JCK 2019

STATE OF THE JEWELRY INDUSTRY REPORT

{contents

INTRODUCTION

During this milestone year at JCK, we celebrate tradition while embracing change in our industry.

This year *JCK* marks two milestones that speak directly to the strength of the jewelry industry. The first is JCK magazine's 150th anniversary, solidifying our place as the industry authority and also testifying to the resilience of the businesses we have served from the late 19th century through almost a full quarter of the 21st.

The second milestone is a slightly more modest achievement and more contemporary: The publication of this very paper, our **2019 JCK State of the Jewelry Industry Report**. For the second straight year this document offers readers unparalleled insight into what's happening in the jewelry industry. Again, we asked industry professionals how confident they are in their business's prospects in the year ahead to produce our exclusive barometer of industry sentiment, the **JCK Jewelry Industry Confidence Index (JICI)**. For a second year in a row, industry professionals offered an overwhelmingly positive response.

We once again commissioned a national research firm, MRI-Simmons, to conduct the survey underpinning the findings in this report. This year we made minor updates to the survey to capture insights related to key, timely topics, but we are committed to keeping the data-collection process as consistent as possible from year to year. As the years go by, the insights to be gleaned from multiyear progressions will be ever greater.

As we review the data gathered in 2019, it's clear that our overarching theme this year is one of consistency and continuity. Looking at changes across two years alone, the similarities in many responses reinforce the confidence we have in our methods and initial 2018 analysis.

But some things have changed. Identifying these shifting priorities and perceptions has given us a guide to the timeliest subjects affecting jewelry industry professionals today. These clues, and our editorial reporting, point to a few areas that may warrant immediate adjustments in business strategy and tactics.

For a second year in a row, industry professionals had an overwhelmingly positive outlook on next year's business prospects.

EXECUTIVE SUMMARY

optimism

STRENGTH AMID UNCERTAINTY

There's no denying that in 2019, the jewelry industry—even with its ancient origins and the uniquely meaningful place its products occupy in cultures worldwide—must confront the same unpredictable landscape faced by other business sectors. Technology-driven disruption of traditional economic models, trade-policy shifts and disputes, political turbulence in the United States and beyond, and the increasing frequency of extreme weather events all create challenges that impact small, independent jewelers and the largest retail chains alike, not to mention wholesalers and manufacturers.

The Jewelers Board of Trade (JBT) announced that 2018 saw 1,064 jewelry businesses discontinuing operations (893 retail jewelers, 106 wholesalers, and 65 manufacturers), among them several that had been in business for more than a century. But, as *JCK* news director Rob Bates reported in March, there were two silver linings: New entrants to the industry registering with JBT were up 38.6 percent year over year (for a total of 230 companies), and it's likely that these figures may omit some designers and retailers doing business exclusively online. As we discuss later, this hard-to-track group working outside the traditional bounds of the industry offers some examples of social selling that could benefit more traditional retailers.

For the roughly 40 percent of those we surveyed who are independent, single-store retailers, the JBT numbers speak to the challenge of staying in business and to opportunities to think beyond traditional brick-and-mortar operations (again in 2019, 75 percent of all jewelry professionals are concerned about the future of that model). This year there is a small but noticeable shift in priorities away from improving the in-store buying experience as a means to woo consumers.

But technology disruption for jewelry industry professionals isn't limited to retail practices. Innovation in lab-grown diamonds and their potential to impact the value propositions central to the enduring desirability of mined stones are generating more speculation and uncertainty than ever. Questions posed by investors, regulators, and the arbiters of authenticity—such as the Gemological Institute of America (GIA)—have picked up intensity in 2019, but our findings show that the buying habits of consumers and the retailers serving them haven't changed to the same degree yet.

SELF-CONFIDENT BUT CAUTIOUS

When we revealed the first **JCK Jewelry Industry Confidence Index (JICI)** last year to be 88, we discovered that jewelry industry professionals registered a strong belief in their own work and its prospects. The first index meant that a full 88 percent of those in the trade were either very or somewhat optimistic about business expectations for the coming year. Frankly, while a great way to begin, we had some quiet concern that such a highly positive outlook might be hard to maintain.

This year the **JICI** score stands at 86—only a slight decrease from last year's debut measure of 88, and one that falls roughly within our statistical margin of error. In spite of volatility in culture, trade policy, and technological disruption's onward march, experienced jewelry professionals (again in 2019, people in senior leadership positions dominate our respondent pool) remain steadfastly positive about the future of their businesses for the 12 months ahead.

All this confidence notwithstanding, attitudes about the business outlook in general revealed an interesting trend that cut across all segments of those surveyed, including region, age, and size of business. We observed more pronounced polarization in those who believe things are headed in the right direction and those who think things are getting worse. In general, the optimists held steady, but the number of those uncommitted in their assessment fell, while those expressing concern rose, as we discuss in more detail below.

JCK

2019

JEWELRY INDUSTRY CONFIDENCE INDEX

86

59%

FEEL OPTIMISTIC ABOUT THE STATE OF THE GENERAL ECONOMY

44%

REPORT THAT THE ECONOMY IS BETTER NOW THAN IT WAS A YEAR AGO

38%

FORECAST EVEN MORE FAVORABLE CONDITIONS 12 MONTHS FROM NOW

These numbers are comparable to the data from 2018, with a negligible margin.

TOP 3 BUSINESS CHALLENGES IN 2019

Percent of respondents who ranked these in their net top three.

67%

ONLINE COMPETITION

56%

OVERALL ECONOMIC CLIMATE

50%

LACK OF GENERAL CONSUMER DEMAND

2018 saw the same top 3 challenges, but with a different breakdown:

74%

ONLINE COMPETITION

47%

OVERALL ECONOMIC CLIMATE

45%

LACK OF GENERAL CONSUMER DEMAND

SHIFTING EMPHASIS ON CHALLENGES

A FIRST LOOK at our findings on the top challenges facing the jewelry industry could give the impression that not much has changed in a year. But a closer look shows a new distribution of importance across categories that nonetheless still rank in the same order.

The top three challenges in 2019 are, in order of prominence: Online Competition, Overall Economic Climate, and Lack of General Consumer Demand. This ranking holds both for the net top three choices among all selections and when ordered more simply by the number of people who picked each one as their top challenge overall. Although these choices match 2018's top three, Overall Economic Climate gained 10 percentage points in its second-place finish, while Lack of General Consumer Demand increased by 7 percentage points overall and 9 points among those who ranked it as the top challenge of the year.

In this way, the trend toward more strongly held negative opinions about the general economic outlook are correlated to a judgment about direct business challenges that more heavily weighs the overall economy as a factor. Worth noting also is that Economic Climate and Consumer Demand register more strongly among manufacturers and wholesalers (72 percent and 61 percent in their net top three) than independent retailers (56 percent and 50 percent respectively). Online Competition stood out for being a somewhat bigger concern among businesses with annual revenue over $1 million.

ADJUSTING STRATEGIC PRIORITIES

IN 2018, IMPROVING the In-Store Buying Experience was not only ranked as the top choice for strategies to meet business challenges, but it also outstripped the runners-up for top choice by a ratio of nearly 4-to-1. This year it didn't even make the top three.

In a nod to the power of the digital-advertising ecosystem, 2019's top business-boosting strategy is Connecting With Clients on Social Media, followed closely by Advertising in Nontraditional Forms. This shakeup at the top of the preferred strategies list suggests that Online Competition has not diminished in importance to industry professionals, even though this year it's more evenly weighted among top the top three challenges.

While surely no one contests that what happens in-store matters to a business's success, the top three strategies for surviving and thriving in the 2019 marketplace are less about experience and more about maintaining a competitive online presence. Gaining a customer's attention and fulfilling their tangible desires is the roadmap, so rounding out the top three is a plan to Change Inventory-Buying Habits.

Investing in Technology Innovation remains at the bottom of preferred strategic options among jewelry industry professionals, but this year we asked about the use of inventory management systems and their impact on business. Overall, 66 percent of respondents report that they have an inventory management system, with 60 percent of those saying they use it for tracking and 29 percent for forecasting.

46%

say connecting with clients via social media is one of their top three business-boosting strategies.

The most prevalent reported effect of using an inventory management system among businesses that do is Streamlined Tracking/Auditing (52 percent), with Increased Profit/Revenue second (43 percent).

The decision about whether to adopt an inventory management system correlates to the size of a business, as 83 percent of businesses with revenue of $1 million or greater report having one, while only 49 percent of businesses with annual revenue less than $1 million do. That correlation is even more pronounced when it comes to the use of customer relationship management (CRM) systems.

The overall number of jewelry trade professionals who report using CRM systems is already lower than those using inventory management systems, at only 41 percent of respondents. Beyond that figure, the differences in both the acquisition and use of CRM systems split down revenue lines with businesses of over $1 million twice as likely to have a CRM system as those earning less, and those same businesses are also twice as likely to the use their CRM systems for tracking and sales tracking specifically.

Among those with CRM systems in place, 57 percent attribute Improved Sales to its use and 49 percent claim Increased Profits/Revenue. This suggests a move toward a more personalized experience.

By comparison, social media marketing requires less training and expenditure to initiate. Professional support can boost the potential return on those efforts, but with so low a bar to enter the game, there is potential to earn some kind of reward for a smaller risk.

TREND-SPOTTING trends

IN THE JCK NEWS DAILY, our definitive email newsletter on developments across the industry, we follow trends closely and offer the jewelry industry a perspective both global and granular on what people want to be wearing—and what we think they'll be buying next. We take cues from red carpet and fashion events as well as by speaking directly with consumers, trendsetters, customer-facing designers, and, of course, retailers.

EBB AND FLOW: TRENDS TO KNOW

With the **JCK State of the Jewelry Industry Report** we have a chance to step back and offer a yearlong perspective gathered from putting questions to all segments of the industry, including wholesalers and manufacturers. Being able to assemble and share this longer-term view is something we already find valuable now, and as it provides another level of context for our reporting, so we hope the jewelry industry will benefit over time from this growing record of what commands attention and sells best to consumers.

We asked jewelry industry professionals to name the three most popular trends they expected to dominate 2019 and found that Alternative Engagement Rings was the consensus favorite for the second year in a row. It's too soon to say if this signals a permanent shift in this part of the bridal sales market, but this top trend outpaced its nearest follower, Layering, by a significant margin for the second year.

Layering held down the second spot year over year, but a new trend—Stacked Rings—displaced Statement Earrings as the third-most popular trend for 2019. Stacked rings have been visible as a growing phenomenon in our reporting going back a few years, and their continuing strength makes sense for a couple of reasons. First, they represent a similar approach to layering: Smaller pieces combine to make a strong statement. This leaves the consumer free to spend more time shopping for less-expensive complements to what they already have. Being able to spot a special accent purchase to add a new twist to existing pieces gives casual browsing a new dimension and interest—and creates a new strategy that retailers can use for conversion.

Second, the smaller acquisitions fit well with another growing consumer trend: the female self-purchaser. Nearly four out of five respondents said they'd noticed some growth in female self-purchasers, with three out of five reporting somewhat or considerably more women buying jewelry for themselves.

While the average price point for a female self-purchase was $1,240, the median price was $760. One in three purchases made by women buying jewelry for themselves was under $500. Particularly among younger consumers who may be more budget conscious, the opportunity to make a modest acquisition with strong impact on what they already own provides a clear incentive to buy.

Lab-Grown Diamonds (covered at length on page 17) held the fourth spot, climbing somewhat in popularity as a trend, while Statement Earrings declined slightly to meet it in a tie for fourth. Modern Pearls, which is the last carryover from 2018, moved up to the fifth spot, as Pantone's Color of the Year for 2019, Living Coral, failed to catch the imagination of consumers as its 2018 choice, Ultra Violet, did. Beads also fell off the string, making way for a Heart-Themed Jewels to emerge at the low end of industry consensus on what's hot.

ON THE RISE

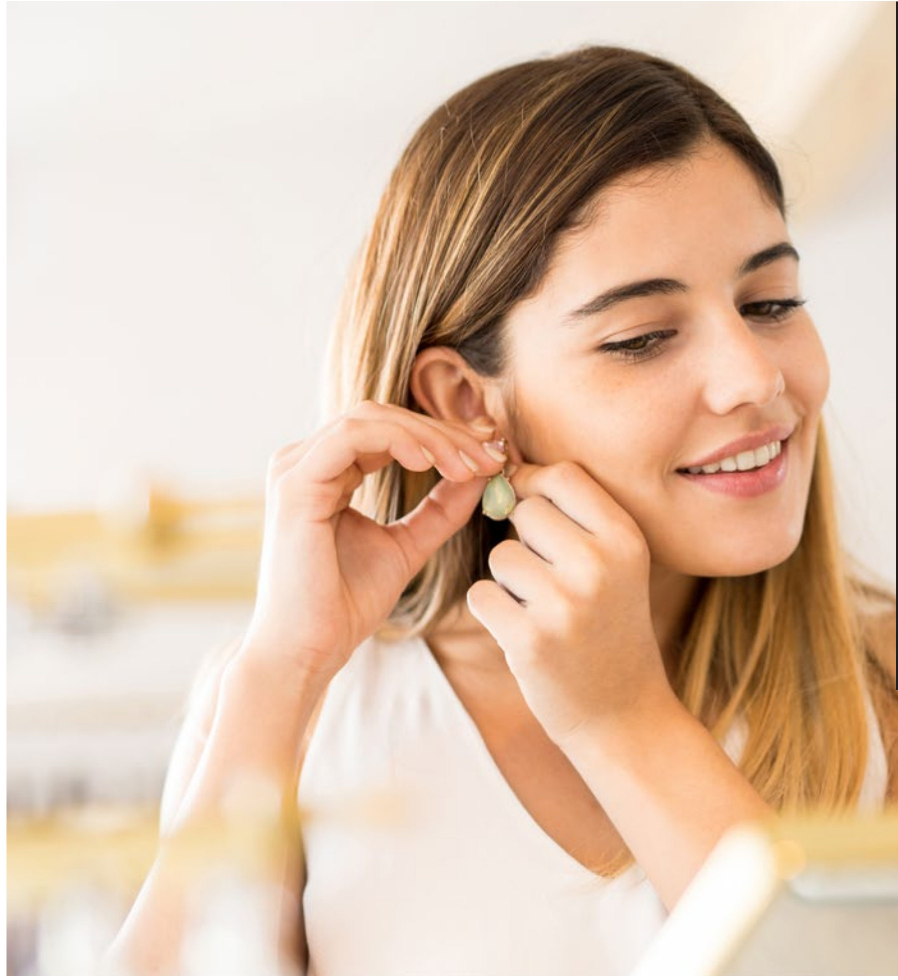
- Alternative Engagement Rings
- Layering
- Stacked Rings

ON THE DECLINE

- Purple Jewels (2018 Pantone Color of the Year)
- Beads

NEW TREND TO WATCH

- Heart-Themed Jewels/Charms



TREND: WOMEN SELF-PURCHASERS

Average Price Per Purchase
$1,240

Median Purchase Price
$760

1 in 3 Purchases
Below **$500**

METALS: FROM WARM TO WHITE, BUT NOT JUST YET

When it comes specifically to the world of metals, predictions for popularity in 2019 stay in line with those from the previous year—and attest to the staying power of longer-term trends. Gold holds strong on the “what’s hot” tally, with yellow gold anticipated to be the most popular fashion choice in metals again in 2019. This projection reflects a trend that JCK has followed for years. The staying power of warm gold tones has roots in the early 2000s and has been sustained by the popularity of “daily gold” pieces among consumers, particularly in the United States.

Emili Vesilind, one of *JCK*’s foremost trend-spotters, has been heralding the arrival of white metals among hip designers, fashion-forward Europeans, and also some hip-hop icons such as Nicki Minaj since the middle of 2018. Not incompatibly, white gold holds the number-two spot (followed by rose gold), but silver, which industry professionals put at number four, shows signs that its time outside the top-three trending metals may be over soon.

The Silver Institute’s Silver Promotion Service announced in March 2019 that of 52 percent of retailers it surveyed reported increased silver jewelry sales in 2018, with average store growth at 16 percent, and 82 percent of their respondents expecting continued growth in the category. While our more general survey doesn’t strongly reflect the trend, it doesn’t contradict it—and as evidenced by *JCK*’s reporting, white metals are another category to watch.

EXPECTED TO REGISTER: ANTICIPATED SALES FOR 2019

This year when we asked which jewelry types were likely to see changes in sales in 2019—whether up or down—Colored Gemstones were this year’s top pick (64 percent of respondents expect sales to be up, versus 11 percent down and 21 percent no change). Fashion/Bridge Jewelry was also a category that respondents were enthusiastic about (55 percent up, 13 percent down). Both Responsibly Sourced Jewelry and Lab-Grown Diamonds were in the middle of the field in terms of predicted increases, but they had particularly good ratios of anticipated increase to anticipated decline (49:7 and 46:8, respectively).

64%
expect colored gemstone sales to be up

The least-favorable sales prognosis by category was for Watches, though to be clear, even this category shows year-over-year improvement. There is more reason for hope than last year, but the positive developments remain the weakest among all categories. With a 1:1 (28:28) ratio by percentage of respondents predicting sales up and sales down in 2019, they were squarely at the bottom of the list for the second year in a row. The ratio improved over last year, though, when respondents who anticipated a change thought it twice as likely that sales would fall rather than rise. Based on the distribution, the boon in positive predictions came from a shrinking pool of industry professionals who anticipate no change.

Reporting on sales changes for 2018, 27 percent of respondents indicated that Watches were up year over year, with 23 percent reporting them down. This is a noticeable change for the better in terms of ratio from our **2018 State of the Jewelry Industry Report**, when only 12 percent of respondents indicated watch sales had been up, compared to 25 percent down in 2017 over 2016. In that light, shifting to break-even chances on increased sales from a year in which respondents seeing a change were twice as likely to have seen a decline as an increase hints at a positive trend.

Innovation and arbitrage by online startups affect different markets in different ways, sometimes enhancing and sometimes cannibalizing sales. Our limited survey results and more extensive reporting suggest that as tech disruption in the luxury market and the continuing influx of smartwatches continue in the coming years, they will create ongoing volatility in the category.

WATCHING WATCHES
Percent of respondents who reported watch sales up or down

	2018	2017
Up	27%	12%
Down	23%	25%

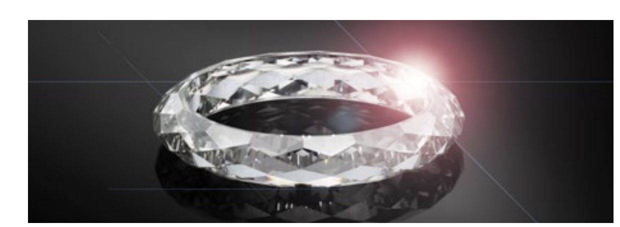
REAL MOVES: ACTUAL SALES IN 2018 VERSUS 2017

Custom pieces were the runaway winner in reported sales changes between 2017 and 2018. Respondents were just over seven times more likely to have seen an increase in sales of custom pieces than a drop. Custom-Made Jewelry also generated the most customer requests among all types of jewelry, with 77 percent of respondents receiving them.

MOST REQUESTS
Custom-Made Jewelry
77%

Colored Stones were also up in year-over-year sales, with 57 percent reporting increases, and they were also a frequent subject of customer requests, with 52 percent of those surveyed hearing from interested customers. Next in line were Bridal (55 percent), Diamonds (53 percent), and, right on trend, Fashion/Bridge Jewelry sales were up among 45 percent of respondents.

In spite of indications that pearls are growing in popularity, those seeing sales increases were roughly equal with those who had witnessed a drop (32 percent and 29 percent, respectively). With watches having achieved just-better-than-break-even status, the only type of jewelry showing a clearly negative trend, repeated from last year’s survey, were Charms. One-third of respondents saw a decrease in sales, while just under one-quarter reported a gain.



QUESTIONS CUSTOMERS ASK

The question of which types of jewelry produce either the most requests or the most concerns from consumers is something new we decided to explore this year. The idea is to help jewelry industry professionals better understand the jewelry-buying public's mind, gain insights into what messages can be made clearer to entice buyers, build relationships by educating customers about parts of the business they don't understand or are uneasy with, and adjust inventory and services to meet changing demands. We've already alluded to the frequent requests for custom pieces and colored gemstones apparent in the summary table; alternative engagement rings were also something customers often asked about.

Lab-grown diamonds are another deep dive we've included in this year's **State of the Jewelry Industry Report**, and these results reflect part of our reasoning. It's no coincidence that the subjects that generated the most concerns from customers were all related: responsibly sourced jewels, lab-grown diamonds, and conflict diamonds. Elsewhere, we review all the issues associated with lab-grown diamonds, including reasons people do and don't buy them. Cost is the dominant factor driving purchasing decisions for lab-grown stones, but ethical concerns still play a factor in all diamond purchases—in actual decision-making, marketing positions, and debates within the industry. The ongoing guidance being issued by the Federal Trade Commission (FTC) regarding language used to describe lab-grown and mined diamonds, as well as industry concerns about GIA reporting on lab-growns, and evolving conversations about the role of blockchain, clearly trickle down to consumers and leave them with questions.

Interestingly, businesses with annual revenues below $1 million were more likely to hear concerns about conflict diamonds (64 percent) than were those with annual revenues over $1 million (55 percent). The jewelry industry must be mindful at every level about how its debates affect consumer behavior and be prepared through industry associations and direct conversations with customers to address concerns and answer questions clearly.

The topic of repairs stands apart on this list for generating the second-most customer requests (58 percent), while at the same time eliciting concerns that were directed to one in three survey respondents. Jewelry repairs are an evergreen need among consumers, but they can be a source of contention. This is an area where customer education and relationship-building present an opportunity to fulfill a desire and generate loyalty. The ratio of concerns to requests suggests that the industry can do better at leveraging that chance.

WHAT CUSTOMER REQUEST . . . AND WHAT CONCERNS THEM

Types of Jewelry	Most Requests	Most Concerns
Custom Made	77%	16%
Repairs	58%	32%
Colored Gemstones	52%	14%
Alternative Engagement Rings	41%	18%
Responsibly Sourced Jewels	19%	62%
Lab-Grown Diamonds	15%	36%
Conflict Diamonds	5%	60%
Other	7%	7%

CONFIDENCE GAME: OPTIMISTIC OVERALL, BUT FEWER SIT ON THE FENCE

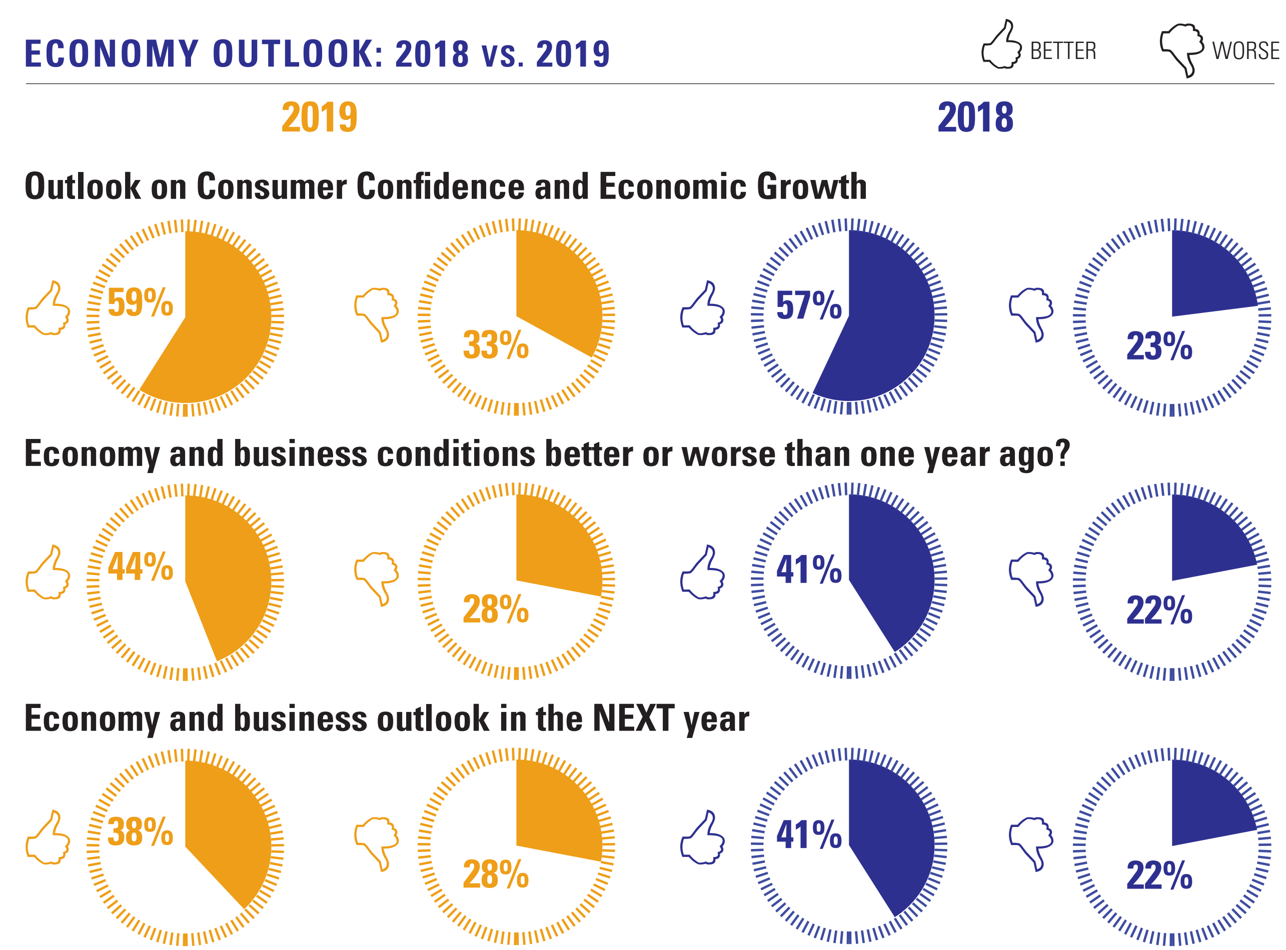
When asked whether our respondents were optimistic or pessimistic about consumer confidence and economic growth, 33 percent said they were pessimistic (up from 23 percent last year) and only 8 percent said they were undecided (down from 21 percent with no opinion in 2018). The optimists held steady.

Asked to say whether business and the economy are doing better or worse than one year ago, 28 percent said worse (up from 20 percent) to 44 percent who said better (consistent with 2018). Looking ahead one year, those predicting worse times ahead again rose 10 percentage points to 32, while those seeing better times to come fell negligibly to 38 percent from 41 percent a year ago.

These two questions are also posed by MRI-Simmons at a national level in their annual "Survey of the American Consumer," so we're able to compare these attitudes about the general economy with the average American consumer. While the percentage of jewelry professionals saying the last year had improved the economic picture was consistent year over year, they are now only a bit over 50 percent more likely than American consumers to express that opinion. In our 2018 survey, positive assessments of the past year by our respondents outpaced positive responses by the general consumer by almost 2-to-1.

Though a less dramatic move, the ratio of jewelry professionals optimistic about the economy in the year to come also moved slightly

ECONOMY OUTLOOK: 2018 vs. 2019



more in line with the attitudes of the typical American consumer (still leaving them about 39 percent more likely to rate the outlook positively). It was at the other end of the spectrum that we found larger shifts in perspective relative to the larger population.

Jewelry industry professionals harboring pessimistic views about the general economy were 25 percent more likely than the average consumer to rate the state of the economy this year as worse than it was one year ago, versus in our 2018 survey when they were 14 percent less likely to rate the economy worse. That's a 39-point swing toward a negative point of view relative to American consumers on U.S. economic performance.

When it comes to predictions for what the economy would look like one year from now, jewelry professionals holding negative views tilted 41 points more in that direction than the average American consumer (this year more pessimistic by 17 percent, up from being 24 percent less likely than the general consumer to hold that belief). This tilt toward a more negative view of the general economy and its prospects doesn't yet mean there are fewer optimists in the jewelry industry, but there are now many more pessimists—more than there were last year and more than there are among average American consumers.

Again, these more polarized attitudes about the general economy transcend the differences we identified within our pool of professionals, so we find no evidence that region, age, or business size significantly impact how people think—and the **JICI** is still holding at an overwhelmingly optimistic 86. Given the tilt away from neutrality toward more pronouncedly negative impressions among the non-optimists, particularly to a degree that now outpaces those with pessimistic views among consumers at large, we'll be monitoring signs of this concern to learn whether it affects attitudes about the jewelry industry itself in the near-term future.

LAB-GROWN: THE GREAT UNKNOWN

IT WAS CLEAR in 2018 that lab-created diamonds were a topic commanding more attention in the industry and generating increased attention among consumers. This isn't to say that the industry thought people were expecting jewelry counters full of lab-grown stones in 2019, but we decided to expand the scope of our inquiry into this technology-driven change that could have a large long-term impact on the business.

In last year's **State of the Jewelry Industry Report**, man-made stones didn't quite crack the top three trends identified by jewelry professionals. This year, they fell from number four overall to number five (though the number of people ranking them number one ticked up from 12 percent to 16 percent). The sales numbers tell a different story, though.

68%
of lab-grown diamond sellers report an increase in sales

When asked about sales of lab-grown stones, 68 percent of those selling them reported increased sales, with only 2 percent reporting that sales were down. Compare that to last year's survey, when 56 percent of lab-grown diamond sellers said sales were up and 8 percent said they were down over the previous year. Even with increased sales, lab-grown diamond inventory levels stayed consistent from 2018 to 2019, at 14 percent of stock in 2019 versus 15 percent of stock in 2018.

We learned in this year's survey that, on average, sellers of lab-grown diamonds started offering them 2.2 years ago. Much like the idea of "internet years," being a veteran in the innovation-fueled lab-grown game is a relative term, and we turned to these sellers to learn more about consumer attitudes toward lab-grown diamonds. We anticipate referring to this snapshot in the future to see how perceived reasons for buying align with sales trends.

Lower Price far and away tops the list of reasons that customers purchase lab-grown diamonds, which comes as no surprise to *JCK* news director Rob Bates, who brings the perspective of nearly a quarter century of industry reporting to his coverage of lab-grown diamonds. Although choices related to perceived social benefits or ethical advantage occupy the next two tiers on the list of reasons, Bates has observed that over time there is no more compelling argument for any consumer than value for the money. As the availability of man-made diamonds grows, prices are likely to fall with the increasing supply while the appearance and quality of the stones improves with refinements to the technical processes of creating them. Also, improved technology can mean falling production costs, which leads to an often-heard comparison to flat-screen TVs, which went from a near-luxury good to an easily affordable purchase for most consumers over the course of a short span of time.

WHAT DO CUSTOMERS CITE AS THE MAIN REASON THEY BUY LAB-GROWN DIAMONDS?

Lower price	**86%**
Eco-friendly positioning	**35%**
Conflict-free positioning	**33%**
Interested in tech aspects	**16%**
Other	**7%**

It's this perspective on consumer behavior that some in the industry find disturbing when considering long-term positions in diamonds. There is a well-established, even ancient, history of acquiring jewelry as a sound investment less subject to geopolitical upheaval than any paper investments. This ability to hold value through uncertain times also drives the closer-to-home tradition of heirloom purchases to pass on to future generations and even much of the thinking driving the core bridal jewelry market.

Examining the list of reasons customers say they don't buy lab-grown diamonds shows a balanced consideration of the long-term value argument with an aversion to things that are thought of as man-made versus something perceived as real. The Diamond Producers Association's "Real Is Rare" campaign seems to have resonated with a significant percentage of the diamond-buying public.

These answers are revealing about one of the main battlegrounds for lab-grown diamonds: semantics. The power of words to convey ideas is of great importance in the short-term positioning of lab-grown diamonds as an alternative for jewelry-purchasing consumers. Stakeholders in the industry and outside—including government regulators—are concerned about whether descriptions of man-made stones educate consumers in a way that lets them make an informed choice about their purchases.

Even with increased sales, lab-grown diamond inventory levels stayed consistent from **2018** to **2019**.

This year we introduced a new question with relevance here: Which types of jewelry produced either the Most Requests or the Most Concerns. While the most-requested items are discussed on page 13, those generating the most concerns fit squarely in this section.

TYPES OF JEWELRY PRODUCED THE MOST CONCERNS

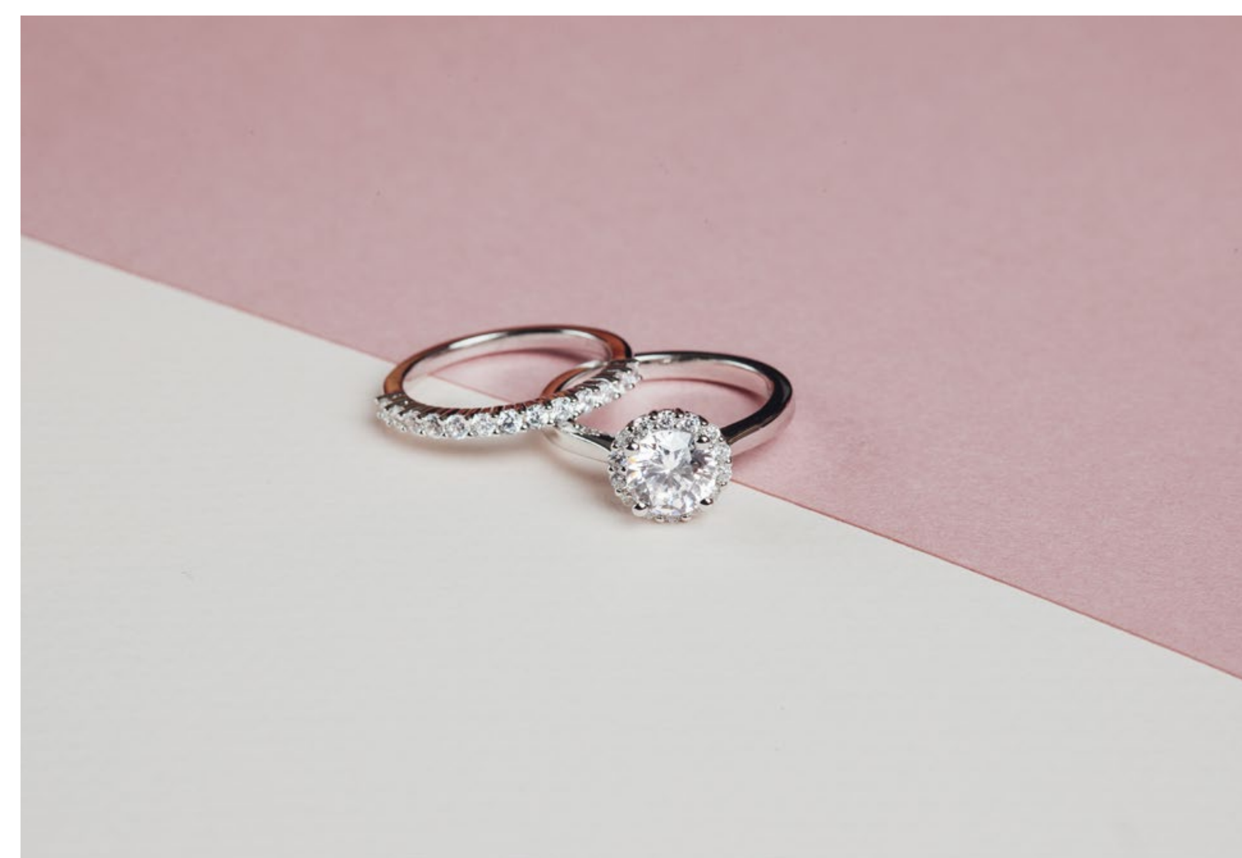
Lab-Grown Diamonds	**62%**
Conflict Diamonds	**60%**
Responsibly Sourced Jewels	**36%**

The special relationship between jeweler and customer—and the sales process—has long been based on both trust and education. Anticipating even at this early stage that price is likely the ultimate determinant of the long-term viability of a market for man-made diamonds, then helping a customer know the difference between simulants, lab-grown, and mined stones seems a clear priority. Customers are concerned about the type of diamonds they're buying and whatever the motivation behind that concern, this presents an opportunity to educate them and form an even stronger sales relationship in the process.

As the continuing appeal of Conflict-Free as a reason for purchase attests, the jewelry industry has even more reason to focus on systems that allow the whole supply chain to authenticate what it's selling. Blockchain still holds promise as part of the solution but tracking and authenticity protocols, as well as norms, that enable the industry to verify what it's selling will only increase in priority as the supply and quality of lab-grown diamonds grows. Honest representations can't be made to consumers without clear methods for verifying and valuing stones from origin to customer.

TECHNOLOGY'S TENTACLES: REACHING BEYOND THE LAB

There's not an industry survey being produced in 2019 that doesn't have to confront the impact of technology, particularly web-based, nontraditional advertising and social media for B2C-focused sectors, and supply-chain logistics and manufacturing processes for B2B, as a force driving fundamental shifts in how business gets done. As was apparent in 2018, the jewelry industry is no exception and, while year-over-year comparisons don't always capture the degree of change, here in the **JCK State of the Jewelry Industry Report** they yield some useful points of emphasis.



BUSINESS CHALLENGES AND HOW TO MEET THEM

Examining the challenges at the forefront of jewelry professionals' minds from 2018 to 2019, we find some consistency in concerns paired with new strategies to face them down.

challenges

ALTHOUGH ONLINE COMPETITION lost ground in the number of respondents ranking it their number-one business challenge (28 percent in 2019 from 47 percent in 2018), 67 percent still rank it as one of their top three business challenges. It's not surprising to find, as discussed in the Executive Summary, that the current top strategy for meeting business challenges is Connecting With Clients via Social Media, followed by Advertising in Nontraditional Forms (i.e., digital, including social media).

While Improving the In-Store Buying Experience is still a priority for some, noticeably fewer ranked it as their number-one priority in 2019 (13 percent) as did in 2018 (42 percent). For millennial buyers, a key age group for bridal buys and also the ongoing female self-purchasing trend, an in-store experience may not be valuable if it doesn't extend to their online experience—at least representing itself as enticing in the virtual world in order to lure them in to brick-and-mortar locations.

The two efforts aren't mutually exclusive. One trend straddles the categories of connecting via social media and improving the in-store buying experience. As pure destination marketers, retailers, and restauranteurs alike have discovered, extensively in markets competing for a shrinking youth population like Japan, but also in the United States, making any location Instagram-friendly (i.e., providing at least one iconic, colorful photo background representing the business) can increase foot traffic and word-of-mouth interest.

At the investment-heavy end, Tiffany & Co.'s Blue Box Café™ shows the principle in action, extending the signature blue box as a core brand element into an in-store experience that is as much photo-ready promotion as any kind of in-store buying enticement. Since debuting late in 2017 (through April 2019), the #blueboxcafe hashtag has been applied to just over 8,300 posts highlighting the space. Though not a runaway success for a business of Tiffany's scale, it's not inconsiderable for a tiny space with limited daily seating. Still, whatever else it has achieved for the business, the fact that #blueboxcafe didn't reach viral proportions speaks to a couple of other trends in social media that correlate with survey responses.

INSTAGRAM? YES. INSTANT SUCCESS? NO.

THERE'S ALWAYS BEEN a bit of alchemy involved in engineering a runaway hit online. Capturing the moment when, say, an adorable dog grabs a newly given engagement from a bride-to-be's finger and runs off to jump through a ring of fire before sweetly returning the prize to her lap is tricky enough. Predicting how the audiences you want to reach (and others) will react to that content—and whether they'll even see it—has some predictable variables, but ultimately generating that level of exposure is as unpredictable as finding a diamond tiara in a discarded fast-food container.

While such exponential return on effort has always been elusive, there were core best practices that governed social media marketing, whether organic or paid, that could be counted on to deliver benefits in reasonable proportion to effort level. Posting regularly, using well-lit, nicely composed photographs or interesting and relevant copy, and tagging your posts with words that interested your customer base undergirded most organic efforts. Using demographic and interest-based targeting, along with smart geo-location, to maximize the accuracy of who sees your paid ads has driven the paid side.

In our 2018 survey, 81 percent of respondents designated social media marketing as what they expected to be their most successful business practice. This year, while social media marketing held the top spot among anticipated successes, that number dropped to 72 percent. Those who considered digital advertising one of their most successful business practices, meanwhile, dropped from 55 percent to 44 percent.

Nonetheless, 82 percent of respondents

The percentage of respondents who rank social media as their top advertising platform rose from **76%** in **2018** to **82%** in **2019**.

STRATEGIES FOR BUSINESS CHALLENGES

	2019	2018
CONNECTING WITH CLIENTS VIA SOCIAL MEDIA	46%	42%
ADVERTISING IN NONTRADITIONAL FORMS	39%	49%
CHANGING INVENTORY-BUYING HABITS	37%	12%
IMPROVING IN-STORE BUYING EXPERIENCE	33%	62%
SHIFTING FOCUS TO ONLINE BUYING	24%	9%
INCREASING MARKETING SPEND	14%	5%

named Social Media the top advertising platform they plan to use versus 76 percent in 2018. And while the generic Online Search held roughly even as an advertising platform of choice at 61 percent, within that category, Paid Search jumped 10 percentage points from 54 percent to 64 percent, taking the top spot from Online Display Advertising's roughly consistent 57 percent share. Plans to use Digital Ad Networks jumped from 39 percent to 50 percent.

These aren't radical changes and overall the relative order of what industry professionals were confident in was intact; this sentiment was also expressed by the steady 89 percent of respondents who say that social media will play a significantly or somewhat greater role in their marketing efforts in the coming year. But the subtle shifts above do correlate to other changes happening in the social and digital landscape, and it seems worthwhile to consider the coincidence and also to anticipate more radical changes on the horizon.

Overall, the degree of difficulty involved in social media marketing is on the rise. Only 28 percent of our respondents are using outside consultants for social media strategy, but they are seeing a slight downgrade in confidence about how successful businesses expect their social media efforts to be. Alongside noteworthy jumps in plans to spend advertising dollars on Paid Search and Digital Ad Networks, jewelry industry professionals seem to be pursuing a means of reaching customers that finds them in the digital space but has a more predictable return on investment. Search Engine Optimization—a digital marketing discipline with a mixed reputation when it comes to return on effort—has comparatively stable requirements compared to the constant, one-sided adjustments made to social media platforms that directly impact the visibility of content.

CHANNEL CHANGING
People are moving from Facebook—not to Twitter or Snapchat, but to Instagram.

Aside from anecdotal evidence one hears from small businesses and online self-marketers about the rules changing too quickly ("That darn algorithm!"), there are shifts in the way people use social media and where they're spending their time that are increasingly being documented. While Facebook maintains that its Daily Active User (DAU) count is holding steady, others report that it is losing younger users (though even in the saturated U.S. market, growth among people older than 55 continues).

The migration of users from Facebook is not leading to Snapchat or Twitter so much as to Instagram, a platform acquired by Facebook several years ago (one of many moves to avoid the fate of denizens of the social graveyard, Friendster and Myspace). The format of content, user-community norms, and approaches to advertising and selling are different than Facebook, but many jewelry professionals are already familiar with its relative merits and disadvantages.

DIY: SOCIAL SELLING AND MARKETING

AS INDUSTRY PROFESSIONALS adapt to non-traditional (i.e., online) competition, the digital ecosystem is also at an inflection point. For those doing business with international customers, the General Data Protection Regulation (GDPR), a set of privacy guidelines put into effect across the European Union, has already required some disclosure of user tracking and data collection.

Web users around the world have seen the impact through mandated alerts about the use of cookies on a website. Now a new

82%
named social media as the top advertising platform they plan to use.

A large portion of jewelry professionals are pivoting not only to social media, but also to paid and targeted digital ads.

California law is poised to limit online ad services like retargeting—which lets advertisers follow a visitor from site to site with ads for a specific business after stopping by a website only once. Two other states and the federal government are likely to follow California's lead in the near future.

The California Consumer Privacy Act (CCPA) was signed into law on June 28, 2018, and it may have implications that affect even the smallest businesses using technology to interact with customers. CCPA is aimed directly at reining in large-scale enterprises that profit from gathering, storing, and reselling information about consumers, their activity, and their locations. Indirectly, though, this can affect small businesses, like independent jewelry retailers, by changing options on the table for ad buys online and also placing new record-keeping requirements on the use of things such as mailing lists.

A large portion of the jewelry industry professionals we surveyed are pivoting not only to social media, but also are planning to invest more in paid and targeted digital ad platforms. Respondents planning to invest in Paid Search increased to 64 percent from 54 percent, and those planning to use Digital Ad Networks grew 11 percentage points, from 39 percent to 50 percent. Programmatic ads and digital ad networks are going to see rules change by 2020 and the more predictable return on investment of paid digital options will be in flux, as the balance between innovation and regulation tries to find new equilibrium.

The upshot for jewelry industry professionals is not to abandon short-term plans, but to consider that a profound disruption in digital advertising is arriving now. This may level the playing field among some businesses, but other innovators in the digital space, such as small Etsy retailers that drive business using mature social accounts, could suddenly have an upper hand that can't be easily offset by paid ads. Building organic visibility takes time—hedging against the loss of digital ad networks and paid retargeting should start now.

{ INDUSTRY OUTLOOK

outlook

EACH YEAR THE conversation about prospects for and obstacles to success changes in the jewelry industry, as it does across other sectors of the economy. In 2019, insiders and investors are speculating about what effect a limitless influx of high-quality lab-grown diamonds into the jewelry market might have. That's a valid question to be posing in an industry that's historically used the long-term value and perceived scarcity of its materials as a selling point and price driver.

It's also a question that's unlikely to be answered in the near term. Other trends, whether examined in isolation or year over year from our last survey of the industry, still show opportunities for a culturally important industry to thrive in a time of change.

In the 2018 outlook, we noted the overall consumer interest in customization and how that was a desire that the jewelry industry was in an excellent position to satisfy. Responses this year confirmed that with 71 percent of respondents saying sales were up over the prior year versus 59 percent for the previous year.

The percentage who reported sales up over the prior year.
2019: **71%**
vs.
2018: **59%**

The **JCK Jewelry Industry Confidence Index** shifted only marginally, from 88 to 86 year over year, even with a move among a number of respondents to view recent developments in the general economy as more starkly negative than neutral. Industry professionals are confident about their own short-term business prospects, and there are signs of stability to back them up.

Consistency and strength in the industry are also expressed in basic employment metrics. Employee retention is still high, as 88 percent of those surveyed said employees stay three or more years and 65 percent say they stay five or more years. Moreover, 89 percent of jewelry industry professionals reported they'd either be making no changes to staffing levels or adding personnel. A steady 37 percent of those surveyed said again this year that they'd like their children to stay in the jewelry business.

The jewelry business is in no way immune to the changes sweeping the general economy and how business, logistics, and communication are evolving. Changes always create opportunities, and those who seize them to reinforce their strengths in an industry rich with tradition are still poised to thrive in 2019 and beyond.

METHODOLOGY

EAGER TO FOLLOW up on our first JCK State of the Jewelry Industry Report in 2018, we once again engaged MRI-Simmons to conduct a survey of jewelry professionals posing many of the same questions we'd put to the industry in our first study. We made some topical additions, notably focusing on questions about the industry view of lab-grown diamonds. But given the positive response to the insights gleaned from our first data set, we decided consistency would be important to establish.

Our overarching goal is not only to provide an up-to-date snapshot of the jewelry business in a single year, but also to enhance the industry's understand of how external business conditions and the trends driving consumer behavior affect different approaches to growth and success over time.

The original purpose of the research was to provide JCK with insights about jewelry professionals by gathering data on professional status, retail sales, business attitudes, marketing and promotional behavior, engagement with the JCK brand, observed consumer activity, and related information. That data is what provides the core of this report and will in the future.

SAMPLE AND FIELDING

RECRUITMENT FOR THIS study, which ultimately tabulated information from 529 respondents, was accomplished by email invitations sent by JCK to roughly 50,000 people from 11 distinct email lists that include jewelry professionals from across JCK's print magazine (*JCK* magazine), website (JCKonline.com), email newsletters (e.g., JCK News Daily), prominent industry events (e.g., JCK Las Vegas), and JCK's social media presence (including Facebook and Instagram accounts). Survey recruitment also extended to display ads and social media promotion.

The initial survey invitations were deployed on January 8, 2019, with reminder emails sent on January 22, 2019, and January 31, 2019. In total, 529 interviews were completed for final tabulation. As an incentive to complete the survey, readers were offered a chance to enter a sweepstakes to win one of five $100 dollar Amazon gift cards. The study closed on February 20, 2019.

Means were computed using the actual values reported by respondents in open-ended questions and the midpoint of values in closed-ended questions. For the bottom range the midpoint was used (e.g., less than 10 = 4.5); for the top range the lower limit of the range was used (e.g., 50 or more = 50).

Medians were computed using a summation process to reach the value at which 50 percent of the responses were higher and 50 percent were lower. With grouped data, the median value was calculated by taking the required proportion of the range within which the median value (50 percent) fell.

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Questions?

Please contact your JCK sales representative or visit **jcklasvegas2019.com/IndustrySurvey** for more information on this survey, and to learn more about the marketing solutions JCK offers the jewelry industry.