

US competitive strengths

Competitive strengths	
Store operations and human resources	<p>The ability of the sales associate to explain the value proposition is essential to most jewellery purchases.</p> <ul style="list-style-type: none"> Centrally prepared training schedules and materials used by all stores All store managers are trained diamontologists About 5,300 trained diamontologists in total Clear, measurable daily store standards Each store receives a monthly customer experience report
Merchandising	<p>Consumer offered superior value and selection</p> <ul style="list-style-type: none"> Leading supply chain capability among middle market speciality jewelers Each store merchandised on an individual basis Highly responsive demand-driven merchandise systems 24 hour resupply capability
Marketing	<p>Leading brands in middle market sector</p> <ul style="list-style-type: none"> Largest speciality jewellery retailing marketing budget in US Ability to achieve leverage through national television advertising Marketing database of over 25 million names
Real estate	<p>Well designed stores located in primary locations with high visibility and traffic flows</p> <ul style="list-style-type: none"> Strict real estate criteria consistently applied over time Well tested formats and locations Attractive tenant for landlords due to high store productivity
Credit operations	<p>Ability to facilitate customer transactions</p> <ul style="list-style-type: none"> About 50% of sales utilise in-house credit Dedicated, proprietary scoring cards Manage credit in context of our business

Initiatives during 2007/08

- Completed roll-out of enhanced training procedures
- Improvements to repair service
- Further enhancements to store staff recruitment processes
- Continued improvement of in-store execution

- Continued to develop sourcing from rough diamond initiative
- Evolution of 'Journey' assortment
- Further designs added to Leo Diamond range
- Development of Peerless Diamond range in Jared
- Launch of Hearts Desire assortment in Jared
- Expansion of Le Vian range to all mall brands

- Further growth in Kay television impressions
- Jared advertising on national network television
- Enhancement of the Kay website
- Increased support for branded merchandise

- Net space increase of 10%
- 40 Kay off-mall openings
- Continued testing of Kay in outlet centres
- 19 Jared openings
- About 80% of new space in off-mall locations

- Additional resources invested in collection procedures

Initiatives planned for 2008/09

- Development of a new training programme for the Leo Diamond
- Improvements to off-site store staff training programmes and training programmes for future district managers
- Enhancements to in-store procedures

- Realign prices to reflect commodity cost increases
- Significantly increased proportion of merchandise sourced through rough diamond initiative
- Further development of exclusive brands
- Introduction of additional Le Vian ranges
- Increase distribution capacity

- Continue support of Kay brand
- Increase in Jared TV impressions
- Commencement of national radio advertising for Jared
- Further development of Kay e-commerce capabilities
- Enable Jared website for e-commerce
- Raise level of promotional activity

- Net new store space growth of about 5% planned
- 100th off-mall Kay to be opened
- 17 Jared openings expected
- All planned net new space in off-mall locations

- Improved information technology and systems support for credit collection