

RETAIL. RESET. GO.

STATE OF JEWELRY RETAIL

SETTING EXPECTATIONS AND PLAN-OF-ACTION FOR
THE SECOND HALF OF 2022



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With all of the turmoil in the news, including rising interest rates, inflation and the state of the market, there are a lot of unknowns as retailers move forward in 2022. After two years of increasing sales, Fruchtman Marketing believes it's important to set expectations for "potential" rough waters in the months ahead, as the economy works all the noise out.

Taking a deeper dive.

Initially, we followed the signs and predictions from the NRF - which predicted growth to continue between 6%-8%. That level of growth compounded with the growth retail jewelers saw in 2020 and 2021 would be healthy and significant.

However, the daily news continues to be bleak. Fruchtman Marketing does not consider itself to be futurists. However, as jewelry marketing specialists in business since 1981, we do have our pulse on consumer trends and behaviors.

Most of our perspective is based on fact. Very little is based on opinion. Some may be based on common sense. The important thing is to recognize the change; look at how that change might affect your business; stay in front of it, and determine what needs to be done as you quickly approach important Q3 and Q4 retail quarters.



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What we know

We have always expected some level of “return to normal” as we moved out of the COVID situation. The luxury retail jeweler saw extraordinary growth in 2020 and 2021.

What fueled such extraordinary growth in the jewelry category?

Travel was at a stand-still. Consumers were flush with cash. More people were shopping (albeit online), and it was a time when sentimental spending was more prevalent.

Sentimental Spending

This will continue as people are bombarded with negative messaging on the news (i.e war in Ukraine).

PREPARE FOR UNCERTAINTY,
BUT WATCH FOR OPPORTUNITIES.

Travel

As travel opens up, you might think more disposable income will be spent on this pent-up demand. What will impede spending in this category is the significant spike in travel costs. We are likely to see continued sales growth in 2022, but not to the degree it was in 2020 and 2021. And, we believe travel will not have as great an impact on sales. One only has to look at what the cost of a roundtrip fare was pre-pandemic to now.

COVID

Will new variants change that situation? Most likely not. With vaccinations and medications readily available, consumers are getting back to their normal lives and habits pre-pandemic. It is clear the American public wants to move forward.



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Inflation

Inflation is at a 40-year high, 8.5% year-over-year.

This will affect nearly every consumer. If you are a lower to a moderately priced retailer, it will most likely affect you more. If your customer is more “middle class”, they’re getting squeezed the most. If your customer is more affluent, there are different factors that will impact their buying habits and decisions. Most of this will surround how the market is performing and how costs will affect their individual businesses.

Q & A

What can you expect and what do you need to do?

Average retail tickets will most likely go down. Your current customers and prospective customers won’t give up commemorating an important event. But they might not spend as much. Remember, there is “essential” and “non-essential” buying. When people are feeling a pinch, they start drawing lines. To make up that volume, you’ll need to generate more traffic. To generate more traffic, you have to be aggressive and stay the course in your marketing.

How will the cost of gas (up 50%) affect your business?

Foot traffic might decline. On the other hand, if that customer is making the effort to come to your store, your closing ratios should be higher. Online shopping (and browsing) will continue to increase. Getting your website in tip-top shape will be critical in 2022. If you actually sell online, you should see an increase this year. If you don’t, there’s no better time than now to seriously make this change.

How will the economy affect engagement ring sales?

We already know the age of the average engagement ring purchaser has crept up to 32. They’re moving out of their parent’s homes later. They are waiting until they have greater earning potential. This age group will be hyper-focused



on “value”. You may see carat size go down. Or you may see less importance on quality in cut and color sacrificed to purchase that larger diamond. You also may see more inquiries about lab-grown diamonds. Make sure you are prepared for both.

Mortgage interest rates have risen substantially. Rent prices have increased as well. How will that possibly affect this age group? There will be fewer homes purchased. Young adults may live at home with their parents longer. This can go either way on the engagement ring front. They may spend more money on the ring if they are no longer in the market for a home. OR they may need to have more money to put down on that home, reducing their spending or looking to alternatives such as lab-grown; less expensive colored gemstones; or repurposing an heirloom. Make sure you have those alternative options in case or ready to discuss across the counter.

When will this take a turn for the better?

All economists are predicting well into 2023. It’s not an easy fix. Many of your customers are just like you. How are you feeling about the state of financial affairs?

2022 is a political year. How do politics affect consumer spending?

You can’t get away from politics, which have become increasingly polarizing. We see major brands taking a stance (ie. Disney, Nike, etc.) in everything from LGBTQ rights, feminism, racial politics, and immigration. Although statistics and some research on younger generations may dictate taking a stance, for a local business it is our strong opinion to avoid them. Yes, people want to do business with businesses they like, trust, and feel are aligned with their values, but there is also a tremendous risk of alienating a significant percentage of your prospective customers. Keep politics at arm’s length, no matter how strongly you feel about it. You and your employees are the faces of your brand. Have a discussion with all of them about this.



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What we do recommend:

- Review all sales and budgets in July 2022. Make tweaks IF needed.
- Take a hard look at your marketing efforts. If you have a cohesive and solid plan that's working, remain steadfast. If you are having doubts about your approach or feel it requires more attention, take the necessary steps to do so. If you are considering marketing changes, now is the time to start your agency/marketing interviews. Chances are great you will need to generate more traffic and volume.
- Remember the weak will never win. We saw many retailers reduce or even pause their marketing at the onset of COVID. Those retailers that remained and stayed the course, even increased (in some instances) budgets, took over market share.
- Look at your inventory and what you will potentially need for Q4 selling and beyond. If you are heading to JCK/Luxury/Couture, be mindful of average price points.
- Look at your messaging. Include some affordable price points in your marketing. Consider more emotional and "kindness" campaigns. You're marketing jewelry, where most purchases are predicated on love. Use that in your messaging. Fruchtman Marketing has always felt strongly about emotional marketing for jewelry.
- Consider the dollars you may currently have allocated in your budget toward creative production. There are several options and ways to stay on-brand for less money. Instead, allocate those dollars to media where your brand will be seen and heard more.
- Don't make inflated sales projections you may not hit. It will just deflate your staff. Stay positive, but realistic.



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- Make sure to have regular sales staff meetings. Include the staff in ways they believe they can help sales. It provides them with a vested interest. Remind them to post events and promotions on their own social media. Again, they are an important part of your brand. They should be selling inside and outside the store!
- Depending on the state of affairs come October, perhaps be more aggressive during the holiday season. If you currently don't have a holiday gift card program, do one.

We still believe you will see sales increases.

In our projections we are conservatively looking at 4%-8% over 2021. We think it will be tough to hit double-digits over last year, which saw double-digit increases the year before.

This is POSITIVE! There are many other businesses that will not be as lucky. As a small business, you are more nimble and have the ability to pivot. It's not so for big-box retail. They will most likely take a bigger hit.

At Fruchtman Marketing we are constantly thinking about the state of the industry and how this will have an impact on your business. If your current marketing firm is not doing the same, perhaps it's time you talk to us.

If you are attending JCK, and would like to secure an appointment to speak specifically about your business, [make an appointment here](#). We will provide you an assessment on your current plans; we can review your digital footprint; we can discuss your current sales numbers and your goals and objectives with complete confidentiality.

If you are not attending, feel free to [contact us](#) and we can set up a call.

Other interesting research:

https://alvarezandmarsal-crg.com/wp-content/uploads/2022/04/AM-CRG-Consumer-Sentiment-Survey_Spring-2022.pdf



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