TIFFANY & CO.

Case Competition Club

10/21/2013

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Company overview

- Founded by Charles L. Tiffany and John B. Young in 1837.
- Leading US luxury jewelry brand.

- Generated more than $2.6 billion in revenue.

- 167 retail outlets globally.

- Tiffany’s market capitalization approximately

$4.4 billion.
- Tyffany´s Mission: “To enrich the lives of customers by creating enduring objects of extraordinary beauty that will be cherished for generations”.

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Main Issue

- How can we increase shareholder Value?
  - Should we open more stores at a faster pace?
  - Should we licence an Italian Fashion-eyewear manufacturer and distributor?

  - Both?
  - None?
  - Other?

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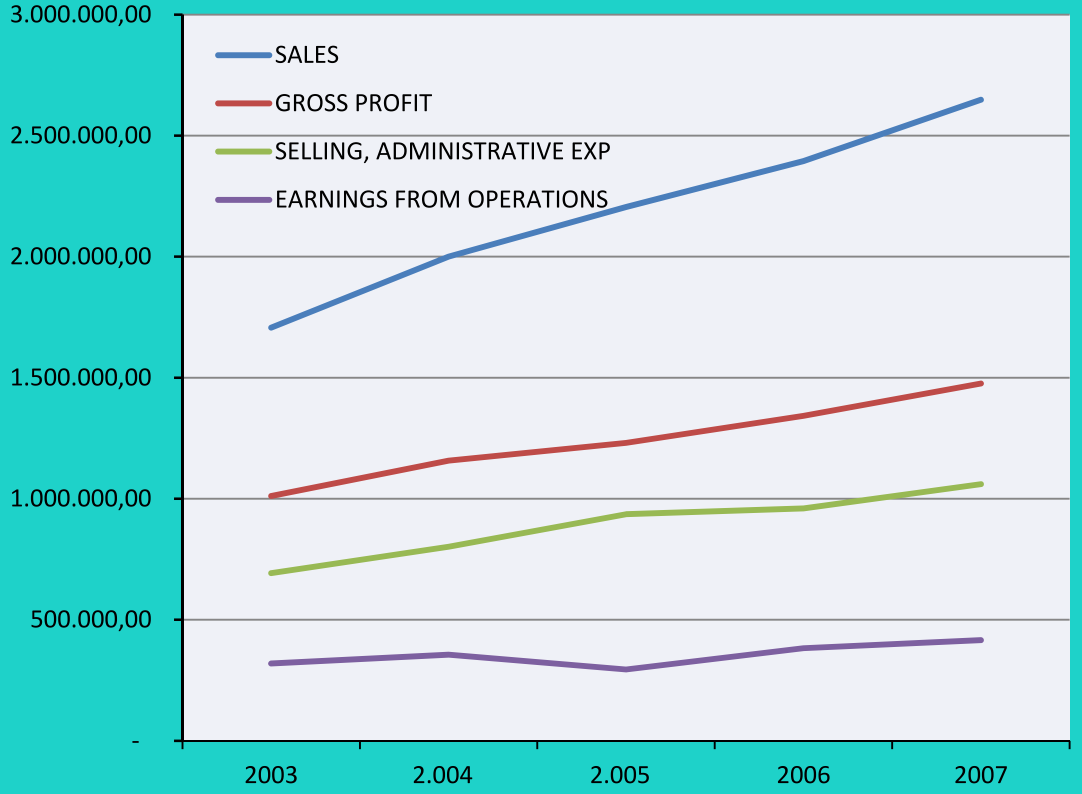
ANALYSIS (I)

SWOT ANALYSIS

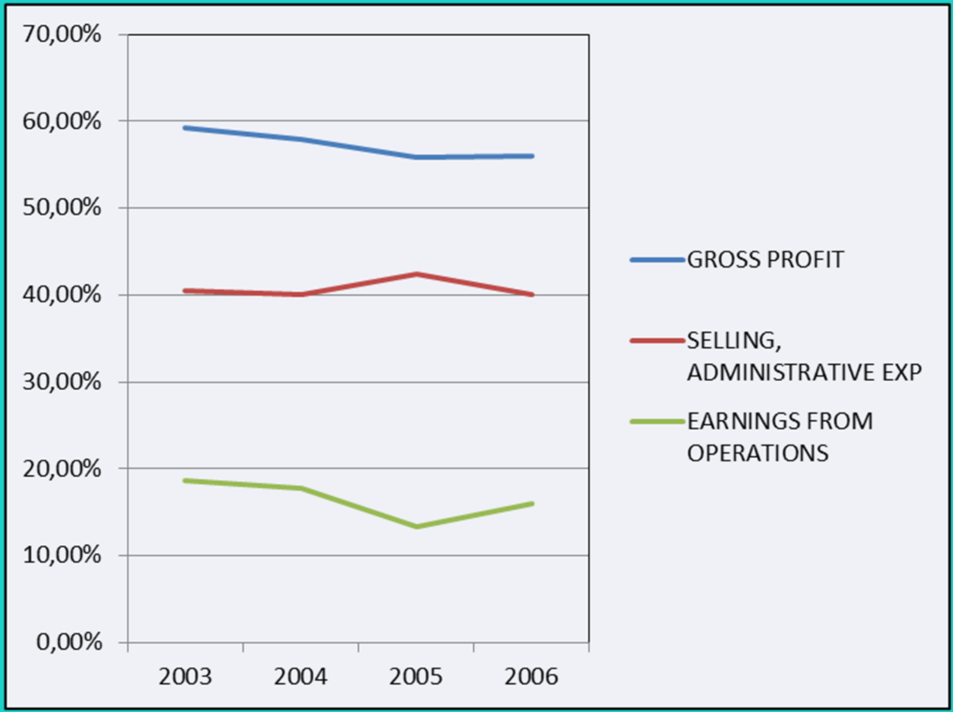
STRENGTHS	WEAKNESSES
• STRONG BRAND NAME • LONG TRADITION OF JEWELERS • DIVERSIFIED IN DIFERENT COUNTRIES • STRONG FINANCIALS • LOYAL EMPLOYEES • PORTFOLIO OF PRODUCTS • STRONG CORPORATE CULTURE • VERTICAL INTEGRATION (OR NOT?) • TECHNOLOGY INVESTMENT	• CONTRIBUTION FROM COUNTRIES VERY DIVERSE • MY STRONG FINANCIALS ARE SHOWING SIGNALS • AMERICAN BRAND-OTHER MARKETS • “UNDERVALUED COMPANY”
OPPORTUNITIES	**THREATS**
• EMERGING MARKETS NOT REACHED YET • INTERNET GROWTH • GROWTH OUTSIDE US CHINA ONLY 10 STORES	• GLOBAL CRISIS • NEW COMPETITORS • DIAMOND SHORTAGE-REP. CRISIS • MORE TURNOVER IN EMPLOYEES • BAD IMAGE RAISING PRICES?

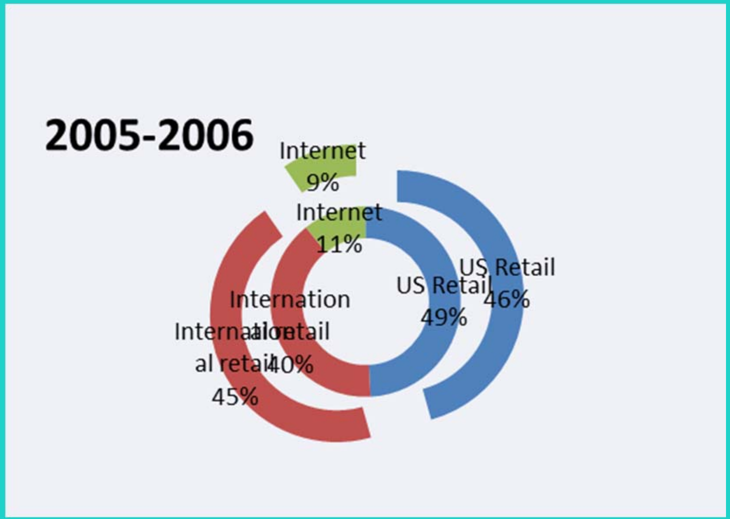
ANALYSIS (II)



- Our sales are growing are a good pace….
- But yet we can guess some problems

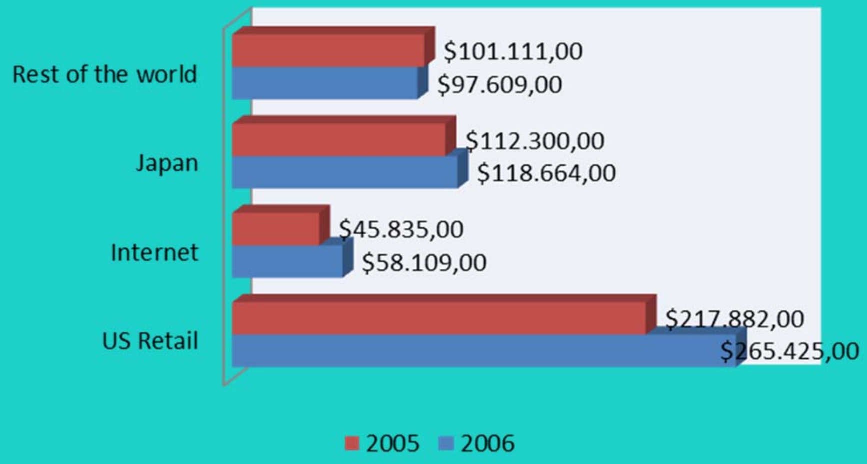
ANALYSIS (II)





- Our gross profit is lowering
- We obtain 50% of our sales in the US.
- So..Is Expansion really working?

ANALYSIS (II)



Rest of the world
$101.111,00
$97.609,00
Japan
$112.300,00
$118.664,00
Internet
$45.835,00
$58.109,00
US Retail
$217.882,00
$265.425,00
2005
2006

EARNINGS BY STORE
4500
4000
3500
3000
2500
2000
1500
1000
USA
INTERNATIONAL RETAIL

Japenese Retael Sales
30,00%
32,00%
9,00%
21,00%
US Retail
31,00%
14,00%
9,00%
31,00%
0%
20%
40%
60%
80%
100%
Nonegagement gemstone
Diamond rings and wedding
Nongemstone jewerly
Nongemstone sterling silver

ANALYSIS (II)

- Conclusions of Quantitative Analisis:
  - Our Expansion is not working as we wish
    - Markets are very differents due to cultural reasons (mix of products)
    - Our US Stores are much more profitable than the ones overseas. (39% percent of the stores obtain 51% of the revenues).
    - Our Expansion is, in best case, expensive and is hurting us in costs
    - Being an american brand is a plus in the US. Outside may be it is not so much
    - May be there are other markets that we haven´t reached that are interesting.
  - Our Gross margin is being spoiled.
    - ¿vertical integration?
  - Internet and direct sales are our most profitable stores.

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ALTERNATIVES

- OPEN STORES AT A FASTER PACE
  - Pros:
    - We would reach more customers
    - More presence in the world (image)
    - Increase in sales
  - Cons
    - \- We have seen that markets are differents
    - \- Our margins will probably suffer
    - \- The need for investments will probably be huge
    - \- The trend (even in this market) is to buy online
    - \- Against our corporate Culture (50% current employees in new stores)

ALTERNATIVES

- LICENSING OUR BRAND TO AN ITALIAN MANUFACTURER
  - Pros:
    - More sales without investment
    - No inmediate Risk (financial)
    - No direct competitor (different products)
    - New markets
  - Cons
    - - We may destroy a brand that took almost 200 years to build
    - - It is against our corporate culture “We are a products company, not a brand to be licensed”
    - - We lose control over product
    - - We lose vertical integration, another part of our culture
    - - It is not our business

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PROPOSED SOLUTION

1. Invest money on the internet.
   1. - With an small investment you obtain margins of 60%
   2. - You reach the whole world at once.
   3. - The growth of internet is supposed to be exponential (2007)
   4. - No need of huge investment in stores
   5. - Very easy to change your offer depending the countries and culture
   6. - You sell an “aspiration good”. Many people can not buy yo due to geographical reasons
2. Focus on USA
   1. - It is your most profitable market
   2. - It is where your brand is more valuable
   3. - Open new strategic stores to even improve brand
   4. - It is the market that you know better
3. New emerging markets:
   1. - China, Indonesia, Dubai, Saudi Arabia, etc..Priority
   2. - It will help us diversify and protect in case of a crisis in Eur
   3. - But first you have to study those markets very carefully in terms of brand and product

Proposed solution (II)

1. Mantain your corporate culture-Do not license
    1. - It is a value
    2. - In your business, not controlling a product with your brand is a huge risk
2. Stop opening stores at Europe and Japan until you fully understand those markets and adapt your offer to them.
3. Keep investing in employees, but most of it in their training.

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IMPLEMENTATION

1. Invest money on the internet.
   1. - The new website, more friendly user, etc…3-5 months operating. Before, you shold advertise it on TV, with an exclusive image "Now what you have been expecting"
2. Focus on USA
   - New marketing report with a proposal of openings: 3 months
   - Approved by the board: 2 months
   - Buying and reforming stores: 1 year
   - At the same time: Training employees:
   - Total 1 year 5 months
3. New emerging markets:
   1. - Marketing report choosing countries and cities: 6 months
   2. - Ok of the board: 3 months
   3. - Buying and reforming stores: 2 years
   4. - Total time: 3 years

IMPLEMENTATION (II)

1. Mantain your corporate culture-Do not license
   1. - Now
2. Stop opening stores at Europe and Japan until you fully understand those markets and adapt your offer to them.
   1. - Marketing report of those markets: 5 months
   2. - Proposal of new product mix/ close stores, etc.. 2 months
   3. - Implementation of proposals: 3 months
3. Keep investing in employees, but most of it in their training.
   1. - Now

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CONTINGENCY PLAN(II)

If we see that these measures don´t improve the company

1. Be patient.
   1. Don´t make decisions because of the figures of 2-3 months.
   2. This change is important and it will take time
   3. As you can see some of the proposals need 3 years to be implemented
2. If this proposals fail or there is a huge crisis….Focus on your core business and market: US. It is where your brand is most valuable and It is where you have your best margin.
3. Focus on the internet and abandon emerging countries (only in case of huge crisis there!!!)

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