

Key Note

Market Report 2005

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Jewellery & Watches

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Executive Summary

The value of the UK jewellery and watches market increased by 41.2% between 2000 and 2004 to reach £4.25bn. Total consumer spending has been on an upward trend since the start of the millennium and this has boosted spending on discretionary personal items, such as jewellery. The two market sectors are jewellery (comprising fine [precious] pieces and fashion items), and watches.

Factors behind the ongoing growth in jewellery and watch spending have included an increase in disposable income and therefore the trading up on the part of consumers to more expensive items and pieces made from higher caratage precious metals. The trend towards white metal in the fine jewellery market encouraged the development of design and volumes of pieces in high-value white gold and platinum from 2000. Interest in branding and designer names have also been a factor. However, fashion — although slower moving than in the clothing sector — has also been a major driver.

The fine jewellery market continues to benefit from its traditional association with weddings. Although the marriage rate is falling, the amount spent on these occasions continues to rise. In addition, gift purchasing is also strong. Most importantly, as the average age of first marriages continues to rise, the self-purchase market has been a driving force behind greater spending as consumers have higher levels of disposable income and are taking a more indulgent view on their spending.

The watch market has also been experiencing ongoing growth. The market is more fashion driven than the jewellery market, owing to the large number of pieces available at lower price points. In addition, for many, watches are a part of their everyday wardrobe. New models and styles are introduced on an ongoing basis and a strong style element means that some trends can quickly date, encouraging fresh purchasing.

The retail market has also been active and retailers continue to refurbish and invest in retail premises. Other major trends have included the introduction of more exclusively branded ranges and designers' collections to develop differentials. Mixed retailers such as ASDA and Marks & Spencer are also making more of an impact, particularly as they move into the fine jewellery market.

The jewellery and watch sectors are likely to see a continuation of the upward sales trend in the medium term. Rates of consumer disposable income will continue to rise and inflationary influences will also play a part. Rising spend per item will continue to be a factor in the real jewellery market, while changing fashions will play an important role in driving volume sales of fashion jewellery and watches.

1. Market Definition

REPORT COVERAGE

This Key Note Market Report examines the market for jewellery and watches in the UK. It covers both real and fashion jewellery and watches. In addition, the main retailers are also discussed, including specialists, and those dealing with a wider product range.

MARKET SECTORS

Jewellery

Jewellery can be further segmented into real and fashion products.

Real Jewellery

Real jewellery is that made from gold, silver or platinum. In each case, as the metals are too soft for use on their own, they are alloyed with another metal, generally nickel. The greater the quantity of alloy, the lower the intrinsic value of the item.

From 1st January 1999, new hallmarking and a range of precious metal finenesses were introduced to the UK.

For gold, the categories are as follows:

- 9 carat (375) — 37.5% gold
- 14 carat (585) — 58.5% gold
- 18 carat (750) — 75% gold
- 22 carat (916) — 91.6% gold.

In addition, two higher fineness of 99% (990) and 99.9% (999) were added.

For silver, the Sterling (92.5%) and Britannia standards (95.8%) were joined by a lower fineness of 80%.

In the case of platinum, the previous standard of 95% was supplemented by two new lower categories of 85% and 90%.

Fashion Jewellery

Fashion, imitation or costume jewellery is made from non-precious metals that may be plated with gold or silver. It can incorporate gems, either real or artificial. The market also encompasses items manufactured from wood, leather or textiles, designed to be worn as jewellery.

Watches

For the purposes of this report, watches comprise wrist, pocket and fob watches of three types:

Mechanical Watches

Mechanical watches are operated through a system of cogs and levers. They must be wound daily and have a standard 12-hour dial.

Quartz Analogue Watches

Quartz analogue watches also have a 12-hour dial, but are operated via a quartz, battery powered mechanism.

Quartz Digital Watches

Quartz digital watches display time in a numeric form using a liquid crystal display (LCD), operated using a quartz, battery powered mechanism.

MARKET TRENDS

Fine Jewellery Hallmarking

Since the millennium, one of the strongest trends in real jewellery has been the success of white metals. This is evident in the ongoing growth in the number of platinum products that have been hallmarked, as well as white gold (no separate figures available). There has also been a trading up in the sector due to high levels of consumer disposable income. This has encouraged the switch away from 9-carat (ct) gold items, as well as a shift from silver towards other more expensive white metals (see Table 1).

Table 1: Number and Weight of Articles Processed at UK Assay Offices (000 units and kilograms), 2003 and 2004

	2003	2004	% Change 2003-2004
Number of Articles			
Gold (000 units)	24,163	23,558	-2.5
Silver (000 units)	10,768	10,755	-0.1
Platinum (single units)	314,077	362,988	15.6
Weight of Articles			
999 Gold (kg)	25.3	16.5	-34.8
980 Gold (kg)	7.5	0.4	-94.7
916 (22ct) Gold (kg)	7,776.0	7,378.0	-5.1
750 (18ct) Gold (kg)	10,876.0	12,415.0	14.2
585 (14ct) Gold (kg)	1,242.0	1,437.0	15.7
375 (9ct) Gold (kg)	92,507.0	85,623.0	-7.4
Gold (kg)	112,433.8	106,869.9	-4.9
Silver (kg)	193,861.0	190,988.0	-1.5
Platinum (grams)	2,570,495.0	2,895,375.0	12.6
<i>kg — kilograms</i>			
<i>ct — carat</i>			
<i>Source: British Hallmarking Council, Annual Report 2004, www.britishhallmarkingcouncil.gov.uk</i>			

Fashion Factors

Since the end of the 1990s, the clothing market has become increasingly price sensitive. The entry of the supermarkets and the success of the value retailers across all levels of the clothing sector has effectively reduced real spending on apparel in many categories. In response, the accessories market has seen considerable development. Consumers are focusing spending on supplementary items such as handbags, belts and shoes. However, the jewellery market has also been a beneficiary.

The development of the fashion jewellery sector has been boosted by the arrival of many of the major designer names at the top end of the market and their creation of diffusion ranges (cheaper versions of designer labels aimed at the mass market) for retail through department and clothing stores at a cheaper entry level price.

The costume jewellery sector has seen particular development as the relatively low cost of pieces means that consumers can afford to be trend-led in their decisions. A similar impact is felt in cheaper real items, such as silver-based pieces.

However, the real jewellery market is also seeing more spending, as consumers widen their portfolio of articles to tie in with more occasions, as well as their wardrobes.

The trend is also evident in the watch market, with more traditional houses taking a fashion-determined stance towards design in a bid to remain relevant to consumer demand.

2004/2005 Trends

In 2004, *Retail Jeweller* magazine identified four main trends that influenced the market:

Colour

There has been a trend toward using a mix of coloured jewels to be worn with plain or coloured clothing. Favoured shades were led by pink and green. As well as the high-value market, this trend fed through to department-store collections such as Tomfoolery, Theo Fennel's range for Debenhams.

Vintage Style

Vintage-inspired pieces were seen in objects, such as chandelier earrings and brooches.

Nature

More natural items include jewellery taking shape from animals and insects such as butterflies. For example, a pink sapphire dragonfly from Links of London.

Yellow Gold

There has been a return to these warmer shades following the outstanding success of white metal pieces since the start of the millennium. The trend towards yellow gold was boosted in 2004 by influences such as Greek themes from the Olympics, evident in chunky textured gold pieces. A number of designers, including Roberto Cavalli and Gaultier, used this metal and the trend is likely to feed down to the retail market over the short to medium term.

Men's Jewellery

In a move away from the 'bling' influences of recent years, a more slimline look is being seen in men's jewellery, with more discreet pieces.

The UK Wedding Market

In England and Wales there was a strong rise in the number of first marriages in 2003, with the marriage rate (per 1,000 people over 16 years) rising from 25.4 to 25.8, the first increase in this figure for around 20 years. This will have made a positive contribution to higher sales of highest quality jewellery for weddings such as rings, bridal jewellery and men's pieces.

At the same time, the average age at which first marriages take place continues to increase. Marrying later has meant that the women's self-buying jewellery market has developed in gems, such as diamonds.

Table 2: Number of Marriages and Average Age at First Marriage in the UK (000), 1999, 2001 and 2003

	1999	2001	2003
Number of Marriages (000)			
England and Wales	263.5	251.4	268.2
Scotland	29.9	29.6	30.8
Average Age at First Marriage			
Mean age at first marriage [†]	30.1	30.6	31.2
Median age at first marriage [†]	29.2	29.7	30.3
<i>† — England and Wales only</i>			
<i>Source: Population Trends 115, National Statistics website, Vital Events Reference Tables, www.gro-scotland.gov.uk © Crown copyright material is reproduced with the permission of the Controller of HMSO (and the Queen's Printer for Scotland)</i>			

Branded Diamonds

Branded cuts of diamonds are a developing area of the market. Cut is the only aspect of the diamond over which jewellery can exert direct control. Improving technologies have enabled cutters to create specialist cuts and, in turn, retailers have been able to buy into this; in some cases, they have patented designs.

In the US market, the branded-cut diamond sector has developed with the backing of considerable advertising and promotional spends. Examples include the Leo Diamond from Signet Group and Hearts on Fire promoted as 'The World's Most Perfectly Cut Diamond'.

The Leo Diamond has been distributed in the UK market since 2000, through Ernest Jones and Leslie Davies stores. The Forever Diamond was introduced through H Samuel outlets in 2002. Other retailers with specialist cuts include Beaverbrooks with Crisscut Diamonds, Goldsmiths with the Millennium Cut and Garrard with the Eternal Cut.

The practice has also extended to consortia of independents, such as The Company of Master Jewellers, which has offered Master Cut diamonds since 2003. 2004 sales estimates were £1.5m.

Two-Tier Pricing

Some jewellery retailers are taking a wider view of the market and its buying base. For example, for Christmas 2004, both Links of London and Garrard introduced collections with two-tier pricing. In the latter case, the Wings collection included a white gold diamond pendant and ring, which was also available in a silver variant starting at £95 for the younger end of the market. The Links Suspense collection started at £250 for gold pieces and £85 for silver.

The diamond market has also seen this trend. Smaller stones have also gained from the trend towards diamond jewellery. Brands such as Hot Diamonds offer pieces set with multiples of small stones in less expensive metals, such as silver to offer a more accessible entry point into the market.

Real 'Bling' for Children

Another segment of the market that has seen some development is pieces of jewellery for children. Traditionally, this has been centred on pieces for christenings, such as bracelets and mini bangles, but the market has moved on.

This change has been part of the wider 'kids getting older younger' (KGOY) trend, as witnessed by the success of the Claire's Accessories chain. This firmly targets younger teens and girls with a range of costume jewellery and accessories. Similar accessories ranges are now an established feature of the children's clothing section in stores such as H&M and Debenhams.

As adults have picked up on the interest in costume jewellery, the purchase of real pieces for special occasions, such as birthdays, has become more established. For example, simpler pieces of silver jewellery are bought as the type of gift with a longer-lasting appeal, particularly given that children are outgrowing their toys at an ever younger age.

The market has now moved on even further with younger teens beginning to make their own investment in real jewellery, aided by high levels of disposable income. This phenomenon is evident among boys as well as girls, stemming from the success of the 'bling bling' music stars and earring-wearing celebrities, such as David Beckham and Will Smith.

Brands targeting the younger end of the market include Marmalade, Pistachio and Pagan Angel.

ECONOMIC TRENDS

Gross Domestic Product

Gross domestic product (GDP) continued to rise at a high rate in 2004. This meant that the economy continued to grow, providing a positive background for investment in business growth. This has been evident in the jewellery and watches market with a number of retailers refurbishing stores and also the opening of new outlets in shopping centres.

Table 3: UK Gross Domestic Product at Current and Annual Prices (£m), 2000-2004					
	2000	2001	2002	2003	2004
Current prices	953,576	996,758	1,048,456	1,105,919	1,164,439
<i>% change</i>					
<i>year-on-year</i>	-	4.5	5.2	5.5	5.3
Annual chain-linked					
GDP	1,005,542	1,027,905	1,048,456	1,074,858	1,109,574
<i>% change</i>					
<i>year-on-year</i>	-	2.2	2.0	2.5	3.2
<i>GDP — gross domestic product</i>					
<i>Source: National Accounts, Main Aggregates 1948-2004, National Statistics website © Crown copyright material is reproduced with the permission of the Controller of HMSO (and the Queen's Printer for Scotland)</i>					

Household Disposable Income

There was a slight dip in the rate of increase of household disposable income in 2004. However, it continued to show positive growth, implying an increasingly affluent population. For jewellers, the major manifestation has been a trading up from less-expensive pieces to higher-priced items, as well as a growth in spending on fashion jewellery, as a larger number of items may be bought.

Table 4: Household Disposable Income Per Capita (£), 2000-2004					
	2000	2001	2002	2003	2004
Household disposable income (£)	11,162	11,643	11,971	12,500	12,897
% change year-on-year	-	4.3	2.8	4.4	3.2
<i>Source: Economic Trends, August 2005, National Statistics website</i>					
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Inflation

Rises in the rate of inflation have lagged behind the increases in disposable income, which has amplified the impact of higher disposable-income rates. Effectively, people can get more for their income, as price rises in the economy as a whole have been less than income rises, creating a gap in available consumption and spending. This can benefit higher-value items such as luxury goods and consumer durables.

Table 5: UK Rate of Inflation (%), 2000-2004					
	2000	2001	2002	2003	2004
Inflation (%)	2.9	1.8	1.6	2.9	3.0
Percentage point change year-on-year	-	-1.1	-0.2	1.3	0.1
<i>Note: inflation is at retail price index (RPI).</i>					
<i>Source: Monthly Digest, August 2005, National Statistics website</i>					
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MARKET POSITION

The UK

The impact of higher levels of disposable income and a relatively low rate of inflation overall has manifested itself in increased spending on discretionary items, therefore boosting expenditure on luxury goods, such as jewellery and watches. This has been driven by higher spending per item, effectively a trading up to more expensive pieces, and the development of a wider portfolio of items in some areas, such as fashion jewellery, where consumers feel they have greater freedom to spend.

Table 6: Index of Consumer Expenditure on Jewellery and Watches Compared with Index of Total Consumer Expenditure (2000=100), 2000-2004		
	Consumer Expenditure	Jewellery and Watches
2000	100	100
2001	105	110
2002	111	124
2003	116	133
2004	121	141

*Source: Key Note based on Consumer Trends, a National Statistics website
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Overseas

The position of the real jewellery market in global economies can vary greatly, due to cultural and developmental differences. In many of the more developed markets, jewellery is primarily a function of the fashion market with occasions such as weddings having some, but limited, impact. Buying for investment purposes is also restricted to the top end of the market.

In some regions — such as areas of India and the Middle East, where economies are less complex — jewellery still fulfils the purpose of offering financial investment and a surety for weddings and other occasions. Spending tends to be high compared with income levels, but buying is less of an everyday event and limited to such occasions. The level of spending is tied strongly to the performance of the local economies on a year-to-year basis.

Globally, China has been identified as one of the fastest-growing markets for real jewellery, as household income levels have begun to climb and the economy is developing in complexity.

2. Market Size

THE TOTAL MARKET

Sales of jewellery and watches in the UK have grown year on year, in real terms, since the start of the millennium. This has been fuelled by higher levels of consumer disposable income, which has meant a positive background to the development of trends, such as the following:

- trading up to higher carat real jewellery
- growth in spending on platinum and white gold
- more branded jewellery
- more fashion-driven watch and jewellery purchases
- higher spending on watch brands
- more self-buying.

In 2004, jewellery retailers reported a strong increase in sales as the UK economy continued to grow.

Jewellers noted improved business for the Christmas 2004 season over the previous year, attributed to an increase in last-minute sales.

Table 7: The UK Jewellery and Watches Market by Value at Current Prices (£m at rsp), 2000-2004

	2000	2001	2002	2003	e2004
Jewellery	2,272	2,475	2,792	2,994	3,182
Watches	735	820	940	1,004	1,064
Total	3,007	3,295	3,732	3,998	4,246
<i>% change year-on-year</i>	-	9.6	13.3	7.1	6.2

rsp — retail selling prices

e — estimates

Source: Key Note

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Figure 1 shows the total jewellery and watches market by value at current prices, from 2000 to 2004.

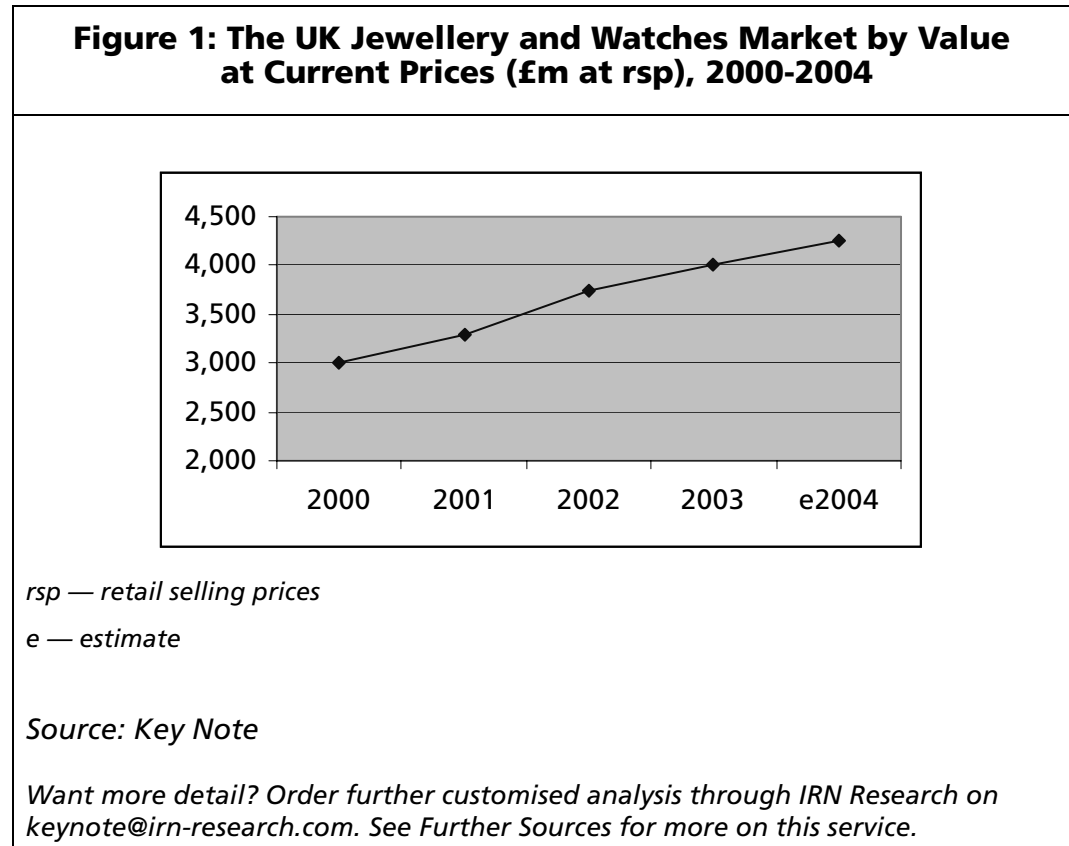
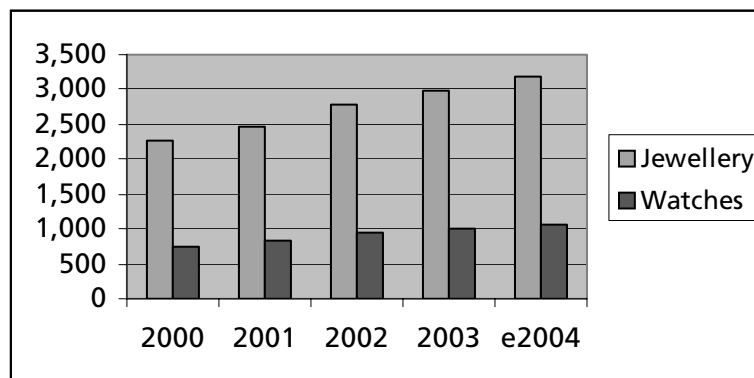


Figure 2 illustrates the market share of the jewellery and watches market sectors in the total market.

Figure 2: Market Share of Jewellery and Watches in The Total Market by Value at Current Prices (£m at rsp), 2000-2004



rsp — retail selling prices

e — estimate

Source: Key Note

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BY MARKET SECTOR

Jewellery

There has been a slowdown in the rate of growth of spending on jewellery, although it continues to be well ahead of expenditure in other areas. This implies that consumers have been choosing to spend more on jewellery relative to other items. While income levels have been an important factor, interest in jewellery has also been fuelled by the more celebrity driven aspects of the media, including the press, which has given a greater focus to aspects such as luxury jewellery names and brands. This has also developed interest in jewellery as an accessory.

Table 8: The UK Jewellery Sector by Value at Current Prices (£m at rsp and %), 2000-2004

	2000	2001	2002	2003	^e 2004
Value (£m)	2,272	2,475	2,792	2,994	3,182
% change year-on-year	-	8.9	12.8	7.2	6.3
% share of the total market	75.6	75.1	74.8	74.9	74.9
<i>rsp — retail selling prices</i>					
<i>e — estimates</i>					
Source: Key Note					
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Real Jewellery

A major trend in real jewellery has been a shift towards better quality and higher-priced items, driving higher spending rates, year on year, on individual pieces ahead of the number of items purchased.

Table 9: The UK Real Jewellery Subsector by Value at Current Prices (£m at rsp and %), 2000-2004

	2000	2001	2002	2003	^e 2004
Value (£m)	1,977	2,170	2,471	2,658	2,823
% change year-on-year	-	9.8	13.9	7.6	6.2
% share of the total jewellery sector	87.0	87.7	88.5	88.8	88.7
<i>rsp — retail selling prices</i>					
<i>e — estimates</i>					
Source: Key Note					
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- **Gold**

Gold continues to account for the highest value of jewellery sales in the UK. While 9-carat (ct) pieces dominate retail sales, there has been a shift towards higher-carat items since the end of the 1990s. However, the bias of the market towards 9ct pieces meant that the UK missed out on some advertising investment by the World Gold Council, which centred a recent campaign on countries where higher-carat sales were a more significant feature.

It is estimated that 18ct gold takes a share of around 10% of the UK market and this type of gold is being actively developed with design innovation focused at the top end of the market. According to the World Gold Council, in 2004, 18ct gold sales reached a record high at more than 10% of all hallmarked gold items in the UK. Customers were also choosing pieces of a heavier weight and better quality. There has also been a move towards more contemporary designer gold pieces rather than traditional styles.

The gold market has also seen a revived interest in yellow gold pieces, as well as interest in rose gold, in a shift away from the dominance of white gold in recent years.

- **Platinum**

UK Assay Office figures indicate that between 2000 and 2004, sales of platinum pieces more than doubled. This was largely driven by the strong interest and focus on white metal products from the millennium. The favouring of platinum was evident even in wedding rings, which are, more traditionally, yellow gold. In turn, this led to a growth in designs and availability, further driving sales upwards.

In 2004 and 2005, with a new interest in coloured pieces rather than more monochromatic jewellery, platinum is now more likely to be teamed with coloured stones.

- **Diamonds**

Diamond jewellery accounts for high spending in the fine jewellery market, in terms of sales. By summer 2004, the Diamond Trading Company (DTC) increased the price of rough diamonds for a third time following increased consumer demand which has diminished polished stocks held in cutting centres.

The DTC has reported ongoing success with sales of 3-stone products. In 2004, sales of 3-stone diamond jewellery represented just over 10% of the diamond jewellery market, mostly in ring sales. 3-stone diamond jewellery outperformed the category average for all piece types, increasing by approximately 31% in volume during 2004.

Fashion Jewellery

Fashion or costume jewellery sales have been steadily growing since 2000. Fashion jewellery is now often sought after for itself rather than as a substitute for fine jewellery. It offers a range of designs and extravagant features not accessible or available in real items, apart from at the top end of the market. For example, the success of 'chandelier' earrings as a fashion staple for winter 2004, would not have been possible if it were not for the addition of such pieces to collections of costume jewellery across a range of retailers and designers.

The growth of value retailing has also been a factor. As consumers are taking a 'pick and mix' approach towards their clothing — for example, wearing items from Primark or a supermarket brand in combination with more expensive brands — a similar approach has been taken with jewellery. The look is more important than the authenticity of the piece, and this has encouraged a more fashion-based approach with seasonal buying and the purchase of items for specific outfits and occasions.

Table 10: The UK Fashion Jewellery Subsector by Value at Current Prices (£m at rsp and %), 2000-2004

	2000	2001	2002	2003	€2004
Value (£m)	295	305	321	336	359
% change year-on-year	-	3.4	5.2	4.7	6.8
% share of total jewellery sector	13.0	12.3	11.5	11.2	11.3
<i>rsp — retail selling prices</i>					
<i>e — estimates</i>					
<i>Source: Key Note</i>					
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Watches

The rate of increase in watch sales has slowed slightly, but continues to rise in real terms.

Watches span across price points from single-digit figures to five figures upwards. Quartz models dominate the market overall, although at the top end of the market there is a growing demand for mechanical watches.

Multiple watch ownership is now thought of as standard, with different models purchased for different looks and occasions, from formal products to sporty and fashion brands. However, suppliers have been keen to position watches as a desirable status symbol.

Table 11: The UK Watches Sector by Value at Current Prices (£m at rsp and %), 2000-2004

	2000	2001	2002	2003	€2004
Value (£m)	735	820	940	1,004	1,064
% change year-on-year	-	11.6	14.6	6.8	6.0
% share of the total market	24.4	24.9	25.2	25.1	25.1
<i>rsp — retail selling prices</i>					
<i>e — estimates</i>					
<i>Source: Key Note</i>					
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The fashion market is an ongoing influence on the watch market. While consumers invest in expensive watches, volumes are dominated by the everyday brands and pieces.

The men's watch market has seen a trend towards more functionality. Sports watches with a growing range of features have been developed by a number of brands, with models offering aspects such as:

- stopwatches and chronographs with digital counters
- compasses and thermometers
- altimeters
- time in different zones and countries.

This has also influenced styling with larger heads with more complex features.

Examples include Tissot, which offers the Tissot Navigator 3000 with a memory that stores the time in 150 cities, as well as timer, chronograph or alarm functions. Storm supplies the Obligator — a wide band with an analogue and digital display, calendar and chrono-timer windows, as well as separate small dials with a compass and thermometer.

The trend for more functionality in the men's watch market has also fed into the women's watch sector, which tends to be more influenced by look than function. For example, there has been a shift towards larger watch faces. At the top end of the market, the major watch houses, such as Patek Phillippe and Omega, are also supplying more women's models in recognition that women are buying more pieces for themselves and have the means to spend more.

In the women's sector, the following trends have been identified in 2005:

- mini and maxi faces
- more functionality
- jewelled pieces
- interchangeable features such as panels or straps.

OVERSEAS TRADE

Imports

The UK operates a trade deficit in jewellery overall. This is due to the limited nature of UK manufacturing, which means that a restricted number of pieces are made domestically and the bulk of the market is fuelled by imports. Even the UK's largest supplier, Abbeycrest, has now sited its production facilities overseas. The UK continues to play a part in design, although implementation may be outsourced.

**Table 12: Imports of Jewellery and Watches by Value (£m),
Years Ending December 2003 and 2004**

	<u>Intra-EC Imports</u>		<u>Extra-EC Imports</u>	
	2003	2004	2003	2004
Jewellery				
Jewellery of gold, silver or platinum metals and gold/silversmiths' wares (including set gems)	349,551	308,561	1,229,881	1,215,361
Imitation jewellery	17,625	29,040	115,357	127,247
Watches				
Wrist, pocket and other watches (including stop watches), case wholly or partly of precious metal or clad with precious metal	13,529	10,227	160,364	168,523
Other wrist watches and pocket watches	15,695	23,458	209,586	217,034
<i>Source: Overseas Trade Statistics © Crown copyright material is reproduced with the permission of the Controller of HMSO (and the Queen's Printer for Scotland)</i>				

Exports

Exports of jewellery and watches are relatively small and to some extent will involve what is effectively redistribution of imported items. The bulk of exports are for real jewellery items destined for sale outside the EU.

**Table 13: Exports of Jewellery and Watches by Value (£m),
Years Ending December 2003 and 2004**

	<u>Intra-EC Exports</u>		<u>Extra-EC Exports</u>	
	2003	2004	2003	2004
Jewellery				
Jewellery of gold, silver or platinum metals and gold/silversmiths' wares (including set gems)	168,926	159,472	905,620	837,761
Imitation jewellery	41,757	53,731	22,260	22,995
Watches				
Wrist, pocket and other watches (including stop watches), case wholly or partly of precious metal or clad with precious metal	6,678	5,670	72,334	84,366
Other wrist watches and pocket watches	27,067	-	23,474	14,648
<i>Source: Overseas Trade Statistics © Crown copyright material is reproduced with the permission of the Controller of HMSO (and the Queen's Printer for Scotland)</i>				

3. Industry Background

RECENT HISTORY

The UK jewellery market has seen some strong development since the end of the 1990s, as consumer spending in the sector has continued to rise. While traditional markets (such as bridal and event jewellery) have languished, to some extent, self-buying and gift purchases have thrived.

The major trend has been towards greater-value pieces and higher spending per item. This has been driven by factors including interest in higher-priced white metals, such as platinum and white gold. The design element has also been important as consumers now see jewellery in the context of their wardrobe rather than as one-off investments for life.

Higher spending has also encouraged the development of brands. While fashion houses have been well-established names in watches and jewellery, retailers have also begun to offer their own unique selling points in exclusively designed ranges as well as branded items.

INDUSTRY SYNOPSIS

The industry synopsis in Table 14 indicates that there is a wide range of companies engaged in jewellery retail. At the lower end are groups generating sales of around £648,000, which are likely to be operating locally; at the other extreme are those with sales of £7.6m, which are likely to be operating a chain of businesses. Pre-tax profit shows a similar range of performance. However, even those in the lower percentile manage to generate a significant profit (£19,000), which is a positive indicator.

Table 14: Average Financial Results for the Retail Sale of Jewellery, Clocks and Watches (£000, % and £), 2005

	Lower	Median	Upper
Turnover (£000)	648	1,567	7,618
Pre-tax profit (£000)	19	142	477
Pre-tax profit margin (%)	0.63	5.11	10.13
Turnover/employee (£)	84,953	119,449	181,190
Current ratio (%)	1.23	1.84	3.14

Note: based on 115 companies operating in the sector.

Source: ICC Plum database

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NUMBER OF COMPANIES

Within the UK, the largest number of companies operate in the supply of real jewellery and related articles. Watches and imitation jewellery businesses are more likely to act as distributors, which may limit the scope for business. Those involved in jewellery manufacture tend to be relatively small businesses, generating sales of less than £1m per annum. The expense of the materials involved, as well as the level of competition in the sector, can limit the development of larger businesses.

Table 15: Number of UK VAT-Based Enterprises Engaged in the Manufacture of Jewellery and Watches by Turnover Sizeband (£000 and number), 2004

Turnover Sizeband (£000)	Jewellery and Related Articles	Imitation Jewellery	Watches
1-49	315	30	20
50-99	310	20	10
100-249	370	20	15
250-499	170	20	10
500-999	125	5	5
1,000-4,999	120	10	15
5,000+	20	0	0
Total	†1,425	105	†80

† —does not sum due to rounding to nearest 5 by source

*Source: UK Business: Activity, Size and Location, National Statistics
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EMPLOYMENT

There is a concentration of businesses at the smaller end of the operating scale, with only a small percentage employing more than 50 staff in 2004. Larger groups are likely to include those offering a more diverse product base, as well as serving larger national retail chains.

Table 16: Number of UK VAT-Based Enterprises Engaged in the Manufacture of Jewellery and Watches by Employment Sizeband, 2004

Employment Sizeband	Jewellery and Related Articles	Imitation Jewellery	Watches
0-4	1,065	70	45
5-9	220	20	15
10-19	85	10	10
20-49	35	5	10
50-99	15	0	5
100-249	5	0	0
Total	†1,425	105	†80

† — does not sum due to rounding to nearest 5 by source

Source: UK Business: Activity, Size and Location, National Statistics © Crown copyright material is reproduced with the permission of the Controller of HMSO (and the Queen's Printer for Scotland)

DISTRIBUTION

Specialist jewellers, both chains and independents, account for the largest share of sales in the UK market, particularly for real jewellery. The ability to offer secure premises, as well as a range of items, has contributed towards this strong position. Specialists have developed their offer through working with designers to retail exclusive ranges, as well as branded products in order to maximise the differential with other outlets. Aspects such as location have also been important, as jewellery and watch buying, particularly for more expensive items, is destination shopping — consumers will go out to visit specific retailers and stores.

Mixed retailers have been challenging for a larger share of jewellery sales. Initially, this was led by the department stores and fashion jewellery. However, as consumer spending on real pieces has risen, the potential for high-value sales has meant that more retailers are offering fine jewellery. One of the most highly publicised entries has been that of ASDA, which has been offering a growing range of real jewellery in an increasing number of its stores.

Catalogue retailers such as Argos continue to play a major part in the volume end of the real jewellery market.

The Internet continues to develop in importance. In December 2004, according to a survey by payment processing specialists, Retail Decisions, a third of iTV shoppers stated that they intended to buy jewellery over the Internet for Christmas (*New Media Age*, 10th December 2004). Shopping channels are also developing their offer in some areas of the market.

HOW ROBUST IS THE MARKET?

Spending on jewellery and watches is discretionary and, as a result, any downturn in the UK economy could have a direct impact in depressing sales. This is likely to manifest itself in lower spending per item, as well as reduced volumes. However, more positively, jewellery and watches are generally regarded as important gift purchases, as well as for occasions such as weddings.

There are few other direct potential threats to the market. There is competition for spending from other luxury items, but jewellery is an established sector and the UK market offers a diverse product and price range.

LEGISLATION

Jewellery and watches are sold to consumers and, as such, are subject to retail legislation covering areas including:

- sale of goods
- consumer credit
- supply of goods and services
- fair trading
- consumer protection.

More specific legislation includes the following:

- UK Hallmarking Act 1973 and Amendments
- The Money Laundering Regulations March 2003
- Diamond Agreement.

From the late 1990s, there has been some concern about the use of diamond sales to fuel conflicts. In June 2003, an agreement was signed by Antwerp's Federation of Diamond Dealers, Global Witness and the Association of Diamond Cutters and Miners (ICM). Diamonds are already certified under four Cs — for carat, colour, clarity and cut — as a measure of quality. The new agreement has introduced a fifth 'C' stamp guaranteeing the stone is not a conflict diamond or one that has been mined using child labour. The new label came into force at the end of 2004.

KEY TRADE ASSOCIATIONS

British Jewellers' Association

The British Jewellers' Association (BJA) is a national trade association that promotes and protects the growth and prosperity of UK jewellery and silverware suppliers. The BJA represents manufacturers, bullion suppliers, casting houses, diamond and gem dealers, designer jewellers and silversmiths, equipment suppliers and wholesalers.

The BJA describes its mission as 'to promote and protect the growth and prosperity of UK jewellery and silverware manufacturers and suppliers'.

The BJA provides its members with a wide range of business services especially geared towards the jewellery and silverware industry, and lobbies the Government, both in the UK and in Europe, on behalf of the sector.

The BJA is part of the British Jewellery, Giftware & Finishing Federation — a group of six trade associations in the consumer goods field, based in Birmingham's historic Jewellery Quarter.

Jewellery Distributors' Association

The Jewellery Distributors' Association is a non-profit making trade body within the British Jewellery, Giftware & Finishing Federation, specialising in supporting the activities of those who wholesale, distribute, import and export precious and fashion jewellery, accessories, watches, clocks and other items to the jewellery and allied trades.

The National Association of Goldsmiths

The National Association of Goldsmiths (NAG) was formed at the end of the 19th century. Membership comprises professional retail jewellers, both independents and multiples. The Association promotes high professional and ethical standards among its membership. There is a code of practice to which elected members must agree to adhere and by which applicants for membership are judged.

The organisation interacts with the Government, trading standards, industry and the media and also has a strong international presence, in particular through association with the International Jewellery Confederation (CIBJO).

Focuses of the NAG include education through distance-learning courses, seminars and tutorials. The Association also publishes a bi-monthly magazine, *The Jeweller*, that contains information and news about the industry, Association events and education, and articles on the varied aspects of running a jewellery business.

4. Competitor Analysis

THE MARKETPLACE

The UK jewellery sector is very fragmented in terms of suppliers and retailers. Much of the domestic manufacture of jewellery and watches is now confined to relatively small operations, with larger manufacturers choosing to site production facilities overseas and import as necessary, due to the considerable cost advantages involved. In some cases, UK operations simply act as a distribution base for a brand or group of brands.

A number of major brands are recognised internationally and have a high profile, yet may generate a relatively low level of sales concentrated at the top end of the market. Similarly, some small retailers with one or two outlets may generate considerably more publicity than a large national chain, due to the product offer or the profile of its clientele.

The following sections examine some of the leading companies — suppliers and retailers — in the jewellery and watches market.

LEADING SUPPLIERS

Abbeycrest PLC

Company Structure

Abbeycrest PLC is engaged in the design, manufacture and distribution of gold and silver jewellery.

Abbeycrest companies include:

- G&A — the UK distribution arm
- Abbeycrest International — global selling activities
- Abbeycrest Thailand — manufacturing based in Thailand
- Dynamic Creations — manufacturer and exporter of fine jewellery
- DRT — specialist wristwear manufacturer
- Brown & Newirth — gold and platinum wedding ring supplier
- Eric's Jewellers — retail store and cash and wholesale distributor.

Current and Future Developments

For the year ending February 2005, Abbeycrest reported that results had been adversely affected by a legal dispute with a major Chinese supplier. During the year, the group continued to restructure its activities. The manufacturing operations in Birmingham closed in June 2005, with manufacturing to be carried out primarily in the Far East.

A major drive was launched in 2005 to attract new retail customers. In the final quarter of the year, G&A is to undertake a trial of fine jewellery with a major retailer. The company has also been targeting specialist jewellery retailers with the opportunity to purchase products directly from Abbeycrest's Thailand facility rather than through G&A.

Financial Results

In the year ending 28th February 2005, Abbeycrest PLC reported a turnover of £82.3m, a decrease from £96.8m in 2003/2004. The company made a pre-tax loss of £496,000 in 2005, compared with a pre-tax profit of £1.6m in 2003/2004.

Almar PLC

Company Structure

Almar PLC owns Time Products UK, which supplies the Sekonda watch brand as well as distributing the Piaget, Franck Muller, Audemars Piguet, Alain Silberstein and Girard Perregaux watch brands through its Marcus store in London.

Current and Future Developments

New models for the Girard Perregaux range in 2004 included Richeville with enamel dials and the Cats Eye range.

In November 2004, Sekonda introduced the Seksy range, including Swarovski crystal-set models selling at the top price in the range £100. The £1.5m advertising account for the Sekonda brand was returned to Campbell Doyle Dye (CDD) in September after less than 4 months with TBWA/London. The initial move formed part of a brand review.

Financial Results

Almar PLC generated a turnover of £31m and a pre-tax profit of £1.9m in the year ending 31st January 2005. In 2004, the company recorded a turnover of £34.5m and a pre-tax profit of £1.6m.

Cartier Ltd

Company Structure

Cartier Ltd is the UK subsidiary of Financiere Richemont AG. Brands supplied by the Richemont group include Cartier, Van Cleef & Arpels, Baume & Mercier, Piaget, IWC, Jaeger LeCoultre, Dunhill and Vacheron Constantin.

Current and Future Developments

In 2004, Cartier women's watch designs heralded the return of gem-set watches in the Chinoise style. The brand's Roadster watch was offered with three different choices of strap to be changed by the wearer. Developments for the watch brand in 2005 include the introduction of the Cartier Libre collection, and the launch of a new Pasha de Cartier watch with Jaeger LeCoultre.

New men's models from Jaeger LeCoultre in 2005 include the Master Compressor Extreme Chronograph, combining an inner titanium case and an outer steel or platinum case, together with lockable crown and pushes. IWC introduced Ingenieur AMG influenced by the brand's link with Mercedes. Dunhill also launched pieces influenced by motoring with its Bobby Finder series.

In women's watches, new pieces include the diamond-set Secret watch from Van Cleef & Arpels, with the watch dial contained in a contoured drawer. Jaeger LeCoultre introduced the smallest mechanical movement in the world for its women's 101 model, while Cartier launched Tankissime, a bracelet with a small watch face blending with the lines of gold links.

IWC appointed tennis player Boris Becker as its brand ambassador in 2005. To mark the appointment, a Portuguese Stainless Steel Chrono-Automatic Boris Becker edition was created in a limited edition of 250 pieces.

Financial Results

Cartier Ltd reported a turnover of £68.5m and a pre-tax profit of £1.8m in the year ending 31st March 2004. In the previous year, the company recorded a turnover of £64.3m and a pre-tax profit of £288,000.

LVMH Watch and Jewellery UK Ltd

Company Structure

LVMH Watch and Jewellery UK Ltd is part of the LVMH Group and owns many brands, including TAG Heuer, Zenith and Dior watch labels, and FRED and Chaumet jewellery.

Current and Future Developments

Tennis player Maria Sharapova was announced as a female brand ambassador for TAG Heuer in December 2004. A 3-year deal between the two parties covered advertising, public relations (PR), product development and merchandising.

In 2005, TAG Heuer introduced a new watch, building on the association of the brand with Tiger Woods. However, models were also introduced for its range of ambassadors, including Brad Pitt, Uma Thurman and Maria Sharapova. In addition, a series of 100 Link Challenge Chronograph watches were introduced. Ownership of the pieces secures buyers a place in the TAG Heuer Link Challenge golf competition. Remaining players are drawn from the TAG Heuer 24 owners' club.

Zenith introduced the Starissime watch for women in 2005, a diamond set piece retailing from £165,000.

Financial Results

In the year ending 31st December 2003, LVMH Watch and Jewellery UK Ltd reported a turnover of £27.7m, compared with £26.8m in the previous year. The company made a pre-tax loss of £13,000 in 2003 and a pre-tax loss of £10,000 in 2002.

Rotary Group Holdings Ltd

Company Structure

Rotary Group Holdings Ltd is engaged in the design, import and distribution of watches.

Current and Future Developments

In 2004, Rotary introduced the Sofia women's range with crystal-set panels, which could retract to create a plainer face. For 2005, the Sabrina range of women's watches was developed with the introduction of different colour panels that can be interchanged.

Rotary launched a fourth piece in its limited edition range in 2005. Limited Edition IV featured a steel bezel and black leather strap, with the automatic movement visible via the case back. The Dreyfus & Co range was another new introduction. The watches are handmade in Switzerland and available in 18-carat (ct) gold or stainless steel. They are priced from £220 to £395. Other new models include Steel and Diamonds set with 22 gems.

Financial Results

Rotary Group Holdings Ltd reported a turnover of £21.4m and made a pre-tax profit of £764,000 in the year ending 31st December 2004. In the previous year, the company's turnover was £23.9m with a pre-tax loss of £3.3m.

Seiko UK Ltd

Company Structure

Seiko UK Ltd distributes the Seiko, Pulsar, Spoon by Pulsar and Lorus watch ranges, as well as Seiko clocks and consumer products (electronic organisers, linguistic products and smart tools). The company is a subsidiary of the Japan based Seiko Corporation. The company also distributes fashion watch brands, including D&G, Disney and Nike.

Current and Future Developments

Seiko introduced the Italian watch brand Breil to the UK market in 2003.

In 2005, Seiko introduced new watch models in all its five Elite Collections: Premier, Vivace, Arctura, Sportura and Rivoli. 55 new watches are to be introduced in these ranges. They include Kinetic Perpetual in the Premier collection. The watch combines a mechanical perpetual calendar, correct to February 2100 with kinetic technology, no battery changes and perpetual quartz accuracy.

Financial Results

In the year ending 31st March 2004, Seiko UK Ltd reported a turnover of £85.5m and a pre-tax profit of £3.5m. In the previous year, the company's turnover was £87.5m with a pre-tax profit of £3.2m.

Swarovski UK Ltd

Company Structure

Swarovski UK Ltd is an integrated crystal and giftware brand.

Current and Future Developments

During 2004, Swarovski opened six concessions in Debenhams stores. The following year, the company opened its first standalone jewellery only boutique in Brent Cross, London.

In August 2004, the group launched a new themed collection, the Out of Africa range of jewellery, interiors and figurines. The group announced that two annual collections would focus on different trends. The company also plans further store openings to bring the number of stores to 26 and the number of concessions to 36 by the end of 2005.

Financial Results

For the year ending 31st December 2004, Swarovski UK Ltd recorded a turnover of £40.3m and a pre-tax profit of £1.3m. Over the same period in 2003, the company had a turnover of £32.2m and a pre-tax profit of £610,000.

The Swatch Group (UK) Ltd

Company Structure

The Swatch Group is based in Switzerland and is the world's largest watchmaker. Brands owned by the Group include Flik Flak, Omega, Rado, Longines, Breguet, Blancpain, Tissot, cK, Hamilton and Pierre Balmain. The UK company is involved in the import and sale of watches and accessories as agent, the hire of sports timing equipment and the provision of sports timing services.

Current and Future Developments

Omega introduced a new Olympic collection in 2004. To tie in with the Games in 2004, Swatch installed PlayStation pods in some of its stores to encourage customers to play Athens 2004, the official game of the Olympics. In addition, all stockists were given instant-win scratch cards enabling them to gain exclusive merchandise. In 2005, Planet Ocean in two case sizes was a new model.

For summer 2004, cK introduced a reversible leather cuff watch with a steel case and mirror dial. A range of covers and textures were available to be fastened with a French cuff-style closure. New models for 2005 include cK's Challenge Chrono for men.

In May 2005, the Swatch Group predicted that 2005 would be its best performing year to date. Sales in the first quarter were up, with the largest increase from the Omega brand.

A new UK standalone store was opened in Canterbury in 2005 as part of a wider 5-year plan to expand the number of stores in cities such as Manchester, Liverpool and Birmingham. The Canterbury store was the 11th outlet in the UK.

In February 2005, Swatch Group of Switzerland reported that sales in the prestige watch sector were up by 28% year on year in constant exchange rates. Sales in the luxury segment, including Omega, were up by 16% on 2003. Group sales overall increased by 6.2%.

Financial Results

The Swatch Group (UK) Ltd reported a turnover of £15.4m and a pre-tax profit of £307,000 for the year ending 31st December 2003. In 2002, turnover was £16.8m and pre-tax profit was £522,000.

Other Suppliers

There is a wide range of other suppliers in the sector, including the following:

Accurist

Accurist is the UK's second-best-selling watch brand. As well as the core Accurist brand, the company also supplies the accu.2 range and has introduced a Swarovski crystal-set 'Real Bling'. For 2005, the group introduced a range in pastel colours.

Casio

Casio is a broad-based consumer electronics group that supplies watches among other products, including organisers, calculators, video products and toys.

In June 2005, Casio announced it was to overhaul the design across its packaging, products and retail stores as part of a long-term strategy to review its brand position in a shift towards a lifestyle and aspirational image.

Graff Diamonds

Graff Diamonds manufactures, wholesales and retails a range of high-quality diamond jewellery, as well as watches and objets d'art.

Rolex

The Rolex Watch Company wholesales and services watches.

Swico

Swico distributes a portfolio of brands, including Boss Hugo Boss and Raymond Weil watch brands.

In 2004, the price range for the Boss Hugo Boss range was extended from £300 to £700, to £150 to £850. A £400 men's model was also introduced.

UK Time

UK Time distributes brands such as Timex, Timberland and fcuk.

Cocktail watches were a new introduction for the fcuk and Timex ranges in 2005.

LEADING RETAILERS

Asprey Holdings Ltd

Company Structure

Asprey Holdings Ltd owns the Asprey & Garrard retail brands.

Current and Future Developments

Ranges at Garrards for Christmas 2004 included the retailer's 'My First Diamond' collection of simple clawset diamond pendants and studs with starting prices at £425. Jade Jagger, who designs for the group, introduced the Raj collection for the same period.

In May 2005, Asprey & Garrard sold its New Bond Street store to fund an international expansion drive. This included plans to open 15 stores under the Asprey & Garrard names. The UK property was purchased by a Republic of Ireland property consortium.

In June 2005, it was reported that Asprey & Garrard had appointed US bank Citigroup, the US bank, to raise 'additional equity capital' to fund an ambitious international store-expansion programme.

Financial Results

In the year ending 31st March 2004, Asprey Holdings Ltd reported a turnover of £20.4m and a pre-tax loss of £18.5m. In the previous year, the company's turnover was £15.3m with a pre-tax loss of £12.1m.

Beaverbrooks the Jewellers Ltd

Company Structure

Beaverbrooks the Jewellers Ltd operates a chain of retail jewellery stores.

Current and Future Developments

In August 2004, Beaverbrooks introduced two new diamond jewellery collections. The Spice collection featured diamond pieces, while the Sugar collection comprised diamond and sapphire jewellery.

By the end of 2004, Beaverbrooks had 55 stores, following the opening of new outlets in Canterbury and Swindon. The company plans to open 75 shops by 2010, an average of three to four a year.

For Christmas 2004, Beaverbrooks introduced a new collection of 18ct white gold and diamond-set jewellery.

Financial Results

For the year ending 28th February 2004, Beaverbrooks the Jewellers Ltd reported a turnover of £73.3m and a pre-tax profit of £11.9m. In the previous year, turnover was recorded at £65.5m and pre-tax profit was £9.2m.

Boodle and Dunthorne Ltd

Company Structure

Boodle and Dunthorne Ltd operates retail jewellery stores in the UK.

Current and Future Developments

Boodle and Dunthorne rebranded itself under the Boodles name in 2004. At the beginning of 2005, the company also revamped its website offering an online shop from March. The site also featured news about Boodles stores and an e-mail newsletter service.

In November 2005, the company plans to open its first outlet in the Republic of Ireland.

Financial Results

In the year ending 28th February 2004, Boodle and Dunthorne Ltd generated a turnover of £23.8m and a pre-tax profit of £1.4m. This compares with a turnover of £21.6m and a pre-tax profit of £1.7m over the same period in 2002/2003.

Claire's Accessories UK Ltd

Company Structure

Claire's Accessories UK Ltd retails costume jewellery and fashion accessories primarily targeting the 7 to 14 year-old market. The company is US owned and operates more than 45 stores in the UK and the Republic of Ireland.

Current and Future Developments

For the year ending January 2005, Claire's Accessories Inc announced global sales of \$1.3bn, a rise of 13% over the previous year. Comparable store sales rose by 8%. During the period there were 717 stores operating in the company's European division.

Financial Results

In the year ending 31st January 2004, Claire's Accessories UK Ltd reported a turnover of £167.8m, compared with £151.7m in 2003. Pre-tax profit was £13.3m in 2003/2004, an increase from £1.4m in 2002/2003.

DCK Concessions Ltd

Company Structure

DCK Concessions Ltd supplies fashion jewellery through retail concessions in host stores. Within the UK, the group's largest brand is Freedom sold through TopShop.

Current and Future Developments

DCK operated 3,249 concessions in 2005 in outlets such as TopShop and Miss Selfridge.

In May 2005, Barclays Private Equity and Invex Capital sold their investment in DCK for £55m. The group had previously held minority stakes in the company since 2003.

In summer 2004, Matalan's Junior Jewellery range, supplied by DCK, was relaunched under the Party Princess brand to tie in with the store's clothing range.

At the beginning of 2005, the Freedom retail brand introduced a new premium product range, including pieces with semi-precious stones and agate based on new designs. The range was initially introduced at the Oxford Street branch of TopShop, but is to roll out to further stores later in the year.

Spring 2005 saw the launch of a new range for the Diva brand by designer Daniela Sigurd. The collection is themed around travel to tropical climes and includes chunky charm bracelets, necklaces and drop earrings, with prices ranging from £10 to £25. The brand reported a 75% increase in footage in the UK for the brand, including 35 new stores.

In April 2005, the group introduced TopMan White Label, a range of premium products using platinum plating and surgical stainless steel. Silicon wristbands in two designs were also launched, exclusive to Burton, one in black embossed with 'Whatever' and the other in red reading 'Get A Life'.

Financial Results

In the year ending 31st January 2005, DCK Concessions Ltd generated a turnover of £78.6m, an increase from £53m in the previous year. The company made a pre-tax profit of £8.1m in 2004/2005 compared with £4.2m in 2003/2004.

Goldsmiths PLC

Company Structure

Goldsmiths is the second-largest jeweller in the UK. In May 2004, the Goldsmiths chain was acquired from Alchemy Partners by Baugur. In 2003, Baugur purchased the Oasis women's clothing chain and Hamleys toy store. Baugur plans to expand the Goldsmiths chain in the UK and Europe.

Current and Future Developments

New store openings in 2004 included shops in Gateshead and Birmingham. A new store at Heathrow Terminal 1 is planned for 2005.

In autumn 2004, Goldsmiths gained the exclusive rights to launch the jewellery collection designed by supermodel Heidi Klum. The 18ct white rose and yellow gold collection was designed by the model and had already gone on sale in the US. Each piece, including rings, pendants, bracelets and cufflinks, is set with a variety of precious stones.

At the end of 2004, it was announced that Jerry Hall was to become the official face of Goldsmiths, following a rebrand and relaunch of the company's logo. Pictures of the model by David Bailey were used for major PR activity and Ms Hall made in-store appearances.

Matthew Williamson, the fashion designer, teamed with Goldsmiths to launch his first capsule jewellery collection in 2005. The collection uses 18ct gold, diamonds and semi-precious stones. Goldsmiths also launched the Union Diamond cut, which is cut in a way to reveal the shape of the Union Jack, with pieces set as rings.

Financial Results

Goldsmiths PLC reported a turnover of £162.8m and a pre-tax profit of £1.8m in the year ending 29th January 2005. In the previous financial year, the company recorded a turnover £158.2m and a pre-tax profit of £12.9m.

F Hinds Ltd

Company Structure

F Hinds Ltd operates around 107 retail jewellery stores in the UK.

Current and Future Developments

F Hinds introduced an online store in summer 2004. The site features an index of jewellery available to buy, as well as a fact file, downloadable ring gauge and care advice. In June 2005, F Hinds opened its refurbished store at the Lakeside Shopping Centre in Essex. The new-look store had clear sightlines and lighting to allow customers to see more of the product display.

Financial Results

F Hinds reported a turnover of £49.6m and a pre-tax profit of £1.4m in the year ending 28th March 2004. In 2002/2003, the company's turnover was £31.6m and pre-tax profit was £1m.

Mappin & Webb Ltd

Company Structure

Mappin & Webb Ltd operates as retail and wholesale jewellers and silversmiths, as well as distributing watches and giftware.

Current and Future Developments

In early 2005, MW Group confirmed that it was in talks over the sale of TM Sutton.

European Acquisition Capital (EAC) owns 75% of MW Group, following a buy-in, in 1998. At the start of 2005, the Group stated that, although it was not engaged in any formal talks, having improved businesses it usually sold them on. Investment at Mappin & Webb has included store refurbishments and openings, and the financing of new design and products, as well as administrative and financial systems. EAC commented that the three main retail brands (Mappin & Webb, Watches of Switzerland and Watches 24) were unlikely to be acquired by a single buyer.

Financial Results

In the year ending 27th March 2004, Mappin & Webb Ltd reported a turnover of £78.1m and pre-tax loss of £159,000. Over the same period in 2002/2003, the company's turnover was £65.3m with a pre-tax loss of £7.1m.

Signet Group PLC

Company Structure

Signet Group PLC describes itself as the world's largest retail jeweller, operating primarily in the US and UK markets and focusing on the middle market. In the UK, the Group owns stores primarily under the Ernest Jones and H Samuel fascias.

Current and Future Developments

Announcing interim results to the end of July 2005, Signet reported group pre-tax profit up by 4.2% to £51.2m and sales up by 3.3% on a like-for-like basis. Total group sales were up by 5.6% to £722.9m. In the UK, sales fell by 7.1% to £183.3m. The company attributed this to very difficult external trading conditions in the first half of the year. A further 49 redesigned, more customer-friendly stores commenced trading in the UK in the first half of 2005 (including three new store openings). By Christmas 2005, 229 stores are expected to be trading in the new format, predominantly H Samuel.

For the year ending January 2005, UK sales accounted for 31% of Group turnover at Signet Group and were 2.7% up on the year at £508m. Like-for-like sales were up by 1.9% at H Samuel and by 4.5% at Ernest Jones. All H Samuel stores will be stocking the Forever Diamond range by the end of the year and the fashion watch range has been increased. In addition, the gift and collectibles selection was rationalised as part of an ongoing programme. Two new stores were opened in 2004. At Ernest Jones, the Leo Diamond range was expanded. Seven new stores were opened. Overall, 142 stores were refurbished.

Financial Results

Signet Group PLC generated a turnover of £1.61bn and a pre-tax profit of £210.3m in the year ending 29th January 2005. These results are similar to the previous year, in which turnover was recorded at £1.6bn and pre-tax profit was £199.8m.

Other Jewellery Retailers

Other jewellery retailers include the following:

- other specialist chains — such as Warren James and HPJ UK Ltd
- independent specialist retailers
- fashion retailers — such as Next and Diesel
- department stores — such as House of Fraser and Debenhams
- catalogue stores — such as Argos with its volume brand Elizabeth Duke
- television shopping channels — such as QVC and Bid-up tv.

OUTSIDE SUPPLIERS

There are a number of external suppliers to the jewellery sector. These range from mining groups that supply the raw material for the formation and manufacture of pieces, to those offering shopfittings for retailers. There are also a number of specialist organisations.

De Beers Group is the largest diamond mining company in the world, producing more than 40% by value of the world's gem diamonds from its mines. The company's Diamond Trading Company (DTC) is based in London and sorts, values and sells approximately two-thirds of the world's annual supply of rough diamonds. De Beers LV was formed in 2001 to introduce exclusive jewellery lines for upmarket stores. For Christmas 2004, the Group introduced two capsule collections, Corsage and Cocktail Fizz, with starting prices of £640.

The UK's four Assay Offices offering hallmarking and other services to the trade are based in London, Birmingham, Sheffield and Edinburgh. The Birmingham Assay Office bought the London Precious Stone Laboratory and services to set up its third AnchorCert Gemmological office in Hatton Garden during 2004. The AnchorCert portfolio includes services such as the reporting of synthetic high pressure, high temperature (HPHT) diamonds.

Other suppliers offer specialist components and services to the trade for manufacture and retail.

MARKETING ACTIVITY

Main Media Advertising

Main media advertising levels in the jewellery market vary widely. The highest level of activity is concentrated in the watch market, where a number of brands compete at all levels. In contrast, the jewellery sector is relatively unbranded, with much activity concentrated at the top end of the market and between the retail suppliers.

Table 17: Main Media Advertising Expenditure on Jewellery and Watches (£000), Years Ending June 2004 and 2005

	2004	2005	% Change 2004-2005
Watches	24,208	27,850	15.0
Jewellers	16,495	18,243	10.6
Jewellery	5,967	8,106	35.8
Jewellery and watches	315	652	107.0
Total	46,985	54,851	16.7

Source: Nielsen Media Research

Recent Campaigns

Examples of recent advertising activity in the jewellery and watches sector are outlined below.

Accurist

Accurist ran a press campaign across the men's press from October 2004, promoting two new designs as part of the group's limited edition range of Greenwich Commemorative watches.

Diamond Trading Company

At the end of 2004, the DTC initiated a campaign with Magic 105.4fm radio station. A winning weekend promotion, targeting couples, was run for the Trilogy collection. Listeners could enter six competitions, encouraging them to buy the jewellery as gifts at Christmas.

Fossil

Fossil undertook its first television advertising campaign in the pre-Christmas 2004 season. A 30-second commercial was part of a wider campaign, including posters on London Underground and advertisements in consumer magazines.

Guess

In autumn 2004, Guess announced that Paris Hilton was to feature in its autumn/winter 2004/2005 global advertising campaign. Full-page advertisements appeared in lifestyle magazines and watches were the focus for an eight-page insert placed in magazines. Images of the heiress also featured in point-of-sale (PoS) material for Guess Watches.

Johnson Matthey

For summer 2005, Johnson Matthey initiated a series of radio commercials for platinum featuring the voice of actress Hermione Morris. The advertisements were available free of charge to retailers to use on local radio stations.

Links of London

For Christmas 2004, Links of London featured its new Suspense collection and actress Camilla Rutherford.

Seiko

From December 2004, Seiko initiated an integrated campaign for its Pulsar watch range. Activity included interactive postcards distributed in bars incorporating a competition and featuring the different types of people who wear the watch brand. Recipients were to send the card back to Seiko with details of what sets them apart as individuals and were entered into a prize draw to win the featured Pulsar watch. All data are captured for future use. Press advertisements also ran in men's consumer titles and some newspapers.

Also in December 2004, Seiko was among the brands donating Christmas advertising spots to support the Band Aid 20 music single.

In 2005, Seiko Watch Corporation agreed a 3-year worldwide team partnership with the BAR Honda Formula one team. The company's logo is to appear on uniforms and drivers will wear the brand.

Signet

Signet announced it is to widen its television advertising campaign in the run up to Christmas 2005. Advertising is to centre on diamonds. According to the Group, advertising in the same period in 2003 boosted sales of diamonds by around 25% in Ernest Jones outlets and by a similar amount in H Samuel shops in the areas covered.

Storm

Storm initiated a new advertising campaign in 2005, featuring the boy band Triple 8 wearing the brand's latest watches, jewellery and sunglasses.

Swatch

As well as in-store activity tying with the Olympics in 2004, Swatch advertised on Eurosport and MTV throughout the Games, as well as using press advertisements promoting the new Olympic collection of watches, in titles such as *Elle* and *GQ*.

In 2005, Swatch sponsored the Swatch Alternative Fashion Week presented by Alternative Arts in March.

The Longines brand sponsored the Royal International Horse Show at Hickstead in July 2004. Watches were awarded to the most elegant male and female riders, as well as the final winners. In 2005, the brand sponsored the 12th Artistic Gymnastics World Cup final in Birmingham.

TAG Heuer

In 2005, Brad Pitt and Uma Thurman became brand ambassadors for the TAG Heuer brand. Established ambassadors for the watch name include Maria Sharapova and Tiger Woods. All the celebrities were to feature in a new advertising campaign shot by fashion photographer Patrick Demarchelier using the strapline 'What are you made of?'

Theo Fennell

In the pre-Christmas 2004 season, Theo Fennell introduced an advertising campaign in the press featuring watercolour illustrations of a glamorous woman together with a mix of new collections and one-off pieces.

Exhibitions

The jewellery and watch sector is international in nature, and trade exhibitions take place globally. Selected events from 2005 and 2006 are outlined below:

- International Jewellery London — held in Earls Court London from 4th to 7th September 2006
- Autumn Fair — held at the National Exhibition Centre (NEC) in Birmingham from 4th to 7th September 2006
- Hong Kong Jewellery and Watch Fair — held in Hong Kong Convention and Exhibition Centre, 21st to 25th September 2006
- Goldsmith's Fair — held in Goldsmith's Hall, London, from 3rd to 9th October 2005
- Baselworld Watch & Jewellery Show — held in Basel, Switzerland from 30th March to 6th April 2006.

5. Strengths, Weaknesses, Opportunities and Threats

STRENGTHS

- Jewellery has established ties with occasions such as weddings.
- Gift purchasing is a dominant feature of the market.
- Products are available at a range of price points.
- The market can be influenced by fashion trends, which boosts seasonal purchasing.
- The range of outlets stocking products is growing.
- Many items are destination purchases, therefore consumers will make a visit to specific retailers.
- Strong trade promotional bodies lend considerable support.

WEAKNESSES

- The market is very fragmented, which can make promotion difficult.
- Stock turnover can be slow in some areas, which may encourage discounting.
- Location is of key importance and changing shopping habits can adversely affect traditional stores based in high streets, for example.
- Lack of branding in many areas means that price can be the major differentiator.
- The UK market is import led, which can mean it is slow moving.
- The market is very seasonal, with sales biased towards Christmas and spring events such as Valentine's Day and Mother's Day.

OPPORTUNITIES

- Branding has yet to be fully exploited.
- New retail channels, such as the Internet, can be further developed.
- Changing fashion trends offer ongoing opportunities for new designs.
- Spending is continuing to rise, offering the chance to build expenditure per item or volumes.
- Self-purchase of items is developing.
- The men's jewellery and watch sector still offers opportunities for development.

THREATS

- The entry of new retailers with more competitive pricing could erode market values.
- The performance of the market is vulnerable to economic downturn.
- There is strong competition in the luxury goods sector from other items, such as holidays and consumer electronics.

6. Buying Behaviour

CONSUMER PENETRATION

Watches are the most popular article to own in this sector. This is not surprising given that a watch is worn by many, primarily for practical rather than decorative reasons. In addition, particularly among the older generation of men, a watch and possibly a wedding and/or signet ring will form the sum total of their jewellery portfolio. This also accounts for the peak in gold jewellery without diamonds.

The most popular purchase over the previous 12-month period to March 2005 was gold jewellery without diamonds. As well as wedding jewellery, this will include other pieces of both white and coloured gold. Most jewellery is as likely to be bought as a gift as for the purchaser, with the exception being 'other jewellery', where personal buying predominates.

Table 18: Ownership and Purchase of Jewellery and Watches (% of adults), 2005

	Have or Own	Bought New In Last 12 Months†	Bought for Self	Bought for Someone Else
Jewellery				
Gold jewellery with diamonds	13.3	2.3	1.0	1.0
Gold jewellery without diamonds	36.4	5.6	2.7	2.7
Platinum	2.4	0.4	0.2	0.2
Other jewellery	27.3	4.3	2.5	1.5
Watches	75.8	-	-	-
† — 12 months to March 2005				
Source: Target Group Index (TGI) © BMRB International Ltd, 2005				

PURCHASING PATTERNS

By Sex

Although women form the majority in the self-purchasing category, the number of men buying jewellery for themselves has increased over the past 10 years. The host of male celebrities sporting different pieces of jewellery has influenced this trend. According to the Diamond Trading Company (DTC), more than 20% of men own some form of diamond jewellery, compared with 2% in the early 1990s. While the 'bling bling' look has now been dampened, men are recognised as an established part of the jewellery buying clientele and there is a growing range of designs and pieces to address this demand.

Self-purchase of jewellery is a much more established trend among women, particularly other jewellery, as women will often buy different pieces to accessorise outfits. Higher income levels among women, as well as factors such as later marrying ages, have contributed to this more independent stance. Gift buying is more popular among men, as jewellery is traditionally a popular gift for men to give their wives/girlfriends. However, women are slightly more likely to buy their friends or family other jewellery.

Table 19: The Purchase of Jewellery in the Last 12 Months[†] by Sex (% of adults), 2005

	Bought for Self		Bought for Someone Else	
	Men	Women	Men	Women
Jewellery				
Gold jewellery with diamonds	0.4	1.6	1.5	0.5
Gold jewellery without diamonds	1.6	3.7	3.2	2.2
Platinum	0.2	0.2	0.3	0.1
Other jewellery	0.6	4.2	1.3	1.6
<i>† — 12 months to March 2005</i>				
<i>Source: Target Group Index (TGI) © BMRB International Ltd, 2005</i>				

By Age

Generally, jewellery purchasing is more strongly tied to the younger generation. Younger age groups are more fashion led and also are still developing their portfolio, in terms of number and range of pieces of real jewellery owned.

The most popular buy is gold without diamonds. This is widely available at a range of price points, from lightweight articles designed for the volume market to more expensive pieces for more considered purchases. The availability of relatively cheap gold pieces through high-street outlets, from Argos to specialist chains, means that buying real pieces is open to all and also accessible for gift buying.

The 25 to 34 age range accounts for the highest penetration level for more expensive items, such as gold and diamond jewellery, and platinum pieces. This age group will include those established enough to be buying such articles on their own behalf, as well as spending in the wedding and engagement market.

Table 20: The Purchase of Jewellery in the Last 12 Months[†] by Age (% of adults), 2005

Age Group	Gold With Diamonds	Gold Without Diamonds	Platinum	Other Jewellery
15-19	2.6	10.8	0.7	11.5
20-24	1.5	9.2	1.0	6.2
25-34	3.6	7.0	1.5	5.2
35-44	2.6	6.2	0.1	4.0
45-54	2.7	5.8	0.2	3.5
55-64	1.7	3.3	0.0	2.9
65+	1.1	1.8	0.0	1.8

[†] — 12 months to March 2005

Source: Target Group Index (TGI) © BMRB International Ltd, 2005

By Social Grade

As mentioned earlier, the real jewellery market is now very accessible, with products available at a range of price points. However, income levels continue to play a part. Diamond and platinum jewellery buying is firmly biased towards ABs. Gold without diamonds and other jewellery has a more even profile in terms of social grade.

However, incomes are not always the major determinant in jewellery buying. Gift purchases for special occasions, as well as wedding and commitment jewellery, operates outside the restrictions — which may be imposed by income — as consumers will save and invest in articles for such occasions.

Table 21: The Purchase of Jewellery in the Last 12 Months[†] by Social Grade (% of adults), 2005

Social Grade	Gold With Diamonds	Gold Without Diamonds	Platinum	Other Jewellery
A	3.1	4.3	0.7	4.5
B	1.9	3.7	1.0	4.2
C1	2.6	5.5	0.5	4.9
C2	2.5	6.3	0.1	3.7
D	1.9	7.2	0.2	4.3
E	1.6	6.4	0.0	3.8

† — 12 months to March 2005

Source: Target Group Index (TGI) © BMRB International Ltd, 2005

CONSUMER SPENDING

Jewellery

Spending on jewellery has moved upmarket in some categories, with diamond and platinum pieces dominated by spends of more than £500. However, for other items, it is more skewed towards an annual spend of less than £100, despite growing levels of consumer disposable income.

Gold jewellery without diamonds retails at a lower price than that containing these gems, which accounts for the significantly higher level of purchase at lower price points. At the same time, there has been some trading up with higher gold caratages, as well as the use of white gold, encouraging an upward movement in price points for consumers.

The most spent on items of silver jewellery was less than £350, mainly owing to the lower cost of this metal compared with gold and platinum. It is likely that the higher end of this market is boosted by the design element in pieces, rather than the weight of metal. The majority of spending on silver jewellery was on a cumulative annual spend of less than £100, but even spending up to this amount can allow the purchase of a significant number of pieces when compared with gold and diamond products, as silver jewellery generally tends to retail at a lower price point.

**Table 22: Expenditure on Jewellery in the Last 12 Months[†]
(% of adults), 2005**

	£500 or More	£350- £499	£200- £349	£100- £199	Under £100
Jewellery					
Gold with diamonds	0.7	0.2	0.3	0.5	0.4
Gold jewellery without diamonds	0.5	0.3	0.6	1.4	2.4
Platinum	0.3	0.0	0.0	0.1	0.0
Silver jewellery	0.1	0.1	0.3	0.9	3.9
<i>† — 12 months to March 2005</i>					
<i>Source: Target Group Index (TGI) © BMRB International Ltd, 2005</i>					

Watches

In the watch sector, price may be more of a determinant than in jewellery. The latter may be a more emotional purchase, whereas watches may be bought with a specific budget in mind with a more practical approach being taken. The majority of activity takes place at the volume end, with nearly 60% of purchases and cumulative spending on watches during the year being less than £100.

The top end of the market sees considerable advertising and promotional investment, yet only accounts for a small minority of buys. Watch collectors are a feature at the high end of the market. According to the trade, this has traditionally been driven by the over-50s, but now those in the 25 to 35 age range are also becoming more significant.

**Table 23: Expenditure on Watches in the Last 12 Months[†]
(% of adults), 2005**

	£200 or More	£100-£199	£50-£99	£25-£49	Under £25
Watches	1.1	1.3	1.9	2.3	3.8
<i>† — 12 months to March 2005</i>					
<i>Source: Target Group Index (TGI) © BMRB International Ltd, 2005</i>					

7. Current Issues

NEW BRANDS

In 2005, Folli Follie began to wholesale its watches in the UK. The company supplies what it describes as affordable, fashionable watches as an alternative to high-end traditional pieces. However, pieces are suitable for retail alongside fine jewellery. Examples include a new diamond watch line retailing at £700.

NON-SPECIALIST RETAILER DEVELOPMENTS

ASDA

ASDA announced plans to open 29 new jewellery sections in its stores in summer 2004. ASDA introduced staffed jewellery counters into its stores in 2003, offering diamond rings and 18-carat (ct) gold bracelets and pendants. ASDA's parent company Wal-Mart is the largest jewellery retailer in the US.

The supermarket major revealed that it was to extend its higher-priced jewellery and, from September 2004, platinum jewellery was offered for sale for the first time. Time Centres were also introduced. These comprise 4 metres of self-select selling space offering the Solo1 and licensed watch brands in 51 stores initially. ASDA also launched a George jewellery collection from August 2004, which was in all stores by Christmas. The 600-piece costume range retails from 97 pence to £9.97.

In February 2005, ASDA announced it was to expand the jewellery offer to a further 30 stores during the year.

Marks & Spencer

Marks & Spencer confirmed that jewellery sales were one of its greatest successes in 2003/2004. The store chain sells a range of 44 costume pieces, including beaded necklaces and platinum plated rings and bracelets ranging in price from £2 to £31.

Virgin Vie

Virgin Vie, the lifestyle brand, launched Virgin Jewellery as part of its Cosmetics Direct business in spring 2005. The collection of 85 hand-crafted pieces included fashion jewellery and watches ranging from £4.50 to £85. The aim was to add business for existing consultants who sell in clients' homes, as well as to draw new consultants.

SPECIALIST RETAILER DEVELOPMENTS

Bulgari

In summer 2004, luxury jewellery brand Bulgari announced it was to move to larger premises in London's Bond Street as part of a plan to improve the retail operation. The new store, spread over two floors, has separate areas dedicated to high jewellery, watches, fragrances and men's and women's accessories.

Clive Ranger

In 2005, Clive Ranger opened its sixth store, based in Cheltenham. Other outlets are based in Wales, Bath and Bristol.

Cox & Power

In 2004, Cox & Power opened an egg-shaped store in Marylebone High Street, marking a second London store for the jewellery designer. The store concept uses three-dimensional display bubbles and a raindrop chandelier to impress a space-age feel on customers.

Gems.tv

At the end of 2004, a new television shopping channel for jewellery was announced. The channel has an emphasis on hand-crafted designs and aims to have jewellery with customers within 14 days of being made. Presenters for the channel are based at mines or manufacturers' premises to show viewers the full process, pieces are described and viewers can telephone in orders.

Links of London

In 2004, Links of London announced plans for a UK stock market flotation to take place in 2006. The retailer operates 34 stores and plans to start trading in Japan as well as expand its US and Hong Kong presence. The company had sales of £20m in the year ending July 2004 and forecast sales of £28m for 2005.

Theo Fennell

Theo Fennell revealed that it planned to expand its business in the UK and overseas in 2004. The company operates five stores and plans to grow using wholesales and franchised outlets. In June 2005, the group announced plans to increase the number of wholesalers carrying the brand and the development of its duty free offering at airport terminals. Internationally, the brand was in discussions to establish concessions in the US, Russia, the Middle East and Hong Kong, aiming to sign deals with at least two partners to open concessions by the end of 2005.

Theo Fennell also plans to launch its own fragrance in spring 2006.

Toko

Toko, a fashion jewellery retailer, opened a new flagship store in London in 2005. The opening marked the tenth store in the chain.

DIAMOND BRAND DEVELOPMENTS

Synthetic Diamonds

Gemesis launched 'cultured diamonds' into the UK market in autumn 2004. Prior to the launch, the US group commented that the UK was expected to be the strongest European market for the stones, which are created in a laboratory through a high pressure, high temperature (HPHT) growth process. Gemesis stated the typical buyer would be 35 to 55 year-old women looking for fashion-oriented diamond jewellery.

The stones are marked as Gemesis and move throughout the supply chain with full traceability to ensure that retailers and consumers understand what they are selling or buying.

According to the Diamond Trading Company (DTC), the manufactured stones are regarded as a different product from diamonds.

In November 2004, German judges ruled that a distributor of Gemesis synthetic diamonds should cease using the term 'cultured diamonds' when marketing its products to the public in Germany. Explaining its decision, the court said the term was misleading. In future, the court added, the company can only refer to laboratory created diamonds as 'diamonds' if the word is immediately preceded by one of the modifying adjectives: 'synthetic' or 'artificial'.

Diamond Promotion Service

In February 2005, the DTC announced it was closing down its UK Diamond Promotion Service. The Service had supplied retailers with marketing support, including advertising and point-of-sale (PoS) material, and was to be replaced by a marketing team to back DTC shareholders. The trade website www.dtc.biz was also closed.

The DTC hoped that the services it had provided in marketing for retailers would instead be fulfilled by more activity on branded diamonds. However, there were concerns that this meant smaller suppliers would be overlooked.

Stock-Free Diamond Service

In 2004, an online jewellery service provider GemNet announced it was to offer UK retailers and manufacturers the largest online source for diamonds. The website www.247.com has an inventory of 50,000 stones and is set up to allow retailers to guide customers to their ideal diamond and order it online. The site displays an image of a diamond the user can tailor by selecting cut, size and quality of stone. The advantage for retailers is that there is no minimum order. At the end of each day, retailer orders are consolidated for a group of cutters based in Israel, orders are placed and then shipped out when ready.

8. The Global Market

GLOBAL TRENDS

Gold

According to the World Gold Council (WGC), demand for gold rose by 14% by volume and 24% by value in the second quarter of 2005, compared with the same period in 2004. This was due to factors including successful jewellery promotion, higher sales of gold bars and new investment products. Jewellery consumption increased in all countries and regions with the exception of Europe and Japan.

Table 24: World Gold Demand for Jewellery by Volume and Value (tonnes and \$bn), 2003 and 2004		
	Volume (tonnes)	Value (\$bn)
2003	2,481	28.99
2004	2,611	34.35
1st quarter 2004	575	7.55
2nd quarter 2004	635	8.03
1st quarter 2005	683	9.39
2nd quarter 2005	728	10.00

Source: compiled by GFMS Ltd for World Gold Council

Major Markets

According to the WGC, India is the world's largest gold jewellery market by volume, accounting for 518 tonnes of demand in 2004. Traditionally, gold is 22-carat (ct) and buying is associated with festivals and, in particular, with weddings. More than half of the demand comes from rural areas where income levels, dependent on rural performance, mean that demand can vary considerably. In urban areas, demand is more influenced by Western tastes and is more firmly positioned in the luxury goods sector.

The US is the second-largest gold jewellery market by volume, but the largest by retail value, at around \$16bn. Similarly to the UK jewellery market, sales are biased towards occasions such as Christmas, Valentine's Day and Mother's Day. Gold is 18ct, 14ct or 10ct.

The next largest markets are China, the Middle East and Turkey, respectively. In China, the market has been developing since 2002 due to deregulation, and the majority of gold jewellery sold is virtually pure 24ct. It tends to be sold by weight with a low retail mark-up to allow ease of trade.

Promotion

In autumn 2004, the WGC initiated a £10m global advertising campaign with the slogan 'Speak Gold' in the top five WGC markets for gold. The campaign featured women wearing their favourite pieces of gold. Press and poster activity featured real people in real situations and carried the strapline 'One language everyone understands'. However, the promotion was not executed in the UK as it does not rank in the top five markets, and it is believed that UK consumers prefer cheaper 9ct gold.

Whiteness Measure

In 2005, a new global colour standard was introduced to provide a more accurate grading of white gold. The White Gold Whiteness Index allows gold to be categorised into three grades according to measurement on the ASTM Yellowness Index, in order that the level of rhodium plating required can be assessed. The standard, announced by the WGC, was initially available through the US trading association, the Manufacturing Jewellers and Suppliers of America.

New Gold Alternative

'Quasi Gold' was being heralded as a cheap alternative to traditional yellow gold in India in 2005. The 'one gramme' gold comprises a composition of different substances: one gramme of gold is ground into fine grains and added to a mix of other products, including marble, fibre and brass. The result — 'quasi gold' — offers many of the characteristics of real gold for low prices. Indian outlets have already begun using the material in designs and pieces such as necklaces, rings and chains.

The 'quasi gold' was initially reported as only being used in Kerala, India.

Platinum

Demand for platinum to be used in jewellery rose from the start of the millennium with rising interest in white metal jewellery. Trading up in the jewellery market due to higher disposable income levels and for investment purposes to higher-value products was also a factor in boosting global demand.

The watch market has also been affected, although it is a small part of output accounting for around 2.6% of the sector in 2004. In 2004, the average value of a platinum watch exported from Switzerland was 22,000 Swiss Francs (SFr), compared with 6,000SFr for an 18ct gold watch, reflecting the higher value and relative rarity of such items.

Table 25: Platinum and Palladium Demand for Jewellery by Volume (000 ounces), 2003 and 2004

	Platinum		Palladium	
	2003	2004	2003	2004
Europe	190	205	35	35
Japan	660	590	160	155
North America	310	290	215	205
Rest of the World	1,570	1,350	375	425
Total	2,730	2,435	785	820

Note: palladium is one of the platinum group of metals.

Source: Platinum Review 2005, www.platinum.matthey.com

RETAIL DEVELOPMENTS

Amazon

Amazon.com began to sell loose diamonds through its US website in 2005. This followed the success of the jewellery offer from November 2003. The site carries a portfolio of diamonds with information on each stone, including the four Cs — carat, colour, clarity and cut — and table, depth, symmetry and polish. A Diamond Search tool has been developed for non-professional buyers to help customers pick the correct stone.

De Beers LV

De Beers LV opened a second UK store in June 2005, located in the Royal Exchange in the City. The opening was part of plans for 150 stores internationally. Immediate plans include a new 5,000 square-foot (sq ft) store in New York and a store on Rodeo Drive, Los Angeles, in autumn 2005.

Hermes

In summer 2004, Hermes announced it was to revamp its London Bond Street store as well as open a Dublin outlet, bringing the number of UK and Republic of Ireland stores to seven. The new Irish outlet, sited on the ground floor of the Brown Thomas department store, sells a small selection of all Hermes products including watches.

Longines

Longines opened its first store in the Middle East in October 2004. The outlet is based in Dubai and specialises in higher-end jewellery and gold pieces. According to Longines, there had been a rise in demand for such products in the region and the siting of the store marked an expansion for the brand to the Middle East.

Seiko

In October 2004, Seiko opened the Seiko Centre in Paris. The store is designed to showcase the Seiko watch collection, including the five international Elite Collections and designs previously only available in the Japanese market. Selected styles from the Pulsar brand are also featured.

BRAND DEVELOPMENTS

Timex and Versace

In November 2004, Timex Group of the US announced that it was to manufacture and distribute watches and jewellery under the Versace trademark. The aim was to bring Timex into the luxury market. The agreement allowed Versace Group to continue to develop the brand's watch potential through a licensing deal with Timex. The Versace watch business was renamed as Vertime part of the deal.

Tiffany & Co

During 2004, Tiffany announced it was to initiate a new retail business focusing on pearls. The new company, Iridesse, was to be launched in the US with 20 stores planned over a 5-year period. According to the group, the cultured pearl jewellery sector is fragmented and under-represented in the UK market. The Jewellery collection is to vary from classic to contemporary, with prices from \$100 to \$40,000.

Ethical Trade Body

In 2005, the Council of Responsible Jewellery Practices (CRJP) was set up. The aim of the organisation is to promote responsible business practice across the industry and to promote greater transparency and accountability.

The setting up of the body has come after a number of years in which the jewellery sector has become embroiled in issues such as conflict diamonds and the use of child labour in the gold and mining sectors.

9. Forecasts

THE ECONOMY

Gross Domestic Product

Government forecasts indicate that gross domestic product (GDP) will continue to grow at a relatively steady rate over the next 5-year period (2005 to 2009). This will maintain a positive background for investment in the jewellery sector. It will also encourage consumer spending on luxury goods.

Table 26: Forecast UK Growth in Gross Domestic Product in Real Terms (%), 2005-2009

	2005	2006	2007	2008	2009
Gross domestic product growth (%)	2.1	2.4	2.6	2.7	2.6
<i>Percentage point change year-on-year</i>	-	0.3	0.2	0.1	-0.1
<i>Source: Forecasts for the UK Economy, August 2005, Treasury Independent Average © Crown copyright</i>					

Inflation

Since 2000, the rate of growth in spending in the jewellery market has been ahead of inflation and this will continue, although at a slower rate than previously. However, the impact of ongoing price increases will be a factor in building the value of sales in this sector.

Table 27: Forecast UK Rate of Inflation (%), 2005-2009

	2005	2006	2007	2008	2009
Inflation (%)	2.3	2.4	2.5	2.5	2.6
<i>Percentage point change year-on-year</i>	-0.7	0.1	0.1	0.0	0.1
<i>Note: inflation is at retail price index (RPI).</i>					
<i>Source: Forecasts for the UK Economy, August 2005, Treasury Independent Average © Crown copyright</i>					

FORECASTS 2005 TO 2009

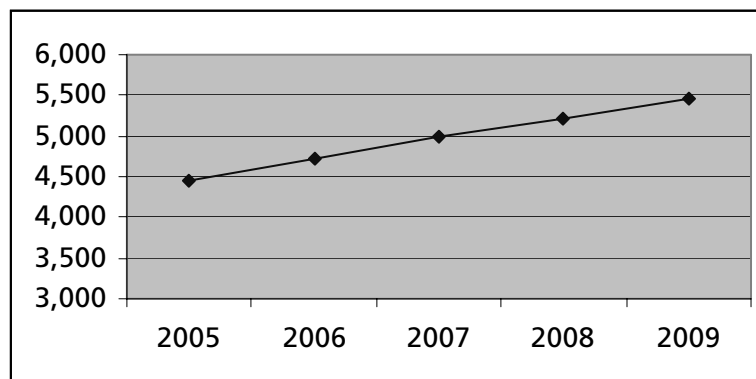
Key Note forecasts that there will be further growth in UK sales of jewellery and watches in the 5 years to 2009. The rate of growth will be ahead of inflation, but slower than in the earlier years of the millennium. A positive consumer income background will be a major factor in this. Trends will include the ongoing trading up to more expensive pieces in the fine jewellery sector, while the fashion market will encourage increased volume ownership.

Table 28: The Forecast UK Jewellery and Watches Market by Value at Current Prices (£m at rsp), 2005-2009

	2005	2006	2007	2008	2009
Jewellery	3,350	3,547	3,746	3,934	4,106
Watches	1,111	1,168	1,234	1,289	1,344
Total	4,461	4,715	4,980	5,223	5,450
<i>% change year-on-year</i>	5.1	5.7	5.6	4.9	4.3
<i>rsp — retail selling prices</i>					
<i>Source: Key Note</i>					
<i>Want more detail? Order further customised analysis through IRN Research on keynote@irn-research.com. See Further Sources for more on this service.</i>					

Figure 3 shows the forecast UK market for jewellery and watches at current prices for the 5 years to 2009.

Figure 3: The Forecast UK Market for Jewellery and Watches by Value at Current Prices (£m at rsp), 2005-2009



rsp — retail selling prices

e — estimate

Source: Key Note

Want more detail? Order further customised analysis through IRN Research on keynote@irn-research.com. See Further Sources for more on this service.

FUTURE TRENDS

Demographics

The UK population is growing and ageing, which can be a positive trend for the jewellery sector, as sales to older consumers are likely to be of higher value. Older consumers are more likely to have higher levels of disposable income to spend on items such as jewellery. Therefore, they upgrade in terms of spending, viewing pieces for their long-term value as well as an accessory. In addition to the intrinsic value of precious jewellery (i.e. related to the cost material), they will also consider the design element.

At the same time, growth in the 15 to 24 population will drive fashion spending, as well as keeping designs and changing trends on the agenda.

Trends such as later marriages will benefit the market as there will be more independent spenders in the market for a longer period. Self-purchasing for men, as well as women, will be a factor in driving sales upwards. This will also boost spending on wedding items in the longer term, as those marrying later are more likely to spend larger amounts on the event.

Age Group	2003	2006	2009	% Change 2003-2009
0-14	10,924	10,697	10,469	-4.2
15-24	7,575	7,830	8,007	5.7
25-34	8,070	7,749	7,664	-5.0
35-44	9,108	9,257	8,990	-1.3
45-54	7,614	7,843	8,351	9.7
55-64	6,753	7,174	7,348	8.8
65+	9,510	9,704	10,107	6.3
Total	59,554	60,254	†60,934	2.3

† — does not sum due to rounding

*Source: 2003 Based National Population Projections, www.gad.gov.uk
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Controller of HMSO (and the Queen's Printer for Scotland)/Key Note*

Market and Product Development

In the fine jewellery market, one of the strongest trends is the revived interest in yellow gold and demand for rose gold pieces, implying that white gold will be less dominant in the 18-carat (ct) and higher-carat jewellery. With the interest in branding there is also scope for branded shades and types of gold. This has already been initiated by H Stern, which introduced a pale yellow 'Noble' gold in 2005.

In 2005, yellow gold was being hailed as returning to fashion in the jewellery market. According to the *Financial Times*, the metal tied in with current fashions for the 'Goddess' look and a number of the major design and fashion houses were tipping higher sales of yellow gold, including Cartier, Burberry and Mulberry. Rose gold was a new product, which is more flattering for fairer skins with a pink copper coloured shade.

There is considerable scope for further development of the diamond jewellery market. According to Signet Group, 26% of jewellery sold in the UK contains diamonds, compared with 70% in the US. The Diamond Trading Company (DTC) reported that the diamond market grew by 4% in 2004 — in both value and volume. 2005 is predicted to give similar results.

Watches are seeing a greater combination of functionality and fashion and these two trends will be the main drivers in the market. The relatively low prices at the volume end will build on multi-ownership for accessorisation. Strong looks, such as narrow watch faces, will date quickly and encourage the replacement purchase cycle.

10. Company Profiles

INTRODUCTION

The following section contains financial profiles of some of the principal companies identified as operating within the market sector discussed in this report. The financial results of some of the important names within the sector may not be reported if:

- their principal activities are so varied that their results are not considered applicable to the survey
- they are no longer trading as separate companies
- their financial data are very out of date.

DEFINITIONS

A company which has a 'Y' consolidated value has filed consolidated accounts for the relevant year.

† — denotes that the growth rate calculation is invalid, because the figures either move from positive to negative or from negative to positive.

Turnover (Sales)

This includes all income derived from the principal activities of the firm, net of VAT. It encompasses UK sales, exports and overseas and intercompany sales.

Pre-Tax Profit

The net trading profit figure after deduction of all operating expenses, including depreciation and finance charges but before deduction of tax, dividends, subventions or group relief, and other appropriations. Where applicable, it will include the share of profits and losses of associated companies. Items described by the company as exceptional are included; extraordinary items are excluded.

Profit Margin

Pre-tax profit expressed as a percentage of sales.

Average Remuneration

Total employee remuneration divided by the number of employees.

Sales per Employee

Sales divided by the number of employees.

FURTHER INFORMATION

For more detailed financial information telephone *ICC Customer Services* on: +44 (0) 29 2066 0370

ABBAYCREST PLC

Registered Office	Peter Rosenberg House 11/15 Wilmington Grove Leeds, LS7 2BQ Telephone: 01132-453 804 Fax: 01132-845 708
Company Registration Number	01411796
Date of Incorporation	26/01/79
Holding Company	None
Ultimate Holding Company	None

Previous Name(s) and Date(s) of Change

Abbeycrest Manufacturing Jewellers Ltd (30/04/85)
Abbey Crest (Wholesale Jewellers) Ltd (31/12/80)

Principal Activities

A group engaged in the design, manufacture and distribution of gold and silver jewellery.

SIC Code

36220, Manufacture of jewellery and related articles not elsewhere classified.

Structure

Abbeycrest PLC is engaged in the design, manufacture and distribution of gold and silver jewellery. Its companies include G&A, the UK distribution arm, and Abbeycrest International, which is involved in global selling activities.

Recent Developments

Abbeycrest reported that results for the year ending February 2005 had been adversely affected by a legal dispute with a major Chinese supplier. The group continued to restructure its activities during the year. In June 2005, the manufacturing operations in Birmingham closed, with manufacturing primarily to be carried out in the Far East. In 2005, a major drive was launched to attract new retail customers. The company has also been targeting specialist jewellery retailers with the opportunity to purchase products directly from Abbeycrest's Thailand facility rather than through G&A.

FINANCIAL PROFILE

Year End	28/02/05	29/02/04	28/02/03	28/02/02
Weeks	52	52	52	52
Consolidated	Y	Y	Y	Y

Sales

Sales (£000)	82,263	96,789	98,840	91,475
% change year-on-year	-15.01	-2.08	8.05	-
Exports (£000)	-	-	-	-
Exports/Sales (%)	-	-	-	-

Profits

Pre-Tax Profits (£000)	-496	1,608	-563	2,137
% change year-on-year	†	†	-126.35	-
Profit Margin (%)	-0.60	1.66	-0.57	2.34
Operating Profit (£000)	1,417	3,496	1,949	4,367

Employees

Number of Employees	1,240	1,221	1,268	1,100
Average Employee Remuneration (£)	10,773	11,795	11,708	12,963
Sales per Employee (£)	66,341	79,270	77,950	83,159
Profit per Employee (£)	-400	1,317	-444	1,943
Capital Employed per Employee (£)	27,187	25,659	26,279	30,833

Balance Sheet/Ratios

Capital Employed (£000)	33,712	31,330	33,322	33,916
Return on Capital (%)	-1.47	5.13	-1.69	6.30
Net Worth (£000)	23,831	24,667	25,324	26,895
Current Ratio (%)	2.21	1.89	1.52	1.52
Liquidity Ratio (%)	0.87	0.76	0.68	0.62

ASPREY HOLDINGS LTD

Registered Office	167 New Bond Street London, W1S 4AR Telephone: 020-7493 6767 Fax: 020-7491 0384
Company Registration Number	00103844
Date of Incorporation	03/07/09
Holding Company	Asprey Worldwide Holdings Ltd
Ultimate Holding Company	Asprey Worldwide Holdings Ltd

Previous Name(s) and Date(s) of Change

Asprey & Garrard Ltd (22/04/02)
Asprey Group Ltd (01/09/98)
Asprey PLC (12/02/98)
Asprey & Company PLC (13/10/89)

Principal Activities

A group engaged as goldsmiths, silversmiths, jewellers and retailers of jewellery, watches and luxury goods.

SIC Codes

36220, Manufacture of jewellery and related articles not elsewhere classified.
52484, Retail sale of jewellery, clocks and watches.

Structure

Asprey Holdings Ltd is engaged as goldsmiths, silversmiths, jewellers and retailers of jewellery, watches and luxury goods. It owns the Asprey & Garrard brands.

Recent Developments

The 'My First Diamond' collection of simple clawset diamond pendants and studs was one of the ranges retailing at Garrards for Christmas 2004. Prices started at £425. The Raj Collection, designed by Jade Jagger, was introduced for the same period. Asprey & Garrard sold its New Bond Street store to fund an international expansion drive in May 2005. The group plans to open 15 stores under the Asprey & Garrard names globally. The UK property was purchased by a Republic of Ireland property consortium.

FINANCIAL PROFILE

Year End	31/03/04	31/03/03	30/03/02	31/03/01
Weeks	52	52	52	53
Consolidated	Y	Y	Y	Y

Sales

Sales (£000)	20,374	15,256	37,764	53,670
% change year-on-year	33.55	-59.60	-29.64	-
Exports (£000)	<i>t</i>	<i>t</i>	<i>t</i>	-
Exports/Sales (%)	-	-	-	-

Profits

Pre-Tax Profits (£000)	-18,482	-12,119	-5,194	-15,926
% change year-on-year	-	-	-	-
Profit Margin (%)	-90.71	-79.44	-13.75	-29.67
Operating Profit (£000)	-18,196	-12,900	-5,402	-15,509

Employees

Number of Employees	149	155	222	301
Average Employee Remuneration (£)	31,940	31,774	37,604	38,300
Sales per Employee (£)	136,738	98,426	170,108	174,941
Profit per Employee (£)	-124,040	-78,187	-23,396	-51,912
Capital Employed per Employee (£)	227,040	338,981	221,131	182,159

Balance Sheet/Ratios

Capital Employed (£000)	33,829	52,542	49,091	54,830
Return on Capital (%)	-54.63	-23.07	-10.58	-28.50
Net Worth (£000)	32,916	51,805	48,509	54,105
Current Ratio (%)	0.50	1.20	1.61	3.04
Liquidity Ratio (%)	0.30	0.80	1.22	1.00

BEAVERBROOKS THE JEWELLERS LTD

Registered Office	Adele House Park Road St Annes on Sea Lancashire, FY8 1RE Telephone: 01253-721 262 Fax: 01253-711 765
Company Registration Number	00321773
Date of Incorporation	11/12/36
Holding Company	None
Ultimate Holding Company	None

Previous Name(s) and Date(s) of Change

Adlestons (Jewellers) Ltd (13/01/99)

Principal Activities

The retail of jewellery.

SIC Code

52484, Retail sale of jewellery, clocks and watches.

Structure

Beaverbrooks the Jewellers Ltd operates a chain of retail jewellers.

Recent Developments

Beaverbrooks introduced two new diamond jewellery collections in August 2004. The Spice collection featured diamond pieces, while the Sugar collection comprised diamond and sapphire jewellery. Beaverbrooks had 55 stores by the end of 2004, following the opening of new outlets in Canterbury and Swindon. There are also plans to open 75 shops by 2010, an average of three to four a year.

FINANCIAL PROFILE

Year End	28/02/04	01/03/03	02/03/02	03/03/01
Weeks	52	52	52	53
Consolidated	N	N	N	N

Sales

Sales (£000)	73,275	65,459	60,083	48,966
% change year-on-year	11.94	8.95	22.70	-
Exports (£000)	-	-	-	-
Exports/Sales (%)	-	-	-	-

Profits

Pre-Tax Profits (£000)	11,946	9,155	7,822	5,484
% change year-on-year	30.49	17.04	42.63	-
Profit Margin (%)	16.30	13.99	13.02	11.20
Operating Profit (£000)	11,028	7,990	6,626	4,124

Employees

Number of Employees	605	551	503	465
Average Employee Remuneration (£)	29,188	24,554	25,427	20,051
Sales per Employee (£)	121,116	118,800	119,449	103,316
Profit per Employee (£)	19,745	16,615	15,551	11,571
Capital Employed per Employee (£)	89,127	83,628	80,656	76,826

Balance Sheet/Ratios

Capital Employed (£000)	53,922	46,079	40,570	35,724
Return on Capital (%)	22.15	19.87	19.28	15.06
Net Worth (£000)	53,922	46,079	40,570	35,724
Current Ratio (%)	3.28	2.78	2.88	2.83
Liquidity Ratio (%)	1.91	1.29	1.55	1.35

CARTIER LTD

Registered Office	175/176 New Bond Street London, W1S 4RN Telephone: 020-7408 5700 Fax: 020-7355 3211
Company Registration Number	00157267
Date of Incorporation	22/07/19
Holding Company	Carter International BV (The Netherlands)
Ultimate Holding Company	Financiere Richemont AG (Switzerland)

Previous Name(s) and Date(s) of Change

Richemont UK Ltd (28/06/02)
Cartier Ltd (02/04/02)

Principal Activities

A group engaged in the distribution of jewellery, watches, leather goods, writing instruments, eyewear and other luxury goods and the manufacture of jewellery.

SIC Codes

51473, Wholesale of jewellery.
51479, Wholesale of other household goods not elsewhere classified.
36220, Manufacture of jewellery and related articles not elsewhere classified.

Structure

Cartier Ltd supplies luxury jewellery and watch brands.

Recent Developments

Cartier women's watch designs heralded the return of gem-set watches in the Chinese style in 2004. The Roadster watch was offered with three different choices of strap to be changed by the wearer. In 2005, developments for the watch brand included the introduction of the Cartier Libre collection, and the development of a new Pasha de Cartier watch with Jaeger LeCoultre. New men's models from Jaeger LeCoultre in 2005 included the Master Compressor Extreme Chronograph, which can withstand a shock of 2,000G, combining an inner titanium case and an outer steel or platinum case, together with lockable crown and pushes.

IWC — one of the brands supplied by the Richemont group — appointed tennis player Boris Becker as its brand ambassador in 2005. To mark the appointment, a Portuguese Stainless Steel Chrono-Automatic Boris Becker edition was created in a limited edition of 250 pieces.

FINANCIAL PROFILE

Year End	31/03/04	31/03/03	31/03/02	31/03/01
Weeks	52	52	52	52
Consolidated	Y	Y	Y	Y

Sales

Sales (£000)	68,494	64,257	58,838	62,767
% change year-on-year	6.59	9.21	-6.26	-
Exports (£000)	-	-	1,687	1,885
Exports/Sales (%)	-	-	2.87	3.00

Profits

Pre-Tax Profits (£000)	1,791	288	3,636	4,689
% change year-on-year	521.88	-92.08	-22.46	-
Profit Margin (%)	2.61	0.45	6.18	7.47
Operating Profit (£000)	1,399	402	3,889	4,796

Employees

Number of Employees	210	230	196	190
Average Employee Remuneration (£)	41,910	32,787	32,056	31,205
Sales per Employee (£)	326,162	279,378	300,194	330,353
Profit per Employee (£)	8,529	1,252	18,551	24,679
Capital Employed per Employee (£)	110,790	96,213	109,541	100,942

Balance Sheet/Ratios

Capital Employed (£000)	23,266	22,129	21,470	19,179
Return on Capital (%)	7.70	1.30	16.94	24.45
Net Worth (£000)	22,819	21,028	20,553	18,525
Current Ratio (%)	2.38	2.12	2.46	3.09
Liquidity Ratio (%)	1.17	0.85	0.86	1.13

DCK CONCESSIONS LTD

Registered Office	Porters House Station Court Radford Way Billericay Essex, CM12 0DZ Telephone: 01277-650 655 Fax: 01277-844 152
Company Registration Number	02715822
Date of Incorporation	19/05/92
Holding Company	Chasemount Ltd
Ultimate Holding Company	DCK Group Ltd

Previous Name(s) and Date(s) of Change

None

Principal Activities

The retail of fashion jewellery.

SIC Code

52484, Retail sale of jewellery, clocks and watches.

Structure

DCK Concessions Ltd supplies fashion jewellery through retail concessions in host stores. Within the UK, the group's largest brand is Freedom sold through TopShop.

Recent Developments

Barclays Private Equity and Invex Capital sold their investment of £55m in DCK in May 2005. The group had held minority stakes in the company since 2003. There were a number of product developments in 2005. At the beginning of the year, the Freedom retail brand introduced a new premium product range including pieces with semi-precious stones and agate based on new designs. In spring 2005, a new range for the Diva brand by designer Daniela Sigurd was introduced. The Collection is themed around travel to tropical climes and included chunky charm bracelets, necklaces and drop earrings, with prices ranging from £10 to £25.

FINANCIAL PROFILE

Year End	31/01/05	31/01/04	31/01/03	31/01/02
Weeks	52	52	52	52
Consolidated	N	N	N	N

Sales

Sales (£000)	78,582	52,983	32,627	22,075
% change year-on-year	48.32	62.39	47.80	-
Exports (£000)	7,371	4,073	2,857	883
Exports/Sales (%)	9.38	7.69	8.76	4.00

Profits

Pre-Tax Profits (£000)	8,139	4,212	3,502	1,134
% change year-on-year	93.23	20.27	208.82	-
Profit Margin (%)	10.36	7.95	10.73	5.14
Operating Profit (£000)	8,336	4,327	3,585	1,253

Employees

Number of Employees	1,358	1,082	700	511
Average Employee Remuneration (£)	6,955	6,362	7,009	7,810
Sales per Employee (£)	57,866	48,968	46,610	43,200
Profit per Employee (£)	5,993	3,893	5,003	2,219
Capital Employed per Employee (£)	6,917	4,434	4,733	1,820

Balance Sheet/Ratios

Capital Employed (£000)	9,393	4,798	3,313	930
Return on Capital (%)	86.65	87.79	105.70	121.94
Net Worth (£000)	9,283	4,679	3,265	835
Current Ratio (%)	1.77	1.17	1.38	1.03
Liquidity Ratio (%)	1.07	0.49	0.82	0.49

GOLDSMITHS PLC

Registered Office	Goldsmiths House 2 Elland Road Braunstone Leicester, LE3 1TT Telephone: 0116-232 2000
Company Registration Number	00146087
Date of Incorporation	20/02/17
Holding Company	Mildghosts Ltd
Ultimate Holding Company	Goldsmiths Group Ltd

Previous Name(s) and Date(s) of Change

Goldsmiths Ltd (24/08/04)
Goldsmiths (Jewellers) Ltd (10/01/00)
The Goldsmiths Group Ltd (22/11/89)
Goldsmiths Group PLC (The) (15/03/88)
Northern Goldsmiths PLC (The) (26/11/84)

Principal Activities

The retail of high-quality jewellery and watches.

SIC Code

52484, Retail sale of jewellery, clocks and watches.

Structure

Goldsmiths PLC operates the UK's second-largest retail jewellery chain.

Recent Developments

In 2004, new Goldsmiths stores were opened in Gateshead and Birmingham. Goldsmiths gained the exclusive rights to launch the jewellery collection designed by supermodel Heidi Klum in autumn 2004. The 18-carat (ct) white rose and yellow gold collection was designed by the model and had already gone on sale in the US. Fashion designer Matthew Williamson launched his first capsule jewellery collection in 2005, through Goldsmiths. The collection uses 18ct gold, diamonds and semi-precious stones.

FINANCIAL PROFILE

Year End	29/01/05	31/01/04	01/02/03	02/02/02
Weeks	52	52	52	52
Consolidated	N	N	N	N

Sales

Sales (£000)	162,811	158,186	147,036	139,988
% change year-on-year	2.92	7.58	5.03	-
Exports (£000)	-	-	-	-
Exports/Sales (%)	-	-	-	-

Profits

Pre-Tax Profits (£000)	1,771	12,916	9,667	8,826
% change year-on-year	-86.29	33.61	9.53	-
Profit Margin (%)	1.09	8.17	6.57	6.30
Operating Profit (£000)	5,869	13,201	9,745	9,291

Employees

Number of Employees	1,569	1,513	1,477	1,450
Average Employee Remuneration (£)	14,116	14,120	12,993	13,321
Sales per Employee (£)	103,767	104,551	99,550	96,543
Profit per Employee (£)	1,129	8,537	6,545	6,087
Capital Employed per Employee (£)	33,207	33,382	39,010	33,623

Balance Sheet/Ratios

Capital Employed (£000)	52,101	50,507	57,618	48,753
Return on Capital (%)	3.40	25.57	16.78	18.10
Net Worth (£000)	25,623	27,627	36,224	29,682
Current Ratio (%)	0.81	0.77	0.81	0.71
Liquidity Ratio (%)	0.19	0.15	0.16	0.19

SEIKO UK LTD

Registered Office	SC House Vanwall Business Park Maidenhead Berkshire, SL6 4UW Telephone: 01628-770 001 Fax: 01628-770 655
Company Registration Number	01032911
Date of Incorporation	29/11/71
Holding Company	Seiko Watch Corporation (Japan)
Ultimate Holding Company	Seiko Corporation (Japan)

Previous Name(s) and Date(s) of Change

Hattori (UK) Ltd (31/03/90)
Seiko Corporation of Europe Ltd (01/01/85)
Seiko Time (UK) Ltd (31/12/81)

Principal Activities

A group engaged in the sale and repair of clocks and watches.

SIC Codes

51479, Wholesale of other household goods not elsewhere classified.
52730, Repair of watches, clocks and jewellery.

Structure

Seiko UK is part of Seiko Corporation of Japan. It is engaged in the sale and repair of watches and clocks and distributes the Seiko, Pulsar, Spoon by Pulsar and Lorus watch ranges, as well as the fashion watch brands, including Nike and Disney.

Recent Developments

New watch models were introduced in 2005 in all of Seiko's five Elite Collections: Premier, Vivace, Arctura, Sportura and Rivoli. An integrated campaign for the Pulsar watch range was initiated in December 2004. Activity included interactive postcards and press advertising. Also in December 2004, Seiko was among the brands donating Christmas advertising spots to support the single Band Aid 20. In 2005, Seiko Watch Corporation agreed a 3-year worldwide team partnership with the BAR Honda Formula one team.

FINANCIAL PROFILE

Year End	31/03/04	31/03/03	31/03/02	31/03/01
Weeks	52	52	52	52
Consolidated	Y	Y	Y	Y

Sales

Sales (£000)	85,451	87,501	87,055	68,809
% change year-on-year	-2.34	0.51	26.52	-
Exports (£000)	-	-	-	-
Exports/Sales (%)	-	-	-	-

Profits

Pre-Tax Profits (£000)	3,503	3,155	4,309	4,667
% change year-on-year	11.03	-26.78	-7.67	-
Profit Margin (%)	4.10	3.61	4.95	6.78
Operating Profit (£000)	3,969	3,806	5,118	5,162

Employees

Number of Employees	371	362	404	330
Average Employee Remuneration (£)	31,216	29,014	25,624	21,894
Sales per Employee (£)	230,326	241,715	215,483	208,512
Profit per Employee (£)	9,442	8,715	10,666	14,142
Capital Employed per Employee (£)	67,782	83,064	69,262	77,548

Balance Sheet/Ratios

Capital Employed (£000)	25,147	30,069	27,982	25,591
Return on Capital (%)	13.93	10.49	15.40	18.24
Net Worth (£000)	23,174	28,039	26,169	24,206
Current Ratio (%)	1.23	1.36	1.35	1.40
Liquidity Ratio (%)	0.71	0.77	0.72	0.64

SIGNET GROUP PLC

Registered Office	Zenith House The Hyde London, NW9 6EW Telephone: 0870-909 0301 Fax: 01216-977 915
Company Registration Number	00477692
Date of Incorporation	27/01/50
Holding Company	None
Ultimate Holding Company	None

Previous Name(s) and Date(s) of Change

Ratners Group PLC (10/09/93)
Ratners (Jewellers) PLC (09/02/87)

Principal Activities

A group engaged in the retail of jewellery, watches and gifts.

SIC Codes

52484, Retail sale of jewellery, clocks and watches.
52489, Other retail sale in specialised stores not elsewhere classified.

Structure

Signet Group PLC owns the largest number of retail jewellery chains in the UK, operating primarily under the Ernest Jones and H Samuel brands.

Recent Developments

Signet announced it was to boost its television advertising campaign in the run up to Christmas 2005. Advertising was to centre on diamonds. Advertising in the same period in 2003 boosted sales of diamonds by around 25% in Ernest Jones outlets and a similar amount at H Samuel shops in the areas covered, according to the Group.

FINANCIAL PROFILE

Year End	29/01/05	31/01/04	01/02/03	02/02/02
Weeks	52	52	52	53
Consolidated	Y	Y	Y	Y

Sales

Sales (£000)	1,614,400	1,604,900	1,608,000	1,578,100
% change year-on-year	0.59	-0.19	1.89	-
Exports (£000)	-	-	-	-
Exports/Sales (%)	-	-	-	-

Profits

Pre-Tax Profits (£000)	210,300	199,800	199,900	182,800
% change year-on-year	5.26	-0.05	9.35	-
Profit Margin (%)	13.03	12.45	12.43	11.58
Operating Profit (£000)	220,500	212,400	215,100	199,200

Employees

Number of Employees	15,145	14,502	14,160	13,525
Average Employee Remuneration (£)	18,580	19,094	19,951	20,188
Sales per Employee (£)	106,596	110,667	113,559	114,479
Profit per Employee (£)	13,886	13,777	14,117	13,261
Capital Employed per Employee (£)	62,529	61,405	61,935	68,059

Balance Sheet/Ratios

Capital Employed (£000)	947,000	890,500	877,000	920,500
Return on Capital (%)	22.21	22.44	22.79	19.48
Net Worth (£000)	723,900	658,100	658,600	655,500
Current Ratio (%)	2.99	2.76	2.98	3.07
Liquidity Ratio (%)	1.35	1.28	1.32	1.34

THE SWATCH GROUP (UK) LTD

Registered Office	112 Southampton Road Eastleigh Hampshire, SO50 5PB Telephone: 023-8064 6800 Fax: 023-8064 3003
Company Registration Number	00177501
Date of Incorporation	26/10/21
Holding Company	Swatch Group (Switzerland)
Ultimate Holding Company	Swatch Group Ltd (Switzerland)

Previous Name(s) and Date(s) of Change

SMH (UK) Ltd (17/07/98)

SSIH (UK) Ltd (16/12/88)

Principal Activities

A group acting as an agent in the import and sale of watches and accessories, the hire of sports timing equipment and the provision of sports timing equipment and services.

SIC Codes

51479, Wholesale of other household goods not elsewhere classified.

92629, Other sporting activities not elsewhere classified.

71401, Renting of sporting and recreational equipment.

Structure

The Swatch Group (UK) Ltd acts as an agent in the import and sale of watches and accessories.

Recent Developments

For summer 2004, cK introduced a reversible leather cuff watch with a steel case and mirror dial. A range of covers and textures were available to be fastened with a French cuff-style closure. Also in 2004, Omega introduced a new Olympic collection. New models for 2005, include cK's Challenge Chrono for men and Planet Ocean, which comes in two case sizes.

FINANCIAL PROFILE

Year End	31/12/03	31/12/02	31/12/01	31/12/00
Weeks	52	52	52	52
Consolidated	Y	Y	Y	Y

Sales

Sales (£000)	15,431	16,787	11,571	10,226
% change year-on-year	-8.08	45.08	13.15	21.81
Exports (£000)	-	-	-	-
Exports/Sales (%)	-	-	-	-

Profits

Pre-Tax Profits (£000)	307	522	35	50
% change year-on-year	-41.19	1,391.43	-30.00	-
Profit Margin (%)	1.99	3.11	0.30	0.49
Operating Profit (£000)	467	630	119	127

Employees

Number of Employees	199	195	161	151
Average Employee Remuneration (£)	22,764	22,564	20,292	19,033
Sales per Employee (£)	77,543	86,087	71,870	67,722
Profit per Employee (£)	1,543	2,677	217	331
Capital Employed per Employee (£)	15,312	14,262	14,317	15,338

Balance Sheet/Ratios

Capital Employed (£000)	3,047	2,781	2,305	2,316
Return on Capital (%)	10.08	18.77	1.52	2.16
Net Worth (£000)	2,378	2,020	1,833	1,925
Current Ratio (%)	1.15	1.14	1.16	1.16
Liquidity Ratio (%)	1.01	1.02	1.08	1.09

11. Consumer Confidence

METHODOLOGY

In order to assess the degree of confidence consumers have, Key Note commissioned BMRB Access to question around 1,000 adults aged 15 and over in Great Britain about their willingness to spend. Consumer confidence surveys are conducted on a quarterly basis in February, May, August and November. The latest survey was undertaken in May 2005 among 1,010 adults aged 15 and over. Respondents were asked the following two questions:

“Assume you want or need to buy one or more expensive items, like a holiday, car, home improvement or an electronic item (like a widescreen television or home computer). What is the maximum amount of your own savings you would feel confident spending on all of these items at this moment in time?”

“Assume you want or need to buy one or more expensive items, like a holiday, car, home improvement or an electronic item (like a widescreen television or home computer). What is the maximum amount of money you would feel confident borrowing in order to buy these items at this moment in time?”

Respondents were given bands of possible spending levels, ranging from less than £250 to more than £10,000.

Analysing the results enables Key Note to calculate a monetary value of the maximum amount of borrowing consumers feel confident committing to expensive items at a particular instant in time. Tracking changes to this over time will allow Key Note to assess changes in confidence alongside an assessment of the proportion of adults willing to borrow. In addition, rather than borrowing, consumers have the option to spend from their past savings, so an assessment of the willingness to use savings to finance expensive items provides a guide to consumers' willingness to spend and the extent to which they want to spend cautiously (from savings) or spend with more risk (via borrowing).

THE WILLINGNESS TO BORROW

The aggregate amount consumers are willing to spend by borrowing in order to purchase expensive consumer items has risen slightly in this quarter's survey, compared with the previous quarter.

However, there are two reasons why this might not point to an overall strengthening in consumer confidence:

- This quarter's survey was conducted soon after the General Election and there is normally a post-Election bounce to consumer spending; the uncertainty over the next government is over.
- The proportion of adults not willing to borrow anything has continued to grow and is close to half of all adults in this quarter. Borrowing is relying on a shrinking base of consumers, each of whom is willing to borrow heavily.

Excluding the 'don't knows', the typical adult in Great Britain was willing to borrow £1,270.20 to finance a major purchase in May 2005. This was slightly more than the £1,191.40 recorded in February 2005 and the £1,121 in November 2004. After seasonally and price adjusting the data, it is evident that there was a drop in the willingness to spend by borrowing between November 2004 and February 2005, but a recovery was experienced in May 2005. This suggests that confidence dipped strongly in quarter 1 (Q1) 2005, but has recovered since, at least among consumers who are willing to borrow more.

Table A: The Average Amount Consumers Are Willing to Borrow in Order to Purchase Expensive Items at Current and Constant May 2003 Prices (£ and £bn), May 2003, November 2004, February 2005 and May 2005				
	05/03	11/04	02/05	05/05
Average amount willing to borrow at current prices (£) [†]	2,364.9	1,121.0	1,191.4	1,270.2
% change year-on-year	-	-52.6	6.3	6.6
Aggregate amount willing to borrow at current prices (£bn) [†]	113.1	54.0	57.7	61.5
Average amount willing to borrow at constant May 2003 prices (£) [‡]	2,330.1	1,146.4	1,122.0	1,212.7
% change year-on-year	-	-50.8	-2.1	8.1
[†] — not seasonally adjusted				
[‡] — seasonally adjusted				
Source: Key Note/IRN Research				
Want more detail? Order further customised analysis through IRN Research on keynote@irn-research.com . See Further Sources for more on this service.				

In terms of the amount consumers are willing to borrow, the consumer groups willing to borrow the most money are:

- men
- adults aged between 24 and 54 years
- adults in the ABC1C2 social grades
- adults from central and northern regions
- those who are married with children
- those who are separated (although this is a very small sample base so may not be reliable)
- adults buying a home with a mortgage.

Consumers Willing to Borrow

While the average amount consumers are willing to spend by borrowing has risen, the number of consumers willing to go into further debt to buy things has dropped. In May 2005, 49.5% of adults were not willing to borrow anything and the proportion of adults unwilling to borrow has risen steadily since November 2004.

Table B: The Number of Adults Willing to Borrow in Order to Purchase Expensive Items (000 and %), May 2003, November 2004, February 2005 and May 2005

	05/03	11/04	02/05	05/05
Adults aged 15+	47,842	48,147	48,446	48,446
Adults willing to borrow	<i>n.a.</i>	27,183	25,135	24,480
Adults unwilling to borrow	<i>n.a.</i>	20,964	23,311	23,966
% of adults not willing to borrow	<i>n.a.</i>	43.5	48.1	49.5
Net number of adults willing to borrow	<i>n.a.</i>	6,219	1,824	514
<i>n.a. — not available</i>				
<i>Source: Key Note/IRN Research</i>				
<i>Want more detail? Order further customised analysis through IRN Research on keynote@irn-research.com. See Further Sources for more on this service.</i>				

The population is increasingly polarising between those unwilling to borrow and those willing to borrow heavily.

Borrowing is becoming increasingly focused on a small hardcore of heavy borrowers.

It is generally the case that the willingness to borrow is more common among:

- men
- adults aged under 54 years
- more affluent adults
- adults from the central and northern regions
- adults with children
- adults with a mortgage.

In particular, heavy borrowers are found in highest concentration among adults aged between 25 and 44 years, in the ABC1C2 social grades and living in central England.

THE WILLINGNESS TO SPEND FROM SAVINGS

In May 2005, the average adult in Great Britain was willing to spend a maximum of £1,680.90 from his or her own savings on expensive items. This is well up on the level of savings adults were willing to commit to spending in February 2005 and November 2004, but down on the level recorded in May 2003.

Over the past 2 years, the willingness to spend from savings has declined appreciably, although the rate of decline now appears to be bottoming out. As was the case for borrowing, the growth in the willingness to spend from savings may be related to the post-Election bounce and the fact that the April, May and June period is traditionally good for consumer spending.

Table C: The Average Amount Consumers Are Willing to Spend from Savings in Order to Purchase Expensive Items at Current and Constant May 2003 Prices (£ and £bn), May 2003, November 2004, February 2005 and May 2005

	05/03	11/04	02/05	05/05
Average amount willing to spend from savings at current prices (£) [†]	1,820.0	1,473.0	1,431.0	1,680.9
% change year-on-year	-	-19.1	-2.9	17.5
Aggregate amount willing to spend from savings at current prices (£bn) [†]	87.1	70.9	69.3	81.4
Average amount willing to spend from savings at constant May 2003 prices (£) [‡]	1,793.2	1,506.4	1,347.6	1,604.8
% change year-on-year	-	-16.0	-10.5	19.1
<i>† — not seasonally adjusted</i>				
<i>‡ — seasonally adjusted</i>				
<i>Source: Key Note/IRN Research</i>				
<i>Want more detail? Order further customised analysis through IRN Research on keynote@irn-research.com. See Further Sources for more on this service.</i>				

Rising savings can be both an indicator of rising consumer confidence (i.e. consumers want to spend more) and falling confidence (i.e. consumers are becoming more cautious and saving for big-ticket items rather than going into debt). As such, comparing savings to borrowing provides a guide to the relative risk aversion of consumers.

Key Note research shows that, in May 2005, the typical adult was willing to spend £2,951.10 on major purchases (if spending from savings and borrowing is added together), of which 57% was from past savings and 43% was from borrowing.

The period between May 2003 and May 2005 saw a major shift away from the reliance on borrowing, which is likely to be a reflection of the rise in interest rates over this period and the high debt burden on consumers. Between November 2004 and February 2005, consumers shifted back slightly towards borrowing, possibly because interest rates remained largely unchanged over this period.

However, the movement away from borrowing started again over the February 2005 to May 2005 period, possibly indicating a more responsible attitude towards spending on the part of consumers.

Table D: The Average Amounts Adults Are Confident Spending To Purchase Expensive Items (£ and %), May 2003, November 2004, February 2005 and May 2005				
	05/03	11/04	02/05	05/05
From savings (£)	1,820.0	1,473.0	1,431.0	1,680.9
By borrowing (£)	2,364.9	1,121.0	1,191.4	1,270.2
Total	4,184.9	2,594.0	2,622.4	2,951.1
<i>Of which:</i>				
From savings (%)	43.5	56.8	54.6	57.0
By borrowing (%)	56.5	43.2	45.4	43.0
Total	100.0	100.0	100.0	100.0
<i>Source: Key Note/IRN Research</i>				
<i>Want more detail? Order further customised analysis through IRN Research on keynote@irn-research.com. See Further Sources for more on this service.</i>				

Like borrowing, the decision to spend past savings to finance expensive purchases is polarising consumers. At the one extreme, a greater proportion of consumers are willing to spend less than £250 of past accumulated savings, while at the other extreme, a greater proportion are willing to spend £5,000 or more.

The willingness to commit past savings to spending shows clear variations by consumer group. Those willing to commit small sums from their savings to buy expensive items are most likely to be found in the following social groups:

- adults who are not working or are in part-time employment (i.e. those most likely to have low incomes)
- the young (i.e. 16 to 34 year-olds)
- the least affluent (i.e. C2DEs)
- adults who are not married
- adults who are retired and over the age of 55, e.g. many adults with fixed incomes
- those living in Scotland/the North, the central regions and the South West

- women (many of whom are in part-time employment)
- those buying a home with a mortgage, whose mortgage payments are likely to have been revised in 2005 in light of the mortgage increases in 2004.

The groups who are willing and able to commit the heaviest amounts to spending by running down past savings are:

- AB adults (i.e. the most affluent)
- adults from London, the South East and East Anglia (although the base is small for East Anglia so this may not be reliable)
- men
- adults aged between 45 and 54 and the over-65s
- adults who are retired (and hence living on their past savings)
- those who own their home outright (and hence are not burdened by mortgages or rental payments)
- those who are separated
- those in full-time employment.

The most cautious adults — i.e. those most likely to finance big-ticket purchases from savings rather than going into debt — are mainly the older affluent consumers, including:

- the retired
- adults aged 55 and over
- those living in a home they own outright
- those living in London, the South East and Wales
- adults in the AB or E social grades
- adults without children.

12. Further Sources

Associations

British Jewellers' Association
Federation House
10 Vyse Street
Birmingham, B18 6LT
Telephone: 0121-237 1108
E-mail: kim.yip@bjja.org.uk
<http://www.bjja.org.uk>

British Jewellery, Giftware &
Finishing Federation
Federation House
10 Vyse Street
Birmingham, B18 6LT
Telephone: 0121-236 2657
Fax: 0121-236 3921
<http://www.bjgf.org.uk>

The National Association
of Goldsmiths
78a Luke Street
London, EC2A 4XG
Telephone: 020-7613 4445
Fax: 020-7613 4450
E-mail: information@
jewellers-online.org
<http://www.jewellers-online.org>

World Gold Council
55 Old Broad Street
London, EC2M 1RX
Telephone: 020-7826 4700
Fax: 020-7826 4799
<http://www.gold.org>

Publications

Financial Times
Telephone: 020-7775 6000
Fax: 020-7873 3428
E-mail: help@ft.com
<http://news.ft.com/home/uk>

New Media Age
Centaur Holdings PLC
50 Poland Street
London, W1F 7AX
Telephone: 020-7970 4848
<http://www.nma.co.uk>

Platinum Review 2005
(Platinum Today)
E-mail: platinum@matthey.com.
[http://www.platinum.matthey.com/
index.html](http://www.platinum.matthey.com/index.html)

Retail Jeweller
E-mail: admin@mediauk.com
<http://www.mediauk.com/magazines>

General Sources

BMRB International
Hadley House
79-81 Uxbridge Road
Ealing, W5 5SU
Telephone: 020-8566 5000
Fax: 020-8579 9809
E-mail: mailbox@bmr.co.uk
<http://www.bmr.co.uk>

Nielsen Media Research
1st Floor
Atrium Court
Bracknell
Berkshire, RG12 1BZ
Telephone: 01344-469 100
Fax: 01344-469 102
E-mail: nmrcommunication
@ nielsen.co.uk
<http://www.nielsenmedia.co.uk>

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British Hallmarking Council
 David Gwyther (Secretary)
 British Hallmarking Council
 1 Colmore Square
 Birmingham, B4 6AA
 Telephone: 020-7606 8971/5
 Fax: 020-7814 9353
 E-mail: david.evans@
 londonassayoffice.co.uk
[http://www.
 britishhallmarkingcouncil.gov.uk/](http://www.britishhallmarkingcouncil.gov.uk/)

National Statistics
 1 Drummond Gate
 London, SW1V 2QQ
 Telephone: 020-7533 5888
 Fax: 01633-812 599
<http://www.statistics.gov.uk>

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- Vital Events References Tables

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GemNet
 PO Box 22
 Bourton-on-the-Water
 The Cotswolds, GL54 2ZA
 Telephone: 01451-810 595
 Fax: 01451-810 594
 E-mail: info@gemnet.co.uk
<http://www.gemnet.co.uk>

Signet Group
 Zenith House
 The Hyde
 London, NW9 6EW
 Telephone: 0870-909 0301
 Fax: 020-8242 8587
 E-mail: mark.jenkins@signet.co.uk
<http://www.signetgroupplc.com>

The Diamond Trading Company
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 London, EC1N 6RA
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Understanding TGI Data

TGI Tables, produced by BMRB International Ltd, are generally based on one of the following groups:

- **Households** — a private household consists of either one person living alone or a group of people, usually, but not always, members of one family, who live together and whose food and other household expenses are managed as one unit.
- **Adults** — any person aged 15 or over.
- **Housewives** — a member of a private household who is solely or mainly responsible for the household duties.

Number, Profile, Penetration

Tables used in Key Note reports may give figures for the Number, Profile, and/or Penetration. These terms are explained in the following Table.

	Table Heading			
	<u>Population</u>	<u>Number (000)</u>	<u>Profile (%)</u>	<u>Penetration (%)</u>
All housewives	20,371	13,535	100.0	66.4
Age				
15-24		1,045	7.7	0.03
25-34		2,697	19.9	12.1
Social Grade				
AB			0.0	61.5
C1			0.0	71.9
Region				
Greater London		2,557	10.4	55.2

Source: Target Group Index, © BMRB International, 1995

The total number of adults, housewives, households, etc.

Across
The % of 15-24 year-olds, etc. who are users.

This is the projected number of people in each subgroup who use the product.

Down
The % of each subgroup who are users. Each subgroup should total 100% vertically.

TGI data used in Key Note reports is broken down by age, social grade and standard region.

Social Grade

This is normally based on the occupation of the Head of the Household, or if the Head of the Household is retired, their former occupation. If this information is not available social grade is based on environmental factors such as type of dwelling, amenities in the home, presence of domestic help etc.

Social grade is assessed by the interviewer when collecting the information and is, therefore, based on information given personally and verbally by the respondent. Social grade is checked by BMRB's coding and editing office.

The following table broadly defines the six social grades used. The relationship between social grade and net income of the Head of the Household is a complex one and readers should note that **income is not determinant of social grade**.

Social Grade	Social Status	Head of Household's Occupation
A	Upper middle class	Higher managerial, administrative or professional
B	Middle class	Intermediate managerial, administrative or professional
C1	Lower middle class	Supervisory or clerical and junior managerial, administrative or professional
C2	Skilled working class	Skilled manual workers
D	Working class	Semi and unskilled workers
E	Those at lowest levels of subsistence (no other earner)	State pensioners or widows

Standard Region

This is as defined by the Registrar-General.

Key Note Research

Key Note is a leading supplier of market information, publishing an extensive range of consumer, industrial, business-to-business and services titles. With over 25 years' experience, Key Note represents clear, concise, quality market information.

For all reports, Key Note undertakes various types of research:

Online searching is carried out by product code or free search method, and covers the period from the last edition of the report to the current day.

The internal **ICC Juniper database** is used to select company information relevant to the particular report. The financial information extracted may then be backed up by further online searching on particular companies.

Trade sources, such as trade associations, trade journals and specific company contacts, are invaluable to the Key Note research process.

Secondary data are provided by BMRB International (TGI) and Nielsen Media Research for consumer/demographic information and advertising expenditure respectively. In addition, various official publications published by National Statistics, etc. are used for essential background data and market trends.

Interviews are undertaken by Key Note for various reports, either face-to-face or by telephone. This provides qualitative data ('industry comment') to enhance the statistics in reports; **questionnaires** may also be used.

Field research is commissioned for various consumer reports and market reviews, and is carried out by either BMRB International (BMRB Access) or NOP Solutions (National Opinion Polls).

Key Note estimates are derived from statistical analysis and trade research carried out by experienced research analysts. Up-to-date figures are inserted where possible, although there will be some instances where: a realistic estimate cannot be made (e.g. the number of disabled people in the UK); or external sources request that we do not update their figures.

Key Note Editorial Manager, 2005

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Key Note publishes over 180 titles each year, across both the Key Note and Market Assessment product ranges. The total range covers consumer, lifestyle, financial services and industrial sectors.

<u>Title</u>	<u>Edition</u>	<u>Published</u>	<u>Title</u>	<u>Edition</u>	<u>Published</u>
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A			Childrenswear	5	2004
Access Control	7	2005	Chilled Foods	12	2004
Accountancy	9	2005	China & Earthenware	22	2005
Aerospace	12	2003	Cigarettes & Tobacco	19	2004
Agrochemicals & Fertilisers	3	2002	Cinemas & Theatres	9	2001
Air Freight	2	2005	Clothing Manufacturing	12	2000
Airlines	16	2005	Clothing Retailing	5	2004
Airports	9	2005	Commercial Radio	8	2004
Animal Feedstuffs	11	2001	Commercial Vehicles	12	2005
Arts & Media Sponsorship	1	2005	Computer Hardware	6	2005
Automatic Vending	19	2005	Computer Services	7	2004
Automotive Services	3	2002	Computer Software	6	2005
Autoparts	16	2002	Confectionery	23	2005
B			Consumer Internet Usage	4	2000
Baths & Sanitaryware	12	2005	Consumer Magazines	13	2005
Bearings	1	2001	Contraception	2	2002
Betting & Gaming	18	2005	Contract Catering & Foodservice Management	17	2004
Biscuits & Cakes	12	2005	Contract Cleaning	18	2004
Book Publishing	17	2005	Cooking Sauces & Food Seasonings	1	2003
Bookselling	12	2004	Corporate Hospitality	4	2004
Bread & Bakery Products	20	2005	Cosmetics & Fragrances	18	2005
Breakfast Cereals	12	2004	Cosmetic Surgery	4	2004
Breweries & the Beer Market	24	2005	Courier & Express Services	13	2003
Bricks & Tiles	13	2001	D		
Bridalwear	2	2005	Dark Spirits & Liqueurs	3	2004
Builders' Merchants	14	2004	Debt Management (Commercial & Consumer)	3	2004
Building Contracting	8	2005	Defence Equipment	9	2002
Building Materials	11	2003	Design Consultancies	3	2000
Business Press	12	2004	Digital TV	2	2003
Bus & Coach Operators	7	2003	Direct Marketing	16	2005
C			Discount Retailing	4	2003
Cable & Satellite TV	10	2004	Disposable Paper Products	10	2002
Camping & Caravanning	13	2002	Domestic Heating	13	2003
Canned Foods	14	2005	Dry Cleaning & Laundry Services	5	2005
Carpets & Floorcoverings	15	2002			
Catering Equipment	8	2005			
CCTV	7	2004			

<u>Title</u>	<u>Edition</u>	<u>Published</u>	<u>Title</u>	<u>Edition</u>	<u>Published</u>
E			H		
Electrical Contracting	7	2002	Hand Luggage & Leather Goods	12	2005
Electrical Wholesale	3	2004	Health Clubs & Leisure Centres	6	2004
The Electricity Industry	4	2004	Health Foods	22	2003
Electronic Component Distribution	12	2002	Heating, Ventilating & Air Conditioning	9	2002
Electronic Component Manufacturing	11	2002	Home Furnishings	15	2002
Electronic Games	4	2003	Home Shopping	10	2003
Equipment for the Disabled	3	2001	Horticultural Retailing	15	2002
Equipment Leasing	12	2003	Hotels	19	2004
Estate Agents	15	2005	Housebuilding	16	2003
Ethnic Foods	12	2005	Household Appliances (Brown Goods)	10	2004
Exhibitions & Conferences	7	2004	Household Appliances (White Goods)	15	2004
F			Household Furniture	17	2004
Factoring & Invoice Discounting	2	2003	Household Detergents & Cleaners	14	2004
Fast Food & Home Delivery Outlets	21	2005	I		
The Film Industry	4	2002	Ice Creams & Frozen Desserts	10	2005
Finance Houses	11	2000	Industrial Fasteners	8	2001
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Fish & Fish Products	12	2004	Industrial Valves	8	2001
Fitted Kitchens	10	2002	Insurance Companies	11	2004
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Franchising	9	2005	IT Training	10	2005
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Freight Forwarding	14	2004	Jewellery & Watches	21	2005
Frozen Foods	20	2004	K		
Fruit Juices & Health Drinks	10	2004	Kitchenware	5	2004
Fruit & Vegetables	18	2004	L		
Further & Higher Education	5	2005	Laboratory Equipment	9	2001
G			Lighting Equipment	14	2002
Garden Equipment	11	2004	Lingerie	6	2004
The Gas Industry	3	2004	M		
Giftware	14	2005	Management Consultants	10	2003
Glassware	12	2004	Market Forecasts	1	2005
Greetings Cards	21	2005	Meat & Meat Products	17	2005
			Medical Equipment	15	2003
			Metal Recycling	4	2004
			Milk & Dairy Products	19	2005
			Mobile Phones	6	2005

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N			S		
Natural Products	1	2005	Sauces & Spreads	9	2005
New Media Marketing	3	2002	Shopfitting	12	2004
Newspapers	15	2001	Short Break Holidays	4	2001
O			Slimming Market	8	2000
Office Furniture	19	2004	Small Domestic Electrical Appliances	10	2005
The Offshore Oil & Gas Industry	3	2004	Snack Foods	16	2005
Ophthalmic Goods & Services	14	2004	Soft Drinks (Carbonates & Concentrates)	15	2004
OTC Pharmaceuticals	11	2004	Sports Clothing & Footwear	10	2005
Own Brands	10	2003	Sports Equipment	13	2004
P			Sports Sponsorship	4	2005
Packaging (Glass)	12	2003	Stationery (Personal & Office)	21	2005
Packaging (Metals & Aerosols)	12	2003	T		
Packaging (Paper & Board)	13	2002	The Take Home Trade	15	2004
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Poultry	2	2005	Training	13	2004
Power Tools	4	2005	Travel Agents & Overseas Tour Operators	18	2005
Premium Lagers, Beers & Ciders	6	2004	The Tyre Industry	2	2005
Printing	10	2005	V		
Private Healthcare	17	2004	Vehicle Security	7	2005
Protective Clothing & Equipment	5	2004	Videoconferencing	3	2003
Public Houses	21	2005	Video & DVD Retail & Hire	8	2005
R			W		
Rail Travel	6	2005	Wallcoverings & Ceramic Tiles	16	2004
Ready Meals	8	2005	Waste Management	8	2005
Recruitment Agencies (Permanent)	5	2005	Water Industry	3	2004
Recruitment Agencies (Temporary & Contract)	5	2004	Windows & Doors	18	2003
Renewable Energy	1	2003	Wine	16	2004
Restaurants	20	2005	White Spirits	1	2005
Retail Chemists	13	2003	Market Reviews		
Road Haulage	19	2005	Catering Market	17	2004
			Clothing & Footwear Industry	10	2005

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UK Computer Market	11	2004	C		
UK Construction Industry	8	2001	Cable and Satellite Services		2002
Contracted-Out Services	2	2004	Call Centres		2004
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Healthcare Market	10	2005	Commercial Insurance for Small Businesses		2002
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The Office Equipment Market	7	2004	Cross-Border Shopping		2000
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The Security Industry	10	2004	The C2DE Consumer		2002
Sports Market	1	2004	D		
Travel & Tourism Market	12	2005	Diet Foods		2004
Market Assessment Reports			The DINKY Market		2004
A			Direct Insurance		2004
The ABC1 Consumer		2004	Direct Mortgages		2003
Activity Holidays		2003	Domestic Lighting and Electrical Products		2000
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Alternative Healthcare		2005	E		
Audio-Visual Retailing		2000	E-Commerce: The Internet Grocery Market		2004
All-Inclusive Holidays		2000	E-Commerce: The Internet Leisure & Entertainment Market		2004
B			Electronic Banking		2000
Baby Foods		2004	EMU — The Impact on the UK Financial Services Industry		2003
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Baths and Showers		2000	E-Shopping		2002
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European Long-Term Insurance		2003	L		
The European Oil and Gas Industry		2005	Lifestyle and Specialist Magazines		2004
The European Renewable Energy Industry		2005	Low-Fat & Low-Sugar Foods		2003
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European Telecommunications		2002	M		
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Extended Financial Families		2005	Medical & Health Insurance		2004
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Financial Services Marketing to ABC1s		2000	Millennium Youth		2002
Financial Services Marketing to C1C2DEs		2004	Motor Finance		2005
Financial Services Marketing to Over 60s		2004	N		
Financial Services Marketing to Start-Up Businesses and the Self-Employed		2003	Nutraceuticals		2005
Financial Services Marketing to the Retired and Elderly		2003	The Newspaper Industry		2003
Financial Services Organisations on the Internet		2005	Non-Food Sales in Supermarkets		2002
The Fish Industry		2001	O		
Forecourt Retailing		2005	Off-Trade Spirits		2004
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Funding in Higher Education		2002	Organic Food		2003
G			OTC Pharmaceuticals		2000
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Green and Ethical Consumer		2005	Pay TV		2004
The Grey Consumer		2004	Pension Extenders		2002
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Healthy Eating		2004	Personal Banking		2003
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Home Entertainment		2002	Personal Loans		2003
Hot Beverages		2004	The Pet Market		2005
I			Plastic Cards in Europe		2001
In-Car Entertainment		2000	Plus-Size Fashion		2005
Independent Financial Advisers		2003	Private Sector Opportunities in Education		2001
Individual Savings Accounts		2005	The Public Relations Industry		2005
Insurance Prospects		2002	Public Transport		2001
Internet Advertising		2004	R		
Internet Service Providers		2005	The Railway Industry		2004
Issues and Challenges in the UK Life Assurance Market		2002	Ready Meals		2001
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			Retail Credit		2000
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S			T		
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Saving Trends in the Eurozone		2002	Teenage Magazines		2005
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The Slimming Market		2002	Trends in Food Shopping		2003
Shopping Centres		2003	Trends in Leisure Activities		2003
Short Breaks		2004	Tweenagers		2005
Small Businesses & Banks		2002	U		
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Small Office Home Office Products		2001	V		
The Soup Market		2001	Vegetarian Foods		2004
Sponsorship		2000	Vehicle Breakdown Services		2003
Supermarket Own Labels		2003	Vitamins and Supplements		2005
Supermarket Services		2003	W		
Sweet & Salty Snacks		2005	White Goods		2000
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			Working Women		2003

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