

## Slide 1

Sincere greetings to my hosts DMCC, honored guests and colleagues. My name is Sonny Sethi and I am the President of the Cultured Pearl Association of America and CEO of Tara and Sons, New York.

It is such an honor to be among the foremost leaders of the pearl industry today.

A day like this has been a dream of mine also. In fact not long ago in Hong Kong a group of us gathered together where I shared my vision of a World Pearl Booth Exhibit for one of the most important trade shows of the year, JCK, Las Vegas. The heads of each pearling region agreed that it was time to come together, unified through the Cultured Pearl Association of America to showcase cultured pearls to the U.S retailers.

Let me tell you a little about the Cultured Pearl Association.

In 1957, at a little restaurant on West 47th Street, a group of about 15 cultured pearl dealers got together to discuss problems arising out of the fast growing popularity of cultured pearls. Jewelry industry leaders founded the Cultured Pearl Association to protect and expand the market for cultured pearls in America.

From its inception, the Cultured Pearl Association has also been active in consumer protection, battling against deceptive advertising.

Today, as the Cultured Pearl Association of America approaches its 52nd anniversary, the world of cultured pearls has expanded beyond the hopes of those industry pioneers, building on the foundation that they created. The pearl world has

## Creating Demand for Pearls in one of the Largest Markets: USA



**Sales of jewelry globally should hit US \$185 billion in 2010**

**US sales \$60 Billion**

**US Pearl and pearl jewelry Sales 1.7 Billion**

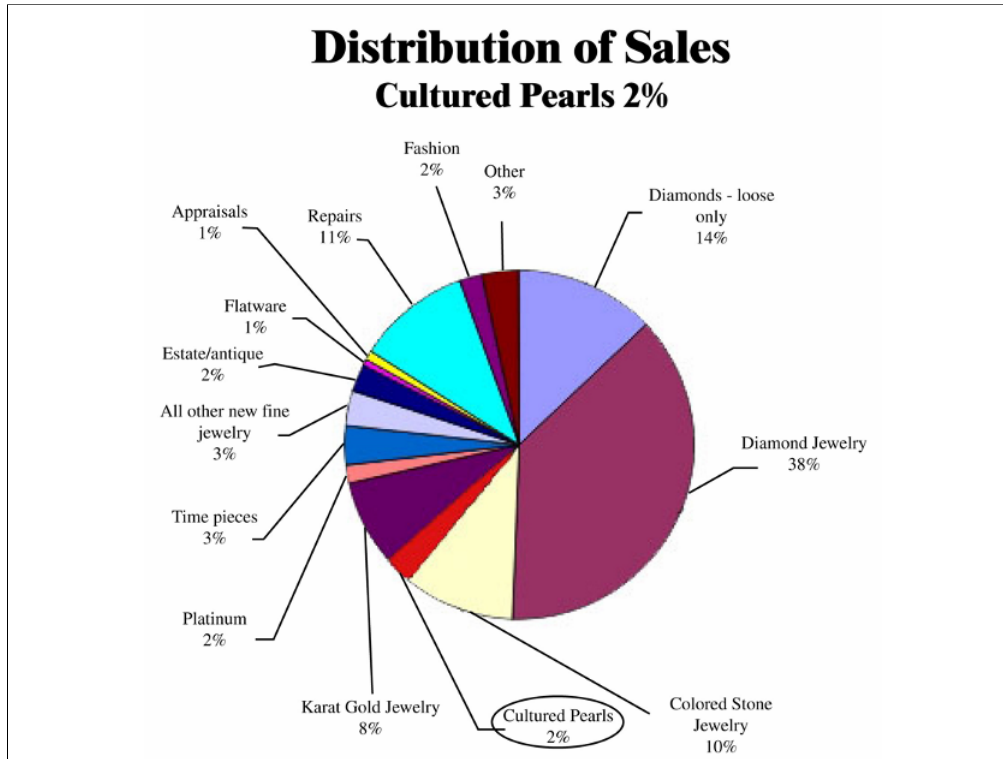
**Recent research indicates the United States has approximately 31% of the jewelry market. Japan, China, India and the Middle East have about 8% shares followed by Italy with a 5% market share**

Slide 2: My topic today, "Creating demand for cultured pearls in one of the largest markets, the U.S.A. will be illustrated in a number of ways. I will share a slide presentation addressing this topic.

First, I think it is essential to understand what the overall Cultured Pearl market in the U.S. truly looks like. There are three primary markets and within each are many types of retailers. It is very important to view the U.S. from these 3 distinct categories.

Together we will look at statistics and the opportunities that are clearly evident for cultured pearls growth in the U.S.

Read slide



The data we are sharing had been compiled by the Jewelers of America group. They survey all classes of jewelry retailers and these are the combined results.

**Slide 3 ): Distribution of sales**

Cultured Pearls are 2% ( we do know that jewelers who concentrate on cultured pearls have up to 5%. Still there is clearly room for growth!

## Data Sales Growth



### Slide 4: Data Sales Growth

Cultured pearls and timepieces/watchbands are the only 2 categories showing positive growth.

## Pearls are Profitable



Slide 5: **Pearls are Profitable**

**Cultured pearls offer greater profit!**

**The numbers don't lie; cultured pearls offer the greatest profit and growth for a jeweler. The category of cultured pearls and cultured pearl jewelry is under tapped and underutilized. The smart jeweler when hearing these figures should run out to buy pearls!**

## The US Market Today Three segments



Luxury



Middle Market



Mass  
Market

### Slide 6 : The US market Today

Three segments:

Luxury (Exclusive, elite )

Mid Market: (independent-multi-high)

Mass: (department-T.V.-majors)

### (No slide): Promoting and Marketing strategies

While there are 3 distinct markets we supply in the U.S. each requires a method of marketing to reach and persuade the store principle/buyer's decision to purchase cultured pearls. Once this is accomplished they must do the same for their clients and often times require the supplier's help.



Luxury  
niche market  
*Cartier*



**The Luxury market accounts for 5% of  
the US Jewelry market**



### **The Luxury Market:**

Is defined by clients like Tiffany, Harry Winston, Cartier who require and demand the highest in customer service and quality from a supplier and in turn their clients expect the same from them. This segment represents 5% of the U.S. jewelry market.

In order to reach this discerning customer and their client it requires a variety of marketing and promotional strategies such as the following.

1. Personal Shoppers
2. Rare and exotic pieces
3. Collectible objects of art
4. Exclusive membership status in travel clubs, credit cards
5. Private jet membership
6. High end hotel affiliations
7. Limited edition items
8. Concierge service
9. Private invitation only events
10. Luxury publications



## Middle Market Independents

Represent 20% of jewelry sales

**TINY JEWEL BOX**  
If it's not special, it's not here



**LUX BOND & GREEN** ... Since 1898

### Slide 8:

**Mid Market:** consists of Independents, multi semi and guild Clients like Saks, Neiman Marcus, Tiny Jewel Box, Lux, Bond and Green. This segment of the market represents 20% of U.S. jewelry sales.

Marketing and promotional strategies that appeal to this market are:

1. Brand appeal
2. Designer cache
3. Exclusivity
4. Product knowledge: AGS designation, GIA accreditation, Gemologist on staff.
5. Co-op advertising
6. Service
7. Collectible collections
8. Account management
9. Value
10. Private label options

# Major Retailers

65% of Sales

*Fred Meyer* JEWELERS  
*"For All Those Special Times"*

the magic of  
★ macy's

Gordon's  
JEWELERS  
Celebrating Relationships Since 1905



**KOHL'S**  
expect great things

Sears



**ZALES**  
America's Diamond Store Since 1924

**JCPenney** Every Day Matters

**Walmart** Save money. Live better.

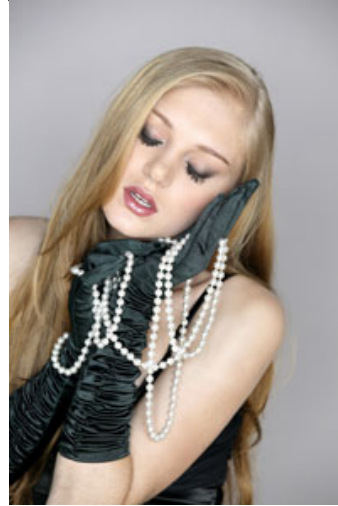
**KAY** JEWELERS

## Slide 9:

**Mass Market:** Consists of department stores, T.V. shopping, Multi store majors & Mass merchant. This market represents 65% of jewelry sales.

It is all about -----Price-Price-Price and Fashion.

**How can we affect  
transformation and how do we  
position cultured pearls?**



It helps to understand where we began.....move onto next slide, number 11

# The US Market

- PEARLS AND OCCUPIED JAPAN
- 3.5 momme “graduation” necklaces



## Slide 11

How the Cultured Pearl gained its first impression and popularity in the US with the return of soldiers.

Tens of thousands of these “standard” necklaces found their way to the United States through the servicemen who brought them home as souvenirs for their mothers, wives or girlfriends. Probably unknown to the Japanese at the time, this was the best publicity cultured pearls could ever hope to have; it marked the beginning of their wide popularity in the United States.

The 3.5 momme necklace; a promotion like none other.

The first and most lasting impression cultured pearls ever had was when servicemen returned from the war bringing cultured pearl necklaces home...

**READ FROM THE SLIDE-** when done return here.

This impression still exists today with Americans associating that simple pearl strand to a long heritage. Many “brands” today try to artificially create a campaign such as this.

But, as an industry we have not made a “new” impression for cultured pearls and it is long over due.

We have been a fragmented industry, but, if we can unite with a single voice, promoting all cultured pearls with a cohesive new message we can begin to “shift” the perceptions of cultured pearls to the premier position they have the right to be. The Market is ready and so is the consumer. We need to get everyone’s attention once again.

# WORLD PEARL



**“World Pearl” Booth at the JCK show in Las Vegas  
2008**

**Slide 12:**

The CPAA initiated the first major step/move at the JCK Las Vegas Show in 2008 by gathering the premier world wide Pearl Organizations together. Unified and exhibiting the 5 key varieties of cultured pearls the CPAA drew thousands of retailers gaining exposure and creating excitement as never before.

This is influential outreach which generates results from promotion, awareness and creating desire.



### Slide 13

#### Other Positive external influences now:

High profile visibility exists today because of women in powerful positions such as Hilary Clinton, Nancy Pelosi etc. and also celebrities are choosing pearls.-

Nothing says success better than a strand of pearls and no other piece of jewelry is more appropriate to wear as a business accessory. Pearls are to a professional woman what the power tie is to a man. Remember: any professional celebratory occasion means an opportunity to sell pearls.

# Competition



1% Jewelry  
3% on apparel  
4% entertainment  
5% healthcare  
26% housing



## Slide 14: Competition:

Pearls are not only competing in the arena of jewelry, the consumers discretionary spending dollars are being lured by other industries like auto, travel which now includes spa destinations, art and more. Within the jewelry industry however the more we can convey that Cultured Pearls offer the most diverse variety in terms of pearl/material selection, pricing for any market, style options equal to any other category of jewelry....it takes a united group to deliver this message.

# How do you educate the Retailer?

## The Ten Foot Gap



### **Slide 15: Education at retailer and consumer level:**

**Education encompasses many elements in addition to knowledge. At the CPAA, our priority is to offer and support the overall educational scope to our members and retailers.**

The CPAA and many of our members make a variety of education material available. We strive to create materials that help create results!

Here are some of our marketing and promotional materials and projects.

Go to next slide Number 16:

# Educational Pearl Chart



•Slide 16

**Laminated Pearl Chart** – defines and shows the 6 classic character traits of cultured pearls and the most popular Q & A and pearl care on the opposite side.

# The Pearl Flash Card



Slide 17

The CPAA has taken on a project to educate the jewelry sales personal and the community as a whole. We are have developing a FUN and ENTERTAINING way to teach and learn about cultured pearls with a “flash card” system. Each laminated card will be round in shape and since many questions pertain to all pearls there will be a visual indicator, such as a cluster of pearls, which means the Q & A refers to all pearls. If for example, the answer applies to only a Tahitian pearl then the visual will show a Tahitian pearl only. These visual aids will help in memory retention. A question will appear on one side and the answer on the reverse. Sales associates can even play and test each other, learning becomes fun and tests prove more knowledge is retained when done in an environment of fun!



# Online Education

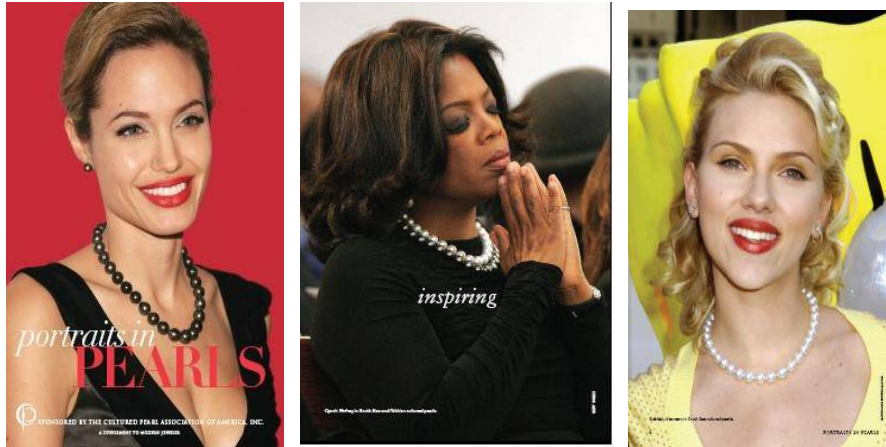


•Slide 19 On-line training: We are developing an on-line training course where we combine pearl knowledge and pearl selling skills.

The initial offering, called “Pearls 101” is designed to bring each participant to a baseline level of performance and pearl knowledge. Subsequent courses will build on this solid foundation to enhance the performance of participants.

The course is self-paced allowing participants to speed up or slow down as they desire. It is accessible to participants 24/7. According to the American Society for Training and Development retention rates for classroom style “tell only” training is 10% after three days. The retention rate for e-learning “show, tell and do” training is above 65% after three days.

**"Celebrity Portraits in Pearls"**  
High profile visibility  
celebrities are choosing pearls.



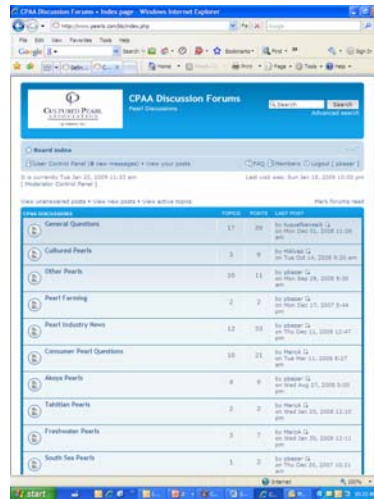
**Slide 20**

**Portraits in Pearls:** A celebrity pearl magazine which builds awareness and shows the popularity of pearls among famous people. We co-produced "Celebrity Portraits in Pearls" and with Modern Jeweler and Lusture Magazine. This special pearl publication illustrated the alliance between pearl popularity and celebrities and showcased our members cultured pearl jewelry. Retailers enjoyed and used this magazine for consumer promotions.

# CPAA.ORG



CPAA Website



Forums

- Slide 21: CPAA Pearl Forum
- The newest way to communicate , share news, findings, ask questions and come together.

## Magical Gifts of Nature



2008 & 2009 AGTA Exhibit



•**Slide 22:** Museum Exhibit at trade shows.

- In 2008 and just recently at the 2009 AGTA show, the CPAA showcased an impressive exhibit of members interesting and unique cultured and natural pearls and pearl jewelry. This was a wonderful way to increase awareness for cultured pearls!

## We promote pearls to the press



- Slide 23:** Pearl in the Press;

- Over the last few years the CPAA has co-sponsored the Jewelry Information Centers Annual Editors Luncheon held in NYC. What better way to create desire for cultured pearls than inspiring the consumer press about pearls! We have received great publicity and regularly contact them with press releases. These are the people who have influence over what the consumer sees!

## Co-op ads



- **Slide 24:** Promotion through Co-op advertising

- Some of our members advertise in high end consumer publications with the help of co-operative funding from associations such as Perles de Tahiti.....

- Some of our members advertise to the trade only.

- Some members only advertise when the association publishes under the CPAA umbrella



•**Slide 25:** New Image campaign

•The CPAA has just completed a photo shoot and is creating an exciting new advertising and marketing campaign available to all our members and the retailers so they can advertise more pearls.

•There will be numerous types of marketing materials and visual aids developed such as duratrans, postcards, advertising slicks, posters, in case signage and we will offer to create specialty items based on client needs.

Remember that the “last 10 feet” between a sales associate and the consumer is about education. The sales associate will avoid what they do not know or make up a story which is not true... the consumer is short changed either never being shown Pearl choices or not being told the truth.....we must continue to educate all levels.

Some interesting selling observations we have found at the retail level.

1. The Romance of Pearls is missing in many of today’s stores with much of the “selling” revolving around price.
2. The US pearl market is the least effected or influenced by “branding” as in other jewelry categories, because there are less branded pearl companies.
3. Consumers are seeing diamond, watch and gold jewelry advertising but minimal pearl.

# The Bridal Market



Slide 26:

Remember that cultured pearls and cultured pearl jewelry is perfect for all the selling occasions throughout the year.

Some idea opportunities are:

Bridal.....

The purchase of the diamond engagement ring is a great opportunity to suggest pearl jewelry for a number of reasons. Consider the following members of the family and bridal party who might need pearl jewelry:

- a) Bride
- b) Mother's of the bride and groom
- c) Maid of Honor and bridal party
- d) The often overlooked Flower Girl
- e) Wedding gift to the bride on her wedding day.

# Birthstone Graduation Birthday Anniversary



Slide 27

More occasions like Birthday's, Graduation, Anniversary and remember that Pearl is the birthstone for June.

In the U.S. where tradition means a great deal, many occasions are celebrated with the gift of pearls, this is real business potential.

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# Would a grading system help?

## Commoditization



### **Slide 28 Pearl Grading:**

Most industry insiders fear that a grading system will commoditize cultured pearls as it did the diamond industry. Selling on price alone denies the Pearl its birthright and heritage as the unique, one of a kind gem it is. Environmentally friendly, organic and rich in history.....no one stringent guide fits all.

# Certificates



- **Trust and reliability are important aspects of any customer relationship, especially for jewelers. By providing expert certification of pearl strands adds new layer of confidence in their quality**

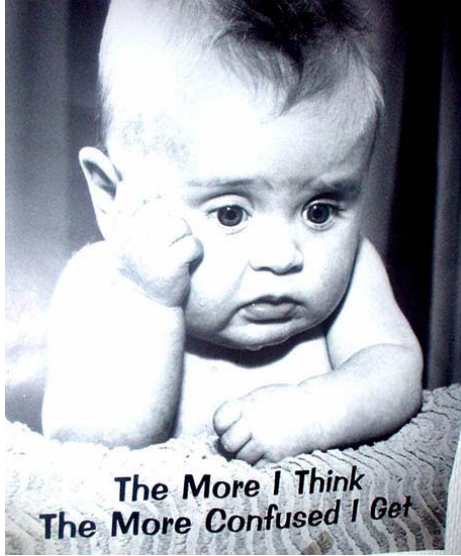
## **Pearl Certificates-Reports**

Not many use this tool, some that do have found that reports help the jeweler “sell with certainty” and the buyer “buy with confidence. So many consumers have little or no knowledge of pearls that once seeing something tangible and what appears to make sense they feel more comfortable.

## **TIME TO END:**

I’d like to thank you for your attentive listening and the opportunity to speak with you today. The U.S. market is exciting, challenging and as diverse as can be.....and I’m thrilled to be apart of it.

What is there understanding of  
pearls types?



**Neither the Retailer  
or  
the Consumer understands  
Pearls!**