JCK 2020

JEWELRY INDUSTRY COVID-19 BUSINESS IMPACT REPORT

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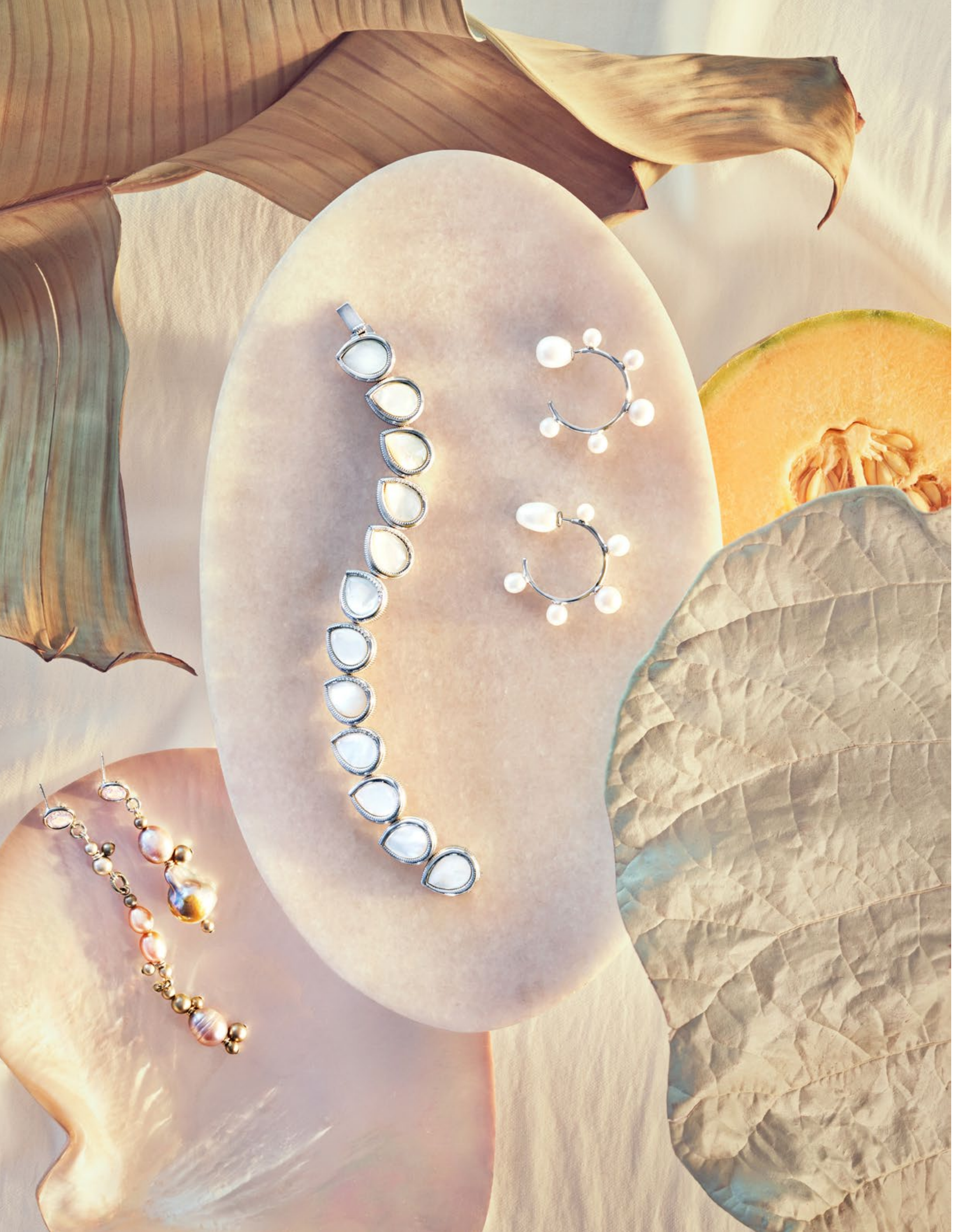

Image: *JCK* magazine; Photographer: Joel Stans; Stylists: Emily & Tony Mullin

INTRODUCTION

In a year of historic challenges, JCK sees an industry responding with characteristic resilience

Welcome to the **2020 JCK Jewelry Industry COVID-19 Business Impact Report**. Having celebrated the 150th anniversary of *JCK* magazine in 2019, we fully expected to use this forum to mark the start our *next* 150 years at a time of prosperity and confidence befitting an economy hitting on all cylinders. At the beginning of 2020, for the third straight year, we commissioned the national research firm MRI-Simmons to take the pulse of the jewelry industry. The results told us that much of the jewelry industry was looking to the near future with confidence.

And then the world changed.

The coronavirus didn't just hit the jewelry business, of course. In addition to its catastrophic impact on health, the virus drove the S&P 500 stock market to its worst first quarter on record,[1] forced businesses across many industries to shut their doors either temporarily or permanently, and left millions of workers unemployed. Because of its deep traditions of personalized service, close relationships, and emotional connections, the jewelry industry has had to pivot and rethink in almost every way.

The results captured in this report reflect an industry deeply challenged but characteristically resilient.

With the results of our survey suddenly feeling old, we asked MRI-Simmons to revisit. Our new survey, completed in June, asked jewelry trade professionals to reflect on the extraordinary challenges they've faced since March, how they're adjusting, and how they feel about the future.

The results captured in this report reflect an industry deeply challenged but characteristically resilient. Instead of simply comparing this year's results to last year's, as we've done in the past, we'll be looking at the world through the prism of pre-COVID and post-COVID. Where appropriate, we'll tell you about how the industry today compares with 2018 and 2019, but the balance will be on the changes wrought by the coronavirus since February and on finding a way forward.

The results tell a story of concern and uneasiness—but most of all of resilience and courage. "We are going to get through this," one industry-professional respondent told us. "Personal ornamentation has been around for the entirety of human existence. No matter how bad things are, humans are going to celebrate events with jewelry."

We couldn't have said it better.

EXECUTIVE SUMMARY

Business as UNusual

The coronavirus challenged the jewelry industry and its customers on two key fronts—health and economics.

With jewelry perhaps the definitive discretionary purchase, the industry received a deep shock as the U.S. unemployment rate shifted almost overnight from the best in decades to levels drawing comparison with those of the Great Depression. As the virus spread across the world, global demand for gold jewelry plunged by 39% in the first quarter of 2020.[2]

Meanwhile, social distancing rules aimed at stemming the spread of the disease forced retail outlets to change accustomed ways of doing business suddenly and radically. A full 93% of respondents to our survey said they had taken steps to mitigate the impact of the coronavirus on business.

54%

RETAILERS FORCED TO CLOSE TEMPORARILY BECAUSE OF THE CORONAVIRUS

Among retailers we surveyed, more than half (54%) had to close retail locations temporarily, and just 3% were able to maintain their regular business hours. As states and businesses began to reopen, retailers navigated the delicate balance of keeping customers safe without destroying the face-to-face experience that makes in-person shopping an essential part of the business. Major retailers such as Macy's, for example, installed Plexiglas at its registers and required all customers to use hand sanitizer before touching items or trying them on.[3]

Manufacturers, though not reliant on individual consumers, also felt the effects of trying to keep workers safe, with more than a quarter (27%) having to close temporarily.

Inevitably, too, the virus is speeding up the migration from brick-and-mortar to online. Nearly three-quarters (74%) of all respondents anticipate a rise in online and remote business.

Amid the challenges, the vast majority (79%) said timely payments from the Paycheck Protection Program and other federal stimulus programs helped them continue operating.

Confidence: Down but Not Out

Jewelry industry professionals in our survey reflected the concern that has beset a wider economy disrupted by the coronavirus. In our survey taken after the pandemic hit, just fewer than half (49%) said they were generally optimistic about consumer confidence and economic growth, compared with nearly 60% in our February survey. Those describing themselves as pessimistic jumped from one-third in February to 41% in June.

Even more starkly, though unsurprisingly, those respondents who described the current economy as worse than a year ago spiked from 22% to 78%, and nearly half (48%) described the economy as much worse. That sentiment fed directly into the industry's outlook for the next year. Our **JCK Jewelry Industry Confidence Index (JICI)** saw respondents describing themselves as optimistic dropping from 86% to 66%. The biggest decline was among those who said they were very optimistic—just 19% feel that way in a coronavirus world, compared with 36% in February.

The virus and its forced business closures and curtailment of personal interaction also augmented concern about the future of the brick-and-mortar business model, from 70% in February to 80% in June. Just 16% said they were unconcerned.

Yet despite those deep and understandable concerns, our survey also tapped a rich vein of resilience and strength born of professionals long accustomed to ups and downs and enduring times of uncertainty. More than two-thirds (67%) have been in the industry 20 years or longer. That's a stretch that has taken them through the dot-com bubble of 2000, the national tragedy of 9/11, war and peace, and the Great Recession. They are not about to be counted down and out by the coronavirus.

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JEWELRY INDUSTRY CONFIDENCE INDEX

66

The majority (58%) told us that growing back to their previous strength will take time—eight months or more, with 11% predicting they won't fully recover for two years or longer. But recover they will. As one independent retailer told us succinctly: "The strong will survive—they always do!"