

Free essay on tiffany and co. growth strategy: opening new shops and extensive li...

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Founded in 1937, Tiffany & Co. is a New York-based international jewelry and silverware producer with annual revenue of almost USD 3, 8bn and USD 4, 6bn in assets in 2012. The company is listed on the New York Stock Exchange with market USD 10, 3 USD market capitalization. There are four key markets for the company: the U. S. representing 48 per cent of Tiffany & Co.'s sales, Asia-Pacific (21 per cent), Japan (17 per cent) and Europe (11 per cent) (Tiffany & Co. 12-13). From the marketing perspective, Tiffany & Co. is a perfect example of growth without compromise strategy - something closely related to the company's brand identity.

'Growth without compromise' is a growth strategy, which is openly pronounced by the company: "selectively expand its channels of distribution in important markets around the world without compromising the long-term value of the TIFFANY & CO. trademark" - that is stated on the company's website Tiffany.com. Practically it means that preserving long-term value of the brand is a higher priority than, say, short-term financial goals. Such a strategy implies set of rules such as limits on annual numbers of newly opened shops, restriction of licensing agreements and setting relatively humble financial targets. And the action by Tiffany & Co. to slow down their growth in 2005 was a great demonstration of the commitment to their strategy.

Sacrificing short-term profits in favor of the long-term stability of brand sounds as a legitimate strategy, especially in the market of luxury jewelry, where the products are not purely functional and the importance of brand perception is hard to overestimate. However, it is not that easy to explain to the shareholders of a company, which is listed on NYSE, whatever business it

is in. It would be false to say that corporations do not think in terms of long-term sustainability at all, but at the same time pursuing them to refrain from exploitation of the entire (or almost entire) profit-generation potential in favor of such abstract for the investors concepts as “ long-term brand identity” is not simple. While the company still pronounces its “ growth with compromise” strategy, one may wonder if it is still the case.

In February 2007 Trian Fund Management LP, a hedge fund, purchased a 5, 5-percent stake in the company which proved to be an important moment for the company. Purely financial-minded, the company immediately put pressure on financial performance, setting a target to increase earnings per share. It is hard to see any particular indicators in the market why the strategy should have been changed – the best answer probably should be “ because the stockholders wanted so”. The company have been successfully employing that careful brand-preserving strategy throughout its existence (more than 170 years) just to see the approach radically changed in an effort to improve EPS.

Between 2002 and 2006 there had been 36 new retain locations opened; between 2007 and 2012 – 108. The company also licensed the brand to Luxottica, a producer of sunglasses and eyewear with 5, 700 stores worldwide; the company sold several shops just to lease them back immediately; the company got engaged in the strategic alliance with Swatch – a producer of budget watches to produce and sell Tiffany branded watches. Without a doubt, there is one common thing that unites all the above-mentioned moves: to increase revenue- and profit-generation potential.

From perspective of an investor, who is mostly interested in enhancing short-

term results, but from marketing perspective it is not all that obvious.

With all these moves, Tiffany & Co. became somewhat more affordable, both price-wise and location-wise, it also became more popular. Fairly speaking, plenty of companies would be happy to be associated with such adjectives, but not a company that is supposed to set the bar in the market of luxury jewelry. In my opinion, it would be an exaggeration to proclaim such a move as wrong, but at least it is very risky: the new brand identity is being born, and only time can show how successful this new Tiffany would be in the long-term. On the other hand, continuing gradual cautious expansion was virtually riskless - there was barely any market pressure to give it up, apart from demands of the new major shareholders. There is a certain likelihood that this new strategy - or I would rather call it tactics - would actually turn out to be successful, as for decision itself, I believe that putting hard-earned brand image under threat aiming for short-term profits is strategically irresponsible given the market the company operate in. Hess (28), while addressing the issue, expressed the thought that growth without compromise strategy is incompatible with being a public company - the case of Tiffany suggests that it may well be true

It is important that the company does not start exaggerating too much licensing everything they are offered to license, as it may have negative consequences of two types: firstly, it will undermine exclusivity of the brand (everyone can possess something from Tiffany) - outsourcing production to the countries with cheap labor will do the same, secondly, they may cease to be perceived as specialists in jewelry, which is a catastrophe. A company, which positions itself as a tone-setter in a particular industry, should not

diversify too much. And if it does license something, it should be related to the luxury goods industry or, more specifically, luxury accessories.

Tiffany & Co. is a beautiful example of how authentic values that have been followed by a company for more than century is cynically betrayed by market reality, which puts an emphasis on short-term profits rather than long-term (and in case of Tiffany & Co. it is a really long term) marketing objectives. However, it has been so far so good for the company, and only time will show the impact of changes on the company. After all, losing soul is not always losing profits.

Works cited:

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