

BIG TIMES

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What Happened to Christmas?..

Although there is ample evidence, it's too simple to point to the economy for the across-the-board dismal holiday season. This season was especially disappointing for many when considering that the year was going quite well overall—so, what happened to Christmas and what can we expect over the next couple of years?

>This season will likely end up being compared to the gloomy years of 1991-1993. The early years of the 1990's had followed the boom years of the 1980's, driven by the enormous run-ups in real estate values and ending with the collapse of the market. Then we had the Savings and Loan debacle, today we have Sub-Prime lending. Each of these market roller coasters had the same effect, both to the upside and the downside, to the jewelry business. It took a couple of years to work out of the S&L debacle and it will take a couple of years to work through this.

>Traffic was the big issue this year. Over a dozen jewelers (so far) have told me that traffic was way off this season, and those who did come in, spent far less. Why? Let's face it, other than watching Kay, Zales and Jared TV commercials for Journey pendants, there was nothing new being promoted in the jewelry industry. With the single exception of Pandora that has been driving in new customers, our industry doesn't have a whole lot to be proud of this year regarding innovative or exciting merchandise. There was no "Y" or "Tin Cup" necklace this year... or the last for that matter. However, several of the jewelers I spoke with were very thankful that they advertised Pandora and other similar lines. PLEASE send me an email if something else was working for *you*.

>Travel was a big deal this year. One of our high-end clients told us that they had called a number of their better customers throughout the season to see if they were looking for anything in particular and many of them said they were going to pass on jewelry this year—opting instead to spend the money on a family vacation. Ellen stopped into a travel agent's office she knows in Napa last week and they told her they were having the busiest December ever—typically a slow month for them—as people were wanting to get away for the holidays... But why?

>I believe there has been a shift in consumer behavior over the past few years and we may have hit the tipping point in 2007. Christmas cannot be relied on to save our year. The November/December season, whilst remaining a very good time of the year, should no longer be looked to as the *savior* of our year. This should mean that the year's business will be spread out throughout the calendar, which, ultimately, is far healthier for all of us. The seasonality of our industry is not only unpredictable, but it has become impossible to plan. Seasonal increases in inventory leading up to Christmas, and the contrary dips in our inventories (especially core inventories) in the off months, has brought us to a place where we miss sales throughout the year because our inventory is too lean in those items and have trouble paying our bills in January because we'd bought too much for the season.

>A final point in this newsletter, but by no means the final word, is about dramatic changes in our business overall. So much has changed over the past 5 years, but I'm certain that it is only a prelude of changes yet to come. The Internet has added so much transparency to our heretofore mysterious industry and there are many people trying to introduce even more transparency to us. These fundamental changes will require a different approach to how we define ourselves (perhaps more accurately RE-define ourselves) if we decide to remain in this business. For certain, a fresh approach must be ascertained in how we deal with our inventory, how we study the buying habits of, and how we reach out to, our customers, and how we merchandise our stores. Leaner inventories; fun and maybe even unconventional merchandise and for sure a far smaller vendor list will all be in order. Yes, our industry is going to continue to shrink, but those who are open to change are going to do great.