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JA PUBLISHES ANNUAL COST OF DOING BUSINESS SURVEY

Retailers' overall sales growth dropped to an estimated 3.9% in 2005, versus 6.1% in 2004

New York, NY – Jewelers of America, the national association for retail jewelers, has released the *JA 2006 Cost of Doing Business Survey*, which analyzes JA member stores' financial data from 2005.

The *JA 2006 Cost of Doing Business Survey* represents the most complete, up-to-date comparative financial information available to retail jewelers in the U.S. JA compiles data from a cross section of retail jewelers: 27.8% responded from independent high-end firms; 56.9% from independent mid-range firms; 6.1% from designer, artist, custom firms; and 6.4% from chain stores.

"The *JA Cost of Doing Business Survey* is a unique and necessary tool for retail jewelers looking to be competitive in today's complex market," says JA President and CEO Matthew A. Runci. "Store owners and managers can pinpoint their strengths and weaknesses and, in doing so, evaluate and hopefully improve company performance."

Sales Growth and Profit

According to the *2006 Cost of Doing Business Survey*, while overall median sales growth dropped to an estimated 3.9% in 2005 – compared to 6.1% in 2004 – all store categories

– More –

experienced some level of growth. Chain stores and independent high-end stores saw the highest growth at 4.9% and 4.4% respectively, while independent mid-range stores experienced 2.5% growth.

Store profitability inched upward to 4% in 2005 (it was 3.9% in 2004 and 4.4% in 2003). Gross margins were down slightly - 48.4% in 2005, compared to 49.2% during 2004 – and are at their lowest point since 2000's 47.4%.

Share of Sales

Diamonds continue to represent the greatest share of sales, with diamond jewelry accounting for 33% and loose diamonds representing 15%. Colored stone jewelry (10%) and karat gold (9%) provide the other two largest shares of retailers' sales.

The survey also shows that customer service does pay off, as repairs bring in 10% of sales for retailers (up 1% from 2004). Sales of timepieces (5%) have stabilized – and even increased slightly.

High Profit vs. Low Profit

The High Profit and Low Profit data charts in the *2006 Cost of Doing Business Survey* can help jewelers define what differentiates high-profit firms from the rest of the pack. There is a connection between profits and sales per square foot, turnover frequency, gross margin return on inventory (GMROI), payroll and operating expenses [See Charts 1 and 2, page 4]. For instance, high-profit firms spend a lower percent of net sales on payroll (18.8% compared to the average 20.7% of all firms). As well, high-profit stores have found ways of containing their operating expenses, like paying less for occupancy (4.7%, compared to 5.6% for low profits). High-profit firms spend about 39.4% on total operating expenses, compared to 45.6% for low-profit companies [Chart 2].

High-profit firms also manage their product inventory more efficiently by: choosing products that provide the greatest return, selling more per square foot, and turning over inventory more frequently. In turn, they experience far greater sales growth (7.1%) than the typical jewelry store (3.9%) [Chart 1].

The *JA 2006 Cost of Doing Business Survey* was prepared by marketing research firm Advantage Marketing Information.

Order the 2006 Survey

Retailers are encouraged to view the full study, to compare their own statistics with the information contained in 75 pages of detailed data tables that measure key performance areas like expenses, sales growth, distribution of sales, inventory, and asset and financial management.

To order the *JA 2006 Cost of Doing Business Survey* call Jewelers of America at 800-223-0673, or visit JA online at www.jewelers.org. The Survey is available in electronic format or hardcopy to JA members for \$19.95, and to non-members for \$125. (Shipping and handling charges apply.) JA members who participated receive the finished survey for free.

For more information about Jewelers of America, visit www.jewelers.org.

Jewelers of America is the national trade association for retail jewelers. With 11,000 member stores, JA also works locally through its 40 state and regional affiliates. JA advocates high social, ethical, and environmental standards, promotes professional business and leadership skills, and enhances its members' profitability by offering education, certification, marketing and cost-saving programs.

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– **Charts on next page** –

Chart 1. 2006 Financial Results, All Firms vs. High-Profit

	All Firms	High-Profit Firms
EBIT to Total Assets	7.5%	14.9%
Profit Before Tax	4.0%	7.6%
Gross Margin	48.4%	50%
Asset Turn	1.6X	1.8X
Inventory Turn	1.2X	1.3X
Sales per Square Foot-Total	\$478.81	\$566.44
Sales Per Store	\$896,673	\$1,105, 251
Sales per Full Time Employee	\$205,002	\$223,809
Sales for All Employees	\$161,515	\$180,810
Payroll As a Percentage of Sales	20.7%	18.8%
Typical Store Size - Square Feet	2,000	2,029
Employees	5.6	6
Sales Growth	3.9%	7.1%

*Chart 2. Comparative Income Statement For 2006
High-Profit versus Low-Profit Firms*

	High-Profit Firms	Low-Profit Firms
Net Sales	100%	100%
Cost of Goods Sold	50.0%	53.4%
Gross Margin	50.0%	46.6%
Operating Expenses:		
Payroll (Incl. Benefits)	18.8%	22.0%
Occupancy	4.7%	5.6%
Advertising & Promotion	5.1%	4.8%
Employee Training & Ed.	0.2%	0.2%
Other	8.9%	10.7%
Total Operating Expense	39.4%	45.6%
Operating Profit	8.9%	1.4%
Interest Expense	1.0%	1.2%
Other Income/Exp.	0.1%	0.5%
Profit Before Taxes	7.6%	0.7%