



JEWELERS OF AMERICA

2010 COST OF DOING BUSINESS REPORT

FOR THE RETAIL JEWELER



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Jeweler Network

Based on 2009 Financial Data

AN ANALYSIS OF HIGH-PROFIT VERSUS LOW-PROFIT FIRMS

It is important to know where your company stands today. You also need to be aware of the financial profile of those companies earning above average returns. Comparing your key financial numbers to the profit leaders' will suggest areas for improvement. Ideally, your firm is represented in this group.

Understanding **why** companies are achieving above average performance is the key. There may be more than one explanation – and simply following another's lead is not always profitable or correct. However, profit leaders provide benchmarks that may be used in analysis, goal setting and the development of strategy and tactics.

After using financial analysis to identify areas that need your attention, it is then possible to fix these problems or address the opportunities. You'll be able to identify specific marketing, management or other changes that will have an impact on your business. Monitor success by reviewing your financial performance regularly. ***What is clear from the profiles is that profitability problems arise not just because of sales issues – but because of across-the-board cost management issues.***

High-profit firms are those in the upper 50% of all companies, as ranked by the ratio of earnings before interest and taxes [EBIT] to total assets. When firms are sorted by this measure, they show very different operating ratios.

COMPARATIVE FINANCIAL AND OPERATING RATIOS HIGH-PROFIT VERSUS LOW-PROFIT FIRMS

Performance Measure	High-Profit Firms	Low-Profit Firms
EBIT to Total Assets	12.6%	-1.0%
Net Profit Before Taxes to Net Sales	6.5%	-1.9%
Asset Turnover (net sales/total assets)	1.5X	1.4%
Inventory Turnover	1.0X	1.0X
Sales Per Square Foot – Total	\$413.03	\$510.26
Sales Per Full Time Employee	\$232,432	\$200,745
Sales Growth	-3.9%	-13.6%
Total Debt to Total Assets	54.3%	43.9%
Current Ratio	3.4	3.1
Sales Per Store	\$961,296	\$1,346,890
Store Size	2,362	2,200

INDEPENDENT HIGH-END

Key Performance Measure	Typical	Middle Range	Your Data
PROFITABILITY			
	(median)		
Net Profit Before Tax to Net Sales	4.0%	-0.8 – 8.8%	
Net Profit Before Tax to Total Assets	6.1%	-0.5 – 11.6%	
Net Profit Before Tax to Net Worth	13.1%	-0.5 – 35.4%	
EBIT to Net Sales	4.1%	-0.5 – 10.3%	
EBIT to Total Assets	6.2%	-0.2 – 12.6%	
PRODUCTIVITY			
SPACE			
Net Sales Per Store	\$1,768,891	\$885,568 – 2,471,682	
Sales Per Square Foot – Total Area	\$535.63	\$406.25 – 979.80	
Sales Per Square Foot – Selling Area	\$894.42	\$547.64 – 1,479.31	
Gross Profit Per Sq. Foot – Total Area	\$246.32	\$183.42 – 373.53	
Gross Profit Per Sq. Foot – Selling Area	\$392.73	\$276.60 – 596.20	
Selling to Total Store Space	64.7%	53.7 – 73.3%	
INVENTORY			
Gross Margin	47.6%	40.8 – 49.9%	
Inventory Turnover	1.0X	0.8 – 1.2X	
Gross Margin Return on Inventory	88.1%	59.4 – 115.3%	
Sales to Inventory	2.0X	1.4 – 2.5X	
Asset Turnover	1.4X	1.1 – 1.7X	
Sales Growth Over Previous Year	-7.5%	-12.9 – 8.8%	

The “median” is the statistical measure used to calculate central tendency. It is the mid-point for a data set; one-half of the firms report figures above it and one-half below it. For each statistical measure and ratio, each median was independently calculated. As a result of using medians, component figures for any particular category (ex. Operational expense) may not total to 100 percent and normal mathematical relationships do not always exist.

HIGH-PROFIT

Key Performance Measure	Typical	Middle Range	Your Data
PERSONNEL			
	(median)		
Sales Per Full-Time Employee	\$232,432	\$186,302 – 375,578	
Sales Per Full & Part Time Employee	\$191,966	\$150,192 – 263,792	
Sales Per Full, Part & Seasonal Employee	\$185,773	\$150,192 – 263,792	
Gross Profit Per Full-Time Employee	\$113,534	\$99,263 – 174,927	
Gross Profit Per Full- & Part-Time Employee	\$93,712	\$79,239 – 131,448	
Gross Profit Per Full, Part & Seasonal Employee	\$91,678	\$77,077 – 129,058	
Payroll (include fringes)-% of Net Sales	18.4%	12.0 – 21.7%	
Payroll Per Full-Time Employee	\$43,675	\$35,348 – 56,530	
Payroll Per Full- & Part-Time Employee	\$35,147	\$23,688 – 41,512	
Payroll Per Full, Part-Time & Seasonal Employee	\$34,827	\$23,668 – 40,538	
FINANCIAL MANAGEMENT			
LEVERAGE			
Total Debt to Total Assets	58.3%	28.8 – 78.5%	
Long-term Debt to Total Capital	23.0%	10.9 – 50.2%	
WORKING CAPITAL			
Current Ratio	3.4	2.0 – 5.4	
Quick Ratio (Acid Test)	0.3	0.1 – 0.9	
Inventory to Net Working Capital	1.2	1.0 – 1.8	