

Ask Not What Platinum Can Do For You...

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Most of you rely on this symposium for information about the latest technology and equipment. Maybe you have a specific technical problem that you need help solving. My presentation is not going to help you accomplish those goals. Rather than speaking about how you do things with platinum, I'm going to encourage you to ask yourself how you feel about what you do.

In fact, I'm going to challenge you to ask yourself four questions:

1. "How do I feel about platinum?"
2. "Does it get me excited?"
3. "Am I dedicated?"
4. "Do I send out the right message when I speak to others?"

These questions are important, because your answers influence other people. Positive answers are critical to the successful growth of the product you produce.

You see, I'm a very lucky person, because I get a panoramic view of platinum jewelry. I get to design it, help develop technology, and sell it. I sell not only to the retail stores that carry Novell product, but also to consumers at trunk shows and through our advertising. Therefore, I'm going to describe the way that platinum jewelry has evolved and recount some of my personal experiences and observations. I'm going to share with you the way that I feel about platinum, what drives my loyalty, and why I would like to see everyone in our industry infected with passion for platinum in the same way that I am.

Let's begin by defining a key word to this discussion – *relationship*. The American Heritage Dictionary defines relationship as "a logical or natural association between two or more things; relevance of one to another; connection....kinship". By sheer definition, our relationship with what we do each day is the most important aspect to consider if we want to add value to our work.

It makes perfect sense to ask yourself if you think in terms of the relationship that you have with the product that you make or sell. I do - and I know that I've

been having a mutually beneficial relationship with platinum for seventeen years. For each of those seventeen years, platinum and I have been connected: working together towards the same end.

During that time, many different people have made tremendous efforts, developing new technology, formulating marketing strategy, and stumping for consumer awareness. The last time that I presented a paper on Platinum Day, I spoke about combining different manufacturing techniques in the production of platinum jewelry. That was a technical paper. While the technology of platinum manufacturing gives you an important base to become a good platinum artisan, it is only one step in the progression necessary to be successful with platinum. The other step is that you must develop a parallel philosophy, one that grows with and supports your technical success. In other words, define how much you believe in what you're doing and why.

I know from personal experience, often jewelry manufacturers undervalue the influence that their production people can have on the success of a product. Belief in the products that you make will become the true foundation for company growth; that belief should permeate your operation from top to bottom. The person at the bench, the setter, the machinist, the polisher, or one of the people in the washout room have as much to do with successful company philosophy as sales, marketing, or even ownership. Now, notice that I said successful company philosophy. If you can't sell a concept to the people who are making the product, odds are, you won't be able to sell the product to your customers.

2004 is the seventeenth year since platinum began its rebirth in the U.S. marketplace. The best way to understand platinum's success story is to examine the time line, and look at the attitudes and adjustments our industry deals with in order to keep positive vibes flowing in platinum's direction. So take a nostalgic trip with me, back to the year 1987, when platinum began reappearing in the shops of some select jewelry manufacturers and designers.

In 1987, the retail bridal jewelry market is in bad shape. The majority of retailers concentrate on selling diamond engagement rings: planning to get most of their profit from the sale of the center diamond. However, the retail diamond supply-side is beginning to get crowded with more retailers looking for the big score. On the demand-side, there is a slight downturn in the number of engagements. The economy isn't cooperating either. The retail stores know that their cost for large diamonds is non-negotiable, and they cannot raise their consumer pricing for fear of losing sales to more aggressive competitors. They turn their focus to the jewelry. They begin to press for better pricing from the manufacturers of their engagement rings and wedding bands.

As uninspiring as the styling of the day is, it gets even worse as manufacturing margins are only pennies over the cost of raw intrinsic metal. The styling lacks vision and the product lacks quality. The large manufacturers who make the bulk of this product have cut their prices so low that there is not any profit. That means no money to invest in better design and new technology. The jewelry industry has become the victim of the "I can make it cheaper than the next guy" manufacturing cycle.

It happens repeatedly in lots of different industries. An innovative company develops product or technology that creates a strong and vibrant market. A second tier company borrows the successful formula but works for a slighter margin. The lesser margin allows for a small profit but no investment for new ideas. Finally, third tier, or outsource companies, complete the bastardization of the original idea: drawing down margins to the point where the original developing company cannot compete and, at the same time, continue to move ideas forward. In effect, like a builder, the original company has laid a sturdy foundation. The other tradespeople can add their talents to make the building better. Instead, they dismantle the structure; break the building blocks in the process, rendering it worthless. It is the ultimate "Catch 22" - and the jewelry industry specializes in it.

Meanwhile, in jewelry stores across the country, salespeople see the time that they spend with wedding ring customers as nonproductive. In some ways, the negative energy surrounding this product becomes a self-fulfilling prophecy. In 1987, if you are sincere when you service a couple shopping for their wedding rings, it will take a lot of your time and net you a very small sale.

Each day, owners of jewelry stores, and their managers walk by showcases filled with ominous collections of men's fancy and plain gold bands. These samples are usually not the right size for the consumer. This product permeates a section of the store with unprofitability. An owner grows to dislike this product and he hates the fact that it never moves out of his showcase. He begins to feel resentment towards the manufacturer.

That's about the time that I meet my partner Victor and we decide to open Novell. It is a hard decision to make. We get into a cab together on 47th Street, swearing allegiance by the time we hit 25th. Then we go for a drink (or two) to celebrate. I have been involved in the manufacture and design of bridal jewelry since 1971, so I know how to make product, and Victor had grown up selling anything and everything on 47th Street. We are confident that we can find a customer or two to get us started.

From the moment that we open the doors of Novell, it is obvious that we are going to approach growing our business in a less than typical way. Our business model is simple: manufacture our product in a way that competitors cannot. Initially, we are able to capitalize on our ability to customize gold product, on the fly. In order to make high quality product and have enough money left over to invest in growth, we decide not to give in to the environment, so we stand pat on our price structure. We grow quickly the first year based primarily on quality and our ability to service our customers.

But the writing is on the wall. If we are going to become a force in the industry, we have to choose. Should we try to compete with the core group of manufacturers that are giving their product away, or are we bold enough to try to change our industry's perception of bridal jewelry?

One day in 1988, during a product meeting, we decide to buy an ounce of platinum from Johnson Matthey and see what we can do with it. Why do we decide on platinum? Because in one way it is a new medium, but in another way, it comes complete with its own history. Our product, being primarily emotional and symbolic, seems like a good place to tie emotion to memory. If you can do that with a piece of jewelry, you win! I know women who inherit their grandmother's jewelry - most of the time the bridal jewelry that survives is platinum. The diamonds are still tight and the rings rarely show any evidence of metal erosion.

What I like the most about antique platinum jewelry is the finish. I know that we all hear the stock explanation about how a platinum ring develops a patina over time and how that blends with any surface scratching to form an antique look. But have you ever really studied a sixty-five year old platinum engagement ring? If you look deeply, sometimes you get a sense of a passing of time, memories; if you have a vivid imagination, you might feel a connection to a time that is gone before you arrive. That is how I measure the true value of any piece of jewelry. Can it lock a moment of time in a capsule? Can it hold a feeling in a state of suspended animation? Trust me, if you manufacture jewelry with that in mind, your sincerity is obvious and other people equally sincere will listen to you.

Then there is the practical aspect of platinum. In 1988, almost everything being said about platinum is negative:

- It is almost impossible to work with.
- You can't machine it.
- Casting is extremely problematic.
- It is too expensive.
- The consumer will not appreciate it.

I look at Victor, he looks at me, we look at the people we work with, and then we decide that this is our kind of product. Tell us something is impossible and makes no sense, and we can't resist bucking the odds. We make a commitment to adjust our technologies, so that we can incorporate platinum into our product selection.

Let me give you the reasons why:

1. Working in platinum will challenge us because so many things are unknown. New ideas keep everyone happier and make us all better at what we do.
2. Platinum opens a world of design possibilities for me, and believe me, after fifteen years of diamond cutting slashes, circles, and stars on gold bands, I was ready for a little artistic integrity.
3. We believe that, with enough exposure, platinum will catch on.
4. When it catches on, we will have a product with better margin. To us that means the ability to invest in and expand our technology.

5. But most importantly, if we have great success with platinum, someday I will be in demand to give speeches and write articles for trade magazines. My ego will climb to an intolerable plateau and...just kidding.

After a lot of painful experimenting, we produce a small sample line of platinum and 18kt wedding bands. We test three styles with a twelve-store retailer. The product sells through, even better than we expect. Of course, I'm pretty sure that Victor is running store-to-store buying most of the product himself. But what the hell do I care? The stores believe; belief turns into conviction; conviction makes sales.

In 1990, Johnston Matthey sees that we are beginning to move a quantity of platinum and offers to include us in a new platinum section that they are sponsoring in JQ Magazine. We want to take advantage of any exposure that we can get, and then as industry demand for platinum grows, we are able to capitalize because we are positioned correctly.

Over the years, two-toned styles give way to the all white metal craze we have today. The progression in bridal jewelry from yellow, to two-tone, to white demonstrates the way product choice changes in the market. In order to effect great change, we take small steps in one direction and the market adjusts - one step at a time. That being said, in order for the bridal market to return to the pre '87 doldrums, we would have to see a return of two-tone styling and then a move to all yellow: one step at a time. Based on product appearance and perception, that would seem highly unlikely. When a consumer goes from a Hyundai to a Toyota, and then from a Toyota to a Benz, odds are he might eventually downgrade, but probably not all the way to the Hyundai again. (Although, I sure did like my Hyundai, and I swear it was much more dependable than my Benz!)

For the next ten years, Novell's growth mirrors the growth and acceptance of platinum in the U.S. bridal market. Sometimes I wonder what the state of jewelry would be right now if platinum hadn't come along. Platinum shocked our industry back to life by being the catalyst for introducing diversity to a stagnant retail climate.

So let me reintroduce the four questions I asked you to consider a bit earlier:

1. How do I feel about platinum?
2. Does it get me excited?

3. Am I dedicated?
4. Do I send out the right message when I speak to others?

Here are my answers to these questions:

1. *“How do I feel about platinum?”*

There’s no doubt that I have a deep passion for the work that I do and designs that I contribute. Platinum evokes a feeling of dedication and gratefulness that I have to my industry and that makes me feel good. As I experience more people beginning to appreciate platinum, I feel hopeful for the future. Lastly, I know that platinum is always going to be the consumer’s best option.

2. *“Does it get me excited?”*

Excitement is contagious, so this one’s very important. Does it matter to me that somebody’s great-grandchild will wear a ring that I design and trade stories about it? Is it important that I get to make some of the highest quality jewelry available for consumers today? Do I actually consider that I get to take one of the rarest things on earth and turn it into something even rarer? Let me ask you - how could it not get me excited?

3. *“Am I dedicated?”*

Googling the internet, I find a litany of quotes about what the word dedication means. That’s when I realize that dedication is the key ingredient to success in just about everything our lives. Maybe I’m lucky because I’ve always been the kind of person that invests my heart and soul into everything that I do. So that’s the answer. If I choose to do it, then I choose to dedicate myself to it. And as you can see, right now, I’m doing platinum!

4. *“Do I send out the right message when I speak to others?”*

My message is always just a presentation of the facts. Given the facts, stores and consumers can make their own decisions. Here is one little known fact: the world’s largest internet jewelry retailer offers men’s and ladies’ wedding bands in platinum and then offers the same styles in 18kt white gold. They rarely get to talk to the consumer, so their website has to be filled with facts about the differences between gold and platinum. Lots and lots of product information. Documented by the time that their customers remain on each web page, their customers are studying the facts. They do want to make an educated decision.

Guess what. The consumers opt for the platinum rings three out of four times. That’s right, three out of four times. Guess what else. That trend did not change when platinum went to \$930 an ounce. Do you know why? The consumer buys platinum because, when armed with all of the facts, a platinum wedding band makes the most sense. Most consumers want to make the choices that make the most sense. In a nutshell, that’s the message that I send out when I speak to others about platinum.

Let’s look at different platinum jewelry products and do a market analysis of their successes and failures. For practicality’s sake, I am going to place platinum jewelry product into three categories:

1. Bridal Jewelry
2. Designer Jewelry
3. Fashion Jewelry

Designer jewelry is really a combination of jewelry from the other two categories, but for the purpose of analysis, I want to view product in the same way that a consumer would. As we take each category, we’re going to look at three things. We want to examine the history, resistance, and potential of that category.

1. *Bridal Jewelry*

a. History: As the entry point for the reintroduction of platinum to the consumer, bridal has been the foundation of the movement. Pick up any retail bridal magazine and the majority of the jewelry advertisements feature platinum. Factor in platinum’s longevity, along with its aesthetic appeal, and then you’ll understand why more than fifty percent of bridal consumers set out looking for platinum. The history of platinum bridal jewelry is strong, and it has grown every single year.

b. Resistance: The heaviest resistance to platinum bridal comes from a small group of retailers. They might be the owner of a retail jewelry store or a platinum-resistant sales person. Resistance might even start with the jeweler or setter sitting in the back of the store, bitching and moaning about the tedious nature of platinum, infecting all of his co-workers with negativity. In this environment, that negative energy creates confusion. Thank goodness, those resisting platinum’s place in bridal are becoming an endangered species. I’ll talk about some of their opinions and objections a little later, but let it suffice to say, these

folks let platinum sales get away. They make less money, and they do not give their customers an honest accounting of all of the information available. Their customers cannot possibly make an educated decision.

- c. **Potential:** The growth potential for platinum in the bridal market is just unbelievable. Growing numbers of couples are demanding platinum. Middle aged men and women are coming to stores to have their wedding and engagement rings redone in platinum. There will be an increase in the number of weddings over the next four years, and if there is an increase in the number of divorces, repeat business will grow too. You do the math. The upside for platinum bridal jewelry is staggering.

2. Designer Jewelry

- a. **History:** We should all be thankful to the designers that dedicate themselves to art and quality. In the late '80s and '90s, platinum offered designers a path away from mediocrity. Those that combined their dedication to art with an understanding of this rediscovered metal have gone on to well-deserved success. Jewelry designers broke barriers, reinvented wheels, and won award after award. Right now, designer jewelry is at a crossroads. Like any mainstream product, jewelry gains a larger audience by easily identifying the merchandise for the consumer. Designer names on product accomplish that by effectively branding the product. Branding helps the consumer purchase a product with confidence. Consumer confidence equals growing market. You would think that this category is a no-brainer. However, just like the more mainstream manufacturer, designers are affected by what the retailer believes. That can lead to resistance in this category.
- b. **Resistance:** Retailers seem to be either black or white on the topic of designer product. They are influenced primarily by their perception of their own clientele. Those that are totally resistant to putting designer product in their stores, have concerns about price structure and customer price shopping. Then, designers have to deal with the same resistance that other jewelry categories deal with.
- c. **Potential:** In time, I imagine that the platinum designer who relates to the average consumer will build the strongest name identity. We should

cherish the artistic minds that set up the foundations for the rest of us to build on. It wasn't very long ago when jewelry had very little to do with art. As I watch our industry morph into the exciting world of platinum design, choice, and passion, I can't imagine that anyone would want to go back to those days of commodity jewelry. Let's be hopeful for a future where designer jewelry overflows with potential.

3. Fashion Jewelry

- a. **History:** Let's talk a little about the history of platinum fashion jewelry. This category is an anomaly in that its history reads like the story of a gypsy tribe. First it's here, then it's there, but it never stays in one place long enough to plant a flag and claim the territory as its own. There is not a lot of choice and there's not very much advertising. So I guess we need to ask if anyone is making a commitment. You want to talk about history? You never would have heard of the Alamo or the Battle of the Bulge if the people involved hadn't committed to a principle. You wouldn't have love, and you wouldn't have friendship without commitment. You wouldn't have the Super Bowl and The World Series. And you won't have major success with platinum fashion jewelry until you decide that you want to. It's that simple.
- b. **Resistance:** Resistance is a huge issue in this category. Kind of like a diver without a platform, there hasn't been an effective jump-off point for platinum fashion. The most amazing thing is how simply this category can be built.
- c. **Potential:** A company creates a product - but it takes an industry to create a movement. Look at the success of the platinum bridal category and dissect the structure that led to it. Some very clear points come to mind:
 - i. The purchase of bridal jewelry is linked to a celebration of a life event, i.e.: a marriage.
 - ii. It is an emotional purchase.
 - iii. This product etches a moment from a lifetime, a snapshot of love, making durability and timelessness a strong selling point.
 - iv. No one company or person in our industry grew this category. It was an industry movement of monumental proportions with a strong core group of designers and manufacturers dedicating time and effort.

For platinum fashion jewelry to become a viable choice to the retail consumer, we need to mirror our approach to bridal: one step at a time. Find a life event; create an emotional reaction to that event through platinum product. Be patient, advertise, and make sure the consumer knows that the wonderful feeling they get from this piece of platinum jewelry will be available for the generations to come. We have to take these steps, with patience, and in numbers.

Therefore, as you can see, the future growth of platinum in all categories is up to us. It is directly affected by our ability to look at our industry with larger eyes, analyzing a larger picture. Building future success on the facts we already know, learning new things, and most importantly, sharing a vision across our industry.

So, what do you say to somebody who only sees the negatives? Over the years, I've juggled statements based on conjecture rather than fact. I've answered questions when I was sure that the answers were already common knowledge.

Here's one - *"I tell my customers that platinum scratches easier than gold and I try to convince them to purchase gold. That way, I won't have any problems down the road."*

Yes, my friend, and you probably won't have to come up with any write-offs for your tax return this year. As we all know, this scratching objection is exactly the kind of statement that misleads the consumer. Platinum and gold both scratch, but the gold suffers metal loss, while the platinum does not. Blah, blah, blah: you've heard all that a million times. Unfortunately, that explanation is not always enough to convince this silly individual of platinum's longevity.

I recently learned a technique from a jeweler in Houston. He sells a lot of platinum engagement rings. I asked him his secret. He reached under the counter and takes out a handful of used white gold mountings. With the rhodium plating worn off, they all had a yellow hew. He told me that he shows these to his customers and then shows them a couple of used platinum mountings. He asks them which way they want their rings to look in a couple of years. This leaves the decision to the consumer. His consumers choose platinum more times than not.

Here's a good one - *"Let me show my customer white gold and if they want platinum, I will special order it."*

The consumer has an idea what they are looking for, but they are influenced by those of us that are supposed to give them the very best advice. Human nature dictates that if I show you something that looks

good on the surface, and I offer to upgrade you to something that you cannot see for three times the price - you won't buy it. We need to teach retailers to let their customers see the best. Always, show high and then, if it's absolutely necessary, sell down.

Or the ever popular - *"The price of platinum is too high. My customers cannot afford it."*

This is the trendy objection of 2004. Hey, with the platinum price climbing towards \$900 an ounce, it's bound to have a negative effect on consumer sales. Right? Wrong!

Let's talk bridal. I'm a young lady getting married for the first time. I'm so caught up in planning my wedding; I'm totally comatose to the world outside of my own. I drag Eddie, my fiancé, to the jewelry store. I have memorized *Modern Bride*, *Bride's*, *Wedding Dresses*, *Wedding Bells*, and *Martha Stewart's Wedding*; plus Martha has given me a list of stocks to avoid. Almost every jewelry ad is showing me platinum. I'm dropping over thirty "Gs" on this affair. Do you really think that an extra \$300 on the cost of my ring is going to throw me - only if the salesperson in the store thinks so. Hell, I don't even know that platinum has a market price.

If this couple has their heart set on a wedding cake from a specialty house, but the price goes up \$400 - they're still buying it. If the wedding gown is \$2400 instead of \$2000, but it tickles the young lady's fancy - she is still buying it. Hell, if the flower arrangements go \$500 over budget, but they're "just perfect" - you're going to see them on the tables at the reception.

Anything that this couple spends their money on that can last longer than the groom on his wedding night is a bargain! Platinum marks this day for generations to come. What is that worth to a bright-eyed young couple as they share vows and take turns putting the rings on each other's fingers?

I want to leave you with a thought: let's not cheapen the value of what we do. We're artisans, we're designers, we're salespeople, and we're teachers. We're inventors, explorers, metallurgists, casters, and businesspeople. But more than anything, we are all a little part of an industry that makes little pleasures for people to define special moments in their lives. In 1971, I took a minimum wage job in a jewelry factory, and today I'm up here lucky enough to be speaking to all of you. Never underestimate yourself and never underestimate platinum.

Thank you.