



GLITTERING TREASURES

Michael Hill, Michael Hill, Michael Hill! It's the name on everyone's lips at any mention of jewellery, jewellery, jewellery!



Opposite Nationwide's Mark Everson Jewellers in Upper Hutt specialises in designing and manufacturing exquisite and personalised jewellery.

Left The Warehouse jewellery offer is usually as much as 40–50 per cent cheaper than other jewellers but it still doesn't sell a lot.

Right Display of Swarovski jewellery and ornate ornaments in Brent Weatherall Jeweller in Dunedin.

Boldly going where no jeweller had ever been before, Michael Hill (the man) stepped out from behind the workbench in the early 1980s to front his own TV adverts. In doing so, he became *the* pin-up for his own jewellery chain and brought much-needed sparkle to a staid retail sector.

Michael Hill is the unacknowledged hero of jewellery retail, says the president of the Jewellery Association of New Zealand (JANZ), Mark Beckett. "Many in this trade are quick to rubbish Michael Hill and chains such as Pascoes because their processes and product specifications are different (to those of top-end jewellers). But these chains are successful and they should be acknowledged – alongside the other New Zealand retailers that have gone offshore."

Michael Hill in particular has, and continues, to promote jewellery full stop, says Auckland jeweller John Crockett. "It does a great job and it saves me a fortune in advertising. They introduce people to jewellery who will eventually move up the (price and quality) ladder."

Michael Hill remains the middle market leader in New Zealand's estimated \$400 million jewellery market. Ultimately, the plan is to be the leader in Australia, New Zealand and Canada, says Michael Hill NZ's retail general manager, Darcy Harkins.

"Our target is to have 1,000 stores in 20 years and we're on track for that."

And, while Michael Hill CEO Mike Parsell mentioned the tough retail conditions at the announcement of the chain's reduced mid-year profit (down 4.1% to 15.8 million), Harkins remains upbeat. "The market has been up and down but New Zealand is moving along."

Michael Hill continues to evolve its brand and business. "When Michael

Jewellery is an emotional product and ... we need to be sure that our level of passion and service meets our customers' expectations.

Hill launched, his aim was to make jewellery affordable for the 'average' New Zealander. Since then, the business has moved on and developed the brand. That's one of the key things – along with making an amazing shopping experience."

Recent in-store and brand developments have centred on its watch offer, with all but the Citizen-branded watches dropped in favour of Michael Hill's own brand, MH. "We believe we can produce some of the best watches in the world and it's where we want to go as a brand."

DIAMONDS

While watches will feature less prominently in the immediate future, diamonds will be to the fore as Michael Hill positions itself as a major diamond player. Mike Parsell announced in August that the company would tackle tough retail conditions by increasing investment in diamond ranges.

In-store, this move will be apparent with such developments as the broadening of the 'Evermore' collection of classically set .50 to 1.50 carat sparklers.

Also being lured by diamonds is the 500-strong Australia and New Zealand buying and marketing group Nationwide.

Up until now, New Zealand and Australian jewellery-buying consumers' preference has been for smaller diamonds – but that's starting to change.

"There's a trend for bigger and better diamonds and we've identified this as one of our focus areas," says Nationwide's managing director, Colin Pocklington.

General consensus is that the size and number of players in the jewellery market have not changed significantly over the past decade. However, the number of different avenues available to a consumer looking to buy jewellery have expanded greatly, says Peter Alexander, CEO of franchise-cooperative Gemtime N.Z. Ltd.

A consumer can now pick up a sports watch at Rebel Sports, or pop down to The Warehouse or the local gift store for a pair of silver and paua earrings. "They're not jewellery-focused retailers," says Alexander, "but they're adding jewellery as a credible accessory."

The internet and various electronic communication platforms have also added a new element of competitiveness. "A good example is Trade Me where you not only have the end consumer trying to sell unwanted jewellery, but dealers using it as a convenient way of offloading stock."

SPECIAL TOUCH

Aside from providing a total jewellery experience, Brian Daniels says the giving away of a small 'thank you' is what customers react to. Often it's a simple gesture, such as a flower with a purchase. Other value-adding extras at Daniels' Gemtime Jewellers include a reward system where, upon making a purchase, customers receive a voucher to spend in-store plus diamond valuations and certifications, along with extension to watch guarantees.

"We believe in fostering lifetime customers."



Left A display of barometers at Mark Everson Jewellers in Upper Hutt.



Right Tools of the trade – a window display in Dunedin's Daniels' Gemtime Jewellers.



Mark Beckett's very stylish jewellery packaging.

SERVICE

How to prevent further seepage of jewellery lines to mass merchandisers and other retailers is not easily answered but, Alexander says, a general concerted effort – by the industry to improve the standard of service delivered by personnel in bricks-and-mortar speciality retail jewellery stores to the end customer – would help.

“The jewellery industry needs to reconsider the service aspect and importance of it as an integral and cornerstone part of everyday business at the retail coalface. Jewellery purchases

To create a better customer-focused environment, the jewellery offer is being re-positioned in many stores. “When we rolled out jewellery three years ago it was hard to guess the future. We ran it alongside the music category – thinking that staff could move between the two categories – but it didn't work. You need a dedicated jewellery salesperson.”

The priority now is to have the category “front and centre” to customers as they walk in to the store.

DISCOUNTING

Price discounting has become a familiar marketing tactic for mid- and entry-level jewellers. ‘Was-Now’ and ‘save’ pricing tactics punctuate promotional flyers and highlighted price stickers in window displays.

As in so many jewellery happenings, Michael Hill is credited with the advent of discounting. In the early days it was successful, says Brian Daniels of Daniels Gemtime Jewellers in Dunedin. “It was a marketing ploy to grab market share. It certainly highlighted jewellery and people bought more – but people don't react to it now.”

He attributes the change in mind-set to the credibility that consumers want to associate with the jewellery they

buy. “Nowadays, customers do shop around but they also want to be looked after and price is probably fifth or sixth on their priority list.”

Keith Robieson believes some consumers are still turned on by ‘Was-Now’ pricing but they don't necessarily follow through with a purchase. As an example he uses a traditional gold bangle available at The Warehouse. “Our everyday price is 40–50% cheaper than other jewellers but we still don't sell a lot ... perhaps people don't shop around enough. Also, I think people find it difficult to determine a fair price for some jewellery.”

MANUFACTURING

Customers benefited from the advent of Michael Hill – but not so our local manufacturing and wholesale industry.

Wholesalers became extinct 20 years ago, says Mark Beckett, as the chains by-passed wholesalers to deal direct with manufacturers who, in order to stay price-competitive, were forced to continually shave margins.

“I think people find it difficult to determine a fair price for some jewellery.”

are largely emotionally charged purchases and, as sellers of jewellery, we need to meet customers with a similar level of passion and enthusiasm.”

And, it seems, high expectations of service abound right across the jewellery market.

“Customer service is the most important aspect ... if you're not offering a high-quality environment, you'll lose out,” says Keith Robieson, The Warehouse's jewellery buyer.

PURCHASING INFLUENCES

What we buy inside a jewellery shop is strongly influenced by what we see while browsing window displays, reveals a recent ACNielsen on-line survey.

Conducted in June this year, with 22,780 internet users in 41 markets, respondents were asked about a range of purchases and what influences – TV/print advertising, word-of-mouth, internet, blogs, window-shopping, previous experience with the brand/company, and the brand name/reputation – helped them make their final purchasing decision.

Of the New Zealand respondents, 61 per cent said window displays were the biggest influence, followed by TV/print advertising (35 per cent) and brand/reputation (22 per cent). As window displays influence consumers strongly, it's a good strategy to change displays frequently.



Left Mark Beckett's jewellery store is located in a discreet upstairs location in Newmarket's Broadway in Auckland.



Right Brain Daniels believes in his specialist service which includes value-added extras for customers at his Daniels' Gemtime Jewellers.

B2B

UK jewellers hope a new internet hub – www.JewellersTrade.com – will inject some sparkle back into their lackluster industry. The business-to-business internet market-place lets UK-member jewellers interact with one another and dispose of end-of-line, unsold and hard-to-move stock. Members include jewellery retailers, manufacturers/wholesalers and service providers to the industry. JewellersTrade.com also gives members the option to allow the public to view their products – but at public prices rather than trade prices.

Source: eMediaWire Newswire

Now the chains go overseas for most of their manufacturing. He estimates that there are now about 300 manufacturing jewellers – and most of them working in, or for, smaller retailers.

Finding goldsmiths and manufacturing jewellers is difficult, says John Crockett, because their skills are readily portable and most of them head off overseas.

The shortage of manufacturing jewellers does have a flow-on effect at retail level, says Gemtime's Alexander.

"As the skill base diminishes so too does the depth of knowledge and information within the retail store. If a customer has certain specifications and a design in mind but there's no one to articulate or see it through, then it means there will be less custom-made jewellery available.

He says up-skilling and training programmes are required and, at the end of it all, remuneration commensurate with skills.

Just like a good diamond, there's always room in the market for a jewellery retailer with clear-cut clarity on what they're about.

JANZ is in the process of trying to have a jewellery apprenticeship reinstated.

Belt-tightening – primarily due to rising prices at the petrol pump, is curtailing discretionary spending on jewellery.

Even so, Darcy Harkins is optimistic about the immediate future. "It's bright and we're looking forward to a positive year."

Jewellery retail is reasonable – but not great, says Colin Pocklington.

CHAIN LINKS

How best to keep track of great-grandma's diamond and ruby ring – brought in for a minor repair and clean? Or, how best to make sure that a couple's requested wedding-band design is fulfilled and delivered on time?

These transactions are part and parcel of jewellery retail – but can become a logistical nightmare if you're a jewellery chain retailer without a reliable tracking system.

Mark McGeachen, managing director of retail marketing and POS software Advance Retail Technology, is only too aware of the potential pitfalls of keeping track of expensive and sentimental-value jewellery items. "It's a high-touch, high-service environment where customers have exacting requirements."

Over the last five years, Advance Retail Technology has worked with chain retailers Prouds, Pascoes, Stewart Dawsons and Angus & Coote to develop point-of-service technology to meet their exacting requirements.

"In essence, what we do is develop simple systems that will correctly capture the information or instructions from a customer, validate these, and track the jewellery."

Special customer orders – where customers request a particular jewellery design – present a special challenge. If someone has designed the ring of their dreams to give to their special someone on a special day, you have to get it right, says McGeachen. "It's really important because if you get it wrong or deliver on the wrong day it will be disastrous."

Repairs are another unique area of jewellery retail where keeping track is vital.

The actual repairs are often minor and represent a low dollar value, but the jewellery item is often high-value, therefore a reliable recording and tracking system is vital.

"Jewellery is a highly competitive market and anything you can do to reduce costs or be more responsive to your customers' needs will help improve your position in the market."



The release of the film *The Blood Diamond* starring Leonardo DiCaprio could revive awareness of 'conflict diamonds' – mined by children in war-torn African countries.

"Worldwide, there have been difficult times over the last year."

Aside from petrol prices, there's been a fashion trend to costume jewellery.

But there are still gaps and opportunities and the challenge for jewellers is to know what your customers want.

He predicts that New Zealand jewellers will follow the lead of overseas jewellers and slim down their product ranges. Many have dropped out of watches – apart from the top-of-the-line brands – due to their availability through other retailers, and slim margins.

"In the US, 60 per cent of sales are from diamonds. In Australia and New Zealand it's between 15-20 per cent

JANZ is in the process of trying to have a jewellery apprenticeship reinstated.

and that's due to watches and silver. A lot of overseas jewellery retailers don't sell watches – or only stock the top-end brands – because there are so many other retailers selling them."

Keith Robieson reckons that, despite a tightening in discretionary spending, the Warehouse jewellery offer will continue to sparkle. "With an impulse

price range you stand a better chance at growing your market."

At the other end of the buying spectrum, Mark Beckett and John Crockett remain generally optimistic. Trading conditions are average at present and reflect the current political climate, says Beckett.

"We've had four good years so we're due a couple of average ones."

ENCROACHING GIANT

John Crockett says the most obvious cloud for New Zealand jewellers is China – whose manufacturing industry is developing at an alarming rate. "What's going on there is terrifying. They're producing good product, fast – and in quantities that you wouldn't believe. People are going to have to be careful."

Chain retailers will benefit from the bulk manufacturing arrangements, but some independents will have to sit tight.

"There's not a lot that can be done about it. It's a tidal wave you have to ride and, again, it will be the manufacturers that will suffer."

However, Mark Beckett predicts a backlash from a growing number of consumers to jewellery sourced or manufactured in cheap-labour

countries – and to 'conflict diamonds', mined by children in war-torn central African countries.

"We have a social responsibility and, I think, this century we'll see more of that coming through. As manufacturers and retailers, we have to be more socially responsible from where we source our products."

The conflict diamond debate is old-hat now, says Colin Pocklington – although he adds it could come to prominence again with the release of the movie *The Blood Diamond*, starring Leonardo DiCaprio.

Both Gemtime and Nationwide are adamant that independent retailers with focus will continue to sparkle.

"Independent jewellers need not be a dying breed so long as they have the backing of a good brand underpinned by a sound business structure and well-defined operating processes," says Peter Alexander.

Just like a good diamond, there's always room in the market for a jewellery retailer with clear-cut clarity on what they're about. ■

GIRL POWER

New Zealand women are a traditional lot when it comes to jewellery. "In Europe, women wear jewellery as an accessory. In New Zealand it's treated more as an inheritance. They wear it constantly, and almost wear it out," says Mark Beckett.

But they're looking for inspiration further afield and readily turn to the internet and overseas for purchasing ideas, says John Crockett. "New Zealanders are using the net like you wouldn't believe and bringing home ideas from overseas of what they want. Their demand for quality is almost anal."

The days of women waiting for their man to dazzle them with a diamond are fast disappearing. "Women now are more likely to buy jewellery for themselves," says Michael Hill's Harkins, "and that's captured in our catch-phrase "Celebrate You."



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PROUDLY PASCOE

Michael Hill might well be our best-known jeweller, but his rings-and-things empire is said by many to be surpassed by that of Anne and David Norman of James Pascoe Ltd. The Auckland company has a 100-year history, with James Pascoe (Anne Norman's grandfather) establishing the jewellery chain in 1906.

James Pascoe Ltd. now owns Pascoes Jewellers, Stewart Dawsons, Farmers department stores and Australian jewellery chain Prouds. Earlier this year it made further inroads into the Australian market, buying an 11.2 per cent stake in Angus & Coote – which owns about 300 stores. *The Dominion Post* reported that a full take-over could be difficult, with 60 per cent of the shareholding remaining with the A&C's founding shareholders; however, the move could lead to consolidation of the struggling Australian retail jewellery sector and creation of a combined A&C Pascoes group – with significantly more buying power than Michael Hill.

Unfortunately James Pascoe Ltd., a privately-owned company, remains just that and declined the opportunity to talk jewellery with *NZRetail*.

PERFECT SETTING

Mark Beckett and John Crockett have taken different approaches to create the perfect environment for their respective top-end jewellery businesses.

At John and Carol Crockett's Auckland Ring Company in West Auckland, Tuscan-style premises – complete with a formal garden – provide the perfect surrounding for pondering a perfect pendant or diamond ring. The Auckland Ring Company employs three goldsmiths who specialise in designing and manufacturing fine jewellery. A small and exclusive range of jewellery is also bought in and sold.



Interior view of John and Carol Crockett's Auckland Ring Company in West Auckland.

Mark Beckett has a discreet upstairs location on Newmarket's Broadway. Accessible yet unobtrusive jewellery premises were popular during the 1960s and 1970s and Beckett felt the formula was well-suited to his custom-design jewellery business. "Discretion is still the key."

Another benefit of his Level One location is the rent which is a fraction of what street-level tenants are paying.

Nationwide's Colin Pocklington says the increase in jewellery rents, especially in malls, is a continuing trend. Jewellers are charged more because their rent is based on sales per square metre – whereas returns per square metre would be fairer, he says.

"In the early 1980s, rent used to account for five per cent of sales; now it's closer to 15 per cent of sales. It's a real issue for those in the larger cities."



Above Display of Swarovski jewellery and ornate ornaments in Brent Weatherall Jeweller in Dunedin.

HIPPITY WHAT?

Hip-hop-bippoty-bop is all tickety-boo at Brent Weatherall Jewellers in Dunedin.

Born and bred into the business, and a manufacturing jeweller with 25 years' experience, Brent Weatherall found himself at a crossroad four years ago. A less-than-amicable departure from his father Keith's business left him and wife Jo faced with the 'what now?' question. Their answer: something different.

The seed of something different has grown into a unique offering of mostly up-market, branded fashion jewellery – something Weatherall calls hip-hop-bippoty-bop – complemented by some of the more traditional, yet stylish, diamond rings and crystal ware.

Brands stocked include Swarovski, Skagen, Diesel, D&G, Guess, Dyrberg and Kern, Karen Walker and Howard Miller clocks.

"I circle myself with brands that are bigger than the Brent Weatherall brand."

They're brands known to his mid-to-upper-income clientele. They're also brands that are never seen in the 'Was-Now' catalogues. In the past, he says, fashion jewellery conjured up images of tacky party-plan garb. But he's taken fashion and jewellery to a new dimension – a direction encapsulated in the Brent Weatherall catchline 'where fashion and jewellery come together'.

Taking the lead from fashion retailers, the Weatheralls spend much time keeping up with trends, and aim to regularly have 'something new' for in-store browsers. And Brent's quick to credit the focus and fashion orientation of the business to Jo.

"She's really opened my eyes to fashion."

By Lynda Gray, an award-winning freelance writer based in Alexandra and a regular contributor to *NZRetail*.