

# CJ

Canadian  
Jeweller

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APRIL/MAY 2006

## Golden GLOBE

Despite gold's high prices, Canadian jewellers have the Midas touch

The age of alloys?  
A look at gold additives

PLUS: THAILAND'S JEWELLERY MARKET, FUN FASHION WATCHES AND MORE...

# From the INSIDE OUT

How to hold a successful  
in-store promotional event

*When it comes to promoting your jewellery business, you put yourself out there. You place ads, mail out flyers, send emails, create a Web site, and maybe even do some radio and television spots. But why not go one step further and hold an in-store promotional event? The possibilities are endless. You could host a private midnight sale of your gold merchandise or run monthly contests with grand-prize drawings. It's not just fun for your staff and your customers; it also makes good business sense.*

*If you already hold regular or occasional in-store promotional events, you know how well they can work. But if you think they can work even better, read on. And don't let store size deter you. A small space can still handle an event. You needn't take up any more room than counter tops and floor space allow.*

*Maybe you've shied away from in-store events because of expense. A promotional event doesn't need to cost a fortune. You can pull one off with very little money by planning ahead, advertising, taking advantage of the assistance of your vendors, and inviting other retailers and organizations to co-host.*

## THE BENEFITS ARE MANY

Whether you've been a jewellery retailer for years or have just recently opened your doors, you and your customers can benefit from an in-store promotional event. A successful event:

- Enhances store image. Interesting, memorable events speak volumes about your business and your merchandise.
- Generates excitement. The festive atmosphere of a promotional event can create enthusiasm for your jewellery.
- Attracts customers. An event gives both loyal customers and first-time shoppers a reason to visit your jewellery store.
- Motivates employees. The special occasion atmosphere of an in-store event can inspire staff to give the best customer service they have to offer.
- Develops customer rapport. The sociable nature of events builds and strengthens connections between customers and staff.

•Boosts business. In-store events incite people to buy during the promotion and to return to the store for future purchases.

•Builds your reputation. Customers fondly remember your successful in-store events, adding to the favourable impressions they already have about your retail jewellery business.

•Sets you apart. In-store events that are creative and unique distinguish your store from your competition.

Here's how to make sure your event is a success.

## KNOW YOUR OBJECTIVE

Create your event with a specific goal in mind and make sure everything from your advertising and signage to your decorations and highlighted merchandise reflect that. You want your customers' attention to be immediately drawn to the focus of your promotion, so you can enjoy a successful day, or week, of sales.

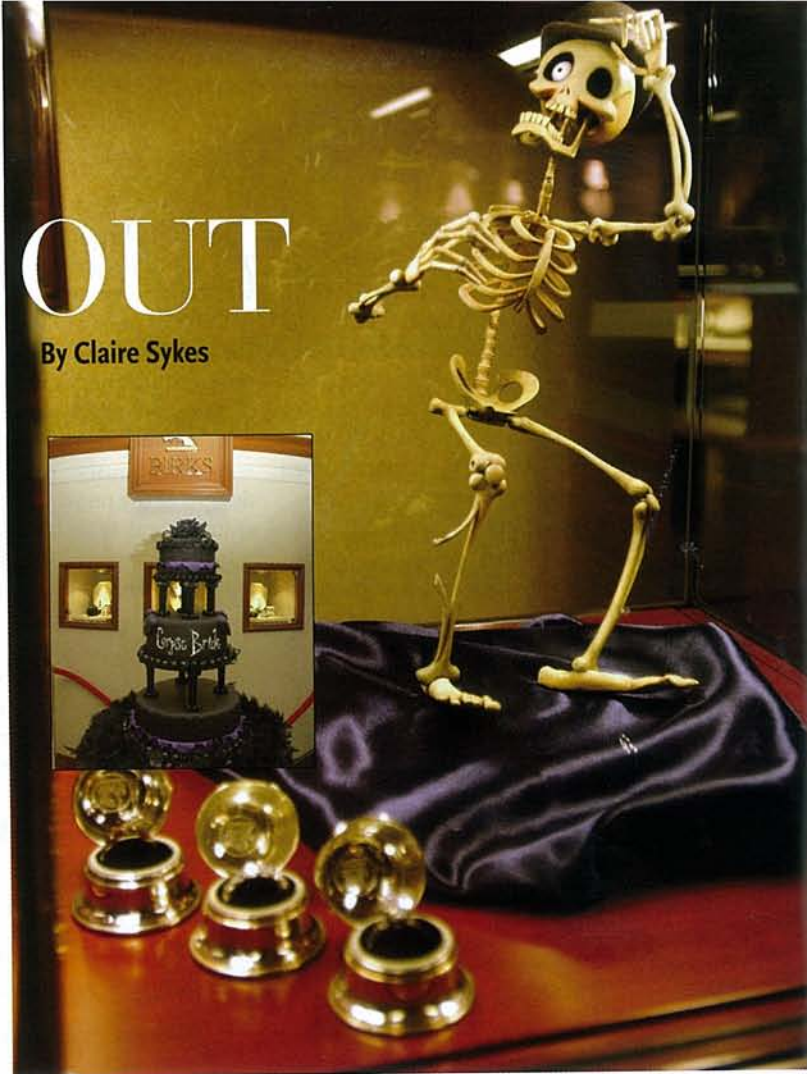
For example, suppose you want to promote your latest shipment of gold earrings, so you schedule a Saturday afternoon to show them off. In your advertising for the merchandise and the event, include a photo or sketch of your most eye-catching gold earrings. Then post signage in your store to direct customers' attention to this merchandise.

## CHOOSE YOUR METHOD

Here's where you get to be creative, so have fun with it. From product demonstrations to special store celebrations, there are so many ways to bring customers in to see your jewellery.

Perhaps you want to showcase your gold watches for Father's Day, or promote products that incorporate diamonds with gold. Try turning your jewellery store into an "open house" one evening and serve fresh-brewed coffee, tea and baked goods and hire local musicians to play in the

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Successful in-store promotion strategies can include tie-ins to popular movies, such as this recent Birks event featuring Tim Burton's "Corpse Bride."

## retail

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background. You can also co-host your event with compatible retailers, community organizations and local charities. Not only do you share the effort and cost for the event, but you also help promote each other's business or cause. Jewellery and flowers could be a smart match, especially for Valentine's Day, and a local charity group supporting breast cancer fundraising and awareness could help salute moms on Mother's Day. Need a holiday idea? Try locating a custom jeweller to do an in-store demonstration making her gold wedding bands and then create a display of the bands.

### BUDGET YOUR TIME AND EXPENSES

For a first-time event, plan months ahead. You want to give yourself, your vendors and your staff plenty of room for creativity and preparation. Newspaper ads and articles come with deadlines attached. Manufacturer demonstrators and other outside participants have their own busy schedules. Staff will need notice of any rescheduling should you require extra hands the day of your event. And don't wait until the last minute to order those gold chains you want to promote. What if your supplier inadvertently ships the wrong ones?

Plan your event in line with your budget, as well as buying trends, community happenings and holidays. Capitalize on high-traffic times.

### GET THE WORD OUT

Word-of-mouth is a great way to draw new customers. But to make sure that they know of your event well in advance, announce it formally.

Whether you hand-address elegant invitations or dash off bulk emails, send notice of your upcoming event to your regular customers and distribute flyers in your jewellery store. Along with placing ads, send press releases to local newspapers, television and radio stations. Include a mention of your event in store newsletters and/or on your Web site.

Whatever method you choose, strive to spark interest and create buzz by giving customers something to look forward to.



Movie props and celebrity visits can bolster a promotion. One: Johnny Depp with Birks & Mayors Inc. President and CEO Tom Andruskevich. Two and three: "Corpse Bride" movie props and posters.

### INVOLVE YOUR VENDORS

You needn't cover your advertising and promotional expenses alone. Approach your event as a partnership with your vendors. Research which of them might be willing to provide co-op dollars to help pay for media advertising. Ask them for in-store signage or decorations that you can borrow for your event. Since their profits are directly related to yours, they have a vested interest in the success of your promotion, and many are more than willing to share the costs.

### HAVE A SUCCESSFUL EVENT

With a productive event, you can effectively raise your reputation in the eyes of your customers. To know just how much, measure your results.

- How many new and existing customers did your in-store event attract? For each event, place a guest book by the door or the cash register for customers to sign, or collect names for a grand prize draw. Not only will you get a rough count of visitors, but you can also use the information to create a customer database, which is helpful when phoning, mailing or emailing announcements for your next in-store event.

- How much did you ring up in sales? Keep track of your sales for the duration

of your event and then compare your receipts with the actual expenses of the event. If you spent more than you made, you may want to adjust accordingly next time.

- What products did you sell? Have a look at your inventory when all is said and done. Did your promotional items move the way you hoped they would? Or was there something else customers couldn't stop buying? Depending on the outcome, you may want to emphasize different products the next time around.

By evaluating your results, you can plot even more effectively for future in-store promotional events. Having a strategic plan is the most important ingredient of any successful event. Next comes your own creativity and how you can bring your ideas to life.

Start with what you're comfortable doing and then dare to be adventurous as you become a pro. It doesn't hurt to experiment, just to see how something will work in your jewellery store. You certainly don't know until you try.

Besides, it's no longer enough just to sell products; you also have to entertain people. This may take extra effort, but if it means a successful event, nothing could be more worthwhile. [CJ]

# GOLDEN GLOBE

*Despite gold's high prices,  
Canadian jewellers have the Midas touch*



By Michelle Morra

When Steve Parker started his jewellery career in the '80s, gold was at a premium and he had the time of his life. "It was awesome," says the owner of Vancouver wholesale companies Customgold and Courtney Gold. "The buying was steady, the consumers were happy, our inventories were constantly rising in value...and in an industry where profits are sometimes thinner than they should be, it was a positive thing for the whole trade." It's not surprising then that Parker sees the current high in gold prices as a positive for his business. "I love it. I think it's great. I have been expecting it and I welcome it," he says.

This is the fifth consecutive year of a precious metals bull market. The price of gold, having gradually climbed since 2001, has exceeded \$500 US an ounce for the first time since the '80s, reaching a 25-year high. At press time, it was sitting at \$546 US.

Financial analysts attribute the current gold rush to a number of global influences. Fear of inflation causes investors to buy gold bullion as a hedge against volatile economic times. Actual inflation, what we're seeing now from high energy prices, also affects the price of gold. A weakening US dollar is another factor, as the world power fights to keep its head above its \$34 trillion debt. Possibly the most significant factor, however, has been the opening up of the Chinese gold market.

For the first time since the start of its 40-year communist regime in 1949, China is allowing its citizens to buy gold bullion. After ending its gold monopoly in October 2002 by launching the Shanghai Gold Exchange, following decades of holding the metal under strict state control, China is now firmly planted in the international gold market and is a major contributor to the commodity's high prices today.

Furthermore, India, the world's largest consumer of gold jewellery, is lowering taxes and making other improvements to its economic system to facilitate international gold trading. Improved living standards in both India and China, two of the world's most populous countries, have created quite a demand for gold jewellery.

In fact, right now world gold demand is at an estimated 3,800 tonnes a year, according to the World Gold Council (WGC), compared with the current production level of 2,600 tonnes.

## JEWELLERS KEEPING AFLOAT

The folks at Touch of Gold, a small jeweller in Montague, PEI, whose gold products are mostly 10 karat, say they have to increase their prices only slightly to reflect the market and that gold prices will have to be considerably higher in order for them to see a substantial difference. So far, the outlook on the current gold rush isn't much different for the larger jewellers. Brent Trepel, president and chief executive officer of Ben Moss Jewellers, a family-run company with 52 stores across Canada, says, "It would have to go up dramatically more for there to be an impact at the retail end. I don't think consumers have even noticed any change." Trepel says the company often buys gold based on a certain range of gold market prices – say, between \$500 and \$550 – "so while gold is moving within that range, our price doesn't change from our supplier. We might have a fixed price within that range. Our price might only change if it goes into the next category, so there's some flexibility there."

But for wholesalers who must adjust daily to market prices, such as jewellery manufacturer Gold and Silver House in Ottawa, that one too many dollars an ounce can add up quickly. Stan Cieslukowski, who co-owns the company with his wife, keeps close

tabs on prices and adjusts his own prices accordingly. "We're charging customers on a daily basis, so we're checking the Kitco site daily," he says, referring to the bullion dealer's online gold price updates. "We're not complaining," he adds. "We had a good year last year." But what does concern him is the thought of tax time, where he finds that high gold prices can bite. "We have to cover the costs of the material. And our inventory, even if it sells, in the government's eyes could look much higher at the end of the year. I could sell 50 percent of my stock, but still inventory could be the same. Looking at material-to-profit ratio, the figure would be the same, but the actual amount of the metal – pure gold count – would be half."

A spokesperson from Malo Creations, Inc., a wholesaler in Chomedey, Quebec, says business has definitely been affected by the high price of gold in recent months. "Nobody wants to touch too much of the stock right now." He adds that even conducting business at Italy's Vicenzaoro trade show in January was a sluggish affair, because manufacturers were hesitant to proceed with orders until they had a better idea of what was happening with gold.

## THE ROAD AHEAD

Exactly what's ahead for gold investors and jewellery producers is the subject of much conjecture from market analysts. In 2005, jewellery demand rose five percent with double-digit gains in the first half of the year, but started to wane in the last quarter as the gold price soared. Some expect that the higher gold prices will have a dramatic impact on jewellery demand in the first half of 2006. One company, precious metals consultant GFMS, forecasts an almost 25 percent drop in jewellery demand, to levels not seen since the early '90s.

Early this year the WGC reported that gold jewellery sales in the United Kingdom had "suffered something of a slump" over the Christmas period. Consumers were buying iPods and other cutting-edge electronic gadgets for their loved ones in place of gold and diamonds. US retailer Signet Group fared better; their sales rose by 5.5 percent over the same nine weeks to the end of the year. But the WGC reports trends similar to the decline seen in the UK in other parts of the world, citing a survey that says Abu Dhabi's gold trade and jewellery retailers are pessimistic about the outlook for 2006 due to high gold prices. Sales in the UAE have slowed in the opening weeks of the year, after a 20-30 percent increase in 2005. The report states that customers are traditionally price-sensitive and are waiting in the hope of lower prices later.

Take heart: no dour forecast is set in stone, especially when it comes to a notoriously contrary investment product such as gold. Though never failsafe, it is often used as a hedge, particularly bullion itself, against inflation and currency fluctuations. Gold has an important monetary value because it seems to be negatively correlated to traditional financial assets such as stocks and bonds. Historically, it has performed best during times of economic stress. And on another counter-intuitive note, high gold prices have been known to actually increase product demand.

That has been the experience of Steve Parker of Customgold, who says that everyone, including jewellery buyers, wants to get on the bandwagon when gold is trading high. "All of a sudden gold is on the front page of the newspaper, the price is being quoted on the radio, so I think people get excited about it when it's going up," he says. "Consumers don't want something that's going down. They want something that's valuable."



*“All of a sudden gold is on the front page of the newspaper, the price is being quoted on the radio, so I think people get excited about it when it’s going up.”*

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## SUPPLY VS. DEMAND


Despite the reported decline in sales, there’s no shortage of demand for gold. Demand from the jewellery industry alone – the number-one user of the world’s gold supply – has exceeded Western mine production, according to the WGC. In the first nine months of 2005, gold consumption increased 15.4 percent from the corresponding period of 2004, bringing the total to 2,773 tonnes. The rate of growth slowed in the third quarter as consumers began to notice the high price, particularly in India, the world’s largest gold buyer.

While gold prices have only begun to affect Canadian jewellers since our dollar value has picked up, US jewellers have had approximately five years to adjust to the market fluctuations. Design trends from south of the border in recent years reflect the fact that gold

jewellery is increasingly costly to produce, particularly heavier pieces with a higher gold content. “From a jeweller’s perspective,” says John Orrico, senior vice president and chief supply chain officer for Birks, “if you were to chart, in some meaningful way, the price of gold and its ebb and flow, and you were to sort of overlay what the design styles look like, it’s kind of interesting in that, in days when gold is less valuable, you’ll see designs getting bigger, bolder, heavier. The metal is such a large component of the total cost of the piece.

“If you look at current jewellery designs,” says Orrico, “big is currently still fashionable; however, there’s a great deal of negative space.”

“Negative space,” a fancy expression for “holes,” is a popular design trend among even high-end jewellers, and is said to lend an



elegant, contemporary look to jewellery. Parker also attributes the newer designs, at least in part, to high gold prices. He, too, sees negative space as a hot trend, in particular from his company Courtney Gold, which imports Italian jewellery. "We've noticed from the Italians that as the price of gold increases, they're trying to make lighter-looking designs – open circles are very popular, ladder-style bracelets, mesh, a lot of space but still a big look," he says.

According to Orrico, there are other ways for jewellery manufacturers to tailor products to a pricey gold market. One trend is to make the jewellery lighter and tinnier. This maintains a large sight value for the piece but compromises its weight and overall quality, he says, explaining why they don't choose that route at Birks. Just as with the use of negative space, there are better ways to adapt to the challenge of high gold prices. "Also noteworthy," says Orrico, "is the growing use of metals such as titanium. It's a kind of interesting, cool, kind of trendy metal, and you'll see jewellers having titanium wedding bands in their offerings. So you do see alternate metals start to be used in jewellery that you wouldn't see when the price of gold is lower."

Along with titanium, a hard yet light, hypoallergenic metal, some popular alternatives to gold and silver are stainless steel, which is easy to mix with yellow or pink gold in jewellery, and tungsten, which is very hard, dense and scratch-resistant. Some companies are even dabbling in copper, bronze, brass, alpaca and pewter jewellery as low-cost but stylish options.

"The only thing I can predict," says Orrico, "is that the price of gold or any other commodity will have an impact on the designs that are going to be introduced between now and in the future. And when the price remains where it is or even goes higher, it will change the way people use the metal in the jewellery business... It really is our responsibility to find things that fit people's budgets but also hit their tastes and desires and likes."

## THE NEXT GOLD RUSH?

Where the gold stops, nobody knows. All we have as a reference is the last gold rush. In December, 1979, the price of gold was at \$500 US an ounce. Four weeks later, it was up to \$870 US. It peaked, but fell the very next day to \$90 US. It was back to \$500 two months later, and continued to fall for the next several years. If gold were to once again cost upwards of \$800 an ounce – and some say it could happen – it could place jewellers' woes in a whole new bracket. Until then, regardless of how long US economics, investor perceptions and geopolitics continue to make it rise, the price of gold will always impact jewellery demand, and jewellery demand will always impact the price of gold.

It's a gamble that's not for the faint of heart. To make it in business and in the stock market, a certain risk tolerance is critical and a sense of adventure certainly doesn't hurt.

"When you purchase your gold in kilos, [price] has a big effect. But we're selling it, so who cares?" says Parker. "I just hope it keeps going up. Slow and steady is what I'd like to see. But if not, life will go on." [CJ]

## WELL SAID

*Members of the gold industry weigh in*

Canadian Jeweller asked members of the gold industry how recent surges in gold prices affected their businesses.

"I don't predict any problems. I think the customers will recover. They like gold, and nothing can replace the gold."

– Stan Cieslukowski, Gold & Silver House.

"It's really our responsibility to find things that fit people's budgets but also fit their tastes, desires and likes."

– John Orrico, Birks.

"Gold does go in cycles, and certainly right now resources are up and we do take that into account. It's very hard to predict whether it's going to continue rising."

– Brent Trepel, Ben Moss Jewellers.

"I'm in a seasonal area, so I find that if some of the fishermen and farmers have a good season, so do I."

– Jennifer Dixon, A Touch of Gold.

"When you purchase your gold in kilos it has a big effect. But we're selling it, so who cares?"

– Steve Parker, Customgold.