Retail Strategy in Fine Jewelry Lease Departments

An Honors Thesis (HONRS 499)

by

Jennifer Smith

Thesis Advisor
Dr. Ramon Avila

Ball State University
Muncie, Indiana

Date: May 1, 2008
May 2008
The thesis examines the Muncie Macy's branch of Finlay Fine Jewelry and its current retail strategy. Finlay is a company that has great potential but is inefficiently run resulting in needless increased costs. After thorough research and analysis, recommendations for retail strategy modifications are offered with the intention of increasing profitability and maintaining stability in the future.

Acknowledgements

The evaluation of the Finlay from a retail strategy perspective would not have been possible without my manager, Ms. Donna Parsley. During my past three years of employment, her mentoring encouraged me to take an in-depth interest in retailing and complete my thesis on the subject. Miss Holly Jup, Mrs. Amber Williams, and Mrs. Andrea Binion have all been great assets from the work place to gain additional information and unique perspective about Finlay at various branches and employment positions.

At Ball State University, Dr. Ramon Avila and Dr. Gail Stautamoyer have both been beneficial to the creation to my thesis. Dr. Avila, my thesis sponsor, was supportive when I had to change topic from market and sales analysis to retail strategy due to recently developed concerns related to disclosure of host store sales. Dr. Stautamoyer, specializing in retail, aided me in the broad concepts in retail strategy and each of its components. With thorough understanding of the retail strategy theology, I was able to apply the crucial concept to Finlay and make improvements in efficiency and profitability because of her help.
Contents

Purpose......................................................................................................................................................................................... 4

Background Information: History of Industry ............................................................................................................................. 6

Retail Area: Muncie, IN........................................................................................................................................................... 7

History of Finlay Fine Jewelry, Inc .................................................................................................................................... 8

Current Finlay Strategy .......................................................................................................................

Retail Strategy of Finlay Fine Jewelry, Inc.................................................................................................................... 11

Uncontrollable Factors ................................................................................................................................... 12

Controllable Factors ........................................................................................................................................ 14

Retail Management Concept................................................................................................................. 16

Customers and Markets...................................................................................................................................... 18

Institutional and Organizational Structure........................................................................................................ 19

Retail Mix............................................................................................................................................. 19

Tailored Finlay Strategy .............................................................................................................................................. 25

Retail Strategy of Finlay Fine Jewelry, Inc.................................................................................................................... 26

Uncontrollable Factors ................................................................................................................................... 26

Controllable Factors ........................................................................................................................................ 30
Purpose

Ever since I could walk, I would drag my mom to the fine crystal and fine jewelry sections of department stores. Crystal figurines and sparkling gems always captivated me. In second grade, my family took me on a trip to Europe where we visited the Swarovski Crystal factory in Austria. At this young age I began my collection of “sparklies.” As I grew older, my collection grew too. Once in fourth grade, I received my first piece of fine jewelry from Standt’s, a petite three-stone diamond ring. With an occasional ring-sizing adjustment, I have been able to wear the ring everyday even up until today. This piece of jewelry is by no means the most expensive piece I own; however, it has the most value to me since I think my family each time I wear it. Over the years both my Swarovski and jewelry collections have grown extensively as has my love for jewelry.

In the fall of 2004, I came to Ball State University. I was excited to be here but not quite sure what career path I wanted. I really enjoy helping people solve their problems and building personal relationships, so I needed a career that could combine problem solving, relationship building, and creativity. Finally, I enrolled into the telecommunications college because of the department’s high national ranking and also my interest being fulfilled through sales and management.

In order to give myself some actual sales experience, I began to search for sales jobs. When I walked into the former L.S. Ayres and current Macy’s store, I applied for a sales associate position. At the time, they only had “flyer” positions available which have flexing hours and no particular department assignment. I kindly turned down the position, as I could not gain expertise in any particular area. As I walked through the store on my way back to my car, I stopped at the fine jewelry counter as usual. I began talking with Courtney, a part-time associate for the fine jewelry department. After talking with her for a while, she asked me to apply for a position. I explained that I had just applied with L.S. Ayres and wasn’t quite looking for a flyer position but thanked her. She went on to tell me how
fine jewelry is actually a lease department run by Finlay Fine Jewelry, the third largest retailer of fine jewelry in the nation. Their position was different, as it necessitated specialization. Additionally, goals were set for associates for which they were accountable for. Essentially, it was an inside sales position which was exactly what I was looking for. I began working for Finlay not too long after then. In July 2005, I started working on mastering my sales skills.

Over my three years with Finlay, I perfected the ability to sell a non-essential good with a price-tag that required value-building skills. Selling a non-essential good is a challenge. Fine jewelry is not essential to live and is by no means a cheap item to purchase. Many times, people come in and have sticker shock even though we have comparatively low prices for the caliber of jewelry we carry. In order to overcome this obstacle, creating value is essential. The value can be created through both rational and emotional appeals. For the majority of people, creating value through emotional appeals is the most effective and persuasive means of making a sale. If you cannot create value, you cannot make a sale.

I have been very successful in reaching my goals and becoming a valuable part of Finlay’s Muncie Macy’s team; however, it was primarily due to my prior knowledge and education here at Ball State University, not with Finlay, that allowed me to achieve this. Finlay has several means of becoming a leaner business and expanding sales. From target market inaccuracy to vendor relations, my experience over the past three years has allowed me to see ways of making Finlay a more effective and profitable company. My love of jewelry, along with in-depth understanding of the Muncie Macy’s branch accompanied by a collegiate education, has allowed me to identify potential areas of concern and make suggestions to keep Finlay a profitable company. With the company’s stock down to approximately fifty cents from approximately six dollars and fifty cents, the company’s future is undoubtedly in jeopardy. Passion for my work and love for beautiful jewelry is what made my thesis topic such a logical decision.
Background Information: History of Industry

Retailing is not a new concept. Since the specialization of occupation began creeping into nomadic and farm communities, people acting as vendors sold their specialized products or services to the public. In other words, they become retailers of their own good or service. They still fulfilled the activities of a retailer even though they were only a family-sized “store”.

As society progressed so did retailing. Retailers began to have actual brick-and-mortar storefronts as a place of business versus their home or a small open-air hut. Retailers hired employees outside of family members in addition to the family members who still helped out with the family business. While apprenticeships were still crucial for manufacturing as the product was frequently crafted onsite, for retail employees, training was minimal if provided at all. The learn-as-you-go environment with few or no policies in place posed several consistency and image issues for retailers (History).

With the Industrial Revolution, retail changed once again. With the ability to have mass production, the economy of scale advantage from the supplier-end was available to those who purchased from these mass producers. Saving time and money, retailers began to veer away from onsite manufacturing and began focusing on outsourcing for higher profitability. Outsourcing some or all manufacturing allowed retailers to focus energy on services provided and retail image. With textile manufacturing growing in the 1700s, retailers' shifted focus allowed for profitability to increase through in-store improvements resulting in higher sales volume while still having reduced cost of manufacturing. By the mid1800s, Bon Marche evolved from a small retailer into the first department store. The Parisian department store inspired more to try the department concept with point-of-purchase and window display enticing customers to purchase the newest fashion (History).
Today's society loves retailing. Few people make anything from "scratch" anymore. From meals to clothes to furniture, these once family-made items that took weeks to make are now a fifteen-minute purchase. With specialization and economies of scale, outsourcing for value has linked the world into a global economy. Shirts are made in Thailand whereas computers are made in China. Even family meals are being pre-made by grocers, and superstores to make life easier and create free time. Without retailing, modern-day life would simply not be possible (History).

Retail Area: Muncie, IN

Muncie is an industrious area, but it hasn’t always been that way. The White River villages started off as a gathering place for fur trappers followed later by mercenaries and missionaries. In the late 1700’s, what is now Muncie was given the nickname Munceetown since a prominent family of Delaware Indians known as the Muncee “Wolf” Clan lived in the area (Muncie). Muncie itself was actually established in mid-1800s by New York settlers (All).

Since settlers came across the untamed land, much has changed here in “Middletown America.” During the natural gas boom, the Ball family built a glass factory for canning jars and place headquarters for Ball Brothers Company here in Muncie. While the factory itself is no longer open, the headquarters and results of the Ball family’s philanthropic activities still remain. These generous ventures include such entities as Ball State University and Ball Memorial Hospital. Ball State is now the city’s largest employer and brings millions of dollars annually to the community. However, the Ball family is not the only group of entrepreneurs to see Muncie as a worthwhile investment (All). Sixty miles northeast of Indianapolis, Muncie has access to two major interstates, I-69 and I-70. With interstate access and low land and labor costs, Muncie makes itself tempting to companies for factory or other facility placement. Simon Malls, Borg Warner, Keihin Aircon North America, General Motors, and Duffy Tool & Stamping LLC are all major companies have invested in Muncie (Goliath).
While the Ball Brothers attempted to bring culture to Muncie (All), it is still predominantly a blue-collar, stereotypically uncultured community. The desire and ability to purchase thousand-dollar jewelry is not a common finding here. With the economy softening, the blue-collar employees feel the effects first as plant begin to close, and people lose their jobs.

History of Finlay Fine Jewelry, Inc.

Finlay Fine Jewelry has not always been a lease-department company. In 1887, Finlay started out as a mail-order company for fine jewelry. As the mail-order jewelry company gained financial woes, Abraham Hirshberg, a successful diamond merchant, purchased the problematic business and turned it around. Soon bricks and mortar Finlay-Straus stores throughout the New York City. Success in these stores enabled Hirshberg to try different retail strategies in order to determine the most profitable mix. Hirshberg was so innovative that Finlay even had their jewelry in furniture stores (“Company”).

In 1942, an opportunity to work with growing department stores presented itself to Hirshberg. A regional department store group asked if Hirshberg could run its jewelry departments. This agreement permanently shifted Finlay’s retail strategy, as they went from a branded name to an anonymous lease department. The lease-department business became a more profitable environment as more department stores took to the leasing concept. By 1954, Finlay sold its branded retail stores and concentrated solely department store leasing (“Company”).

Finlay has changed from private to publically held over the years. In 1968, publically held Seligman & Latz, Inc. purchased Finlay. In 1985, Finlay once again became privately held and stayed so until April 1995 when its parent, Finlay Enterprises, Inc., went public (“Company”).

Once again, Finlay began operating freestanding luxury stores May 2005 with the acquisition of Carlyle & Co. Jewelers. In addition to the 691 lease departments Finlay operates, Carlyle adds 33 bricks and mortar stores in the southeastern United States under three names: the Carlyle, J.E. Caldwell and
Park Promenade. A year and a half later, five-store company Congress Jewelers became another Finlay brand serving southwest Florida. In November 2007, the newest addition to the Finlay family is Bailey Banks & Biddle. The addition of this prestigious brand helps to substantially increase Finlay’s share of the luxury fine jewelry market. Bailey Banks & Biddle is made up of 70 stores located throughout the United States (“Company”).

Now, Finlay is the third largest retailer of fine jewelry in the nation. They attribute their success “continued growth and success to a strong marketing strategy led by a talented team of merchants; customer service achieved through enhanced product knowledge and selling standards; state of the art technology; a strong back of the house support team; and the efforts of dedicated associates throughout the organization who strive every day to strengthen our business (“Company”).” However, as these are not the values reflected in corporate decisions or in stores.
Current Finlay Fine Jewelry Strategy
Retail Strategy of Finlay Fine Jewelry, Inc.

Retail strategy is how businesses in the same category distinguish themselves from one another. Distinctions in environment and services or products available for purchase are just a couple of the commonly thought of ways to establish the differentiation among retailers. However, retail strategy has many components and is not simply interior decorating and products.

Retail strategy includes both uncontrollable and controllable elements. Uncontrollable elements are those entities falling into the categories of economic; legal, political, regulatory, and ethical; lifestyle, social, and values; and technological.

Several vantage points can be taken in determining distinctions among companies. The channel of retailing demonstrates the different perspectives from which one could evaluate companies including: manufacturers, wholesalers, retailers, and end-consumers. The channel of retailing begins with the manufacturers of raw materials then to manufacturers of product. Wholesalers are the next stopped in the channel flow. Wholesalers are those who take the good and sell it at a low but still profitable price to retailers. Retailers are those who sell the good to the end-consumer. While many times companies can fulfill more than one role, more frequently there are more than just three transactions before the end-consumer receives the final product. For the purposes of this thesis, a retailer perspective with an internal analysis will provide the means of achieving higher profitability and image.
Uncontrollable Factors

Uncontrollable factors are the entities which are difficult to plan for and can cause an immediate reevaluation of business plans and steps to reaching each goal of it. These factors are somewhat predictable but can also have changes with little or no forewarning. The uncontrollable factors associated with retail strategy include economic; legal, political, regulatory, and ethical; lifestyle, social, and values; and technological.

Economic

The economy is a frequent subject choice for news reporters, especially today. With the weakening dollar, many retailers see the need to create better sales and lower pricing to stimulate demand. However, with rising costs, companies including Finlay are finding it more and more difficult to maintain a turnover-profit margin ratio that allows the overall profitability of the company to be sustained. Particularly with fine jewelry, it is becoming more difficult with gold over one thousand dollars per ounce to cut prices with a lower inventory turnover than normal. While many are following the price-cutting path in best attempts to salvage good numbers, Finlay is simply ignoring the economy by raising prices with cost increases and keeping discounts the same.

Legal, Political, Regulatory, and Ethical

The regulatory and ethical factors are the primary issue affecting Finlay's operations. Regulatory councils forced jewelers to pull any blue topaz since it has a radioactive treatment. Reports confirm that much blue topaz had not been quarantined for the appropriate time and must be pulled for safety purposes. Since verification of blue topaz holding times is difficult to determine, many jewelers pulled the stone from their cases. However, Finlay did not do so and continued to sell the blue topaz while verifying the state of quarantine. This unethical decision that is possibly against regulatory rulings puts
the dollar above the safety of sales associates and consumers. The concern over the issue of blue topaz has resulted in many no longer carrying it as of January 1, 2009 unless they have a special license in order to purchase the temporarily radioactive substance.

**Lifestyle, Social, and Values**

Lifestyle trends have reflected an overspending nature which has put millions of Americans into credit card debt in order to maintain a socially up-to-date, fashionable image. However, with the stagflation economic status, many are spending less because of the decrease in disposable income accompanied by the weakening dollar. Lifestyles are becoming more and more frugal with focuses on needs, not wants. This again reflects the deteriorating economic status quickly felt by predominately blue-collar communities such as Muncie and its surrounding areas. Therefore, while larger markets are not yet feeling the sting of declining demand, Muncie has been experiencing decline for months.

**Technological**

Finlay has technology implemented called GEMS. Using dial-up, our intranet system allows us to connect to GEMS and find pieces of jewelry through using category and sub-category definitions. This essentially means we can search for a type of jewelry such as ring, necklace, or bracelet and the stone such as aquamarine, garnet, and peridot. However, it does not allow for search-bar word recognition or style selection. Additionally, many pieces do not have accurate pictures if one is even provided. GEMS also can be used to locate a piece in other stores if it is not currently on-hand. E-mail is another technological factor which is Finlay’s primary means of communication among managers, staff, and branches.
Controllable Factors

While uncontrollable factors are something mathematically difficult to determine, controllable factors can be determined and calculated for the benefits of forecasting and image development. Controllable factors in retail strategies include retail mix, retail management concept, customers and markets, and institutional and organizational structure.

The retail mix is essentially the 4 P's of the marketing mix but applied to retail. The 4 P's are product, price, place, and promotion. Product addresses both the breadth and depth of merchandise. Characteristics of available products are applicable as well such as quality, style, and durability. Price of products in comparison to buyer expectations, price sensitivity, and competitor knowledge can all affect price evaluation. Place refers to both the geographic location of the store and store environment. Accessibility, surrounding neighborhoods, and nearby interstates are some of the factors affecting the geographic location. Building condition, selling-floor cleanliness, and interior design affect shoppers' beliefs about the retailer.

The retail management concept is the philosophy of the retailer. Consumer orientation, focus on profitability, sensitivity to social trends, value changes, and social response are the components of retail management concept. The determined target market including age, gender, race, common interests and pass times all help develop retailers' consumer orientation. Having a defined target market enables retailers to focus on bringing in product lines in line with consumer buying patterns. Having the correct target markets demographics allows retailers to be more profitable by offering products meeting customers' wants and needs, thus eliminating unwanted overstock. Focus on profitability can be either by volume or profit margin. If turnover of inventory is low, then high profit margin is necessary to achieve the same profitability, as a high inventory turnover with low profit margins. Sensitivity to social trends refers to the fashion ability or trend factor of merchandise. Products not in line consumers' desired trendiness are not likely to sell. For example, a high-fashion
shopper would not find products at TJ Maxx desirable since they are not ahead or even with the current trend. Their products are frequently overstocked or at the end of the product’s lifecycle and not in line with high-fashion consumers’ interests. Value changes refer to society’s value shifts. Going “green” is one example of this. Many consumers are concerned and more are becoming concerned with environmental stability. Green initiatives were not important to companies thirty years ago when this was not a concern of their consumers. Now, however, consumers are concerned with the environment, and “green” products are in demand with the new societal value. Social response of the retail management concept refers to how a retailer reacts to societal events. One such example is Katrina. Though Gulf States are still feeling the aftermath from the hurricane catastrophe, many companies demonstrated social responsibility by donating money, food, water, clothing, and other necessities to victims of the weather disaster. Other examples are company employee-aid programs. O’Charley’s restaurants allow employees to donate any amount of their weekly paycheck into a fund to help other O’Charley’s employees in their time of need. If a server’s home burns to the ground leaving him nothing, O’Charley’s employee-funded program temporarily helps the server through monetary means to survive and ease the tragic pains.

Target markets are a key factor in retail. Targeting college students with little if any disposable income is not a highly-profitable venture. Using product lines to change or create target markets is crucial to retailer success. Current product lines appeal to current consumers; however, adding and advertising new product lines can bring in another market segment if desired. Markets can also be opened geographically. Unless a destination store, many will not drive more out of town to go to a store. Opening stores in new areas to serve an untapped geographic market is profitable when that geographic area has within it a large population segment meeting target market characteristics.
Institutional and organizational structure refers to the type of store and means of decision making. Retailer's structure can vary greatly depending on size and ownership. A small family-owned business has decisions made quickly since the decision maker is readily accessible. Chains that are publically traded have a significantly longer process in decision making. Sometimes decisions must go before stockholders to be ratified before taking effect. Centralized decisions are blanketed across all stores with little to no customizations to particular store trends. Though centralized structures would seem to be less profitable since several stores will not meet the typical criteria that the decision is based upon, centralized decisions are more costly for large companies as they require continuous market research in for every store location.

Retail Management Concept

The retail management concept is key as it involves consumer orientation, focus on profitability, sensitivity to social trends, value changes, and social response. With Macy's centralized structure, the blanket decisions and advertising does not fit all of its stores, especially Muncie.

Consumer orientation of the Muncie Macy's is not in line with who actually shops there. Macy's centralized decision for their target market is professional, family women who purchase designer and other high-quality, trendy garments and accessories. While they do have professional women who shop at the Muncie Macy's, they are of a lower income bracket, more price sensitive, and less trendy than the average Macy's shopper corporate wide. Finlay carries jewelry corresponding to the average Macy's and other mid- to high-end department store image. The jewelry is that which a professional working woman would wear and be able to afford even on a trend-by-trend basis. However, with the difference in clientele base, the jewelry is too trendy and expensive to purchase frequently for the majority of the Muncie market.
Finlay is profit-driven company. With a low inventory turnover rate, profit margins are 10% on the average sale in order to maintain overall profitability. Finlay particularly lacks the ability to look at the overall picture and make decisions to benefit the company in the long term. For instance, Finlay maintains strict policies that cannot have exceptions for merited extenuating circumstances. This applies to hiring practices as well as customer service. Demonstrating Finlay’s lack of foresight in their own industry, they are continually losing renewals on lease departments, as department stores take over the fine jewelry sales themselves. This trend has been evident during the past decade, yet Finlay did not attempt anything to curb the inevitable until the past couple years by acquiring regionally-branded names including the prestigious Bailey, Banks, & Biddle. Finlay expects results yet dedicates inadequate time, money, and management commitment to achieve the desired outcome. From training to volume, they expect stores to use their policies stringently yet have not made the committing investment to achieve so.

Sensitivity to social trends is high overall, as Finlay’s jewelry keeps pace with current fine-jewelry fashion trends. Larger stores receive trend pieces approximately two weeks before smaller stores such as Muncie. However, jewelry is still brought in weekly to replenish current items in low supply and also bring in pieces reflecting the most recent trends. While some of the trend pieces brought to Muncie are within the price range of the average Muncie Macy’s consumer, many pieces retail above $800 and into the thousands even. Though Finlay’s sale prices make the pieces more affordable, the ability to frequently purchase fine jewelry at these prices for trendiness is not a characteristic of the Muncie Macy’s clientele.

Value changes have occurred over the past few years with both regional and group management changes. The group manager over the Muncie Macy’s is very strict on policies; however, she is willing to make exceptions if she sees a long-term benefit to the company. However, the regional
manager over her is unwilling to look at each specific situation uniquely and determine what is most beneficial to the company. Even if the regional and branch managers support the exception, he is still unwilling to analyze the situation in order to determine the most beneficial decision for the company—himself included. While this was not a mindset evident five years ago, now, it is the overriding “duty” in a strictly deontological decision-making process.

Social response is not applicable overall to Finlay Fine Jewelry. As they do not have a publically branded name, they do not find the need to donate to national disasters or employee-aid funds. The deontological view to make money and not bend rules applies to Finlay’s social responsiveness.

Customers and Markets

Currently, Muncie Macy’s customers are our customers. The primarily female market aging from 35 to 75 is an older market with too diverse interests to target easily with the jewelry purchased from vendors which satisfies the other markets that Finlay occupies nationally. Seventy percent of consumers are in the primary consumer market, Muncie; however, as it is a regional mall, secondary consumer markets are the other cities in Delaware County and also adjacent counties. Tertiary consumer markets are those in Ohio and counties adjacent to those surrounding the secondary consumer markets.
Institutional and Organizational Structure

Finlay Fine Jewelry in Muncie is a lease department with a centralized structure. As Finlay is a lease department in Macy’s, it is dependent upon the host store to renew the lease at each contractual renewal point. Finlay must always ensure that it is upholding its own as well as its host store’s values and regulations. The centralized structure makes decisions more difficult as well since Finlay is in several different stores with several different geographic locations and decisions blanket all stores.

Retail Mix

Finlay Fine Jewelry, Inc. is a publicly-traded company with a centralized decision-making structure. Their retailing mix is currently hard to determine, as they are a lease department disguised as a department of the host store. Therefore, the host store for each location has a unique target market and unique policies by which Finlay and their employees must adhere. Consistency that is necessary in a centralized structure is lacking, yet all Finlay continues to use it. The Muncie Macy’s store has a different clientele than most other Finlay stores. The current retail strategy is in need of aid if higher profitability, efficiency, and service are to be provided.

Product

The Muncie Macy’s Finlay store has both fine jewelry and watches. Like all stores, items are carried for every budget. Finlay specializes in jewelry for women and watches for both men and women. Fine jewelry most jewelry comes in 14K yellow or white gold with limited pieces in rose gold. Precious, semi-precious, opaques, and all metal pieces are available in our inventory.
Precious stones are considered the most traditional of all jewelry. Precious stone are the most recognizable stones: diamond, sapphire, ruby and emerald. With the exclusion of emerald, precious stone are durable for everyday wear if treated properly. Most precious pieces are set in traditional yellow gold settings with the exception of diamonds which has an equal distribution among white, yellow, and two-tone (both white and yellow gold present in one piece). Diamonds are traditional stones and have a more traditional look in yellow gold; however, the diamonds' quality appears higher in white gold. Therefore, we have a proportional amounts among the gold choices. We also carry modern styles in all precious stones which are frequently our modern settings. These precious pieces make up the majority of our selling jewelry with diamonds being the largest percentage of our sales.

Semi-precious pieces are considered a trend stone with each stone having varying demand depending on the season. Semi-precious stones are frequently the birthstones and can be other faceted gemstones. Semi-precious stones include opal, garnet, citrine, peridot, tanzanite, aquamarine, amethyst, smoky quartz, and blue topaz. These stones come in mostly yellow gold with smaller but equal segments of white and two-tone jewelry. The jewelry is designed in two equal groups: traditional and nontraditional/modern. Semi-precious pieces make up a significant portion of Finlay sales since each month's birthstone increases semi-precious sales for each respective month.

Pearl, black onyx, carnelian, cubic zirconia, and jade are among the opaque stones Finlay offers. Though cubic zirconia is a simulated diamond, it is considered an opaque since it is not a created stone. The distinction between created and simulated is that created stones are grown in a lab but test as the stone they are created to be. For example, natural emeralds are grown in the ground and are naturally included. Created emerald is grown from a pure emerald crystalline structure and harvested in a lab. The created emerald has no visible inclusions, superior color, and when tested the results determine it to be an emerald. Simulated stones can be mac e of any material and merely appear visually similar to
the stone that it is intended to mimic. However, if tested, the results will determine it not to be a genuine stone. So, although cubic zirconia is a created stone and meant to appear as a diamond, the crystalline structure is not that of a diamond but of a white zircon, another gemstone. Therefore, it is an exception and classified as an opaque since Finlay does not offer white zircon in its product lines.

Opaques mostly come in yellow with significantly fewer selections in two-tone and even fewer in white gold. Opaques make up the smallest portion of Finlay sales as most consumers do not want to buy fine jewelry in something infrequently worn.

Finlay offers all-metal selections in both gold and sterling. Gold selections are predominantly yellow gold with smaller but equal segments of two-tone and white gold. Gold pieces can be either trendy or classic pieces with focus on trend since it is the least expensive form of fine jewelry on average. Purchases of gold pieces are frequently to add to an already developed jewelry wardrobe. Sterling silver pieces are trend oriented. Since sterling silver is less expensive than gold, sterling pieces with gold accenting or gemstones are still considered all-metal pieces since the mark-up aligns with gold and not gemstone. All-metal pieces are a lesser portion of sales than semi-precious but significantly more than opaque pieces.

Watches come in both men’s and women’s designs from three different companies. Muncie sells equal portions of men’s and women’s watches. All watches are Japanese movement and not Swiss watches. While some watches do not operate on battery, the majority operate on a standard battery operation. Finlay’s fine watches in Muncie include Bulova and sister line Caravelle, Seiko and sister line Pulsar, Citizen and sister line Value Citizen.

Bulova is our best-marketed line. Bulova markets itself as a fine and affordable luxury. The Bulova watches we carry range from $150 to $699. Bulova watches come with surgical-grade stainless steel or leather bands. Leather bands with few exceptions are with traditional, basic watches. The
designs are classics with plain faces and limited markings. Stainless steel bands comprise the majority of Bulova stock. Stainless steel bands are very durable and are not as easily affected by chemicals as leather. The metallic appearance matches other jewelry that the consumer wears. Bulova watches also have scratch-resistant crystals and strong clasp. Caravelle is Bulova inexpensive sister line that combine Bulova’s great name and style with pricing comparable to Fossil watches. Caravelle watches are still fine watches but do not have the same quality as Bulova’s main line.

Seiko is our middle fine watch selection. Seiko’s come with either battery or kinetic power; however, most are battery powered. Seiko is known for the quality of their internal working and their time accuracy. In fact, Seiko watches are very close in time keeping to a Swiss watch. Seiko’s watch bands are overwhelmingly done with stainless steel with very few selections in leather. Seiko’s designs are simplistic and timeless in design. The designs are wearable for a few months or years. One customer raved about her durable Seiko lasting over twelve years. Obviously, with a reputation like this, many consumers ask for Seiko by name. Pulsar is Seiko’s lower line watch. Pulsar watches still have great durability and time keeping; however, their internal working and designs are not to the quality of Seiko.

Citizen is our best value amongst the primary fine lines. With most of the watches having light-powered systems and not battery powered, the higher quality for the same or slower price than Seiko and Bulova make them hard to beat. Their designs are sporty and typically larger. The crystal is scratch resistant, and the band is typically stainless steel. Occasional leather banded watches are available but only with men’s watches. Value Citizen is battery operated only with light weight bands made of a base metal. They are meant to be a “value” for the price, but the quality difference is reflected in the much lower price you pay.
Price

Price varies depending on the consumer’s budget. In Muncie, Finlay carries something for almost everyone. From gold ball studs retailing for $40 to diamond studs retailing for $16,000, promotional sales make jewelry pieces affordable. Sales can range from 25% to 60% plus 25% depending on the type of stone and time of year. Gemstones take anywhere from a 40% plus 10% discount up to a 50% plus 20% discount. Once a month during first, second, and third quarter, the One-Day Sale brings the best discount of 50% plus 20%. The fourth quarter consistently have sales equivalent to 50% plus 20%. Gold discounts run parallel to gemstone with 50% plus 10% being the least discount and 60% plus 20% being the best discount. Watches almost always take 25% discount except the quarterly 25% plus 10% discount or the bi-annual 25% plus 20% discount.

Place

The place component of the retailing mixes refers to “location, location, location.” A superb location is key to success. Locations need to be both visible and accessible. Since Finlay Fine Jewelry is a lease department in the Muncie Macy’s, its location is not controlled through Finlay; however, Macy’s picks only visible locations that are easily accessible near interstates and other major roads.

For the purposes on this project, the location will refer to the interior of the store location. The Muncie Macy’s is an eight-year-old building in need to a renovation. While the dim lighting accompanied by the beige color scheme of the store lends to a dingy, dirty image, the cleanliness of the facility and atmosphere in addition to the trusted, recognizable name continues to bring consumers into the store and consequentially bring customers to Finlay. The lighting particularly in the fine jewelry area is poor evident especially when customers ask for better lighting to see if it “sparkles.” This low-quality appearance when a piece is taken from the case and placed in “normal store lighting” causes customers
to question our jewelry until they place it under a lamp or purchase the item and take it outside into the sunlight. Broken cases are another issue that plagues our location in Macy’s. A couple of times, the case glass has been broken by the Macy’s cleaning crew during floor waxing, and Finlay must pay to replace it. It takes well over a month each time for the glass to be repaired. To hurt the company even more, the broken glass cases contain our most popular and profitable jewelry, diamonds. Not only are people exposed to an unkempt image that is undesired in the realm of jewelry, but it is at highest exposure for the bay and for prolonged periods of time. The door to the bay also has been lacking a functional lock to secure access to the bay; however, their security watches the bay for potential theft and other security issues. The Macy’s provides the bay and requires a base rent plus a percentage of profits, but Finlay must provide the contents, maintenance, product, services, and hold up to all Macy’s policies and standards.

**Promotion**

Promotion is the final “P” in the “4 P’s” of the retailing mix. Promotion for Finlay is practically non-existence. Having to masquerade as the host store, Finlay is unable to produce price-effective mailings since they have no customer contact information base and lack open access to the host store database. Therefore, Finlay is reliant on the host store to provide a section in mailings to dedicate to fine jewelry merchandise. Finlay has a means of promoting grassroots through word of mouth started by either using client cards or telling customers who visit the store. Client cards are the primary way Finlay expects to generate business other than host-store mailing. Client cards are hard copies of client contact information, purchases, jewelry preferences, and events for which the client would like to be notified. These cards are organized in each associate’s binder by alphabetical order. However, these are unrealistic as one must go through each and every card when a special event is scheduled to see who would like to be notified. Also, unless a frequent and well-liked customer, client cards are too kept up to date with every transaction.
Tailored Finlay Fine Jewelry Strategy
Retail Strategy of Finlay Fine Jewelry, Inc.

The tailored Finlay situation will enable Finlay to focus on profitability through thorough analysis of situations and retail strategy characteristics. Re-orienting the retail strategy creates a more efficient means of generating revenue and increasing profit margin. Efficiency through training investments, cost analysis, and decentralized decisions will allow more sales to be made with merchandise that fits each particular store's target market in each host store. For long-term goals, Finlay needs to create a brand which it can grow for when inevitably lease departments are phased out of department stores.

Uncontrollable Factors

Uncontrollable factors will continue to plague businesses until retail no longer exist – a highly implausible result. While the future is unknown, means of predicting the future through calculations and being open to flexibility in the moments unpredictable allows a company to survive and maintain stability when others cannot.

Economy

The economy is currently in stagflation and will continue a downward trend according to most experts. At minimum, the American economy will remain in stagflation for many years before improving. With this trend, retailers including Finlay will have to proactively make choices in order to stay in business. While staying in business is the goal, keeping as many jobs as possible without putting the company into debt aids the economy by having money circulate. With a dreary economic future, retailers must cut prices but also provide better overall value with the purchase through service, quality, and buyer satisfaction. Finlay's new economic approach will proactively make adjustments to best maintain long-term profitability.
Technology

GEMS and e-mail are not as effective as they could be. Efficient use of these technologies would greatly increase the overall profitability of the company through increased sales as well as the addition of new technology.

While e-mail can be quick and effective, many times e-mails are not replies to within a timeframe. Having an e-mail alarm that the receiver can set to alert him when too much time has passed would reduce timeline errors and create a more effective communication system.

GEMS is the primary technology used at the branch. GEMS fulfills shipping, sales, and time and product management duties. While this is very beneficial to Finlay and aiding us to make sales and become more efficient, the system still has improvements to be made. Upgrading to broadband or secured wireless will increase the ability to help customers quickly and within the impulsive, instant gratification timeframe. Waiting ten minutes to find a piece or prior transaction does not nurture the customer’s interest in purchasing and does not lend itself to the image Finlay needs. Additionally to make searches for items and transactions easier, GEMS need pictures which accurately depict the item for each and every item in stock. A search bar or keyword category in within the current search format allows Finlay employees to more quickly and accurately search for items of interest. The ability to search national wide and not simply group wide would increase the number of selections as well enabling Finlay to increase turnover and revenue per item, as they would not have to move as many pieces into clearance.

Finlay’s hardcopy client cards should also be placed in GEMS in order to electronically organize clients and their interests. For instance, if the Muncie Macy’s Finlay has a LeVian show scheduled, then an employee can search for all clients who want to know about special events, LeVian, or special pricing and also find clients who have purchased LeVian in the past. This saves many hours of manpower allowing this time to be used effectively through selling or other attention-needing areas.
Host store website improvements would also help both the host store and Finlay. If the website has a feature that allows you to pick which store the customer is shopping at, then it could specify whether the store has Finlay or a host store inventory. For example, many time customers find a piece they like online at macys.com. Since it is an expensive item, they come to the store to purchase the piece in order to ensure it is exactly what they want. However, since Finlay and Macy's fine jewelry counters carry different merchandise, we cannot bring in the item, and the customers cannot understand why. Allowing customers to choose a store enables them to know if or if not the piece is currently at the store and also if it is possible to bring the item into the store. This keeps customers happy and also keeps them interested in the Muncie store items.

Another technology addition that could ease the shopping experience is an in-store electronic browsing catalog that updates with the register and inventory system in order to tell the customer if it is currently in-stock or can be shipped to their house. During peak season, this allows shoppers to browse themselves and search for the item they want and lowering the time per transaction. In turn, Finlay employees can help more customers and reduce wait times which can cause lost sales if wait times are too long. This system also allows customers who wish not to be bothered or talk with a sales associate to see all items in-stock even if they are not in the cases.

While technology is expensive, the implementation of these technologies has a low cost with a high return. Many companies use technology systems to save money; however, Finlay has yet to implement well-done technological advances. With these upgrades, Finlay will generate more revenue with a higher inventory rate saving money every year that it is effectively implemented in branches.

These technologies can follow Finlay into their freestanding retail outlets when they are no longer in department stores. While these technologies will enable them to generate more profit to invest in their transition to branded retailers, it is also beneficial as employees will already be acquainted with the systems.
**Lifestyle, Social, and Values**

With most family in the Muncie Mall having less disposable income, Finlay needs to be proactive with an aggressive retail strategy to capture sales equivalent to past years. Having advertised specials brings in many new customers, but being able to offer that special price past the sale window allows Finlay associates to give the now unadvertised special to customers who want the product but have a strict budget which the special price fits.

Also, the Muncie Macy’s store needs to have more classic than trend pieces with trend pieces being under $300 with the majority under $130 since the $129.99 price point is overall an acceptable price fitting the majority market’s current needs. The majority of Muncie shoppers want to stay around $100 for gifts and trend jewelry. With the average purchase in a favorable economy being $200, Finlay in the Muncie Macy’s needs to accurately project changes in sales volume and average transaction price in order to better stock the branch and meet customer needs.

**Legal, Political, Regulatory, and Ethical**

Finlay needs to define a prioritization of duties and decide if results or means is more important or if both need to be balanced. Currently, Finlay is results-based with financial gain being the priority duty; however, having results-based decisions that fit within the rules does not allow improving the financial status and thus does not serve the financial duty of Finlay. Evaluating each situation and occasionally bending the rules becomes necessary. Overall, Finlay needs to put employees as their priority which results in happier associates who generate more revenue than disgruntled ones. Each situation also needs evaluated, since it is a business, for long-term financial gain or loss. Defining these
ethical bases with consideration with both results and means will lead to regulatory, political, and legal ease through precise case-by-case decisions.

**Controllable Factors**

Controllable factors are where the most can be done to help Finlay become more profitable. Through a thorough analysis of the retail concept and its components, Finlay can better serve customers, increase customer base, and become more profitable.

**Retail Management Concept**

The retail management concept for Finlay particularly in the Muncie market needs reevaluated. Consumer orientation, profitability, sensitivity to social trend, value changes, and social responsibility all need to be analyzed for profitability and longevity. The aspects need to be flexible and applicable to many situations current and future.

The current consumer orientation does not give the Muncie clientele what it wants. Finlay simply sells jewelry to make money. They need to be focused on customer service and creating loyalty to the store. Through providing superior customer service and initiating then maintaining a buyer-seller relationship, Finlay will not only be seen as a better provider but have the numbers to prove it. This will be essential during the transitional phase to Finlay branded outlets, as the customer base will follow.

Profitability is a top priority if Finlay wants to stay in business. Increasing the profit through lowering costs enables Finlay to provide the same product and services yet increases their profitability. Technological advances accompanied by efficiencies in shipping, inventory, and staffing lowers costs in turn increasing profits.

Sensitivity to social trends in jewelry refers to keeping up with fashion trends and providing them to the consumer. Finlay does a wonderful job of projecting trends and supplying them in a timely
manner to the market. The classic pieces need more depth of inventory on hand. Classic pieces which are staples of a fine jewelry wardrobe are always in demand with carat weight and overall size being major factors in the purchase. With depth of classic merchandise on-hand, Finlay can make more generate more revenue through additional sales.

Finlay's values are related to strict money and rule management. A value shirt to balancing money and people needs to occur. Paying for good and effective employees is more cost efficient than hiring employees who are lazy, incompetent, or likely to leave soon. Having reduced employee turnover allows employers to invest into training, as they are certain that they will make back in sales what they paid out additional in training. Training in an industry such a fine jewelry is a necessity, as many consumers are unaware what to look for and need associates to be their source on expert advice. Having the most informative and helpful associate will give Finlay departments an image of value among expertise, customer service, and pricing.

Finlay lacks social responsibility which will impact them, as they make a branded name for themselves. While currently no one notices their lack of social responsibility and volunteerism as a company, once they have a branded name, donating to local organizations and crises will become a necessity for brand image.

**Institutional and Organizational Structure**

Structure will greatly change. The institutional structure will change from lease departments with no recognizable name to a branded retailer. The environment that Finlay has become profitable will no longer exist within the next decade or at minimum greatly reduce in size. Finlay has become the nation's third largest retailer of fine jewelry through filling department stores leases. With efficiency and profitability become more valued and retailers seeing opportunity for additional profit by taking over the fine jewelry department themselves, lease department are becoming even rarer. Finlay recently acquired Bailey, Banks, and Biddle, Zale's former high-end retailer, and other small regional
chains. Finlay needs to brand the Bailey, Banks, and Biddle name with current lease departments and other small regional stores so that brand recognition is increased along with brand trust. Finlay will gradually move from lease to independent retailer in markets where profitable in order to break or not renew leases before retailers can beat them to it.

Organizational structure will also shift from centralized to more decentralized structure. While more expensive to start, in the end, ensuring merchandise will sell and stay on hand a minimal amount of time is the most profitable situation for a retailer. Done well, decentralized structure provides better service and becomes more cost efficient. While a centralized management will still be in place with traditional hierarchy, decision choices of branch and regional managers on situational issues and product selling potential will be the decision for the majority of cases.

Customers and Markets

Macy's will likely not renew the Finlay lease in Muncie at the next renewal point in 2011. Fulfilling customer needs and jewelry selection and pricing will be the same. However, target market needs to be more defined when becoming an independent retailer. Finlay will focus on professional women 35 to 54 who are raising families and enjoy jewelry as a primary gift to receive for any occasion. These women love success and enjoy spending time with family and friends. Socializing is a must, and these women have a full social calendar. Appearances are valued, and fine jewelry is a major part of status recognition. Finlay will carry something for every member of the family to buy for themselves or as a gift. A relationship with a local jeweler will enable custom-made pieces and repairs to be made quickly and for a reasonable price. These women live within an hour to an hour and a half of Muncie and come just to buy jewelry or as an additional stop on their regular shopping trip.

To keep customers loyal and continuously coming to the new retail outlet, Finlay must keep contact with clients and maintain a presence in their shopping mind. Continuous communication
between Finlay and their clients maintains the relationship and makes clients feel relevant and wanted at the business. A personal relationship is the ultimate goal to generate consumer loyalty to Finlay’s outlets.

Retail Mix

Retail mix is going to change. Products to satisfy consumer needs will be brought into inventory in addition to current items on hand. Price will remain consistent to current prices; however, place and promotion will take a drastic change with the transition to an independent facility. A reevaluated retail mix will increase profitability through increased customer base and profit generation.

Product

While the majority of the products will be the same, some improvements need to be made in on-hand inventory to better serve customers. Current consumer demand with the softening economy is leaning towards items under $130 on sales which have a simple, modern look. These can be in semi-precious or precious stones. Engagement rings in up to 2.0ct size in both brilliant and princes cut need to be brought in to satisfy the newlywed market. Many shop for engagement rings at Macy’s because of the respected and trusted name; however we do not carry but a handful of ring suitable for engagement. Promise rings are another necessary addition particularly under $200 since many high school and college students purchase these and cannot afford more. These younger, in-school consumers shop Macy’s since their mothers shop there. Satisfying their needs by bring in a couple items to fit their purchasing criteria reinforces the image to the students as future consumers and their parents as current ones.

When moving to an independent location, if the economy is still declining, keeping product with ranging prices is necessary to keep sales in every consumer’s budget who walks through the door.
However, if the economy is improving, widening selection of certified and other high quality pieces is necessary to satisfy the stylish women who shop their most but who also would not purchase as many high-priced pieces during the softened economy given family concerns. Carrying loose diamonds for custom pieces is an additional product line to carry once an independent retailer since currently Finlay does not offer such a service which these consumers demand.

Price

Price will remain consistent. Retail pricing with 50% plus 20% discounts will remain the same. The illusion of an extra good deal is what customers want. However, if a consumer has a merited reason for not being able to come in another time or pre-sell the item to ensure he has the item at the sale price, then the sale price will be occasionally honored early as a means of customer service. Price points from less than a hundred to in the thousands will continue to be offered to fit all family members’ needs with concentrations in the $1500 to $3000 range once the economy improves.

Place

Place will obviously change from lease department within a major department store to an independent retailer. Finlay’s retail outlets will be free standing within half a mile of major shopping centers’ main entrances. High traffic area with easy access will bring customers in and generate brand awareness. Generating brand awareness is necessary because though a consumer may not be looking currently for a fine jewelry item, the consumer will find themselves in the market at a later time, and Finlay’s branded name will come to mind.

The building itself should have a unique, elegant appearance to draw attention. A red brick exterior with large windows framed in dark wood will bring out the elegant look with a distinct visual contrast to other surrounding properties. Interior should continue the theme with dark woods and rich, earth-tone color scheme. Natural lighting from window with additional cannon lighting and chandelier
lighting will provide ample light to demonstrate visually the quality of the piece. The interior of cases should be black velvet with back lighting to set off the jewelry. Unrelated to jewelry, there should be a side room with toys, a television, and chairs for husbands and children. Many times women wanting to purchase lease because their husbands or children get impatient. This side room will provide an area, if necessary, to keep husbands and children content while the wives shop.

Promotion

Promotion will be done through mailing, point of purchase, sponsorships, and word of mouth. These mailing will show new fashion or value-priced pieces in addition to stories about upcoming in-store shows and community involvement. Mailings will go to previous customers as well as women 35-54 whose household income is $75,000 or more annually. Point of purchase promotions will primarily be small in-case or top-of-counter signs which lets people know the sale on all pieces and pieces with special pricing for that particular sale. Sponsorships of Little League teams or other children’s sports with high visibility will play a role as well. This gives Finlay both community involvement to add to mailings as well as pictures to be displayed in the store and continual advertising at games.
Cited Source


Muncie Indiana My Home Town. 3 Mar. 2007. 6 Feb. 2008

Inspiration Sources


Williams, Amber. Personal interview. Spring 2008.