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EXECUTIVE SUMMARY The luxury goods industry quickly rebounded following the United States economic downturn in 2001, partly due to the increasing trend of middle-income American consumers demanding luxury at every level. Within the luxury industry, the jewelry sector is largest with global retail sales amounting to $150 billion. Tiffany & Co. (“ Tiffany”) currently holds the leading position within the jewelry industry with a 19 percent share of the $50, 000-plus jewelry industry.

Tiffany recognized the growing number of consumers demanding luxury at mid-level prices and decided to use this trend to its advantage by appealing to these middle-income Americans. Tiffany did this by adding less expensive items to its collection, including more sterling silver, which appeals to younger women as some items retail for as low as $100. With 2002 revenues of almost $190 million, analysts believe Tiffany’s earnings will continue to increase through future store expansion, which management hopes to increase by 5 percent annually. This would total 173 worldwide stores by the end of 2007.

Upon realizing the strength of its brand and the image its blue box portrays, Tiffany also plans to continue launching new product lines, taking advantage of the growing popularity of branding among jewelry consumers today. However, with all of Tiffany’s current success, some analysts worry that the company may dilute its luxury brand image with its attempts to make the blue box accessible to the lower end. Tiffany, therefore, must focus on assuring its affluent customers that the quality of its products and service has not lessened even though its brand has become more affordable.

This research proposal discusses the fine jewelry sector within the luxury goods industry, focusing on Tiffany & Co. ‘ s (“ Tiffany”) position among its high-class competitors and fine jewelry consumers. The paper begins with an overview of the luxury goods industry and current trends within the specific sector of fine jewelry. The document progresses by describing the corporate structure of Tiffany, specifically the company’s products, financial situation, store operations and plans for expansion, key publics, brand image, and marketing strategies.

The proposal includes an in-depth analysis of Tiffany & Co. ‘ s position among luxury goods consumers, with the primary question of how Tiffany will maintain its elite image and leading position within the jewelry market while attempting to expand its consumer base. INDUSTRY INFORMATION The luxury goods industry, along with the rest of America’s economy, suffered in 2001 following the September 11 attacks. However, according to J. P. Morgan analysts Melanie Flouquet and David Wedick (2004), the luxury goods industry is recovering very well from the weaker sales growth experienced that year (p. 4).

In the first quarter of 2002, jewelry store sales increased 0. 7 percent from 2001 (Kato, 2002, ?? 11). Consumers’ quick return to luxury purchases illustrates the somewhat addictive nature of luxury goods (Flouquet & Wedick, 2004, p. 15). However, according to Louis Cona, publisher of Vanity Fair, “ There will always be a luxury consumer, and they’ll continue to spend whether there are wars or diseases or whatever” (Case & Anderson, 2003, ?? 7). Tax cuts, equity wealth, and job market conditions also favor upper-income individuals, who are the primary luxury goods consumers (Flouquet & Wedick, 2004, p. ). At the same time, the exclusivity of luxury goods in America is declining. In an age of mass affluence with easy access to credit (Brown, 2002, ?? 5), luxury goods are becoming more affordable (Horovitz, 2003, ?? 13). Also, with a 50 percent rise in household income in the last 30 years, Americans have more money to spend on premium goods (Fiske & Silverstein, 2003, ?? 16). According to Arnold Brown who writes for Across the Board (2002), recent surveys show that more than 350, 000 U. S. households have a net worth of a least $10 million.

More than five million households have a net worth of more than $1 million, which is double the amount of households 20 years ago. Economists predict that by 2050, more than 25 million U. S. households may have assets of more than $1 million (Brown, 2002, ?? 4). Figure 1 illustrates the above data, showing the increase in the number of households with assets amounting to more than $1 million. Note the increase of just over 40 percent during the 20-year span between 1982 and 2002 compared to the 400 percent increase predicted for the next 50 years. Figure 1 Numbers of Households with Assets Over $1 Million

Source: Brown, A. Luxury redefined. There is also a growing trend of middle-income Americans demanding luxury at every level (Horovitz, 2003, ?? 3) and stretching their checkbooks and credit cards to support their luxury impulses (“ A Beemer in Every Garage? ,” 2002, ?? 4). According to futurist Watts Wacker, luxury is no longer an aspiration because even middle-income Americans are living luxurious lives (Horovitz, 2003, ?? 12). Luxury travel has increased 130 percent since 1990, and luxury cars account for 12 percent of vehicles sold, a 6 percent rise since 1986 (Nucifora, 2001, ?? 2).

Luxury goods providers are taking advantage of this new opportunity as well. Callaway Golf markets $500 golf clubs to average golfers, Coach sells handbags starting as low as $120, and Mercedes-Benz sells entry-level cars for $26, 000 (Horovitz, 2003, ?? 4). Ronald Shaich, CEO of Panera Bread, explains this phenomenon, “ In a society where everything is mass-marketed, there’s a need to feel special. It’s about delivering something that consumers respect??? and that they feel respects them” (Horovitz, 2003, ?? 5). Middle class is no longer an aspiration, but rather a foundation upon which to become rich (Brown, 2002, ?? 7). Everyone wants to be at the top,” says J. Walker Smith, president of the marketing consulting firm Yankelovich Partners (White & Leung, 2002, ?? 9). However, when luxury goods become common, these luxury goods may lose their cachet (Brown, 2002, ?? 9). According to Gregory White and Shirley Leung (2002), luxury carmakers like BMW and Mercedes could undermine the cachet of their $70, 000 top-of-the-line cars with their new under-$30, 000 offers. This is also a potential problem for Tiffany & Co. as it slowly and subtly embraces the middle class (Gallagher, 2002, ?? 2).

According to Don Ziccardi, Tiffany has diluted its once exclusive brand by making itself accessible to the lower end (Fitzgerald, 2002, ?? 17). The following discusses the primary competitors within the fine jewelry sector of the luxury goods industry, which helps in explaining the trends within the industry. COMPETITORS WITHIN THE INDUSTRY Within the luxury industry, the following jewelers are the primary competitors: ?? Tiffany ?? Cartier, under parent company Richemont ?? Bulgari. According to J. P.

Morgan analysts Sagra Maceira de Rosen, Brian Tunick, and Robert Samuels (2004), the jewelry sector is the largest in the luxury goods industry with global retail sales amounting to $150 billion. Retail sales in the U. S. , the largest market, approximate $43 billion (Rosen, Tunick, & Samuels, 2004, p. 54). Richard Heller (2002), who writes for Forbes, says Tiffany has an estimated 19 percent share of the $50, 000-plus jewelry market, Cartier has an estimated 11 percent share, and Bulgari has an estimated 3. 5 percent share (p. 74). Analysts Flouquet and Wedick of J. P. Morgan (2004) say U. S. onsumers are particularly loyal to jewelry brands, and Tiffany & Co. capitalizes on its leading position (p. 24). Tiffany’s use of the classic blue box has become one of the most recognizable and consistent advertising campaigns in the U. S. today. The company’s success has led to openings of smaller format stores, and Tiffany plans to introduce several new products in 2004. Cartier, on the other hand, is now refocusing on finding a balance between new and classic products and between accessible and high-end lines after its unsuccessful push to make its brand more upscale in 2001 and 2002.

The company will return to its innovative nature by beginning a series of significant product launches in April 2004 (Flouquet & Wedick, 2004, p. 20). Bulgari, very well established in Europe, is suffering in the U. S. because of its late entrance into the market. Focused in big cities and central areas, Bulgari also suffers as it attracts relatively young consumers who were hit by the decline in equity wealth. In addition, the jeweler has a relatively low establishment with third-party retailers (Flouquet & Wedick, 2004, p. 23).

The following industry analysts and trade publications produce most of the research and information about Tiffany & Co. and its competitors, while also discussing trends within the luxury goods industry. Industry Analysts Bear, Stearns & Co. , Inc. , and J. P. Morgan Securities, Inc. , are the primary investment banks that research and report on the luxury goods industry. Michael Fairchild, James Hurley, and Dana L. Telsey work as analysts for Bear, Stearns, & Co. , Inc. Melanie Flouquet, Sagra Maceira de Rosen, Robert Samuels, Brian J. Tunick, and David Wedick work for J.

P. Morgan Securities, Inc. These analysts all specifically research Tiffany & Co. and the company’s key competitors. Trade Publications The following twelve journalists work for these trade publications, which discuss fine jewelry and trends within the industry: \* Advertising Age: Alice Z. Cuneo \* Forbes: Leigh Gallagher \* Jewelers Circular Keystone: Rob Bates & Jennifer Heebner \* National Jeweler: Victoria Gomelsky, Barbara Green, & Randi Molofsky \* Women’s Wear Daily: Wendy Hessen, Marc Karimzadeh, Melanie Kletter, David Moin, & Jill Weitzman.

The following two figures illustrate how Tiffany & Co. compares to its primary competitors in sales growth. Figure 2 shows J. P. Morgan’s 2003 estimates for sales of luxury goods to U. S. consumers broken down by luxury goods companies, clearly illustrating Tiffany in the leading position. Because J. P. Morgan used estimates, they did not attribute exact values to the sales. Figure 2 Sales to U. S. Consumers 2003 Estimates Source: Flouquet, M. , & Wedick, D. (2004, February 26). Luxury uncovered: Hey big spender. J. P. Morgan Securities, Inc. [Analyst Report].

Retrieved February 29, 2004, from the Thomson One Analytics database. Figure 3 illustrates Tiffany’s sales growth over the last three years in comparison to its primary competitors, according to J. P. Morgan, showing Tiffany’s strong rebound following the economic recession. Figure 3 Sales Growth in the U. S. Source: J. P. Morgan Company Data The following provides an in-depth analysis of Tiffany & Co. ‘ s corporate structure, which includes a brief company history and an analysis of the company’s jewelry products. COMPANY INFORMATION Tiffany & Co. Corporate Information:

O Corporate Headquarters: 727 Fifth Avenue New York, NY 10022 O Internet: www. tiffany. com O NYSE common ticker symbol: TIF O Chairman, CEO: Michael J. Kowalski O President: James E. Quinn O Executive Vice President & CFO: James N. Fernandez O Senior Vice President, Marketing: Caroline D. Naggiar Tiffany & Co. ‘ s mission is to be the world’s most respected jewelry retailer. Tiffany & Co. Background In New York City in 1837, Charles Lewis Tiffany and John F. Young founded Tiffany & Young, a store dedicated to selling stationery and costume jewelry.

In 1845 the company began selling real jewelry and published its first mail-order catalog. During the late 1940s it added silverware, timepieces, perfumes, and other luxury items. In 1853, Tiffany bought out his partners, who at the time also included J. L. Ellis, and the store became Tiffany & Co. Tiffany found its primary consumers in the growing number of wealthy Americans. When Tiffany died in 1902, his son Louis Comfort Tiffany joined the firm as the artistic director. Tiffany’s sales hit nearly $18 million in 1919, but they dropped to less than $3 million in 1932 because of the Great Depression.

Louis Tiffany died in 1933. In 1940 the company moved to its present Fifth Avenue location, and in 1955 the Tiffany heirs sold their shares to Hoving Corporation. Walter Hoving, chairman and CEO, expanded Tiffany & Co. beyond its New York City store to San Francisco in 1963 and added locations in Beverly Hills and Houston in 1964. Tiffany continued to see increased sales throughout the 1960s and 1970s, and by 1974 net sales reached $35. 2 million. When the company was sold to Avon Products, Inc. , in 1978, Tiffany’s sales had reached a record $60. 2 million.

However, by increasing the stores’ selection of less expensive items, consumers felt Avon was hurting Tiffany’s image, and Avon sold the company to Tiffany chairman William Chaney in 1984. Chaney set to improve Tiffany’s tarnished image with affluent shoppers and expanded the company into Europe with its first store in London in 1986. The company went public in 1987 with about 30 retail locations worldwide. In 1999, President and COO Michael Kowalski became CEO and Tiffany opened its first online store. That same year Tiffany paid $72 million for a 14. 6 percent stake in diamond supplier Aber Diamond Corporation.

As the largest public diamond-focused company in the world, Aber engages in the acquisition, exploration, and development of mineral properties in Canada. With Tiffany acting as the retailer, Aber plans to mine and process 960, 000 tons of diamond bearing material per year to retrieve 3. 7 million carats of diamonds (“ Aber Diamond Corporation??? Business Description,” 2004, ?? 1-2). In 2001, Tiffany purchased 45 percent of Little Switzerland, a duty-free specialty retailer that sells brand name watches, jewelry, crystal, china, and accessories to vacationing tourists in its 17 stores on five Caribbean islands and in Alaska (Karimzadeh, 2003, ?? 2).

Terms of the agreement called for Tiffany’s investment of approximately $9 million to purchase newly issued shares of Little Switzerland and provided debt financing of up to $2. 5 million, helping Little Switzerland return to profitability (Gomelsky, 2001, ?? 2). The agreement also allowed Tiffany to gain entry into the Caribbean market with the development of two boutiques in Little Switzerland stores (Andrews, 2002, ?? 3). In 2002 Tiffany brought its Little Switzerland holdings to about 98 percent. Tiffany discontinued sales to U. S. retailers in 2000 in order to gain greater control of its brand.

However, in 2003 Tiffany purchased a stake in Temple St. Clair for $13 million to diversify its retail operations (Green, 2003, ?? 3). That September and November, Temple St. Clair opened two upscale, stand-alone jewelry boutiques in Costa Mesa, California, and Short Hills, New Jersey (Green, 2003, ?? 5). Diverging from Tiffany’s classic style, Temple St. Clair’s pieces retail from $500 to $35, 000 and incorporate more yellow gold and semiprecious stones (Green, 2003, ?? 6). While Tiffany will not sell any Temple St. Clair products in Tiffany stores, nor vice versa, according to analyst Ellen Schlossberg at William Blair & Co. “ Tiffany feels this is a way for them to broaden their market share in jewelry outside of the Tiffany box” (Karimzadeh, 2003, ?? 18). Most recently in 2003, William Chaney retired and CEO Michael Kowalski added the title of chairman. Chaney continues to serve on Tiffany’s Board of Directors. However, the high quality of Tiffany’s products has led to the company’s continued success in the industry. The following will take an in-depth look at the success of Tiffany’s jewelry products as well as the growing trend of branding among consumers. Products

Since 1837, Tiffany & Co. ‘ s products have come to include everything from diamond solitaire engagement rings to sterling silver key chains. A complete list of products follows: ?? Fine jewelry??? diamonds, pearls, colored stones, platinum, gold, and silver ?? Engagement/bridal jewelry ?? Timepieces ?? Sterling silverware ?? China ?? Crystal ?? Stationery ?? Fragrances ?? Accessories. Figure 4 breaks down Tiffany’s 2002 sales by product, which illustrates the company’s strong dependence on its jewelry sales.

Figure 4 Tiffany Product Sales 2002 Source: Company Data, as reported by J. P. Morgan Tiffany entered the diamond jewelry market in 1880 by originating its six-prong setting with the first diamond set away from the band, making the most of the diamond’s brilliance by permitting light to go through the setting (Hessen, 1999, ?? 11). Now almost 125 years later, diamond jewelry accounts for around 40 percent of all Tiffany’s sales with engagement and bridal jewelry representing roughly 20 percent (Rosen, Tunick, & Samuels, 2004, p. 7).

According to CEO Kowalski, Tiffany’s bridal business, rather insignificant eight years ago, has become a major force (Hessen, 1999, ?? 3). The growing trend of branded jewelry consumption led to this growth in Tiffany’s bridal jewelry business (Rosen, Tunick, & Samuels, 2004, p. 30). When buying jewelry, consumers seek the trust and superior service that a brand offers, and the strongest brands, including Tiffany, benefit from this attitude since so few jewelry brands are globally recognized (Rosen, Tunick, & Samuels, 2004, p. 54). As indicated by Madonna Badger of Badger, Kry, & Partners,

Branding shows the emotional component to a product. It’s about saying, we know what you look like, we understand who you are as a woman, and this is the place where you can find what you need (Karimzadeh, 2001, ?? 17). On behalf of Lehman Brothers, Jeffery M. Feiner agrees with Tiffany’s brand status, “ We believe that the Tiffany blue box and the Tiffany & Co. brand have developed into one of the best-known symbols for quality, prestige and value in retailing, and that the value of this brand will continue to increase over the long term” (Kletter, 1999, ?? 16).

Tiffany, recognizing the strength of its brand and taking advantage of this trend, increasingly brands its diamonds through more distinct cuts and designs, as demonstrated through its Etoile, a band with an embedded diamond (Rosen, Tunick, & Samuels, 2004, pp. 31-35). With Tiffany’s creation of the Lucida diamond in 1999, Kowalski explains the company’s strategy as an aim for a contemporary look that will appeal to a broader market (Hessen, 1999, ?? 9). The Lucida, more modern than other Tiffany settings, features a thick band with slightly thicker prongs supporting a square-cut diamond (Rosen, Tunick, & Samuels, 2004, p. 5). In a move toward sourcing its own diamonds, Tiffany discontinued most third-party distribution over the past five years to gain greater control over all the steps of the value chain for diamond jewelry (Rosen, Tunick, & Samuels, 2004, p. 32). Tiffany first moved toward vertical integration in 1999 with its 14. 6 percent stake purchase of Aber Diamond Corporation. The agreement with Aber gives Tiffany a minimum of $50 million per year in diamonds, annually for 10 years, at an agreed discount to the market price.

This move provides Tiffany with direct access to high-quality material at a beneficial price; lowers Tiffany’s dependence on DeBeers, the major diamond supplier worldwide; and reduces the number of intermediaries in the diamond supply chain (Rosen, Tunick, & Samuels, 2004, p. 32). With engagement rings ranging from $970 to $1 million (“ Engagement Ring Sales Polishing Tiffany’s Profits,” 2003, ?? 7), Tiffany hopes its move toward direct sourcing and diamond branding convinces customers of the quality of the Tiffany brand, encouraging them to remember Tiffany for all their diamond jewelry purchases.

While known best for their diamond jewelry, Tiffany has begun integrating more lower-priced items into their collections in an attempt to attract younger, less-affluent consumers. These products consist of more sterling silver, which includes the increasingly fashionable “ Return to Tiffany & Co. ” engraved collection of bracelets and necklaces designed as chains with circular or heart-shaped dog tags. With prices starting as low as $175, this collection has become popular among male customers buying for their wives or girlfriends as young women continue to aspire to own something from the brand (Chee Kee, 2004, ?? 8).

Tiffany’s wide-range of quality products has led to its enormous success in the luxury goods industry, and the following discusses Tiffany’s current financial situation. FINANCIAL INFORMATION Prior to the 2001 terrorism attacks, Tiffany & Co. greatly benefited from the booming U. S. economy. In 2000 Tiffany’s net sales totaled $1. 67 billion with profits of $190. 58 million. However, in 2001 net sales decreased to $1. 60 billion along with a decrease in profits to $173. 59 million (“ 2002 Tiffany & Co. Annual Report,” 2003, p. 20).

Tiffany rebounded in 2003 with its second-quarter report stating a 26 percent profit. Goldman Sachs analyst Adrianne Shapira noted, “ Accelerating sales [at Tiffany] signal the start of long-awaited U. S. recovery” (“ Engagement Ring Sales Polishing Tiffany’s Profits,” 2003, ?? 6). Tiffany saw its best growth during the 2003 holiday season, with sales totaling $601. 2 million, an 18 percent increase from the prior year. The company’s fourth-quarter earnings amounted to $110. 5 million, a 24 percent increase. (“ Retail brief??? Tiffany & Co. : Profit grows 24% on strength in U. S. , international sales,” 2004, p. B3)

Figure 5 illustrates Tiffany’s net earnings over the past five years, which shows Tiffany’s strong rebound following its 2001 downturn. Figure 5 Tiffany’s Net Earnings Source: Tiffany & Co. 2002 Annual Report While Tiffany outperformed analysts’ expectations for 2003, analysts currently rate Tiffany’s stock neutral (Rosen, Tunick, & Samuels, 2004, p. 1). Analysts do, however, expect Tiffany’s earnings to increase due to future store expansion. STORE EXPANSION/OPERATIONS Tiffany distributes through four channels and currently retails in 141 directly operated stores. These four distribution channels include: U.

S. retail, which accounts for close to 50 percent of Tiffany’s revenues; international retail, which accounts for 40 percent of Tiffany’s revenues; direct marketing, which includes catalog and internet sales; and specialty retailing, which includes non-Tiffany retail concepts like Little Switzerland and Temple St. Clair (Rosen, Tunick, & Samuels, 2004, p. 37). Table 1 shows Tiffany’s sales by division, as reported by J. P. Morgan, illustrating the company’s enormous reliance first upon U. S. revenue, followed by international revenue. Table 1 Tiffany’s Sales by Division FY2000 FY2001

FY2002 FY2003E FY2004E FY2005E U. S. revenue 50% 49% 48% 47% 47% 46% International revenue 41% 41% 40% 39% 39% 40% Direct marketing revenue 9% 10% 10% 10% 10% 10% Specialty retail revenue 0% 0% 1% 4% 4% 4% Total 100% 100% 100% 100% 100% 100% Source: Company data, J. P. Morgan estimates In 1963 Tiffany opened its first store outside of New York City in San Francisco, followed by two in Beverly Hills and Houston one year later. Though Tiffany now operates 51 stores in 22 states, Tiffany still profits most from its New York flagship store, which accounts for 20-22 percent of all U.

S. retail sales (Rosen, Tunick, & Samuels, 2004, p. 37). Tiffany currently aims to expand worldwide retail space by at least 5 percent annually, opening three to five stores in the U. S. and three to five stores abroad per year. Because Tiffany does not have a presence in 17 out of the top 50 metropolitan areas in the U. S. , management believes the company could reach close to 80-100 stores without diluting the luxury image of the Tiffany brand. Tiffany has also started opening smaller stores, which require less investment than larger stores.

These new stores focus primarily on jewelry, which allows for higher sales densities (Rosen, Tunick, & Samuels, 2004, p. 39). Figure 6 illustrates J. P. Morgan’s estimates for Tiffany’s store expansion in the next three years. Figure 6 Tiffany’s Store Growth Source: J. P. Morgan estimates Tiffany expanded internationally in 1986 with its first store in London. Now operating 90 stores in 17 countries outside the U. S. , Tiffany’s foreign operations profit most from its 51 locations in Japan. Kowalski says Japan is the second-largest market for jewelry, and Tiffany sees a lot of opportunity within the country (Kletter, 2002, ?? 6).

In 1996, Tiffany opened its first freestanding store in Japan after 24 years of operating boutiques inside Mitsukoshi department stores (“ Japan to get 1st Tiffany’s Store in May,” 1996, ?? 1-2). Japanese operations, which accounted for 28 percent of Tiffany’s revenues in both 2000 and 2001, fell to 26 percent of revenues in 2002 (“ 2002 Tiffany & Co. Annual Report,” 2003, p. 22). J. P. Morgan analysts believe revenues decreased because classic engagement rings are declining in popularity, as Japanese brides begin to prefer colored stones or more design-driven settings.

In the past, bridal and engagement jewelry accounted for 45-50 percent of Tiffany’s Japanese sales; this has now declined to only 35 percent (Rosen, Tunick, & Samuels, 2004, pp. 42-43). Analysts cite the weakness in silver, which they attribute to a lack of product innovation, as another cause of declining Japanese sales. Silver jewelry, which analysts say should account for 20 percent of sales in Japan, decreased 7 percent in 2003 (Rosen, Tunick, & Samuels, 2004, p. 42).

Tiffany could enhance sales in the Japanese market by opening more stand-alone stores, by furthering product change and innovation, and by negotiating more prominent floor locations within department stores (Rosen, Tunick, & Samuels, 2004, p. 44). Tiffany opened an online store in 1999 with the strategy to allow customers who did not live near a Tiffany store to have access to Tiffany’s products (Cuneo, 1999, ?? 6). This decision proved smart as Goldman Sachs analysts reported the same year that internet sales could soon exceed catalog sales by two to three times (Cuneo, 1999, ?? 7).

As of April 2002, Tiffany offered over 2, 000 products online, making its blue box even more accessible, which affluent online shoppers appreciate as they increasingly demand convenience, confidence, and control (Zimmerman, 2002, ?? 13, 23). This paper primarily discusses Tiffany’s efforts to maintain its affluent customers while expanding its consumer base, focusing on consumer perceptions and opinions of Tiffany’s products and the Tiffany brand. In order to attain and keep a high consumer rating, Tiffany concentrates on creating experiences the customer will remember with hopes of returning in the future.

THE TIFFANY EXPERIENCE Operating by its mission statement to be the world’s most respected retailer, Tiffany focuses heavily on customer service. New employees complete six to eight weeks of training in knowledge, skills, and product training. They must also pass a written test before they are allowed to meet with customers (Lorge, 1998, ?? 12). Once in the field, sales representatives work for two years to complete a rigorous certification process (Lorge, 1998, ?? 13). According to John Petterson, senior vice president of corporate sales, the process helps the company uphold its unique tradition and culture (Lorge, 1998, ?? 12).

Tiffany also places extreme value on the quality of its products, paying attention to every detail of the Tiffany experience. Charles Lewis Tiffany began this practice with his original selection of the blue color for Tiffany boxes, shopping bags, and catalogs (Gomelsky, 2003, ?? 13). Tiffany focused on the final, and often neglected, step in brand positioning: giving customers something symbolizing Tiffany quality, commitment, consistency, respect, and reputation long after they have walked out of the store (Gomelsky, 2003, ?? 7).

According to Denise Meyer, creative director of Fruchtman Marketing, an advertising agency that specializes in jewelry marketing, “ Tiffany wants you to forget the product and remember where it came from” (Gomelsky, 2003, ?? 10). As one of the world’s most recognizable brand symbols, Tiffany takes all of its blue box’s components, from the quality of the blue paper to the way the ribbon is tied, very seriously. Because the blue box represents the Tiffany experience, the company even sends their employees to a class to perfect the art of tying the white satin ribbon so the box lays flat (Gomelsky, 2003, ?? 39).

According to James Mansour, principal of Mansour Design, a retail branding consultancy in New York, “[The blue box] represents refinement, luxury, elegance, good taste, quality, and it confers status on both the person who gives it and the person who receives it” (Gomelsky, 2003, ?? 4). In an effort to increase its consumer base, Tiffany now offers a wide-range of less expensive items with products ranging from a $15 box of playing cards to a $1. 85 million triple strand of South Sea pearls (Bongiorno, 1996, ?? 9).

Tiffany hopes to convince those aspiring to own the Tiffany brand that anyone can afford its luxury name, even it they cannot afford the luxury price tag (Cuneo, 1997, ?? 1). In fact, less than 5 percent of Tiffany’s sales come from items over $50, 000, and in 1995 the average sale was $256 (Bongiorno, 1996, ?? 8). Tiffany hopes customers who buy small pieces will remember the company for the day they can afford more, believing that small purchases will lead to lifelong loyalty (Lorge, 1998, ?? 16).

Tiffany differs from other fine jewelers by keeping its doors open and inviting to welcome all types of customers. Inside, the store is often lively compared with the quieter environment of competing jewelry stores (Rosen, Tunick, & Samuels, 2004, p. 15). According to Kowalski, “ We’ve always had a democratic vision of what luxury retailing should be. I would hope that Tiffany would never become the type of jeweler where you need to press a button to be admitted” (Gallagher, 2002, ?? 3).

This accessibility and inviting environment lure customers to return upon remembering their pleasant experience (Lorge, 1998, ?? 15). However, Tiffany now faces the difficulty of maintaining its elite image while trying to draw a wider array of customers (Bongiorno, 1996, ?? 7), focusing on finding the balance between an image of elegant affluence and ready accessibility (Rosen, Tunick, & Samuels, 2004, p. 50). According to Kowalski, balancing on that line is the most challenging task the company has (Gallagher, 2002, ?? 3) because once anyone can own something, it no longer remains a luxury.

Yet, Francesco Trapani, CEO of Tiffany’s competitor Bulgari, believes that Tiffany is first-class, remarkably maintaining the balance between availability and scarcity (Bongiorno, 1996, ?? 8). In order to maintain its image effectively, however, Tiffany devotes a huge amount of time and effort to its marketing and advertising strategies. MARKETING STRATEGIES/TACTICS Tiffany’s strongest marketing tool is its blue box. The popularity of the Tiffany blue box led to the introduction of the item as a regular feature in the company’s advertising.

Caroline Naggiar, vice president of marketing says, “ The blue box was able visually in magazine advertising to symbolize the whole institution of Tiffany. It would be absurd not to harness this incredible piece of brand equity” (Gomelsky, 2003, ?? 17). Tiffany tries to create an emotional attachment between the consumer and the blue box, inviting the customer to live the lifestyle the blue box advertises through the consumption of Tiffany products.

Due to the powerful image of its blue box, Tiffany spends only 6 percent of revenues on advertising, focusing its efforts on the high-end, special occasion products, such as engagement, wedding, or retirement items (Lorge, 1998, ?? 17). Currently, magazine and television ads focus more on the emotional side of the Tiffany brand, while newspapers and catalogs showcase the products (Lorge, 1998, ?? 19). In 2003 Tiffany spent $17. 8 million for 267. 45 pages of advertising, with the largest amount of $2. 2 million paid to Vanity Fair for a total of 26 pages.

Texas Monthly placed last with $94, 600 spent for four pages (“ Hey, Big Spenders,” 2003, ?? 3). In one of Tiffany’s attempts to refute an image of snobbery and to attract potential consumers, the company launched marketing campaigns in 1996 that included an education element to purchasing diamonds and pearls (Cuneo, 1997, ?? 4). In its “ How to Buy a Diamond” and “ Pearl Authority” campaigns, Tiffany produced brochures explaining which qualities of each stone a prospective consumer should consider before making a significant purchase (Lorge, 1998, ?? 10).

The idea behind these strategies was that the educated and well-informed consumer would choose Tiffany (Lorge, 1998, ?? 10). Kowalski says Tiffany wants people to aspire to be a customer, but to never feel excluded (Bongiorno, 1996, ?? 8). Tiffany also started putting prices in its ads in order to attract lower-income customers. The first such ads disclosed that Tiffany’s diamond engagement rings started as low as $970. While few men entered Tiffany looking for diamonds in this range, seeing such a low price in the ads reassured them that they could go into Tiffany without feeling embarrassed (White & Leung, 2002, ?? 35).

Tiffany, recognizing the growing trend of affluent self-buyers, has also started targeting women (Cuneo, 1997, ?? 3). Currently, roughly 70 percent of jewelry purchases are gifts for women, with the remaining 30 percent accounted for by women buying jewelry for themselves (Rosen, Samuels, & Tunick, 2003, p. 58) as they become more prominent in the workforce (Horovitz, 2003, ?? 11). According to U. S. Census Bureau data, women are earning higher salaries than ever before. The median income for women employed full-time rose from $21, 477 in 1970 to $30, 240 in 2001 (Silverstein & Fiske, 2003, ?? 21).

Women have also started marrying later in life, accumulating larger personal disposable incomes (Rosen, Tunick, & Samuels, 2004, p. 58). Thus, Tiffany has begun marketing the right-hand ring as a symbol of financial independence and strength. According to Marilyn Knight, a buyer for Jewelry Warehouse, “ While a ring on the left hand symbolizes love and commitment, a ring on the right hand is a statement of individuality” (Young, 2004, ?? 10). CONCLUSION The fine jewelry sector currently faces the increasing trend of consumers requesting first-class goods at middle-class prices.

Tiffany & Co. has taken advantage of this trend by offering lower-priced items along with its brand name in an attempt to lure consumers to its blue box. However, Tiffany must approach this strategy with a special balance, as some worry the company may dilute its elite image among affluent buyers while trying to expand its consumer base. Although Tiffany experienced a decline in profits in 2001, research has shown that Tiffany currently succeeds financially, and the company hopes to see even greater success in the future with its opportunities for store expansion in the U.

S. and internationally. The company also plans to continue launching new product lines, taking advantage of the growing popularity of branding among jewelry consumers today. However, Tiffany must face the possibility of the dilution of its image as it introduces less expensive products and makes an effort to guarantee its affluent consumers that lower prices do not mean lower quality. Tiffany needs to communicate to its publics that the Tiffany name and Tiffany blue box will continue to stand for luxury goods and quality service. Though Tiffany & Co. uickly rebounded from its financial losses in 2001 due to the United States suffering economy, the company now faces the task of maintaining its leading position in the fine jewelry sector of the luxury goods industry. Currently Tiffany has an estimated 19 percent share of the $50, 000-plus jewelry market (Heller, 2002, ?? 3). However, the company must focus on retaining these affluent customers while it tries to broaden its consumer base. Tiffany’s attempts to attract a wider range of customers include the addition of less expensive sterling silver items to its collection, exemplified best through its “ Return to Tiffany & Co. engraved bracelets and necklaces, which are becoming increasingly popular among young women who aspire to own the blue box (Chee Kee, 2004, ?? 8). Prices start as low as $175. In another attempt to attract less affluent customers, Tiffany took the approach of educating its consumers. Through its “ How to Buy a Diamond” and “ Pearl Authority” campaigns, the company produced brochures explaining which qualities to look for in each stone before making a significant purchase, showing confidence that the educated consumer would choose Tiffany (Lorge, 1998, ?? 10).

After thoroughly researching Tiffany and questioning how the company will maintain its elite image and leading position within the fine jewelry market while expanding its consumer base, more research is needed. It will take more than secondary research to truly understand how affluent Tiffany consumers feel about the company’s inclusion of less expensive items to their collection in hopes of attracting lower-income consumers who aspire to own the luxury brand but cannot afford the luxury prices.

Therefore, I propose Tiffany conduct focus groups to better understand its affluent consumers and to quantify their perceptions of the Tiffany brand and products. The use of focus groups will work best for the company to gain respected feedback from their valued customers. This format will also allow Tiffany to gain more qualitative information from the participants, unlike in a survey, as the questions will be open-ended to start an open flow of conversation between the participants. The following describes exactly how I would construct the groups.

Because jewelry purchases are highest during the “ bridal” age range of 25-34, and then in the age bracket from 46-65 (Rosen, Tunick, and Samuels, 2004, p. 6), I would construct three groups of eight females and three groups of eight males for both age ranges. Therefore, 96 different opinions could be expressed, helping Tiffany make well-informed decisions based on this primary research. I also propose that these groups be constructed of affluent Tiffany consumers, those who have purchased an item equal to or exceeding the amount of $25, 000 from the company in the past.

Those coordinating the focus groups could easily retrieve this information from the Tiffany & Co. customer database. I propose that the moderator ask the following questions: 1. When were you first exposed to Tiffany? 2. How many purchases have you made at Tiffany in your lifetime? 3. What first attracted you to the company? 4. What attracts you to keep returning to the company? 5. When was the last time you purchased an item from Tiffany? 6. How much did you spend on that item? 7. What types of items do you most often buy at Tiffany?

Jewelry, tableware, timepieces, china, crystal? Are they self-purchases or gifts? 8. What is the price range of purchases you have made at Tiffany? 9. How do you feel about Tiffany’s inclusion of less expensive items to its collection? 10. Do you feel the Tiffany brand name or image has changed since the inclusion of less expensive items? If so, how? 11. Has your opinion about the company changed since you made your first purchase? 12. What, if anything, do you feel Tiffany should do to ensure their inclusion of less expensive collections does not dilute its elite image?

I feel that these questions form a strong basis for a quality two-hour conversation among the participants about their opinions of the company and Tiffany’s image as a whole. As a reward for participating, I would give each participant a gift certificate to Tiffany & Co. The information gathered from the focus group participants would then allow Tiffany to begin an internal conversation about how its attempts to maintain an elite image and leading position within the jewelry market have succeeded or failed, depending on the respondents’ answers.

Tiffany could also use this data to measure how their valuable affluent consumers feel about the new association between the Tiffany blue box and affordability. Following this research, Tiffany should begin a campaign to reinforce the positive attitudes the participants voiced as well as to counteract the negative perceptions reflected by the participants. Through all of these efforts, Tiffany & Co. would hopefully do everything in its power to communicate to its affluent consumers that the Tiffany brand can equal affordable luxury without diluting its elite image