

SIGNET

Investor Day

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**Right Product,
at the Right Place,
at the Right Time**

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Diamonds are Rare, Eternal and a Symbol of Love

- ⇒ Each diamond is different
- ⇒ Even if the 4C's: cut, clarity, color, carat weight are identical, each diamond will exhibit different features
- ⇒ The cut, polish, symmetry are subtle features that will provide the difference between a good diamond and a great diamond

Merchandising Department's Mission

- ⇒ Right product, right place, right time
 - ⇒ provide consumers with true discernible benefits
 - ⇒ provide competitive advantages to the field staff
 - ⇒ provide consistent quality = confidence & trust by the consumer
 - ⇒ provide superior value to the consumer

Merchandising Department

Three Distinct Sections:

- ⇒ Merchandising - Responsible for product sourcing
 - ⇒ due to demographic differences, separate buying groups for the Mall and Jared stores
 - ⇒ Manufacturing Department
- ⇒ Loose Diamonds - Responsible for sourcing loose diamonds for the diamond wallets as well as for assembled product
- ⇒ IMPACT - Responsible for Inventory Management, Planning, Analysis and Control

Product Selection

- ⇒ Buyers' responsibility to select
- ⇒ Concepts and initiatives from:
 - ⇒ trade shows
 - ⇒ De Beers
 - ⇒ World Gold Council
 - ⇒ manufacturers and distributors

GMROI Focused

- ⇒ Utilize “Pull” merchandise methodology
 - ⇒ jewelry category experiences slow change in fashion
 - ⇒ test and run every product/program
 - ⇒ merchandising of stores reflects local demographic and regional variations
 - ⇒ maximizes sales, minimizes mistakes
- ⇒ Develop products with features and benefits
 - ⇒ price / quality
 - ⇒ subtle features

Superior Sourcing

- ⇒ Product sourced via three different disciplines:
 - ⇒ Complete
 - ⇒ Assembled via Cast/Contract methodology
 - ⇒ Direct sourcing

- ⇒ Appropriate sourcing depends on expertise of:
 - ⇒ Manufacturing Department
 - ⇒ Loose Diamond Department

Manufacturing Department

- ⇒ Every item / sku has a “BOM” line sheet that provides a complete component breakdown:
 - ⇒ metal cost
 - ⇒ mounting weight and cost
 - ⇒ casting and finishing labor costs
 - ⇒ diamond/gemstone content and corresponding costs
- ⇒ Benefits of Manufacturing Department:
 - ⇒ stay abreast of manufacturing process enhancements
 - ⇒ negotiates low component and labor costs ensuring consistency across all products

Loose Diamond Department

- ⇒ Loose diamond requirement specified by Manufacturing Department and IMPACT
- ⇒ Buyers direct source from the world's major markets
- ⇒ Diamonds sorted and shipped to manufacturers
- ⇒ Finished product quality checked
- ⇒ Benefit passed directly to the stores
 - ⇒ superior value
 - ⇒ more consistent quality
 - ⇒ sales staff can sell with confidence

Complete Sourcing

- ⇒ Purchased from distributors in the US
- ⇒ WHEN to buy Complete
 - ⇒ minimal sales history
 - ⇒ more fashionable product with inconsistent sales pattern
- ⇒ WHY to buy Complete
 - ⇒ negotiate consignment to minimize risk
 - ⇒ negotiate return or exchange privileges as exit strategy if sales do not meet projection
 - ⇒ negotiate vendor shelf stock to quickly replenish stock if sales exceed projections

Assemble via Cast / Contract

- ⇒ Diamonds supplied by Signet to the manufacturer

- ⇒ **WHEN to Assemble via Cast / Contract**
 - ⇒ core product with consistent sales history/pattern
 - ⇒ larger diamonds are the major factor in total product cost

- ⇒ **WHY to Assemble via Cast / Contract**
 - ⇒ minimal risk of purchasing too little or too much due to consistent sales history/pattern
 - ⇒ maximizes cost savings on larger diamond sizes and labor
 - ⇒ maximizes quality benefits of direct sourcing due to larger diamond sizes utilized

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Direct Sourced

- ⇒ Direct from the manufacturer, usually overseas
- ⇒ WHEN to buy Direct Sourced
 - ⇒ product “tried and true”
 - ⇒ consistent sales pattern
 - ⇒ labor component major factor in total product cost
- ⇒ WHY to Direct Source
 - ⇒ reduce item cost by direct sourcing product from country with lower labor costs
 - ⇒ minimal risk of purchasing too little or too much due to “tried and true” nature of product

Industry Leading Sourcing

⇒ Benefits of sophisticated sourcing:

- ⇒ provide consumers with true discernible benefits
- ⇒ consistency of quality
- ⇒ competitive advantages to the field staff
- ⇒ higher gross margin

⇒ Low cost sourcing built on:

- ⇒ expertise of diamond sourcing
- ⇒ detailed understanding of manufacturing
- ⇒ systems to manage processes
- ⇒ size to benefit
- ⇒ infrastructure to support these procedures

IMPACT

⇒ Category Management Team (“CMT”):

⇒ Buyer

- responsible for product sourcing

⇒ Inventory Analyst

- identify trends at the department, class and sku level via attribute clusters
- responsible for business analysis, sales forecasting and allocation of product store by store

⇒ Inventory Planner

- also works hand and hand with buyer and analyst
- responsible for controlling open-to-buy and receipt flow
- responsible for monitoring gross margin and inventory productivity

Test Before We Invest

⇒ Leo Diamond example

- ⇒ 2000 evaluated and negotiated exclusive distribution
- ⇒ 2000 tested in selected Jareds
- ⇒ 2001 in all Jareds and 300 mall stores
- ⇒ 2002 in all stores and styles expanded
- ⇒ 2003 expanded range of cuts
- ⇒ 2004 expanded availability of merchandise and introduction of Leo Artisan range in Jared

Ideal Partner for Branding

- ⇒ Commitment to testing and development of merchandising programs
- ⇒ Ability to provide marketing support
- ⇒ Critical mass
- ⇒ Established supplier relationships
- ⇒ Track record of success

Superior Merchandising

- ⇒ Culture of delivering superior value to the customer
- ⇒ Expertise of our people
- ⇒ Tried and tested systems and procedures
- ⇒ Excellence in execution
- ⇒ Continuous improvement