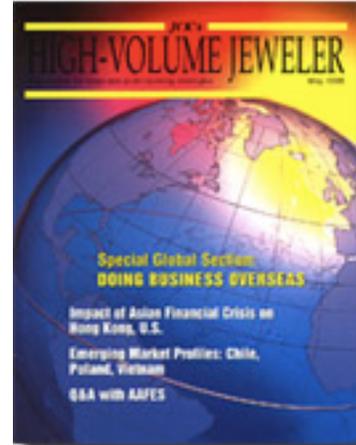


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Target Marketing: Tailoring Your Message

A combination of strong database marketing and making your niche consumers comfortable is the key to successful target marketing

Today's virtually unlimited consumer shopping choices and an increasingly varied customer base make it critical for high-volume jewelers to identify profitable new niche markets. It's equally important to combine that information with geographic and psychographic data to create a "big picture" approach to targeted retail – one which takes the age-old concept of "knowing your customer" to a new level.



Yet target marketing is more than just appealing to a specific lifestyle, ethnic or age group. It's about reaching people traditionally perceived as "different" and making them feel comfortable – both with your merchandise selection and your service. As the percentage of Hispanics, African Americans, Asians and other ethnic groups in the U.S. increases, the image of the "typical" consumer as Caucasian becomes less valid.

Additionally, the growing teen market and the increasing visibility of gay and lesbian couples present opportunities for retailers to capture new niches and generate loyal customer followings.

Hispanics: Jewelry Gifts Make This Market Hard to Ignore

The Hispanic market has tremendous buying power, spending \$223 billion in 1996, according to the Hispanic Chamber of Commerce in Washington, D.C. But "Hispanic" is a term that encompasses many different variations in culture and history. California, New Mexico and Texas each have large populations from Mexico, Guatemala and El Salvador. Florida is heavily populated with Cubans and the New York City metro area is heavily influenced by Puerto Rico, the Dominican Republic and many South American nations. To appeal to each group properly, a retailer should conduct individual research into the culture and traditions of the Hispanics in the target areas. But some generalities do seem to hold true across the

spectrum of the Hispanic market, according to observers.

Hispanics have strong family ties and traditions, many of which involve giving jewelry as a gift. Hispanics will be more likely to shop at your store if you stock the proper merchandise. According to Estela Esserman of the Hispanic Market Division of Am-Gold Products in New York City, 99% of all Latin baby girls get their ears pierced before leaving the hospital. Retailers not stocking baby earrings in largely Hispanic areas are missing out on tremendous sales opportunities.

As Hispanic children grow, milestones (both religious and age-related) are marked with jewelry. For bautizo, or baptism, an ID bracelet is a popular gift. Primera comunión, or first communion, is also marked with jewelry. A girl's 15th birthday celebration is called quinceanera, a coming-of-age celebration like a "Sweet 16" party or a bar mitzvah. Quinceanera is celebrated with friends and family who give jewelry as a rite of passage. For any of these events, religious medallions and crosses may be given to signify the strong Hispanic faith in these predominantly Catholic families.

Hispanics also have a different approach to wedding jewelry than other ethnic groups. According to Esserman, Latino people are more interested in duos, trios, engraved bands and anniversary rings than diamond solitaires, generally thought to be a mainstream symbol of love and commitment.

But perhaps the most proven way to attract the Hispanic customer is with three little words: se habla español. Printed in circulars or displayed in store windows, these three words, meaning "Spanish spoken here," will let potential customers know that your store is Hispanic-friendly.

Creating Loyal African-American Customers

The annual buying power of African-Americans exceeds \$400 billion, attributable in part to the growing African-American middle class. Sensitivity and understanding of this and other ethnic groups is the key to establishing long-term relationships and benefiting from word-of-mouth advertising within the niche group.

When compared with other ethnic groups, African Americans appear to have the strongest preference for shopping among people of their own ethnicity. They prefer to patronize black-owned businesses, stores where there are black salespeople or stores promoted through black-targeted media, according to a study conducted by Professor Joel Herche of the University of the Pacific and Siva

Balasubramanjan of Southern Illinois University.

According to the study, blacks appear to be more likely than other ethnic groups to place an emphasis on their ethnic identification. This suggests that African Americans in particular should be most reachable with marketing strategies that highlight their ethnicity, such as ethnically distinct product lines, store décor, background music and African American sales associates.

The Power of the Gay and Lesbian Market

Gay and lesbian couples have a level of disposable income higher than the average heterosexual couple because generally they are childless and so without the child-related expenses that most heterosexual couples face. A comfortable shopping environment combined with a quality product line is the key to developing long-term relationships with this group.

Wedding bands, anniversary bands and other symbols of commitment are as important to lesbian and gay couples as they are to their heterosexual counterparts, possibly even more so. For gay and lesbian couples, the rings are often the only formal acknowledgement of the strength and commitment in their relationship. That commitment often is renewed at anniversaries with diamond bands or other jewelry gifts. The jeweler who makes a couple feel at home when shopping for commitment rings is likely to develop a long-term relationship with them, as well as benefiting from word-of-mouth advertising among the couple's peer group.

New York City manufacturer Frederick Goldman Inc. caters to the needs of this market with bands from its Orbit Design Studio, promoted with the tag line, "For the real world and all of its lifestyles." Launched in mid-1996, the avant-garde, distinctive line is promoted directly to the consumer through ads in *OUT* magazine and regional bridal publications, according to Michael O'Connor, director of corporate marketing for Goldman. The company has seen significant increases in consumer interest, receiving more than 500 inquiries about the line each month.

Teens and Their Disposable Dollars

Another approach to target marketing is to promote to an age-related audience. The baby boomers are talked about constantly, but their aging business might not be the way to go for all jewelry retailers. Some are more suited to young shoppers, from their early teens to mid-twenties.

Teenage girls spend about \$44 billion each year, approximately \$2.4 billion of it on jewelry. That means that, on average, a girl between the ages of 13 and 19 spends \$190 on jewelry each year. That's the result of income from allowances and part-time jobs that aren't offset by living expenses.

Mass-market jewelry departments in particular are the perfect vehicle for the younger generation. Jewelry stores, even mall jewelers, with their locked cases and museum-like feel tend to be intimidating to young shoppers. But department stores, discounters and specialty shops are more open and less intimidating by nature, offering bridge and fashion jewelry, trendier designs and unusual or interesting watches that appeal to a teen's lifestyle and pocketbook.

By cultivating these girls as steady customers in their teens, a retailer can potentially establish shopping habits that generate a customer for life. Sterling silver jewelry, especially, is current, trendy and gets the young customer hooked on the white metal look that can later translate into higher-ticket sales of white gold and platinum.

Mall-based fashion accessories chain Claire's Stores of Pembroke Pines, Fla., is a believer in the power of the youth market. Three years ago, the company refocused its merchandise assortment specifically to target the teen and pre-teen niche, as opposed to its earlier attempts to cater to women of all ages. Today, Claire's has successfully harnessed the power of young girls and their disposable dollars in an environment familiar and comfortable to them. The company has done fantastically well with its repositioning and has become a Wall Street darling, posting sales growth for each quarter of the last fiscal year.

In another example of successful youth marketing, Target Stores' Merona line of sterling silver jewelry offers affordable, cutting-edge designs with gemstone accents cross-marketed with the Minneapolis, Minn., discounter's Merona clothing line. The line is targeted to a slightly older age group than the Claire's crowd, but still relies on the same principles of price, style and shopping comfort. Target clearly posts the prices for its jewelry, eliminating the teens' fear of asking for help from a sales associate and feeling embarrassed if they can't afford an item.

Blending Market Awareness With Hard Data

Once the key groups have been identified, how do you draw them to your store? Through database marketing.

Gathering information from a customer at the point of sale can, when used in the

most elementary way, enable retailers to distribute mass mailings of sale ads to current customers by name, rather than mailing information addressed to "occupant".

But there is a wealth of information contained in a database that can enable a retailer to target different demographic groups within a region effectively, assuming the chain has the flexibility to adjust its products and mailings to cater to the needs of its customers.

The first thing to do is consult with each store manager, the person who has the best grasp on the pulse of a given area, says David Slavick, retail category director and jewelry specialist for Harte Hanks Direct Marketing in Lenexa, Kan., a company that works with a number of volume jewelry retailers. The manager's input can give the retailer's home office a perspective of the types of people who come through the door. Key information the manager can provide would be the type of customer that comes into the store by day (mornings vs. evenings, for example) and visual descriptions of the customer base.

Retailers can then take the point-of-sale database and quickly analyze the customer levels: best customers, holiday shoppers and occasional shoppers, for example. These customers are then further dissected by geographic concentration, wherein the retailer can pinpoint the specific area where its best customers come from, says Slavick.

The retailer can take data warehousing information – facts like the percentage of homeowners vs. renters in a given area, their estimated household income, value structure, media habits type of car and age – and develop a profile of the store's best customers. This gives retailers a clear approach on who they should be approaching and how.

The next step is to create a message tailored and personalized for the appropriate customer. "If the research is done correctly, a retailer will know that a particular customer always spends the most money at Valentine's Day," says Slavick. "With this in mind, it makes sense to send that customer a coupon for \$250 off a purchase of \$1,000 or more, rather than wasting time sending a coupon for \$5 off a \$100 purchase. You want to encourage the existing behavior and, if possible, help it to grow." Slavick also notes that retailers are wise to mark the coupon or promotion with some sort of identifying code which can be entered into the database at the point of sale. This gives the retailer an automatic method for response analysis.

Helzberg Diamonds of North Kansas City, Mo., has been gathering demographic

information at the point of sale for nearly two decades, and is well known for its success with RFM marketing (which determines each customer's recency, frequency and monetary value). The program allows the jewelry chain to be more in tune with the needs of its customer base, according to John Goodman, Helzberg's vice president of marketing.

The retailer not only targets niche markets through mailings, but also uses niche presentations to make customers feel at home when they arrive in the stores. In the Southwest, for example, Helzberg uses back-lit color images of Hispanics, Native Americans and older couples (representing the growing retiree population) to make these three distinct demographic niches comfortable at Helzberg's.

Once you have drawn the customer to your store through target marketing, good service and relevant product assortments are the difference between making the sale and making a long-term customer.