JewelLink

MANAGERS MEETING · PRICING & INVENTORY

Setting Margins

The Pricing Strategy Behind Profitable Jewelry Retail

What luxury and large-format retailers know about inventory — and where jewelry has been missing it.

START WITH THE CONCEPT

Margins Are the Profit

Margins represent the profit the business is built to earn. You'd never intentionally set a negative one — even a loss leader exists to drive traffic toward profit at year-end.

Before the tactics, define exactly what you're trying to do. A sound concept is what makes a plan work.

FIX THE CONCEPT, NOT THE SYMPTOM

A golfer kept missing right, so he aimed his feet further left. But the feet don't send the ball — the club face does. He was treating the symptom, not the cause.

Pricing is the same. Get the underlying concept right and the numbers follow.

THE REFRAME

Think Return on Inventory

Stop asking “what's the perfect markup?” Large and luxury retailers judge inventory by the return it earns as an asset — the money they expect to make from the space it occupies.

Margin and turn aren't the goal. They're inputs to one number: return on inventory.

THE OLD LENS

Judge inventory on markup and turn in isolation — “what should I mark this up?”

THE LUXURY LENS

Judge inventory on return as an asset — “what will this earn me in this space?”

THE NUMBERS

Turn Is Part of Your Return

Say the goal is to net 30% on a line that carries a 50% margin. What you actually take home depends on how fast it turns.

50% margin × **1.0 turn**

Turns once a year

50%

50% margin × **0.7 turn**

Turns slower — aging eats the rest

30%

THE TAKEAWAY

Turn is a portion of your return. Non-producing, aging inventory quietly consumes the margin you thought you had.

Illustrative example — plug in your own line's numbers.

THE IMPLICATION

Most Jewelers Should Raise Margins

The typical jewelry store turns inventory slowly and manages it loosely — so returns drift lower and lower. And here's the trap: the slower it turns, the higher your margins must be to stay profitable.

You're constantly replacing stock — much of it non-producing. Higher margins are what fund that reality.

THE SLOW-TURN SPIRAL

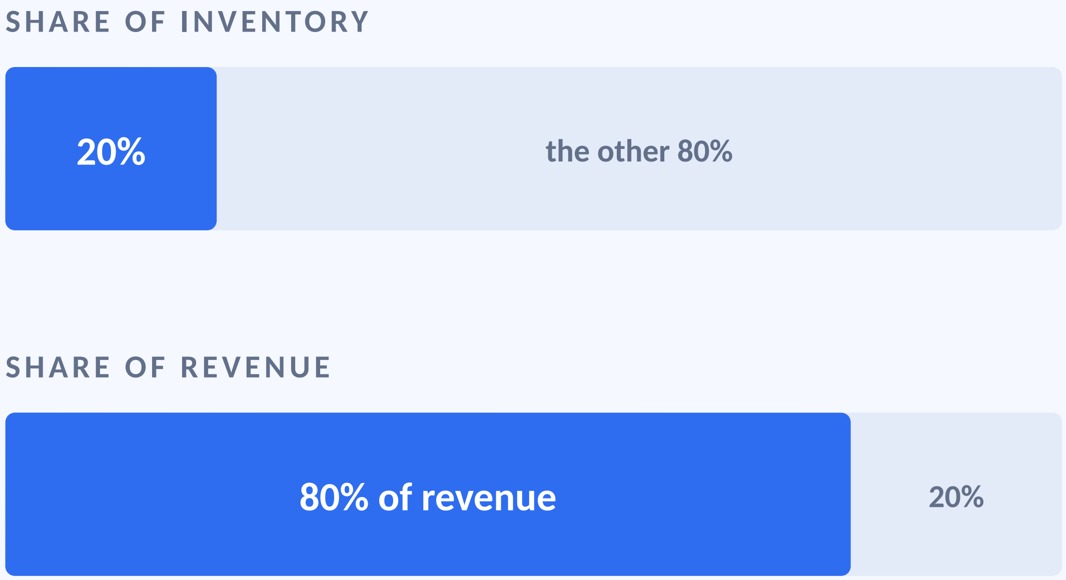
1. Inventory turns slowly
2. Return on inventory falls
3. Aged stock piles up and must be replaced
4. Margins must rise to keep the business profitable

◆ HOW INVENTORY REALLY BEHAVES

20% Drives 80%

Luxury retailers know a small slice of inventory does almost all the work — and they price for it. They accept heavy non-producing stock, and their margins reflect how the whole assortment performs.

Set margins for how inventory performs — then deal with the non-performers deliberately.



That top 20% of inventory produces ~80% of the revenue.

CUSTOMER PATHWAY

One Store, Many Margins

You already know it intuitively: you don't price a loose diamond like a one-of-a-kind estate piece. Demand and competitiveness decide the return you can hold.

COMPETITIVE / TRAFFIC DRIVERS

- Shoppable, comparable, price-transparent
- Priced fairly to win the customer
- Tighter margins by necessity
- How you acquire new buyers

UNIQUE / ONE-OF-A-KIND

- Nothing comparable to shop against
- You largely set the price
- Highest margins live here
- Where the real money is made

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A CONCRETE EXAMPLE

Loose Diamonds vs. Mountings

The clearest illustration of pricing to competitiveness sits in your own case.

LOOSE DIAMONDS

LOWER MARGIN

A shopper can pull up a GIA-graded 1.4ct and compare prices in seconds. Get too far off the board and you lose their trust — so these stay fair and competitive.

MOUNTINGS & UNIQUE PIECES

HIGHER MARGIN

There's nothing directly comparable to shop against. You can set the price you want — this is where margin, and profit, are built.

PRICE TO THE JOURNEY

Fair Up Front, Margin on the Back End

Win the first, competitive purchase on fair pricing — then earn your margin as the relationship deepens into unique, higher-value pieces.

FAIR MARGIN

Entry & Competitive

Traffic drivers, first purchases

MODERATE MARGIN

Repeat & Trust

They come back for you

HIGHEST MARGIN

Unique & One-of-a-Kind

Pieces only you have

MARGIN RISES ALONG THE JOURNEY →

WHERE THE MONEY IS

Great Buyers Bet on Unique

Buy ten unique pieces and more of them will age than if you bought fast sellers — but the margin on each is far higher. That trade is exactly where the profit lives.

The most profitable retailers aren't the best at churning fast sellers — they're the best at buying and selling the unique.

THE LOUIS VUITTON LESSON

Luxury houses make their money by picking great new styles — placing bets on high-payout pieces — not by perfectly managing commodity stock.

Higher aging risk, far higher reward. Skilled buying is the edge.

TWO PHILOSOPHIES

Just-in-Time vs. Luxury Buying

Most jewelers unknowingly run on just-in-time principles — when the business is actually a luxury-buying game.

JUST-IN-TIME (THE TRAP)

- One-to-one margins, tightly controlled
- Sell, sell, sell what's on hand
- Discount hard to clear aged stock
- Erodes brand and price integrity

LUXURY BUYING (THE GOAL)

- Place bets on high-payout pieces
- Accept and plan for aging
- Move age without gutting price
- Protects brand and long-term margin

Just-in-time works when you make money on financing and volume — not on independent jewelry margins.

◆ DEALING WITH AGE

Move It Without Discounting

Every store accumulates aged pieces. How you clear them decides whether your brand survives the process.

DISCOUNTING

BRAND DAMAGE

- Trains customers to wait for markdowns
- Erodes price integrity across the store
- Often forces off-site or online dumping

HIGH COMMISSIONS

BRAND INTACT

- Pay 20% commission instead of a 20–50% cut
- Your associates hustle to move it
- Fastest way out — with margin preserved

MAKE IT YOURS

Find Your Own Margins

There's no universal markup. Map your customer pathways, then taper margins up along them.

- **Traffic drivers** — What actually brings new people in?
- **The big experiences** — Big diamonds in the case? What creates the “wow”?
- **New vs. existing** — What do new buyers purchase vs. your regulars?
- **What's next** — After the first sale, what do you sell them next?

YOUR POS WON'T SHOW YOU THIS

Most point-of-sale systems can't surface customer pathways easily. That's the gap AccountRetail — JewelLink's inventory & analytics system — is built to close, showing what new vs. existing customers buy and where to taper margins up.

Taper margins up, and up, along the path.

SPECIALIZE THE MIX

Branded vs. Non-Branded

Brands earn their place — but know what they do to your margins, and where your real profit hides.

WHAT BRANDS GIVE YOU

- Stock-balancing plans
- Traffic driving
- Built-in brand recognition
- But: sold in hundreds of stores → competitive, trendy, fast — they pull your margins down

WHERE MARGIN LIVES

- Non-branded fashion that isn't easily shoppable
- One-of-a-kind pieces carry the most weight
- Less price transparency, more pricing freedom
- Balance the mix with asset vs. memo

IN SUMMARY

The Margin Playbook

Judge return on inventory

Not markup or turn alone — the money the asset earns in its space.

Turn is part of return

Slow-moving stock eats margin, so slower lines need higher margins.

Price to competitiveness

Fair on shoppable items; set your price on the unique.

Bet on unique pieces

Accept the aging risk — the higher margin is where profit lives.

Move age with commissions

Pay to move it, don't discount it and damage the brand.

Mind branded vs. non-branded

Brands drive traffic but lower margin; non-branded holds it.

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Set Margins With the Data to Back Them

Return on inventory, customer pathways, and margin tapering — the numbers your POS won't surface. That's what we build.

- Return-on-inventory analytics
- Customer pathway insights
- Margin & pricing tools
- Aging & stock reporting
- Clienteling & CRM
- Onboarding & training