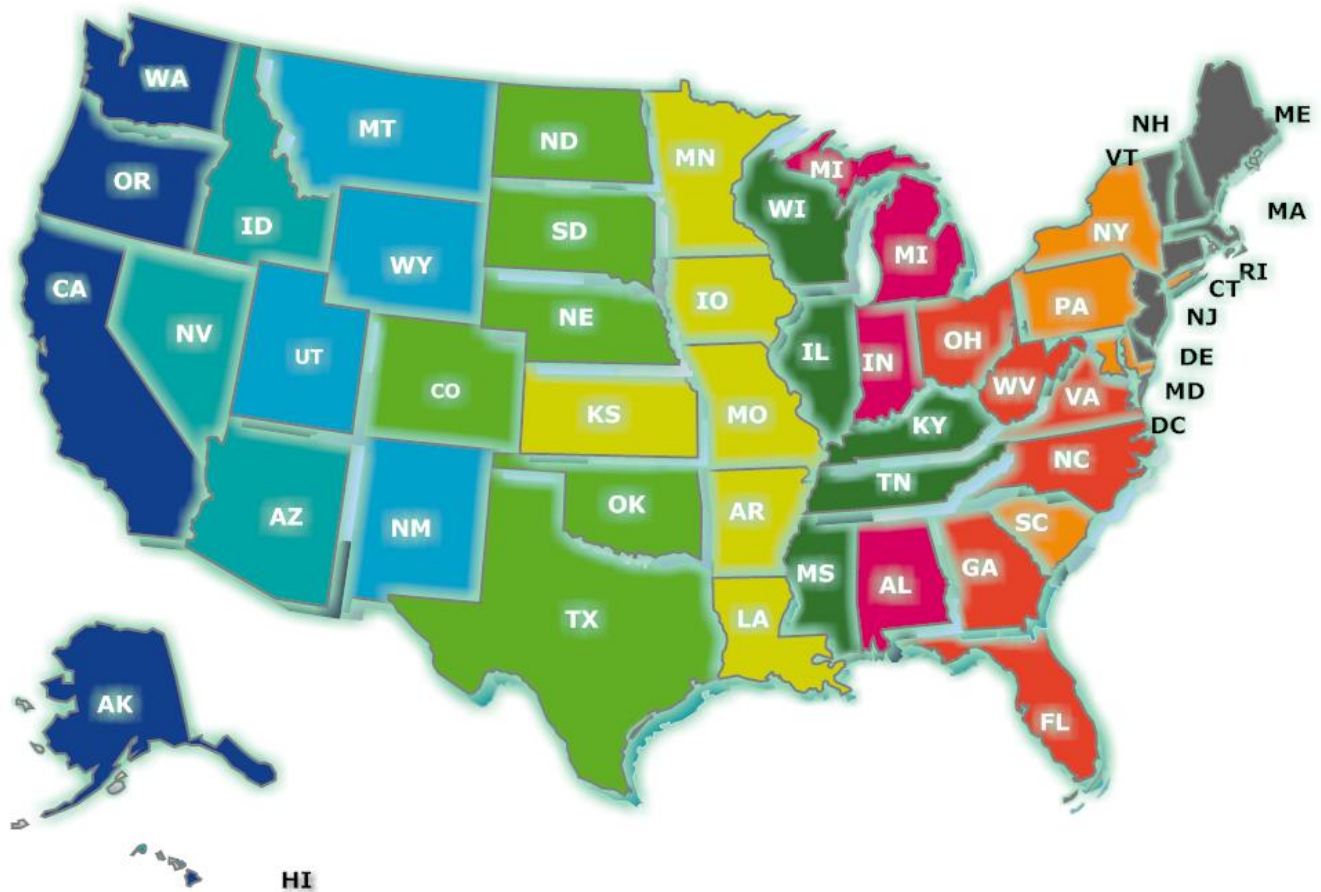


State of the core market report

2014-2015 US Jewelry Market

Actionable market intelligence for jewelry businesses



Diamond Shades
Point of View

Acknowledgements

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2014-2015 State of the Core Market Report is based on information available up to the end of September 2014, for the most part.

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2014-2015 US Jewelry Market

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By

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Introduction

Welcome to the second edition of State of the Core Market Report.

The 2014-2015 State of the Core Market Report provides actionable market intelligence for jewelry businesses. It measures the vibrancy of the three core pillars that drive jewelry consumption:

1. Marriage formation trends
2. The economic well-being of American households, families and individuals
3. The business of jewelry store establishments

Methodology:

In compiling the State of the Core Market Report, Equity Communications relies heavily on comprehensive analysis of data provided by the United States Census Bureau, United States Bureau of Labor Services and the triennial Survey of Consumer Finances provided by the Federal Reserve System.

When put together, data from these very reputable agencies provides the most authoritative study of the economic condition of Americans and American businesses.

Why the three core pillars are important for jewelry consumption

Fundamentally, a huge component of jewelry consumption is a result of lifecycle transitions. For instance, jewelry retailers need to have awareness of the popular shapes and sizes of diamonds for successful engagement ring sales. However, the reality is that demand for engagement rings is limited to individuals who want to get married.

So marketing the most popular shapes and sizes of engagement rings will still result in failure if very few people are planning to get married in a target market. **Advertising cannot change the facts.**

Taking it a step further, a jewelry retailer can successful target markets in which a large number of people are getting married and provide the most popular shapes and sizes of diamonds. Nevertheless, the business can still result in failure if the retailer does not correctly match price points for his products with the buying power of the customer base.

Lastly, jewelry for love events like engagements, weddings and anniversaries is traditionally costly. Buying jewelry for such occasions has serious purpose for consumers. To the average person, money comes slowly and by sacrifice. Few people have enough. The average person is constantly choosing between one way to spend money and another.

With this in mind, an engagement ring is often the third most expensive good a person will likely buy in a lifetime - other than a house and a car. For this reason, such a purchase often requires the specialized attention of qualified sellers - specialist jewelry stores.

People who buy expensive jewelry from jewelry stores and are satisfied with both the financial and emotional aspects of the process often go on to make other significant jewelry purchases in a lifetime. Nonetheless, the jewelry retailing landscape in America suggests the nation now has less need for specialist jewelry stores. More retail establishments are selling jewelry but the number of specialist jewelry stores has gone in the opposite direction.

In summary:

- at least 30 percent of all jewelry sales by value are linked to marriage
- at least 40 percent of all jewelry by value is bought at specialist jewelry stores
- it requires a certain level of income for individuals, households and families to afford fine jewelry

How you can benefit from Equity Communications' analysis of jewelry markets

Five principles guide us in our analysis of jewelry markets:

- There is always steady demand for fine jewelry. People desire exquisite jewelry for adornment purposes and for socio-cultural traditions like weddings
- Fine jewelry is traditionally costly. Therefore, sales are regulated by the buying power of consumers
- Socio-economic and cultural conditions which people face when making lifestyle decisions matter a great deal in the consumption of fine jewelry
- The business economics of the jewelry business are such that retailers require large margins to compensate for the fact that fine jewelry inventory is costly while consumers buy fine jewelry infrequently.
- The economics of the fine jewelry business are not sustainable in areas with sparse populations

From these principles we have obtained a method of determining the health and potential of any jewelry market we study.

We track certain data to provide us with information on the current state of components that we believe are relevant for jewelry consumption and the jewelry retailing business.

- strength of socio-cultural traditions
- strength of consumer buying power
- strength of customer base
- strength of the jewelry retailing model
- strength of jewelry promotion efforts

Jewelry industry stakeholders cannot control or influence some of these components. However, we will tell you the likely implications of changes for each component.

Because of the Great Recession, significant market changes have occurred in the last few years and you need to be aware of them. You can use the insight gleaned in here to adjust or improve your business models so that you increase profitable jewelry sales in a sustainable way.

Highlights

1. “The increasing number of single, never married Americans shrinks the size of the customer base for marriage jewelry”

% change in the marital status of US Population 15 and over, 1970 Base year

- Male population 15 years and older **+72%**
- Married male population **+39%**
- Never-married male population **+110%**
- Divorced male population **+599%**
- Female population 15 years and older **+66%**
- Married female population **+38%**
- Never-married female population **+115%**
- Divorced female population **+531%**

2. "Most people eventually do get married at least once in a lifetime"

80 percent of current adults ages 18 and over eventually get married

Of the generation of adults aged over 65 years, only **4 percent** have never been married

3. “At current trends, less than 50 percent of adult women will be married in 2020. It is a combination of much improved financial independence for women, shortages of eligible bachelors and shifting cultural values and attitudes”

54 percent of men were in a marital relationship in 2013, down from **59.9 percent** in 1993

51.5 percent of women were in a marital relation in 2013, down from **56.4 percent** in 1993

4. "Marriage, for the most part, is still about men"

Among the most consistent and robust predictors of marriage are men's employment and economic potential.

Those who are employed and who demonstrate greater economic potential have been shown to be more likely to enter into marriage across many time periods and for various types of groups.

97.7% of married men had income in 2013. **72.2%** of single men, never married had income in 2013

5. "Both men and women still expect the man rather than the woman to be able to support an anticipated family before transitioning to marriage"

37 percent. Contribution of wives' earnings to family income in 2011, up 10.4 percentage points from **26.6 percent** in 1970

28.1 percent. Wives who earned more than their husbands in 2011, up 10.3 percentage points from **17.8 percent** in 1987

6. "Probability of getting married"

44 percent of women are married at age 25. The number increase to **78 percent** at age 35

36 percent of men are married at age 25. The number increases to **75 percent** at age 35

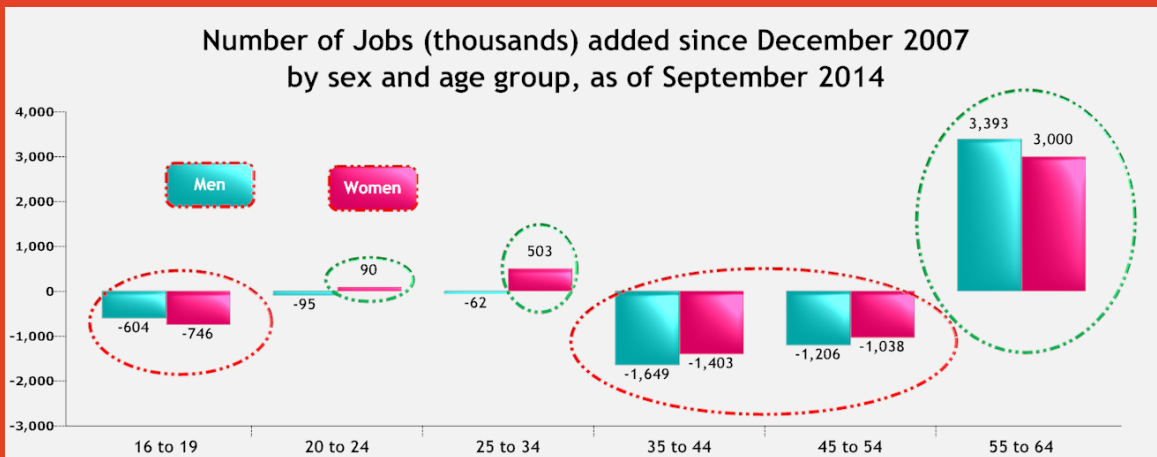
7. “Young adults are still becoming mothers and fathers. They are just doing it without a ring”

More women giving birth out of wedlock

	1970	2013
Median age at first marriage	20.8	26.6
Median age at first sexual intercourse	17.5	17.8
Non-marital births %	10.7	40.6

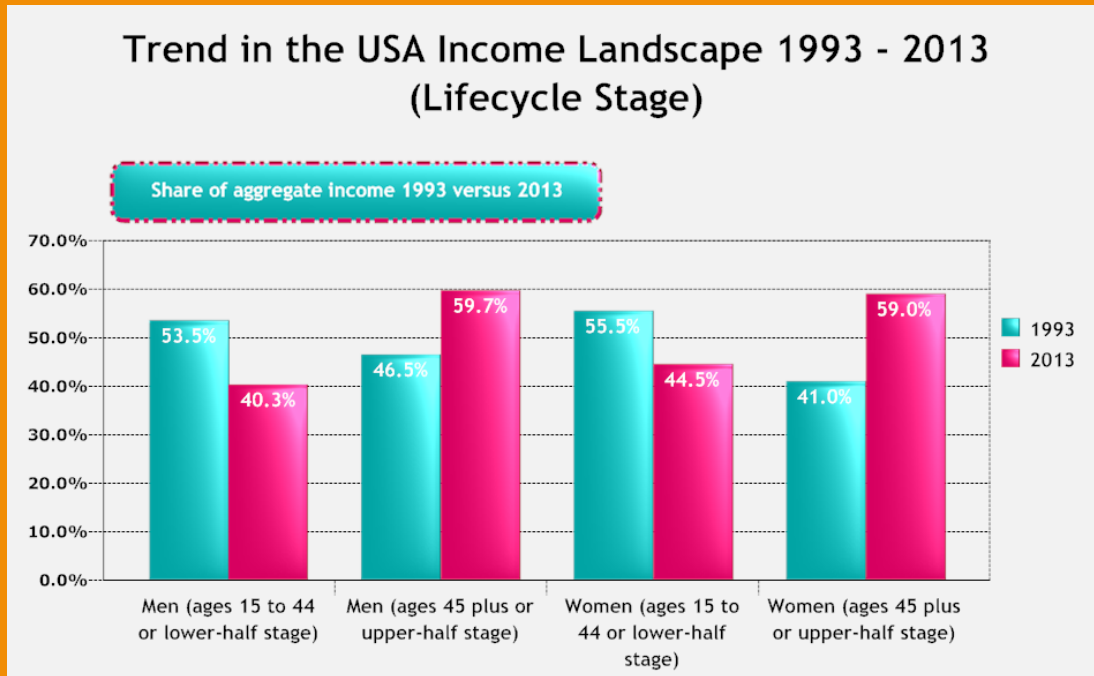
8. “Businesses like jewelry stores, which depend on lifecycle transitions for sales, can be affected by drastic population changes as cohorts move across the lifecycle stages”

This is what has happened to the labor market and your customer base since December 2007



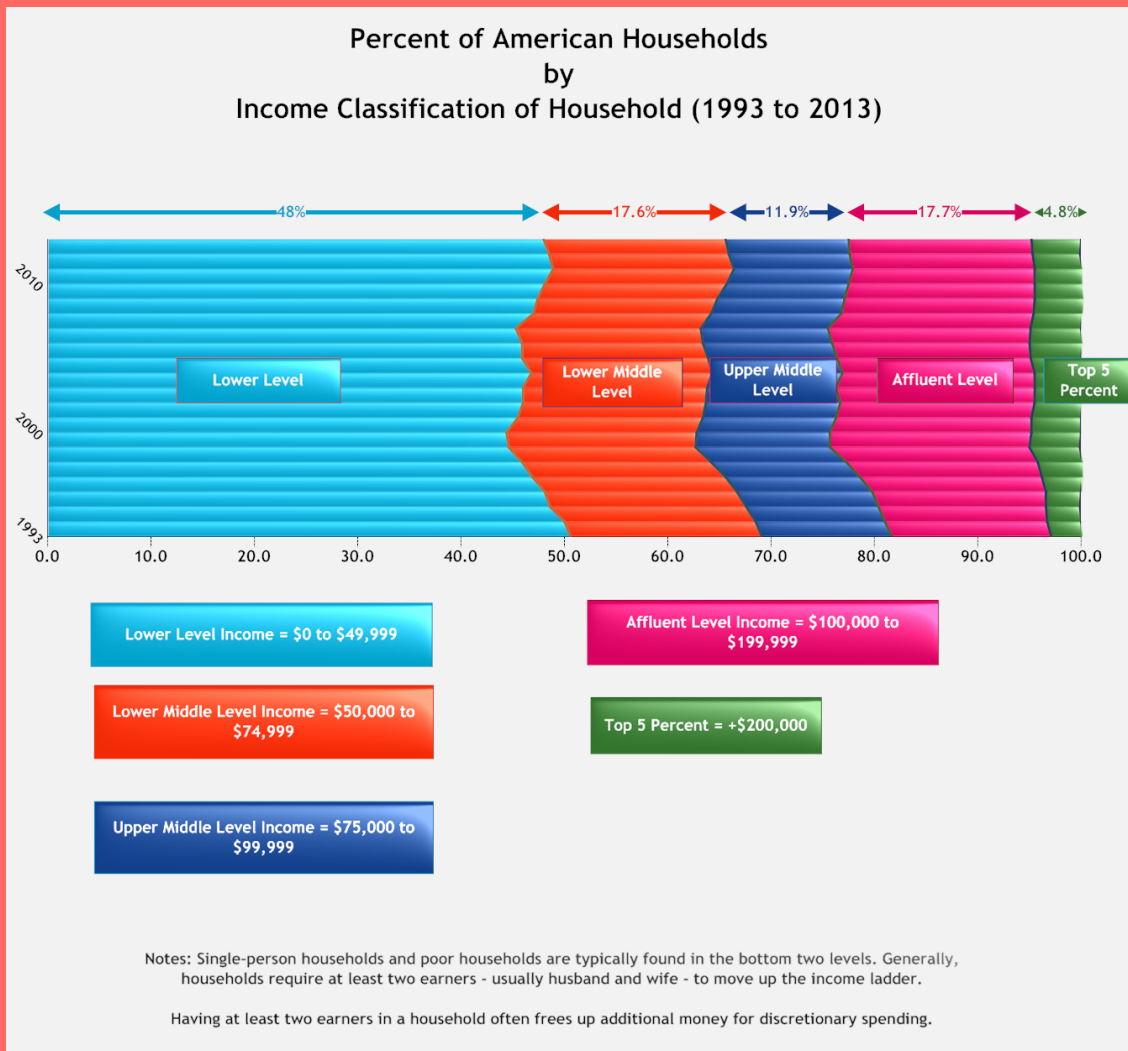
9. “The first half of the lifecycle has lost earning power for both men and women. The ages 55 to 64 for both sexes have grabbed a bigger share of annual income”

Trend in the USA income landscape



10. "Distribution of American households by income classification 1993 to 2013"

Trend in the distribution of household income



Market Intelligence Selected Highlights

1. **\$9.8 billion** – core marriage jewelry sales in 2013 (engagement rings and wedding rings)

Core marriage jewelry market has upper limit of **\$14.6 billion** until at least 2024, based on our reading of population dynamics

2. Age profile of first-time brides up to 44 years

15 percent are ages 18 to 24

49 percent are ages 25 to 29

20 percent are ages 30 to 34

10 percent are ages 35 to 39

6 percent are ages 40 to 44

3. Number of qualified married-men prospects (2006-2013)

28.997 million qualified married-men prospects in 2013, up 1.6 percent from **28.544 million** in 2012. But still down 3.7 percent from 2008

However, quality of prospects has improved since 2008. **44 percent** of qualified prospects had annual income greater than \$75,000 in 2013, up 5 percentage points from **39 percent** in 2008

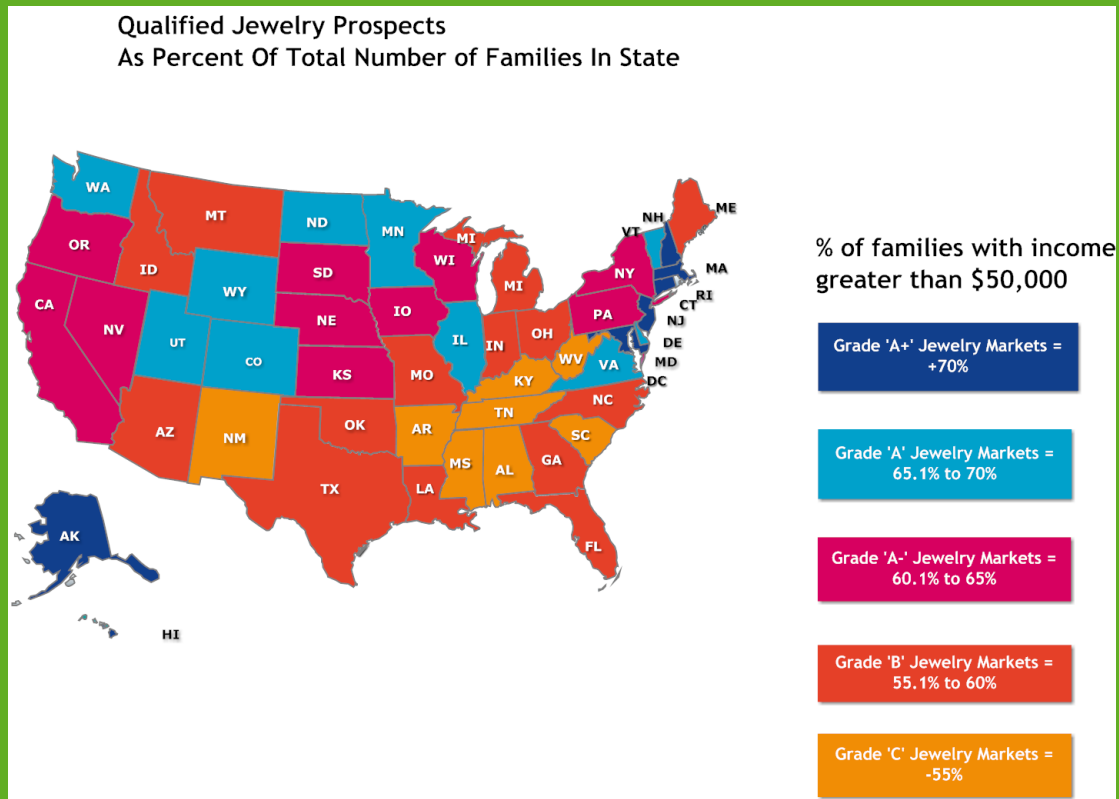
4. 2013 Income report for married-couple families

Married-couple families had income of **\$4.571 trillion** in 2013

Only **24.9 percent** of married-couple families had income less than \$50,000

The average income for married-couple families in 2013 was **\$98,323**

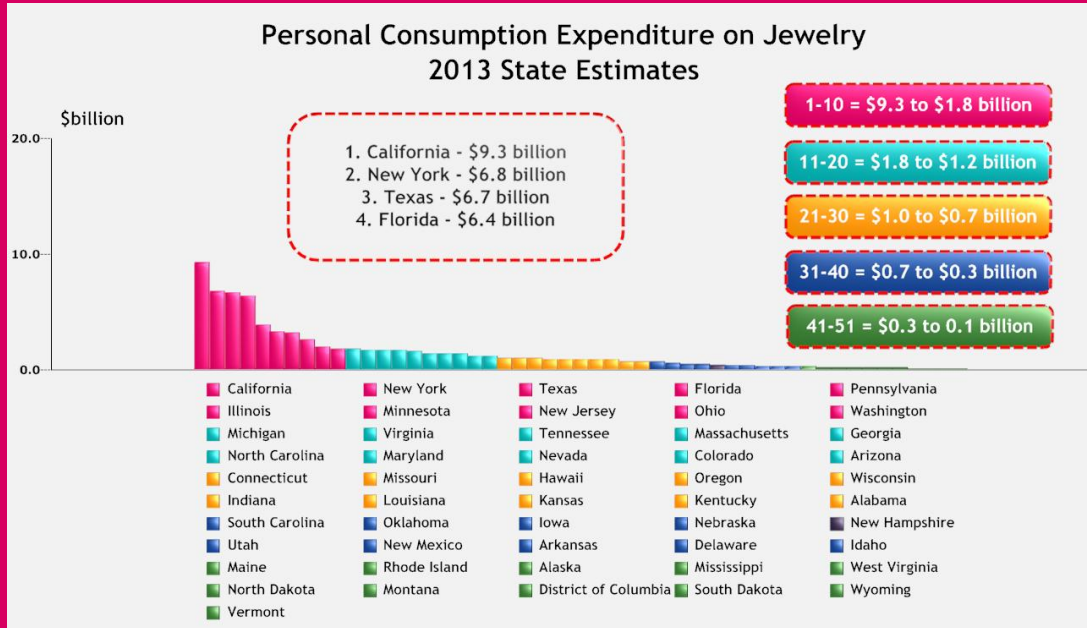
5. Percent of qualified jewelry prospects per state



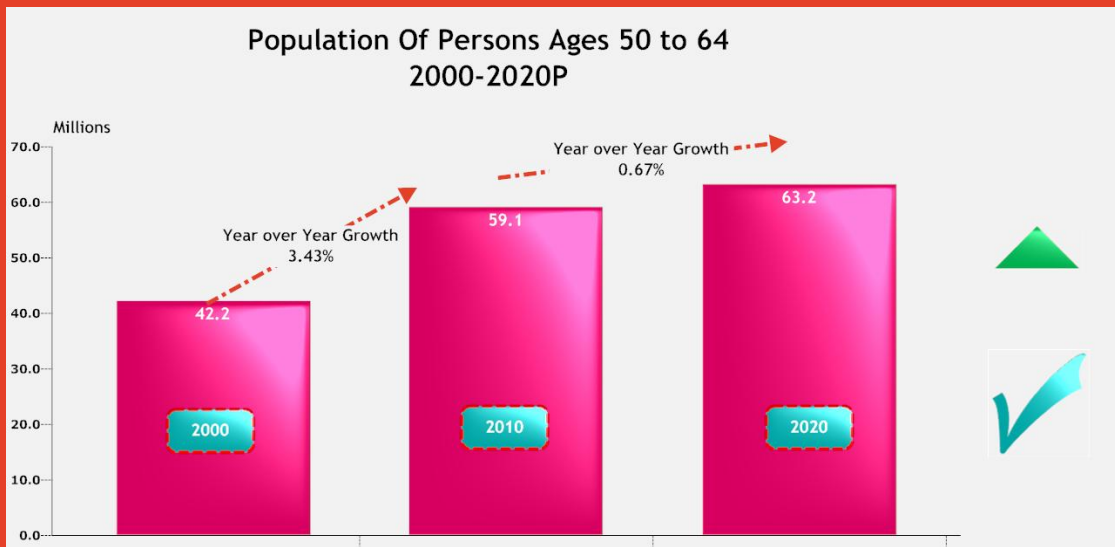
6. Regional variances in average annual jewelry store sales



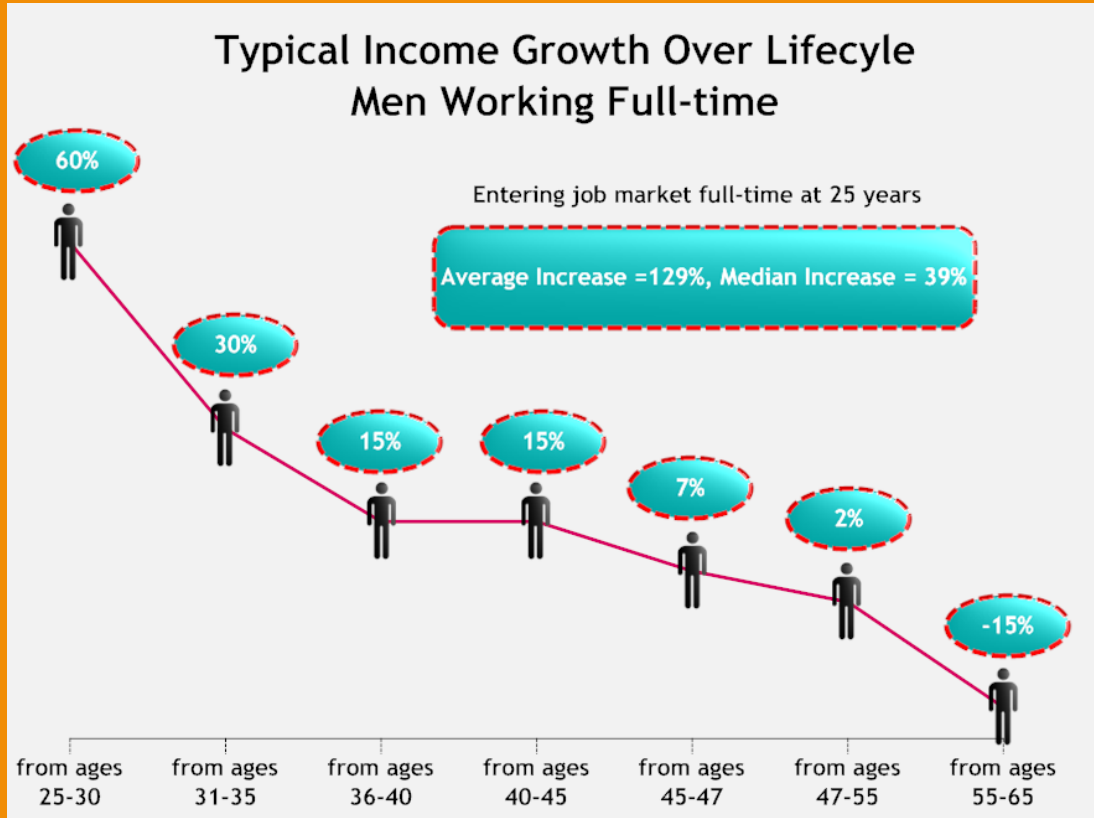
7. Personal Consumption Expenditure – jewelry and watches, 2013 State estimates



8. Jewelry retailers encouraged to follow the money



9. Typical income growth trend for men working full-time



10. Jewelry store revenue from actual sales of jewelry



11. Forecast Personal Consumption Expenditure on jewelry and watches



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