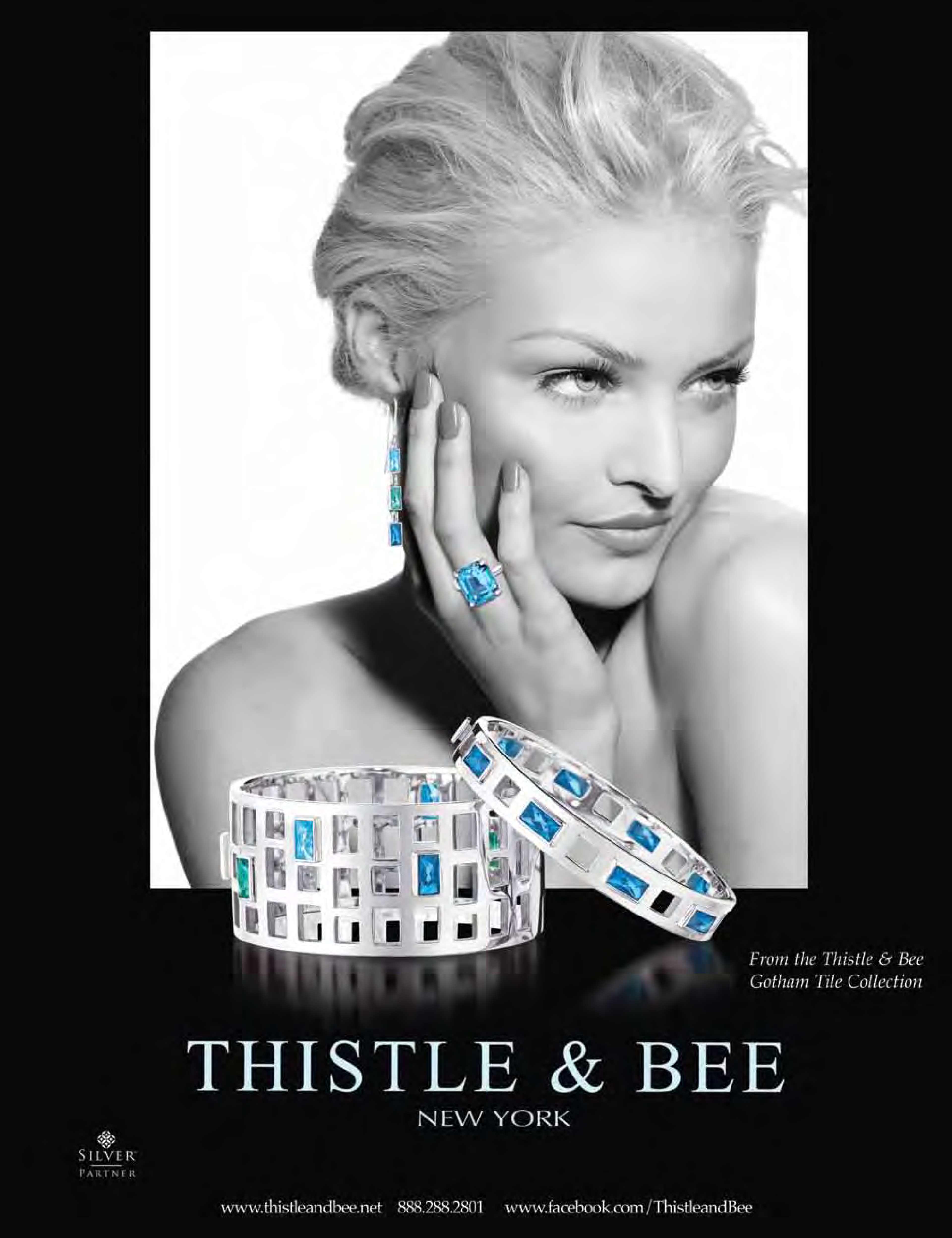
Later in this article, we will provide a link to a video we created to explain how to re-merchandising your current inventories based on changes in costs and perceived value. Owned inventory is usually priced at the time of purchase but too often the price isn't changed relative to current cost. Price volatility will be evident as new merchandise is purchased; however, older inventory sits in the showcases alongside the new product. Because the older merchandise was likely purchased at lower prices, comparisons have to be made between the older and newer merchandise.

The re-merchandising video address the issue of perceived value, comparing the aged inventory with newly purchased merchandise and how to re-adjust the perceived value. Just because an item is aged, doesn't mean we have to put it on sale! It also doesn't mean we will automatically raise the price to coincide with current replacement cost. Aged inventory is an opportunity to fill in the holes you may have in your merchandise plan; some items will increase in price while other items will decrease in price. You already own the merchandise, some of it for quite some time… the re-merchandising process will help you utilize your owned inventory more efficiently.

Drilling Down Into Price Points

When creating your plan it is going to be vital to see how each category performs at the price point level. You should be thinking about two things: Which price points are your customers already buying and which price points are opportunities to grow sales.

Figure 2 below is a sample of Dia Semi-Mt's with 18 retail price points. Notice that each price point has been assigned a gross profit goal. It is up to the merchandiser/planner to develop an overall gross profit goal for the company. Then the overall gross profit goal has to be allocated into each department and categories within each department. The last level of planning is the price point within the category.



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Generally, as the retail prices increase, margin decreases. Figure 2 below is merely an example of what the beginning of the planning process looks like. You will be determining your own retail prices and gross profit margins; although these price point examples should be an adequate start for most businesses. Also, we have two versions of this exercise. The first version will allocate a gross profit margin by price point across all categories within a department. The second, which we will look at later on in this article, has a gross profit margin specific to each category and each price point. But let's get our basics down first.

Category	Sales			Cost of Goods		Inventory			Turn	Profit		
	Sales	Units	Avg Ticket	Cost	Avg Cost	Cost Onhand	Units	Avg Cost Onhand		GP$	GP%	GMROI
Dia Semi-Mt Ring	$251,497	94	$2,676	$120,384	$1,281	$157.762	146	$1,081	0.76	**$131,113**	0.52	**$0.83**
Dia Stud Earrings	$250,124	110	$2,274	$141,909	$1,290	$65,836	67	$983	2.16	$108,215	0.43	$1.64

The fundamentals of a merchandise plan Creating a Budget

Before we get to the IPM, let's revisit the data in Figure 1. Diamond Semi-Mt Rings sold just over $120,000 at cost and generated roughly $131,000 in gross profit dollars. Here is where your first decision has to be made; do you want to use a turn goal or a GMROI goal? This isn't something you should take lightly just because it's easier to calculate inventory turns. However, I recommend you use gross profit to start your goal setting/inventory planning process. Currently, this store is generating 83 cents of gross profit for every dollar they own in inventory.

While you may find it enticing to set a GMROI goal of $1.50, for example, I wouldn't recommend it… at least to begin with. Your merchandise plan has to be practical or achieving the goals you set will be a challenge. It would be very difficult to double the return on investment in a short period of time (less than a year), so why set yourself (or your team) up for failure. Furthermore, I know that this category requires more inventory than, say, Diamond Studs will, so I don't expect my return to be as high. Because this process should be achievable as well as practical, in this case, I'm going to recommend that our GMROI goal be raised to $1.00. In simple terms, it means that our inventory should be equal to our gross profit; in this case our inventory goal will be approximately $131,000. Given that we have about $158,000 currently in stock at cost, we are only $27,000 overstocked.

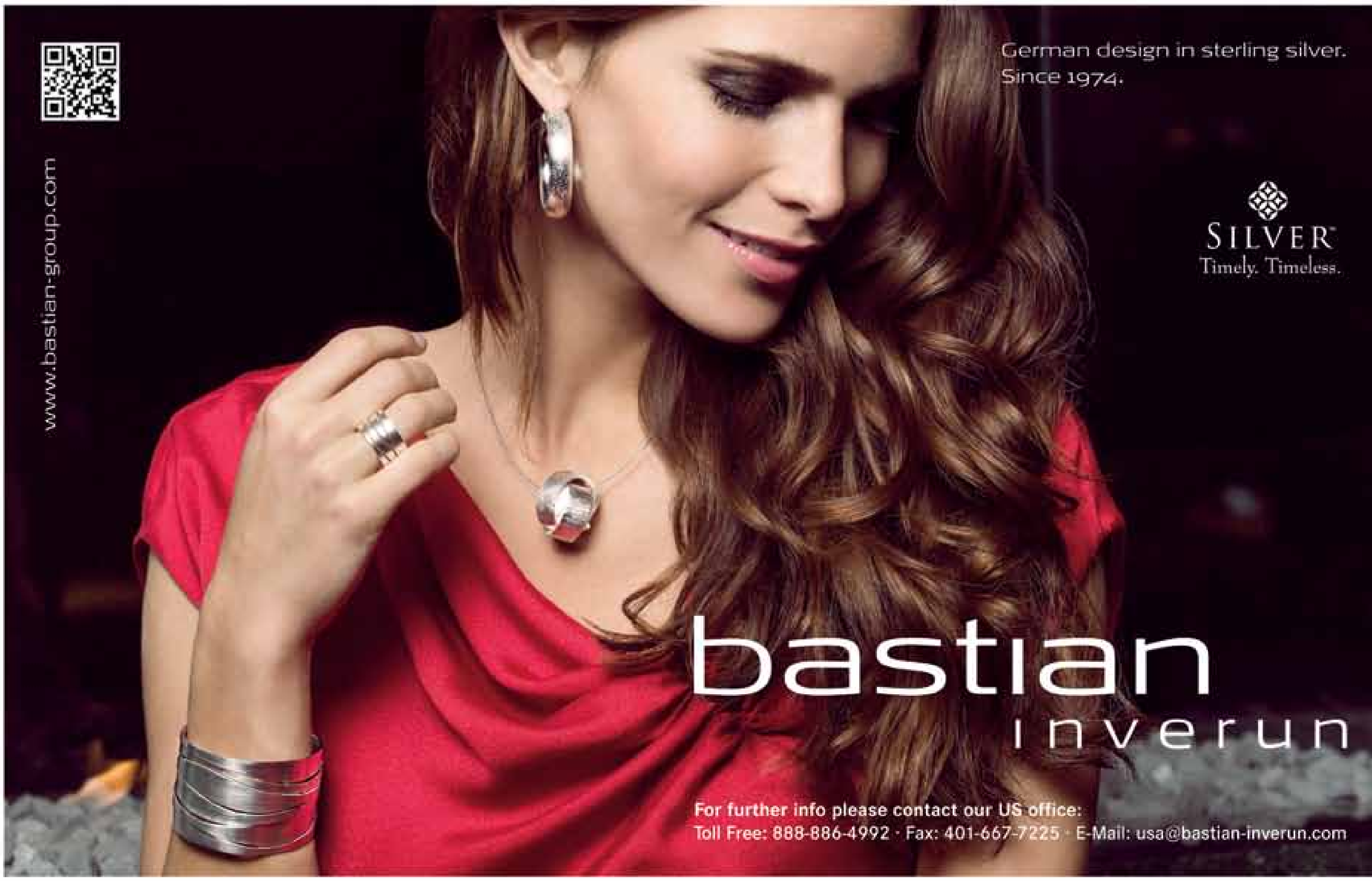
Once we have our inventory goal (in this case $131,000), the next step is to allocate that budget by price point. The next step in the process is to review your sales in dollars and units by price point for this category.

Figure 2 shows this store's Sales, Cost of Goods Sold, Gross Profit and GMROI by Price Point.

Figure 2

Price Point Analysis Report for BIG
Categories: Dia Semi-Mt Ring

	SALES	COST OF GOODS	PROFIT		
Price Point	Units	Cost	GP$	GP%	GMROI
$300-$400	0	$0	$0	0.00	$0.00
$400-$500	2	$350	$560	0.62	$0.00
$500-$600	1	$180	$342	0.66	$0.00
$600-$800	4	$552	$2,225	0.80	$0.00
$800-$1000	2	$800	$991	0.55	$2.48
$1000-$1500	10	$4,811	$7,131	0.60	$4.90
$1500-$2000	12	$8,784	$11,627	0.57	$2.63
$2000-$2500	13	$14,986	$14,220	0.49	$2.55
$2500-$3000	17	$20,750	$25,606	0.55	$1.13
$3000-$4000	20	$33,491	$34,341	0.51	$1.44
$4000-$5000	7	$16,268	$15,309	0.48	$0.35
$5000-$7500	5	$15,377	$13,467	0.47	$0.28
$7500-$10000	1	$4,035	$5,295	0.57	$0.79
Totals	94	$120,384	$131,113	0.52	$0.83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When we think of Sales, we usually think about sales in the terms of dollars and not necessarily units. The most productive price point for this store is $3,000-$4,000 for this category and it also happens to be the top producer by units sold. It's interesting to see the pattern of sales, especially when you examine it by units. Unit sales are very important to study, since this is telling the story of how your customers are spending their money in each of your categories! As you can see in Figure 2, sales under $1,000 are pretty weak. Most of the business is being done between $1,000 - $4,000, and then sales drop off significantly once we get over $4,000. Over $7,500 this store sold only one item. [Yes, there were likely special orders, but I'll refer you back to July's article to read more about that.]

In and of itself, this information is useful, albeit incomplete. What we don't know by only looking at sales is what our on-hand merchandise selection looks like in this category. It's important to know what our merchandise selection was to make sure we had enough of a selection in each price point. Without inventory to choose from, your customers aren't going to buy anything, so fewer sales will be reflected! In order to see the entire picture, we need to expand our data selection and look at everything.

Most people look at the total performance of a category which can be misleading in terms of problems as well as opportunities. A buyer may be happy with an overall GMROI of 83 cents in the Dia Semi-Mt category – however, look at how this store is doing within the individual price points. For example, the $1,000-$1,500 price point is providing nearly $5.00 of GMROI, which is much too high! As a general rule, when GMROI approaches $1.50, you should be looking for growth opportunities, when GMROI approaches $2.00, feed the category. At $4.90, as in this example, the category/price point is screaming for inventory! Increasing inventory in this price point will very likely increase sales.

[I think it's important to pause and look at how the GMROI of $4.90 was achieved. This store was able to get a 60% Gross Profit and more than a 3 time turn. It's the combination of high turn and a high GP that equals the high GMROI.

Figure 3

Price Point Analysis Report for BIG
Categories: Dia Semi-Mt Ring

	SALES			COST OF GOODS		INVENTORY			Turn	PROFIT		
Price Point	Sales		Average Ticket	Cost	Average Cost	Cost On Hand		Average Cost OH		GP$	GP%	GMROI
$300-$400	$0	0	$0	$0	$0	$150	2	$75	0.00	$0	0.00	$0.00
$400-$500	$910	2	$455	$350	$175	$0	0	$0	0.00	$560	0.62	$0.00
$500-$600	$522	1	$522	$180	$180	$0	0	$0	0.00	$342	0.66	$0.00
$600-$800	$2,777	4	$694	$552	$138	$0	0	$0	0.00	$2,225	0.80	$0.00
$800-$1000	$1,791	2	$895	$800	$400	$400	1	$400	2.00	$991	0.55	$2.48
$1000-$1500	$11,942	10	$1,194	$4,811	$481	$1,454	5	$291	3.31	$7,131	0.60	$4.90
$1500-$2000	$20,411	12	$1,701	$8,784	$732	$4,417	8	$552	1.99	$11,627	0.57	$2.63
$2000-$2500	$29,206	13	$2,247	$14,986	$1,153	$5,573	8	$697	2.69	$14,220	0.49	$2.55
$2500-$3000	$46,356	17	$2,727	$20,750	$1,221	$22,566	27	$836	0.92	$25,606	0.55	$1.13
$3000-$4000	$67,832	20	$3,392	$33,491	$1,675	$23,877	23	$1,038	1.40	$34,341	0.51	$1.44
$4000-$5000	$31,577	7	$4,511	$16,268	$2,324	$43,910	37	$1,187	0.37	$15,309	0.48	$0.35
$5000-$7500	$28,844	5	$5,769	$15,377	$3,075	$48,745	32	$1,523	0.32	$13,467	0.47	$0.28
$7500-$10000	$9,330	1	$9,330	$4,035	$4,035	$6,670	3	$2,223	0.60	$5,295	0.57	$0.79
Totals	$251,497	94	$2,676	$120,384	$1,281	$157,762	146	$1,081	0.76	$131,113	0.52	$0.83

>> Continued to Pg 30

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THESTYLEPAGE

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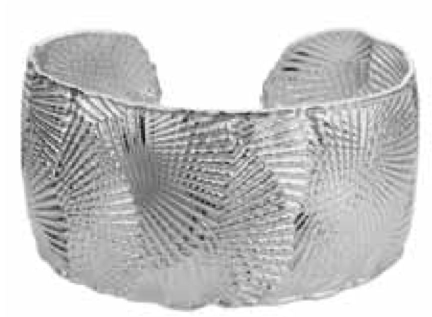

Berco

Aspire 925 Silverworks Collection of champagne and white diamonds set in sterling silver.
Earrings A1345NCD,
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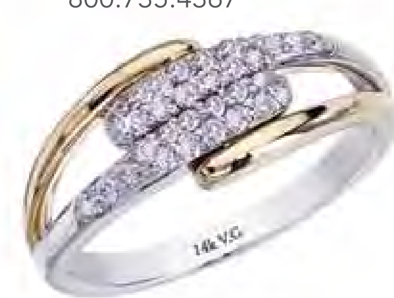

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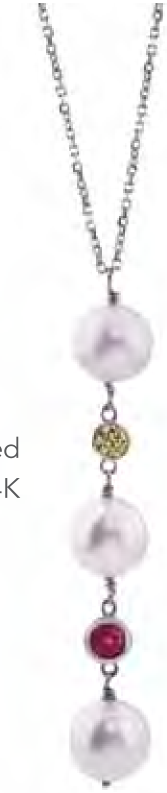
THE STYLE PAGE



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Alisa
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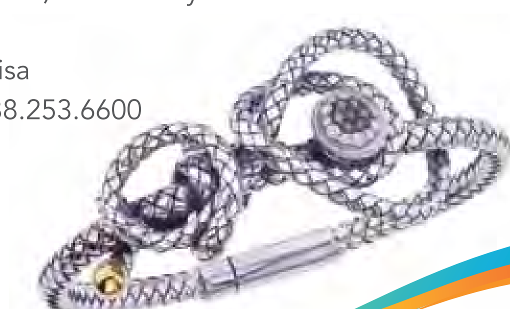


I.B. Goodman

Basket Weave Collection in sterling silver and sterling silver with black spinel. MSRP: range from $390 to $999.

I.B. Goodman
800.543.1945

Figure 3 is an expanded view of the same data and shows Sales, Cost of Goods Sold, Inventory On Hand, Turnover and Profit, including GMROI for every price point in this category. For example, you can see that under $1,000 retail, this store sold a total of 9 items, but currently there is only one on hand (the 2 items that cost $75 each are just solitaires and don't mean too much). Does it make sense that we have so few sales in the under $1,000 price points? No. Clearly we are under-inventoried in these price points.

However, when we look at our inventory relative to our sales in the $5,000-$7,500 price point, we see we have roughly 6 years worth of inventory in stock! Do you think this company planned to have 32 semi-mounts with only 5 sales? Again, the answer is no. Conversely, we see a much healthier inventory balance in the $3,000-$4,000 where the store sold 20 and they have 23 on hand. I doubt this company's buyers planned to be out of stock in the <$1,000 price points. I doubt also that they planned to have 6 years worth of inventory in stock in the $5,000-$7,500 price points. However, without the development of a specific plan, their merchandise selection will never reflect consumer activity nor will they be able to grow sales in the price points that are under-inventoried – those price points where their customers are spending their money. You can't sell from an empty apple cart and if all of your money is tied up in non-performing inventory, you won't be able to buy more apples!

Remember, the data in Figure 3 demonstrates the good, the bad and the ugly of analysis at the price point level, relative to key performance indicators and why analysis at the category level isn't sufficient. For the entire category, the overall margin is okay at 52%, and we know our GMROI is just fair at 83 cents, but as we drill down into the price point levels, we see where our problems (and growth opportunities) are.

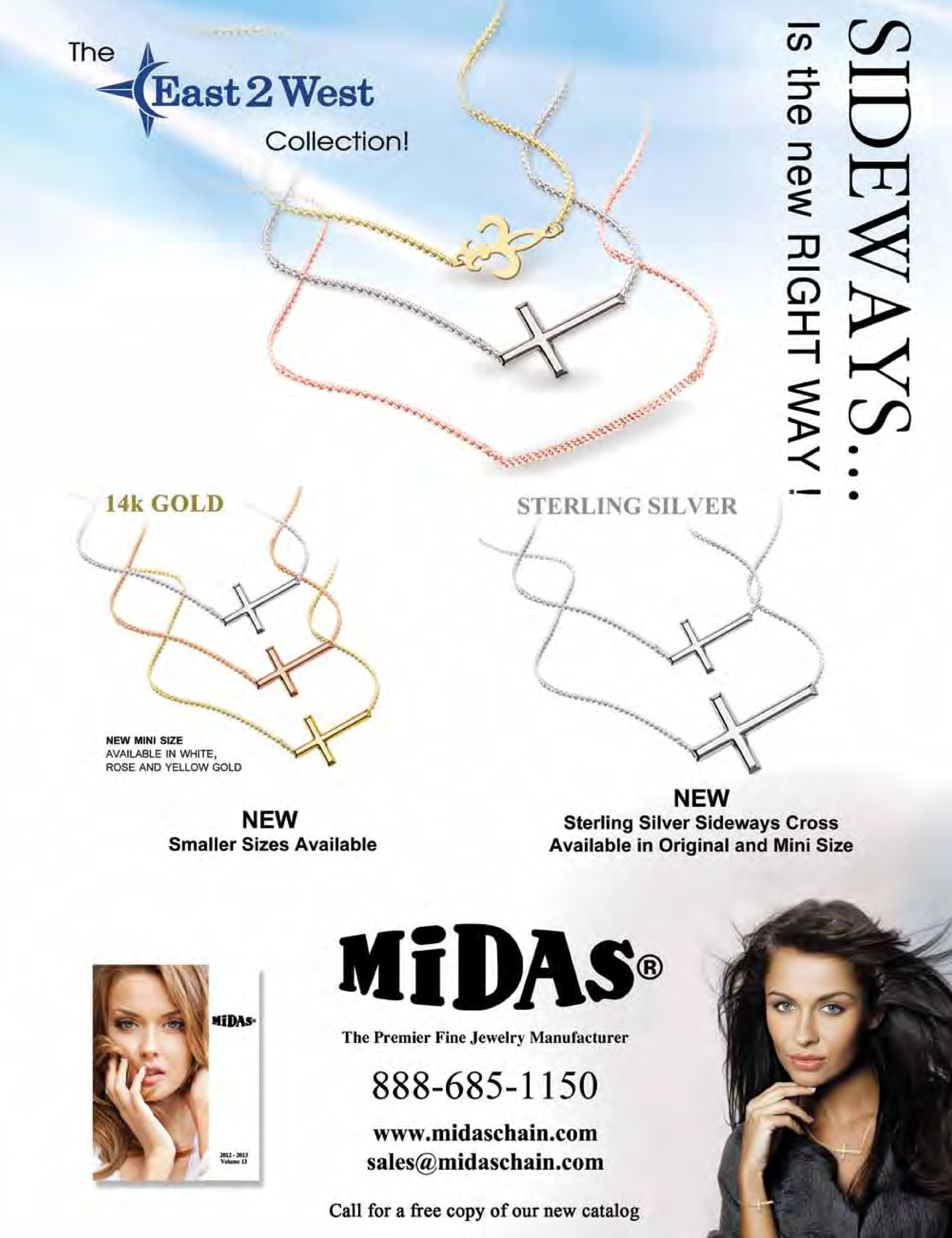
We understand that semi-mounts require a significant investment and that our turnover in this category is going to be a challenge. However, we can also see by the performance exactly where our customers are spending their money and where we need more (and less) inventory. As you develop your merchandise plan, it is at this level – category/price point, where you will be allocating budgets.

The Inventory Planning Model™

What you will see below is a grid showing retail price points and a GP% and an average cost for each price. We call this process the Inventory Planning Model™ (IPM), which has been developed for you to use in Excel. You can easily adjust your retail price points, gross profit margins and quantities based on your company's goals. You can download a free copy of the Inventory Planning Model™ by going to this link: www.bigjewelers.com/IPM

The IPM was intended to create a structure for your planning process, but it is not expected to handle anything outside of your core merchandise. Branded lines will typically have their own budgets, as will very high-end merchandise. However, for the bulk of your every day product, this process will give you all of the structure you need. I will address how to use this when dealing with brands later in the article.

As you increase gross profit margin, the Average Cost of the item will drop. If this seems obvious please keep in mind that many people who haven't done this job before are not familiar with the relationship between retail price, gross profit and cost of goods sold. Filling out your Plan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Developing an Inventory Plan
for a Retail Jewelery Store

After determining your budget and analyzing the price points, the next step is to fill in the Inventory Planning Model™ for that category. You should have a gross profit goal for each of the price points within this category. As you look at the price points in Figure 4, you will see more price points in the IPM than appear in the analysis above. That's due to our segmenting some of the price ranges in the analysis report into more incremental price points. For example, in the analysis, we were looking at sales between $1000-$1,500, which appear in our plan as $1,299 & $1,499. A single price range in our analysis may have more than one price point assigned to it.

Figure 4 is an example of how to allocate your budget by price point, margin and number of SKU's.

Figure 4

Dia Semi-Mt Ring				
	GP%	AV COST	QTY	Budget
$299	55.0%	$135	3	$404
$399	53.5%	$186	3	$557
$499	53.5%	$232	5	$1,160
$599	53.5%	$279	5	$1,393
$799	52.0%	$384	6	$2,301
$ 899	52.0%	$432	6	$2,589
$999	52.0%	$480	6	$2,877
$1,299	52.0%	$624	9	$5,612
$1,499	52.0%	$720	9	$6,476
$1,799	52.0%	$864	6	$5,181
$1,999	51.0%	$980	12	$11,754
$ 2,499	51.0%	$1,225	12	$14,694
$2,999	51.0%	$1,470	12	$17,634
$3,499	51.0%	$1,715	9	$15,431
$3,999	51.0%	$1,960	9	$17,636
$4,999	51.0%	$2,450	6	$14,697
$7,999	51.0%	$3,920	2	$7,839
$9,999	51.0%	$4,900	2	$9,799
			122	$138,033

This merchandise plan is comprehensive and very specific. It reflects how the consumers are spending their money and gives us a roadmap for which price points we want to stock, what our margin goals are and how to keep our budget in line. As you can see, this plan calls for $138,000 in inventory, but our budget was for $131,000! I did this on purpose to demonstrate the nature of planning. If you are going to force yourself to adhere to strict budgets based on GMROI, you may want to carve out another $7,000 from this plan. However, remember that this store currently has nearly $158,000 in stock and you would have some work ahead of you to make adjustments in the inventory mix. The biggest challenge in the planning process isn't building the merchandise plan, nor will it be buying new merchandise, but dealing with existing inventory. Once you have a plan in place, speak with your suppliers to see if any stock balancing can help get your inventory to match your plan. With the right inventory in the right price points in the right stores, sales will increase. As sales increase, you will be ordering more merchandise in those price points and be a better customer!

Variance from Plan

It shouldn't take more than a couple of hours to create a budget and merchandise plan for each category – the Inventory Planning Model™ is very easy to fill out. After creating your merchandise plan, you're on-hand inventory isn't going to match the plan; it never does. But before you start buying new inventory, you're going to use the inventory you own to fill in the plan! Click on this link to review the video on how to re-merchandise your on-hand inventories: www.bigjewelers.com/remerchandising

This video will demonstrate how to line up the inventory you own by category & price point, how to leave space in missing price points and how to separate your aged inventory. When you have your inventory laid out as described, you will see how to use your owned inventory to fill in the price points to match your plan. Some of your inventory will increase in price, while other inventory will decrease in price. This has much more to do with the perceived value of your owned inventory relative to new styles and costs rather than what you paid for the item. The final step in the planning process is to begin to buy new inventory where you have the very best opportunities to grow sales. As we saw in our example above, Dia Semi-Mt's under $1,000 is a great opportunity for this business and would be among the first places to buy new inventory. Some people may choose to finish the planning process for their entire company before they started buying, feeding those categories with the best opportunities for growth. Others may choose their top five categories to begin with and plan (then buy) those first, then move onto the rest of the categories. Either way works for me.

Dealing with Brands

The Inventory Planning Model™ was designed for the core inventory of a jewelry store. The question of how to implement this in stores that are heavily branded comes up often. Jewelers have used the IPM for a single brand as well; working with their reps to create a comprehensive selection for the brand's categories and price points, rather than just working with a dollar budget. Both buyers and sales reps have appreciated the structure of a merchandise plan. Planning Across Multiple Categories

Figure 5 is an example of multiple categories using the same gross profit by price point, regardless of the category. The IPM

>> Continued to Pg 30

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>> Continued from Pg 33

Developing an Inventory Plan
for a Retail Jewelery Store

Figure 5

		Dia Fashion Rings			Diamond Pendants			Diamond Earrings		
	GP%	AV	Qty	Budget	AV	Qty	Budget	AV	Qty	Budget
$99	52.0%	$48		$0	$48		$0	$48		$0
$129	55.0%	$58		$0	$58		$0	$58		$0
$149	55.0%	$67		$0	$67		$0	$67		$0
$179	55.0%	$81		$0	$81		$0	$81		$0
$199	60.0%	$80		$0	$80		$0	$80		$0
$249	55.0%	$112		$0	$112		$0	$112		$0
$299	55.0%	$135		$0	$135		$0	$135		$0
$349	60.0%	$140		$0	$140		$0	$140		$0
$399	55.0%	$180		$0	$180		$0	$180		$0
$499	60.0%	$200		$0	$200		$0	$200		$0
$599	60.0%	$240		$0	$240		$0	$240		$0
$699	55.0%	$315		$0	$315		$0	$315		$0
$799	55.0%	$360		$0	$360		$0	$360		$0
$899	55.0%	$405		$0	$405		$0	$405		$0
$999	55.0%	$450		$0	$450		$0	$450		$0
$1,299	55.0%	$585		$0	$585		$0	$585		$0
$1,499	55.0%	$675		$0	$675		$0	$675		$0
$1,599	55.0%	$720		$0	$720		$0	$720		$0
$1,799	55.0%	$810		$0	$810		$0	$810		$0
$1,899	55.0%	$855		$0	$855		$0	$855		$0
$1,999	55.0%	$900		$0	$900		$0	$900		$0
$2,499	55.0%	$1,125		$0	$1,125		$0	$1,125		$0
$2,999	55.0%	$1,350		$0	$1,350		$0	$1,350		$0
$3,499	55.0%	$1,575		$0	$1,575		$0	$1,575		$0
$3,999	52.0%	$1,920		$0	$1,920		$0	$1,920		$0
$4,999	52.0%	$2,400		$0	$2,400		$0	$2,400		$0
$7,500	52.0%	$3,600		$0	$3,600		$0	$3,600		$0
$10,000	52.0%	$4,800		$0	$4,800		$0	$4,800		$0
$12,000	52.0%	$5,760		$0	$5,760		$0	$5,760		$0
$15,000	52.0%	$7,200		$0	$7,200		$0	$7,200		$0

you will be downloading will have many categories side by side as shown in Figure 6. Notice the average cost for all inventory selling for $499 is $200 regardless of the category. The average cost is based on a 60% GP and will change as you change the GP in the Inventory Planning Model™.

Planning Using Varying Gross Profit for Every Category

A more complicated version of the Inventory Planning Model™ process is to create the plan with specific gross profit margins assigned at the category / price point level, rather than planning at just the price point, regardless of the category. This is more time consuming, but, especially for multi-store operations, this may be the ultimate goal for the buyer/planner.

Different categories will likely have different issues associated with them that would require strategic pricing. Diamond Stud Earrings, for example, might be priced at keystone, or less, because that category is very competitive and easily price shopped. However, Diamond Fashion Rings, for example, may have a higher margin due to the costs associated with sizing most of them at the point of sale.

When working with the Inventory Planning Model™ in Excel, as you change the gross profit margin the Average Cost automatically changes, so you don't have to do any math or create any formulas.

Working the Plan

We are seeing an ever-increasing number of our clients using the IPM during trade shows. They tell us that this structure has completely changed the way they budget, buy and navigate the shows. Once the IPM is filled out, the buyers are using this exact format for buying and not just planning. They begin with a blank copy and just fill in what they want to buy when they attend


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Developing an Inventory Plan
for a Retail Jewelery Store

Figure 6

	Dia Fashion Rings				Diamond Pendants				Diamond Earrings			
	GP%	AV Cost	Qty	Budget	GP%	AV	Qty	Budget	GP%	AV	Qty	Budget
$99	57.0%	$43		$0	57.0%	$43		$0	55.0%	$45		$0
$129	60.0%	$52		$0	48.5%	$66		$0	55.0%	$58		$0
$149	60.0%	$60		$0	52.5%	$71		$0	55.0%	$67		$0
$179	60.0%	$72		$0	52.5%	$85		$0	55.0%	$81		$0
$199	60.0%	$80		$0	52.5%	$95		$0	55.0%	$90		$0
$249	60.0%	$100		$0	52.5%	$118		$0	55.0%	$112		$0
$299	60.0%	$120		$0	52.5%	$142		$0	55.0%	$135		$0
$349	60.0%	$140		$0	49.0%	$178		$0	55.0%	$157		$0
$399	60.0%	$160		$0	52.5%	$190		$0	55.0%	$180		$0
$499	60.0%	$200		$0	52.5%	$237		$0	55.0%	$225		$0
$ 599	60.0%	$240		$0	52.5%	$285		$0	55.0%	$270		$0
$699	60.0%	$280		$0	52.5%	$332		$0	52.0%	$336		$0
$799	60.0%	$320		$0	52.0%	$384		$0	52.0%	$384		$0
$ 899	60.0%	$360		$0	52.0%	$432		$0	52.0%	$432		$0
$999	60.0%	$400		$0	52.0%	$480		$0	52.0%	$480		$0
$1,299	55.0%	$585		$0	52.0%	$624		$0	52.0%	$624		$0
$1,499	55.0%	$675		$0	52.0%	$720		$0	52.0%	$720		$0
$1,599	55.0%	$720		$0	46.0%	$863		$0	52.0%	$768		$0
$1,799	55.0%	$810		$0	46.0%	$971		$0	55.5%	$801		$0
$1,899	55.0%	$855		$0	46.0%	$1,025		$0	47.5%	$997		$0
$1,999	55.0%	$900		$0	46.0%	$1,079		$0	47.5%	$1,049		$0
$2,499	55.0%	$1,125		$0	46.0%	$1,349		$0	47.5%	$1,312		$0
$2,999	52.0%	$1,440		$0	46.0%	$1,619		$0	47.5%	$1,574		$0
$3,499	52.0%	$1,680		$0	46.0%	$1,889		$0	47.5%	$1,837		$0
$3,999	52.0%	$1,920		$0	46.0%	$2,159		$0	47.5%	$2,099		$0
Totals	57.5%		0	$0	50.2%		0	$0	52.4%		0	$0

a show or as sales reps come into the store. As they buy the inventory to fit the retail price points they are looking for, they decrease the open to buy for that category / price point. It's very efficient. When you become proficient at doing this, and have a bit more Excel knowledge, you can do the planning, calculate variances and insert on-order columns within a single spreadsheet.

Anyone Can Do This Work

This may appear to be a daunting job at first, but anyone can do this work should he/she have even basic Excel skills. The Inventory Planning Model™ has been built for the average jewelry store and I used a very generic, but comprehensive Department/Category/Price Point structure. Because it's built in Excel, you can add or remove categories or price points to suit your needs. Please don't hesitate to contact me with questions: abe@bigjewelers.com

Abe Sherman

CEO Buyers Intelligence Group™
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FIRST IMPRESSIONS FOR WOULD BE ROBBERS

by David Sexton, CPCU
Jewelers Mutual Insurance Company

The editors of this respected publication allow me the latitude to draw from my experience in working in the area of loss prevention for the jewelry industry to determine the subject of my article for each issue. I appreciate their trust and look forward to providing articles that will continue to shed light on a variety of relevant loss-prevention topics in the pages of upcoming issues.

When I think about the articles I have already submitted for publication this year, I am struck by the fact that, despite the broad array of potential loss-prevention subjects I could address, I've already dedicated several articles to robbery-related subjects. These are the crimes against jewelers that the Jewelers Security Alliance (JSA) and Jewellers Vigilance Canada define as the taking of property by use of force or fear.

I have a good reason for my recurring focus on robbery: My insurance-company's claims experience and reported jewelry crime loss statistics collected by both the JSA and JVC all indicating the steady growth in robbery-related losses for jewelers in North America. Experienced criminals, especially organized gangs from South America, continue to successfully execute well-planned robberies and have realized increasingly larger financial rewards for their efforts.

In light of this disturbing ongoing concern for everyone who works in the jewelry industry, and given the related potential life safety concerns and traumatic nature of robbery crime, the subject of robbery and the ways to deter it merit the industry's ongoing and regular attention.

In this article, I'd like to raise industry awareness with regard to the fact that, in the vast majority of these cases, the perpetrators of jewelry-store robberies are not strangers to the premises. They've been there before – observing, noting, planning … in short 'casing' your operation.

Know the importance of the first impression

Because robbers engage in "casing" their target robbery location before actually performing the robbery, never underestimate the power of the first impression! You and your associates have an opportunity to create in the mind of any would-be robbers a very discouraging perception of the desirability to rob your store. By projecting the right first impression, you could very well compel the criminals to indeed move on to a different target.

Several studies reinforce what we all intrinsically know about first impressions – that is, that they're very powerful and create perceptions that are hard to overcome. Andrew O'Keeffe, an expert in human instincts and author of Hardwired Humans, explains: "Humans make quick judgments from first impressions and use these quick judgments to classify experiences. Once people have classified their opinion, it's hard to shift that opinion. We judge subsequent events by how we have already classified the information."

If we can assume that criminals mentally classify their potential targets as either "soft" (an easy mark wherein the perceived gains outweigh the perceived risks) or "hard" (wherein the perceived risks outweigh the perceived gains), then every jewelry store owner wants to create a first impression that falls squarely in the "hard" perception category.

Create a bad (in the eyes of the criminal) first impression

There are things you can do to lead a would-be robber to the conclusion that he doesn't want anything to do with you or your store. Always be consistent and conspicuous about your security practices, including:
a lookout-buddy system for opening and closing the store;
signage reinforcing your policy prohibiting after-hours admittance to the facility; visible , operating, and strategically placed security cameras; regular (but not predictable) visits from police or security personnel; and a consistent practice of making eye contact and greeting every customer who enters the store.

The key is to be ever-vigilant, to recognize when your store is being cased, and to take immediate action. To do so, train your associates to be aware of any and all suspicious activity and encourage them to log these events so they can be shared and discussed with the balance of the staff.

Your store may be a potential robbery target in the process of being "cased" if a customer:

- Appears nervous or fidgety, evades eye contact, and/or avoids interaction with a welcoming associate;
- Asks unusual questions, such as how many employees are working there;
- Is vague about what he or she is looking for;
- Looks around the store, rather than at the jewelry;
- Is outside your normal customer profile (clothing, age, gender, jewelry interests); and/or Doesn't want to give his or her name.

Whenever you suspect that your store is being cased:

- Alert other associates by using a pre-established code word or phrase.
- Make more associates visible on the sales floor.
- Have one associate visibly leave the store to observe from a safe distance. This associate should have a cell phone and appear to be prepared to call police.
- Call the police or mall security and ask them to visit your business as soon as possible.

Robbers are always watching. If they perceive that you're a well-managed and vigilant organization, and they know that your store associates are "on to them" when they attempt to case your store, the would-be robbers may decide to target someone else.

Finally, don't forget the power of shared information. If you suspect that your store is being cased, notify your local crime prevention network and the Jewelers Security Alliance. TRJ

NEW AND NOTEWORTHY

New Graham International Watch Strap Catalog

Graham International announced the release of its new 2013 catalog for jewelers, retailers and repair centers. The catalog includes a comprehensive selection of the very finest leather and exotic watch straps, metal bands, and silicone, polyurethane, Velcro® and nylon straps.

Offerings range from luxurious Louisiana Alligator straps in today's trendy shades to sleek silicone straps made to look and be tough. "The new catalog attractively showcases a broad assortment of straps and bands that will please your customers," explains president and owner Wendy Graham. "It also includes display and storage systems that will help you make sales effortless and effective."

Customers can browse through the elegant catalog at their leisure, or view it online upon the autumn launch of Graham International's re-designed website www.grahamintl.com. All orders are hand-shipped within 48 hours from Graham's Connecticut warehouse.

Graham International Inc. has been serving the trade for 17 years. The company also markets Hennessy & Sons luxury dog collars and leashes nationwide. Please direct all inquiries to Graham International at 203.838.3355 or toll free 800.436.7549.

Silver Goes Back to School

Fall Quarter will include a project sponsored by the Silver Institute | Silver Promotion Service. The Savannah College of Art and Design (SCAD) student/faculty team will identify brand perception opportunities to contribute to the SI|SPS's 'Savor Silver' marketing communications program. This sponsored, for credit project, entitled 'The Business Case for Silver,' will also give students the opportunity to learn about multiple aspects of the jewelry industry.

Commenting on the announcement, Michael Barlerin, SPS Director said, "I could not be more enthusiastic about this new relationship with Savannah College of Art and Design and the benefits it will provide our Savor Silver program. The opportunity to access and leverage the thinking and creativity of a group of exceptionally bright students, both graduate and undergraduate is unique. The fact that the project will be run by two Savannah College of Art and Design's professors with very strong and complimentary business management and design backgrounds adds another dimension."

Eli W. Hale, Associate Director of the SCAD Collaborative Learning Center went on to add, "We will be pleased to be able to add the Silver Institute | Silver Promotion Service to SCAD's list of recent project partners which includes organizations such as J.C. Penney, Swarovski, Benetton, Microsoft, and the Italian Trade Commission. The SCAD CLC connects cutting edge external partners with students in sponsored projects that require collaboration across disciplines – disciplines that may not traditionally work together in the industry – to solve business and design challenges. The SPS SCAD project is a perfect example of that philosophy."

The Silver Promotion Service was introduced in 2008 by the Silver Institute. The objective of the SPS is to develop and implement programs designed to enhance the image of and stimulate demand for silver jewelry in major international markets. For more information on the SPS please visit www.savorsilver.com.

The Savannah College of Art and Design is a private, nonprofit, accredited institution conferring bachelor's and master's degrees to prepare talented students for professional careers. The diverse student body of approximately 10,500 comes from all 50 United States, three US territories, and nearly 100 countries worldwide. The education and career preparation of each student are nurtured and cultivated by a faculty of more than 700 professors with extraordinary academic credentials and valuable professional experience. Campuses are located in Savannah and Atlanta, Georgia; Lacoste, France; and Hong Kong, China.

Ostbye Named RJO Vendor of the Year

Ostbye has been named the Retail Jewelers Organization (RJO) 2012 Vendor of the Year for Finished Goods in recognition of their exceptional sales, service and support. Ostbye has won the award in 2011, 2010, 2008 and 2007. The company was presented with the award at the recent RJO summer show in Milwaukee, Wisconsin.

Craig MacBean, President of Ostbye

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"We want to thank RJO and their retail members for once again recognizing Ostbye with this special award," states Craig MacBean, president of Ostbye. "We are proud to be a part of RJO along with its outstanding leadership, retail jewelers and vendors," he adds.

Ostbye, founded in 1920 in Minneapolis, is one of the leading manufacturers of bridal and fashion jewelry. Through the four generations of family-owned leadership, Ostbye has always stayed true to its mission of exemplary quality, service and value. Ostbye and Ostbye Blue's comprehensive collections and divisions include bridal jewelry, anniversary bands, fashion jewelry, family jewelry, women's and men's diamond jewelry, colored gemstone jewelry, pendants, earrings, rings and beads. For more information on Ostbye, visit www.Ostbye.com or call 866-553-1515.

Sports Jewelry Scores Big for Midas

Midas Chain a premier jewelry manufacturer announced the Bon Sports Collection. These have been designed for loyal fans of all ages to show dedication of their favorite sports. The unique crystal and sterling silver collection is available for soccer, football, volleyball, basketball and baseball. The line comes in sets including bracelets, pendants and earrings, which are available in an elegant counter display.

"We have had an extremely positive response to this line, because these are also a great way for a mom to show her involvement in her children's sports. Jewelers nationally can't get enough of this beautiful collection with sports being such big a part of our culture", said Roy Merlucci, VP Sales of Midas Chain. The unique details and craftsmanship of this collection are done with the highest level of standards and quality, which has always been a symbol of an original Midas product. The complete line includes many unique styles and designs that can be seen in the new Midas 200 page catalog.

NEW AND NOTEWORTHY

The new jewelry catalog includes earrings, bracelets, chains, rings and a stunning crystal line. Some of the exclusive collections included in this years beautiful 200 page counter top catalog are; East2West, Bon & Little Bon bracelets, Bon Sports, Chatty Charms and Crystal Persuasions, to name a few.

For More information call 877-643-2765 or visit their website at www.midaschain.com.

24-Karat Club of Southern California to Honor Donna Baker

Donna M. Baker, of president and CEO of GIA

The Jewelers 24 Karat Club of Southern California and its board of directors are pleased to announce that Donna M. Baker, president and CEO, GIA will be honored with the prestigious "Excellence in Service Award" during the Club's 68th Annual Dinner Dance and Gala, Saturday, October 6, 2012 at the Montage Resort in Beverly Hills. The award has been presented annually to deserving jewelers since 1998 and is bestowed upon those whom exemplify the values of the 24 Karat Club: social responsibility, integrity and honor as well as someone who has made a significant contribution to the industry.

"We are thrilled to honor Donna with our 'Excellence in Service Award' for her exceptional leadership and the contributions she has made throughout the fine jewelry industry," says Frank Proctor, 24 Karat President. "She exemplifies the character, quality and tradition upon which our industry is founded and is a true inspiration to all of us."

Appointed to the position of president in 2006 and CEO in 2008, Donna M. Baker has a background of service and a record of leadership that has served GIA and its constituents well as the Institute continues its strong commitment to the public. Ms. Baker began her career at GIA in 2001. As vice president and general counsel, she was responsible for the Institute's legal affairs

NEW AND NOTEWORTHY

and various other departments, including human resources, operations, real estate planning, information technology, community development and the museum and library.

GIA Opens New Diamond Grading Lab In Israel

Israel, long an important center for the international gem trade, has added another asset with the opening today of the GIA diamond grading laboratory in Ramat Gan. Located in the diamond center in Tel Aviv, the new lab will accept diamonds for grading directly from clients beginning Sept. 4, 2012.

"Opening a GIA grading laboratory in Israel – one of the most important countries in the global diamond trade – is a proud achievement for GIA," said Donna Baker, GIA president and CEO. "On behalf of everyone at GIA I am honored that we will now serve the Israeli diamond community close to their home here in Ramat Gan."

With the opening of its eighth laboratory, GIA has expanded its ability to fulfill its mission to ensure the public trust in gems and jewelry by bringing industry-leading diamond grading services directly to the globally-important Israeli gem industry. By initially focusing the laboratory's services on diamond grading and instituting a unique and innovative reservation system for the direct submission of stones, GIA is meeting the needs of the Israeli diamond community.

Speaking earlier at a ceremony in Ramat Gan, Israel, hosted by the Israel Diamond Institute (IDI) and The Israel Diamond Manufacturing Association (IsDMA) to commemorate the opening, the Minister of Foreign Affairs and Deputy Prime Minister Mr. Avigdor Liberman said that the opening of the GIA lab in Israel reaffirms the excellent trade and business cooperation that Israel enjoys with the United States. "Israel is a world leader in diamonds, one of our principal industrial exports.

The U.S. is our largest market for polished diamonds. A GIA lab in Israel's diamond center enables us to better meet the needs of this market."

"The opening of the GIA facility is of major significance to the Israeli Diamond Industry and advances our position as a global diamond trading hub" said Moti Ganz, Chairman of IDI.

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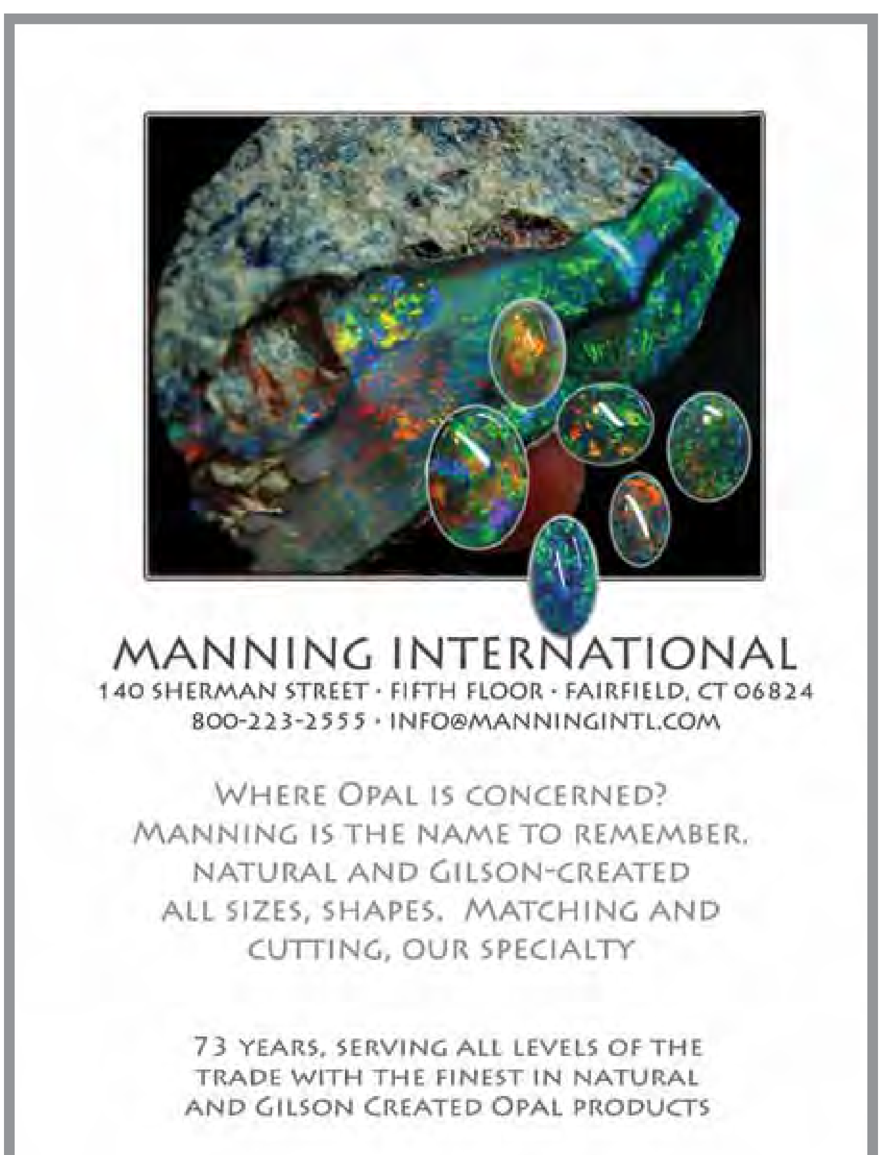
Avraham (Bumi) Traub, President of IsDMA, said GIA reports are highly respected and very much in demand by both the trade and consumers. "Having a GIA lab facility on-site in Israel will save the diamond trade both precious time and costs," he said.

The new GIA facility will initially offer Diamond Dossier® and Diamond Grading Report services for colorless diamonds up to 2.99 cts. Related secondary services that meet the immediate needs of the local market – including re-examination, updates and verification – will also be offered. Additional services may be added at a later date. With the introduction of the reservation system for direct submission, clients submitting stones to GIA in Israel will be able schedule drop-off and pick-up appointments, eliminating the need to wait on-site to submit stones for grading services. They will also be able to monitor the progress of their services online. If reservations are not available, clients will be able to submit stones through GIA LabDirect consolidators who will provide take-in services. Consolidators will also take in diamonds larger than 2.99 carats, fancy color diamonds, colored gemstones and pearls.

"By offering services focused on the needs of our clients, it is our hope that the presence of a GIA grading laboratory in Ramat Gan will support the continued success of the Israeli diamond industry," said Tom Moses, senior vice president of GIA Laboratory and Research. "The new reservation system will add to our customer service and may be expanded to other locations in the future."

All gemstones submitted to GIA anywhere in the world may be sent to any GIA laboratory, ensuring the equal, unbiased and neutral examination based on the rigorous and consistent standards that characterize all of GIA's gem identification and grading services. The opening of the Israel laboratory, the eighth in the Institute's global network, was announced in July 2011. The new facility began accepting stones for grading via consolidator services on August 1, 2012, and will start accepting stones directly from clients September 4, 2012. GIA began its global expansion in 2008, adding diamond grading services to its Bangkok laboratory and opening new laboratory facilities in Johannesburg, South Africa; Gaborone, Botswana; and Mumbai, India. In 2010, a lab opened in Hong Kong and a ninth facility is slated to open in Japan later this year.

Members of the trade in Israel interested in becoming GIA



NEW AND NOTEWORTHY

clients or learning more about GIA services and the reservation system should call 03 522 6749 or email CSRIsrael@gia.edu.

SEC ANNOUNCES CONFLICT MINERALS RULE

The Securities and Exchange Commission voted to adopt a rule implementing the conflict minerals provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Section 1502. The rule will soon be available on the SEC website, http://sec.gov/news/press.shtml.

While the rule issued adheres in many respects to the rule proposed by the SEC in December 2010, there are some differences. Notably, in response to comments filed by the public, including those submitted jointly by JVC and other associations, companies covered by the law that use recycled or scrap conflict minerals are not automatically required to conduct due diligence of their supply chain. They are also not automatically required to file a conflict minerals report.

As stated in Section 1502, in enacting the conflict minerals law it was Congress' intention to further the humanitarian goal of ending the violent conflict in the Democratic Republic of Congo. That conflict has been partially funded by conflict minerals, including gold and tungsten, widely used by the jewelry industry. The law directed the SEC to implement a rule requiring covered companies to disclose their use of conflict minerals from the DRC and adjoining countries.

The rule approved today by the SEC requires that a company covered by the law must determine whether it uses conflict minerals. If so, the company must conduct a reasonable inquiry regarding the origins of its conflict minerals. If this inquiry indicates that the conflict minerals originated, or may have originated, in the DRC or an adjoining country, or may not be recycled or scrap, the company must perform due diligence on its supply chain. The purpose of the due diligence examination is to determine if the conflict minerals finance d or benefited armed groups in the region.

Although the rule only covers companies that have reporting obligations with the SEC, its impact will be felt by every entity in the gold or tungsten supply chain. JVC will closely review the rule once it is publicly available, and will prepare guidance to help all those affected to comply with the new requirements. The statement of Mary L. Schapiro, Chairman of the SEC, regarding the new rule is available on the SEC website here: http://sec.gov/news/speech/2012/spch082212mls.htm.

Please contact JVC Senior Counsel Suzan Flamm if you have questions at suzan@jvclegal.org.

Unique Settings Launches Build-A-Band

Unique Settings of New York is proud to introduce it's newest selling solution the "Build-A-Band". This in-store display solution allows customers to design their one of a kind wedding bands. Following six-design steps customers can choose the ring profile, color of metal, the width, the edge/groove design, finish and the stone options. With all these options

>> Continued to Pg 54

THINKING OUTSIDE the Jewelry Box

By Andrew Kohler

Do handbags; fine pens, collectible knives and objet d' art have a place in today's jewelry store? Only if the jeweler wants to make money.

As increased gemstone and metal prices continue to push jewelry prices ever upward you are faced with the very real challenge of offering products your customers want and can afford and support your image as a fine jeweler. Even with the creative new designs in silver jewelry that were once reserved for gold and platinum, increased consumer acceptance of contemporary metals, the fact is not every gift, occasion or self purchase is right for traditional jewelry items.

Over the past twenty years many jewelers abandoned non-jewelry products. One of the unintended consequences of this decision is that jewelry stores have become a destination location. That is, people only shop in a jewelry store when they are looking for a piece of jewelry. This has resulted in a serious decline of "shopping." We all know women love to shop. Gifts of all types give women the opportunity to visit a jewelry store to shop for other products.

Faced with this challenge many jewelers are thinking outside the jewelry box and offering a variety of unique beautiful items that satisfy their clientele's desire for style and luxury.

Your customers want to buy from you.

Assuming you've done a good job of establishing you store as a place your customers can count on for quality and professional friendly service. And that you have a nice selection of jewelry products and brands you still might be missing sales as Larry Hall, owner of Baker & Baker discovered "Who would have thought that handbags would bring back our customers who have told us they have too much jewelry. Debbie Brooks bags build traffic to our store, and help offset the very cyclical nature of the jewelry industry".

Some of you may be concerned that these non-jewelry offerings don't support your stores image. Suzanne M. Cannon of Steffan's Jewelers, found "The quality & designs of these fabulous hand bags and accessories represent fun & functional at its highest level, our customers love them and so do I "
(The Debbie Brooks line of purses and accessories are sold exclusively through retail jewelers.)

Capture more men's gift and self purchases.

In most stores, men's offerings are limited to watches, a few chains, rings and possibly cufflinks. Adding collectable knives or fine writing instruments can capture previously missed sales

'Ramsey Fritz Jewels is a full line jewelry and gift store. We offer a multitude of options for women's gifting and self-purchase. We struggle to find nice men's items. Visconti pens fill that niche.

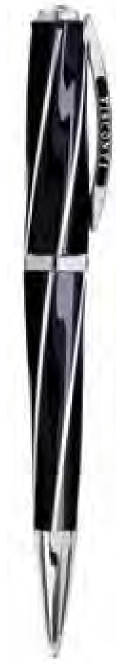
They offer a great $150-$500+ option. We find that these sales are often an ad on. The key is keeping the pens handy for clients to use completing their purchase. Once in a customers hands Visconti speaks for itself. Most of us have forgotten the difference writing with a fine pen makes. We experienced a four time turn in our first year with the product and reorder regularly.' Stated LeaAnn Ramsey Fritz

While selling jewelry boxes is nothing new for jewelers adding Objet d'Art and collectable gifts give your customers choices a multitude of options for non-jewelry gifting. "Adding Jere's gift to our inventory was just what we needed. They are great 'closers', as well as great add-ons! Now we never miss a sale!" "Diamond Jim" Mills at Pineforest Jewelry in Houston, TX .

"I wasn't sure the keepsake boxes would do very well up here in the Northeast. I decided to try-they are very popular!" Mark Grader with Grader Jewelers in Groton, CT.

"I absolutely love Jere's gifts. I sell a lot of them—Jere is always bringing something new and unique to the table!" Lisa Halliburton with Bell Jewelers in Murfreesboro, TN. The advent of the department store was a response to maximize sales opportunities from store traffic. This same strategy can help build your business. Non-traditional items provide opportunities to broaden your offerings to crease sales and profits by hitting popular price points, attracting new customers and making additional sales to current customers.

If you are looking to grow your business think outside the jewelry box and consider the range of products that will keep your customers coming back for more.



BLACK DIVINA by Visconti

The barrel is made from black Lucite and is trimmed with spiraling rods made from 925 sterling silver. MSRP: ballpen $475, midi roller $495, midi fountain $695. *Visconti: 561-620-3022*

William Henry

Folding knives, money clips, pen and golf divot tools with fossilized Mammoth bone inlay. *William Henry Studio: 888-563-4500*

"Twinkles" Keepsake Box

Bedecked with a "jeweled" choker and handbag, "Twinkles" is hand-crafted of pewter, enamel and Swarovski crystals. MSRP $60.
Luxury Giftware by Jere: 877-425-8880

Pelikan Souveran Roller Ball

The Souveran with its distinct striped appearance has become a worldwide symbol for the brand of Pelikan. R805, MSRP $400
Chartpak Luxury Brands Group: 631-752-9600

Sonic Wave Deluxe

The Sonic Wave Deluxe is an affordable unit that is both strong and effective and is the most powerful personal jewelry cleaner on the market and makes a great gift with purchase or add-on sale. The Sonic Wave Deluxe Includes 3 stands for holding jewelry, watchbands and CDs/DVDs, and a free sample of our biodegradable ultrasonic cleaning solution. MSRP: $39.95
Gesswein: 800-243-4466

"Diamond Shoe"

Debbie Brooks fashionable bag is also an ideal closing tool or add on sale for engagement ring sales. The bag becomes the beginning your customers' Debbie Brooks collection. MSRP $208.
Debble Brooks: 888-DEB-BROOKS

VAN GOGH by Visconti

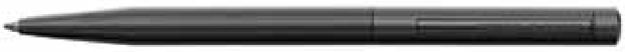
One of a series of four packaged in a unique gift box that is complemented with a faithfully reproduced canvas of the painting. MSRP: ballpen $195, rollerball $249, fountain $279. *Visconti: 561-620-3022*

Frog Wrist Bag

From Debbie Brooks creator of a line of fashionable bags and accessories just for jewelers.
MSRP $148.
Debbie Brooks:
888-DEB-BROOKS

Porsche Design Slim Line Graphite Black Ballpoint Pen

All metal parts made of pure titanium – including the clip – are milled from a single large titanium block and have anti-fingerprint coating. The graphite-colored model is perfectly protected by its hardwearing PVD coating. P'3125, MSRP $250.
Chartpak Luxury Brands Group: 631-752-9600



Slipper Ring Holder

A fanciful yet elegant dresser top holder for rings. MSRP $39.
Luxury Giftware by Jere: 877-425-8880

Andrew Kohler is co-publisher of The Retail Jeweler. Andy@theretailjeweler.com

>> Continued from Pg 51

NEW AND NOTEWORTHY

Unique Settings Launches Build-A-Band

the possibilities are almost endless. Taking the guessing out of creating their own wedding rings, clients can try on all 50 rings and determine what attributes express their individual styles. "Every individual deserves a ring, which perfectly suits his of her style. Throughout our lives we make choices that express our styles and uniqueness. Our new Build A Band display system allows customers to choose attributes of their dream rings in a simple and easy to use step-by-step system. It is a perfect way to express the flair and create customer's one of a kind ring. This system is truly revolutionary and will change the way retailers merchandise and sell wedding rings.," says Director of Operations Matthew A. Ego.

The program provides retailers with user-friendly pricing booklets with alternative metal market prices as well as consumer pamphlets.

For more information please contact Unique Settings of New York at 800-466-4900, info@uniquesettings.com or visit www.uniquesettings.com. TRJ

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