

# PANDÖRA



**SKDM**  
CONSULTING



## EXECUTIVE SUMMARY

The success of current strategies has provided scope for some bold ideas and revenue-driving initiatives. Identifying current pain points & push for higher relevance in the Gen Z segments which account for 60% of the future market.

PANDORA

Situation

**01** Gen Z and millennials account to over 60% of the addressable Luxury goods market by 2025

**02** Pandora currently operates 2616 concept stores and aims 1-2% p.a network expansion with major focus on the US and China markets

**03** Firm plans to expand its manufacturing capacity by around 60% or 80 million pieces annually

Objective

What initiatives can Pandora take in order to support their Phoenix strategy and short term goals of 5-7% revenue growth in the next couple of years?

**PANDORA**  
seasons

Pandora seasons is platform for renting jewellery for special occasions

**PANDORA**  
health

Pandora health is a series of bracelets which will track your body vitals...

Branding  
Marketing Strategies

Impact

**52.2%**

Increase in User base by  
2025

**8.3%**

Increase in Revenues by  
2023

**50.71%**

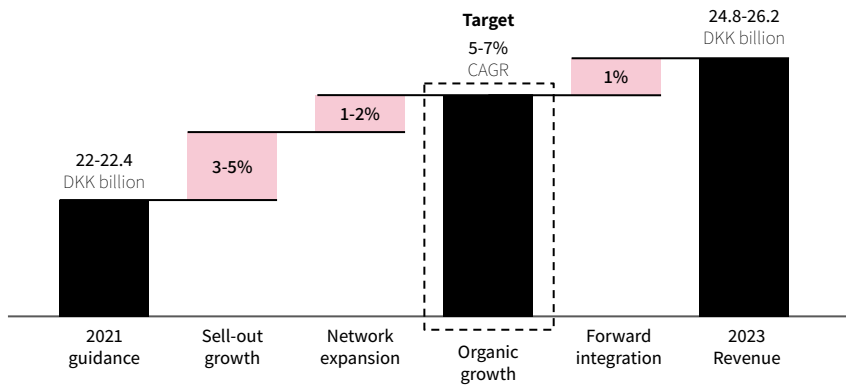
Increase in Revenues by  
2025

## COMPANY OVERVIEW

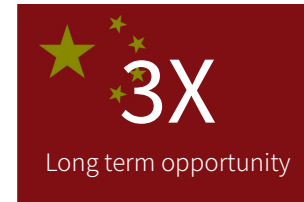
Pandora has built its legacy as the world's largest affordable jewellery brand. The rebranding and organizational shift in the last few years have done well to regain the growth momentum.

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### Revenue growth unpacked....



### Target market....



2.0 billion  
Revenue

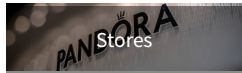
680 billion  
Market size



4.7 billion  
Revenue

485 billion  
Market size

### Phoenix strategy leveraging core assets....



**Stores: 40-50%**  
Backlog of refurbishment after COVID-19; Network expansion



**Productions: 20-30%**  
Capacity expansion; Risk diversification



**Digital IT: 30-40%**  
Digital growth opportunities ERP

### Problems and pain points....

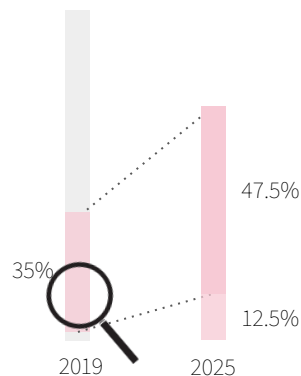
- Falling interest levels of Gen Z and millennials population along with low brand awareness in geographies in China and other lucrative markets.
- Liquidity in ownership of jewellery is low, and mere 20% market share in the affordable category is of branded jewellery.

## PAIN POINTS AND FOCUS AREAS

With the company's analysis and targets already defined, innovations are created only after diagnosing the target user segments and then drilling deeper to identify their pain points and scope of opportunities.

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### Luxury goods market by generation



Millennials and Gen-Z are the next **60%** of the market  
Given targets, our strategies primarily focus on millennial market segment.

### Pain points & opportunities

○ Untapped spaces and market segments

○ Low product relevance for millennials

○ Low brand awareness for certain regions

### Proposed strategies

#### Rental business of **pandora jewellery**

**77%** of millennial respondents indicate that they either rent, or would rent for a formal event

#### Product blend of **jewellery and fitness**

**28%** of millennials reported fitness and healthcare are their top greatest concern.

Increased flexibility and choices to expand knowledge base outside discipline curriculum

#### Gender neutral branding for same product line

**48%** millennials value brands that don't classify items as male or female

#### Community events like **jewellery design fest**

**63M** potential increase in unaided brand awareness in China alone.

Special focus on creativity, reasoning, logical aptitude and so on.

## Solution 1 - PANDORA SEASONS

A delegated platform for renting in and renting out jewellery for special occasions. This platform opens scope for an entirely new value chain and business segment for more affordable and more liquid jewellery market.

PANDORA

PANDORA  
seasons

While a piece of jewellery is forever, its use remains largely occasional. Pandora seasons is the delegated platform for privileged members of the Pandora Club to wear jewellery for special occasions, without actually buying it.



Selecting items from wide range of Pandora Seasons™ collection either through the app/concept stores.



Home delivery/ Store pickup arranged with minimum lead time to ensure you are ready for your next party.



- Relish high-end jewellery without requiring ownership.
- Adorn diverse ranges, and pick occasion-based jewels.
- Elite embellishment with just a nominal subscription fee.

Charges on pro rata basis

Pandora seasons™ exclusive program for customers to earn royalty on the items which otherwise would be sitting in your closet. Pro rata renting of owned Pandora seasons™ jewellery with direct control over scheduling. Pandora certified technicians repair before and after use to ensure safety of the product.

Seasons will allow users to jump from one trend to another without ripping their pockets.. Personalizing their ever changing needs will in turn become long term prospects.

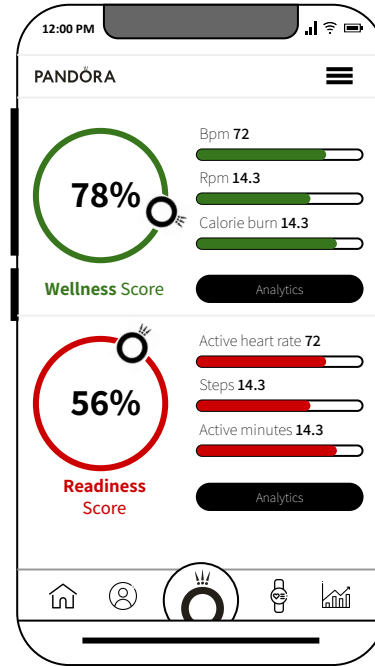
## Solution 2 - PANDORA HEALTH

Introducing Pandora Health, a series of bracelets which can be worn while working out, meditation or yoga to track the users body vitals. Users can the analyze their data and take actions along with having a style appeal of jewellery...

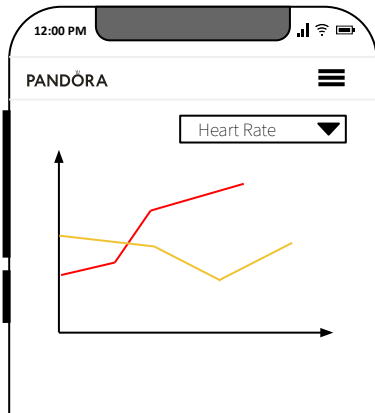
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- Given the phoenix strategy of Pandora, and primary focus is to acquire the Gen Z and millennials, We have to pick up something in which they are highly involved.
- Users can track and analyze their body vitals such as heart rate, pulses, calories burned, steps taken...

The product will first be launched in some geographies where Pandora has the largest number consumers in the Gen Z and millennials category.



Gen Z is highly active when it comes to health. If there's a way to **amalgamate health and jewellery**, Pandora should do it to acquire this consumer base. We are proposing a fitness bracelet...



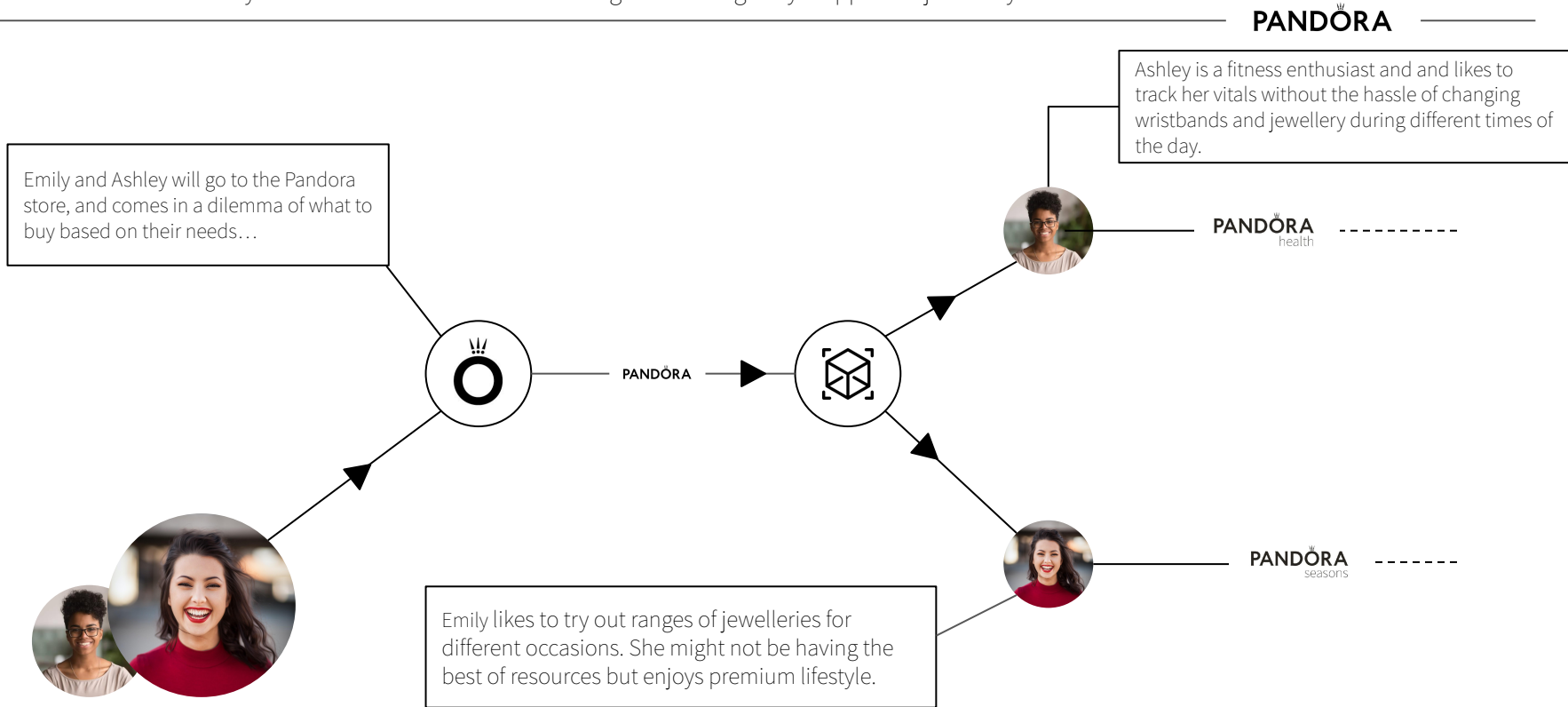
PANDORA  
health

Technology used

The bracelet will be integrated with the app which will have the data of all the vitals. The technology used involve green **LED lights paired with light sensitive photodiodes to detect the amount of blood** flowing through the users' wrist at any moment.

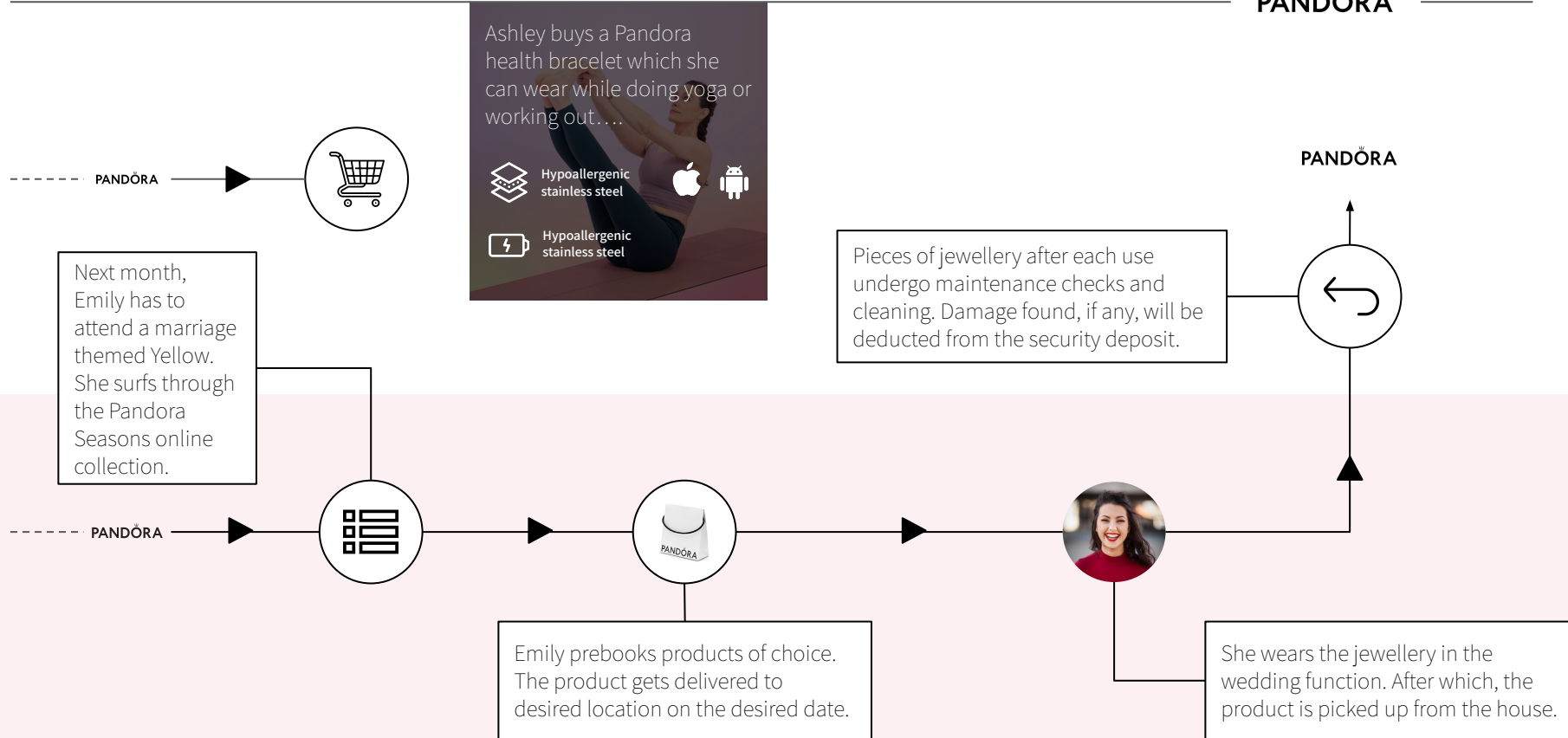
## USER JOURNEY (1)

Introducing Pandora Health, a series of bracelets which can be worn while working out or yoga to track the users body vitals. Users can the analyze their data and take actions along with having a style appeal of jewellery...



## USER JOURNEY continued...

Introducing Pandora Health, a series of bracelets which can be worn while working out or yoga to track the users body vitals. Users can the analyze their data and take actions along with having a style appeal of jewellery...

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## MARKETING STRATEGIES (1)

Rebranding the entire current product line to align with the unisex concept; taking the trends in Asia into account, we propose a new branding strategy to promote and leverage gender neutrality.

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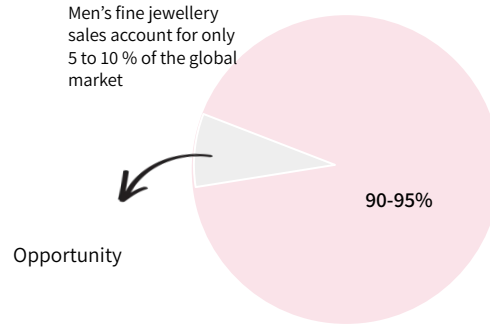
“Borders around femininity and masculinity are very fluid right now. We’ve especially noticed this in Asia, where men have a very different relationship to jewellery, and precious jewellery - Céline Assimon Chief Executive, De Beers Jewellers

### Background:



Men's fine jewellery sales account for only 5 to 10 percent of the global market and wedding bands continue to comprise the majority of sales.

McKinsey & Co



Male consumers represent an opportunity for brands to capture share in a relatively uncrowded market driven by increasingly genderless aesthetics and high-profile celebrity influencers, particularly in Asia.

### Proposed Strategy:

Rebranding the present product lines to align with gender neutrality as a concept to attract an extremely good opportunity pool in the Asian, specifically in the Chinese markets.



Reference:

<https://www.mckinsey.com/~media/mckinsey/industries/retail/our%20insights/state%20of%20fashion%20watches%20and%20jewellery/state-of-fashion-watches-and-jewellery.pdf>

## MARKETING STRATEGIES (2)

To ensure a rise in unaided brand awareness in regions like China, gamified self-promoting design competitions providing local niche publicity across all locally used platforms.

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Announcement of Jewelry Design Competition

Each participant can create a piece of jewelry on the Pandora Me platform

The designs would be available to the public for voting

Designer will be encouraged to share their design across personal social networks

Best voted design to feature on our website & magazine; rewards to best designers

Limited edition sales or drop marketing of best designs opens for public

### Build me fest



Pre-order option along with upvote



Limited edition sales to steer volume as GenZ tend to 'buy products on the go', especially in the Chinese market

Way to enter the market

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Hype created around design competitions result in increased publicity & outreach



Designers put sincere personal efforts into marketing

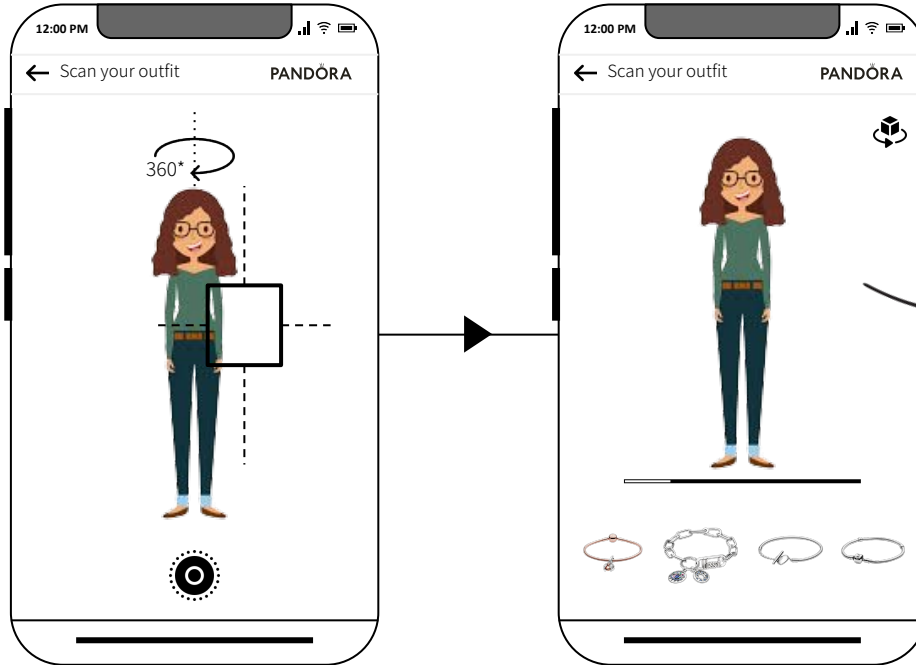


Promotion across local media and platforms at personal level, which is essential for an unorthodox market like China.

## MARKETING STRATEGIES (3)

Using AI based algorithm to suggest range of best fit jewellery for any uploaded outfit, background and any other physical appearance.

PANDORA



Based on the outfit, the user can scan the outfit and the suggestion algorithm will suggest some jewellery which will suit the outfit.

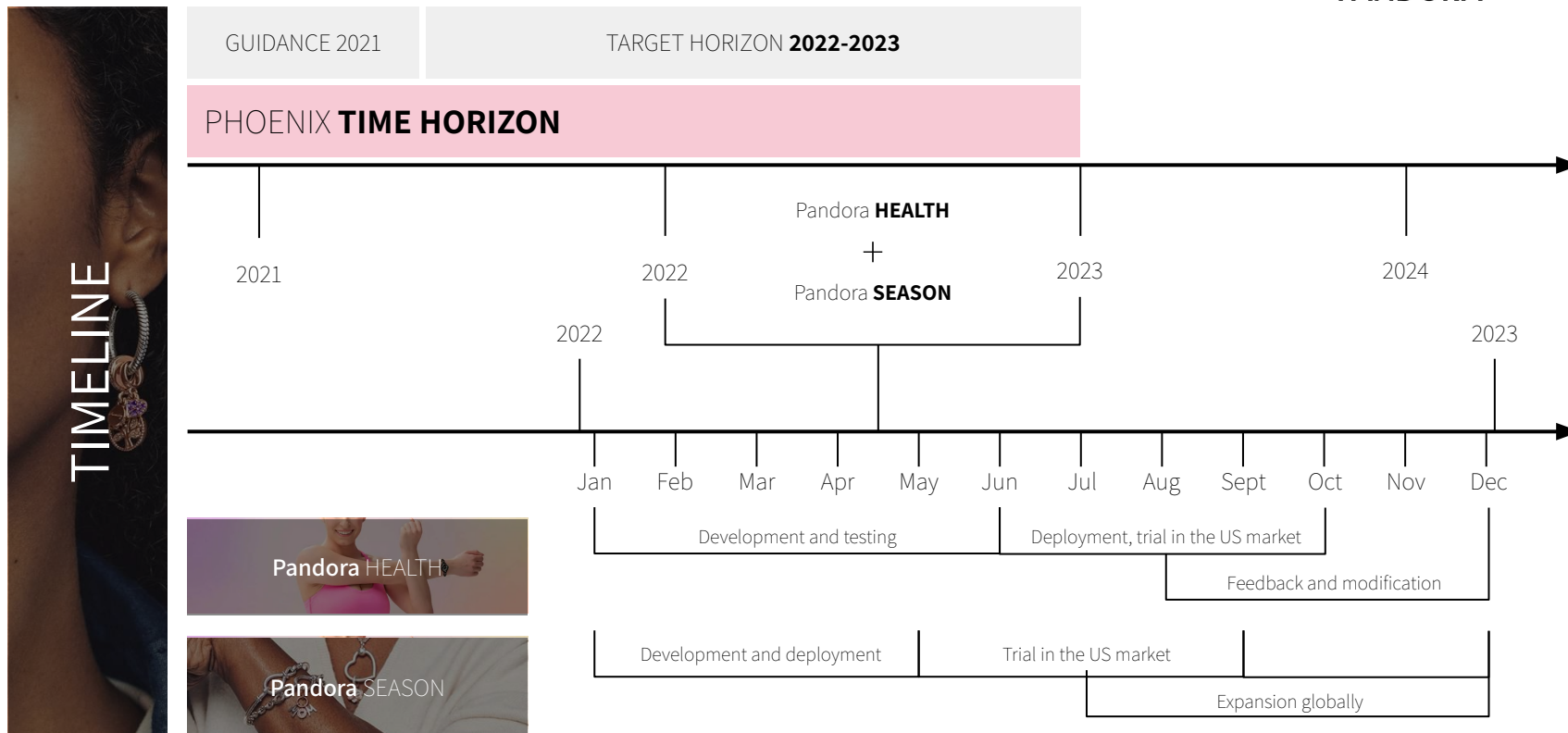
Pandora's advanced image processing algorithm which uses AI and ML to predict the percentage of suitability of a particular jewelry based on various data points.

- This feature on Endless Aisles will help elevate the consumer experience of concept stores.
- This feature will also be available in the Pandora Seasons vertical.

## ELABORATE TIMELINE

Implementation timeline to assure target revenue and client base growth in line with the timeline of targets set aligning with the Phoenix Strategy.



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## IMPACT ASSESSMENT

Framework and metrics to measure overall impact and gauging influence of the proposed solutions to the four pillars of the Phoenix Strategy.

### PANDORA

Product	Description	Financial Impact	Success Metric	Product notes
<b>PANDORA</b> seasons 	Utility: ☆☆☆ CTC ☆☆☆ Ease of Implementation: ☆☆ User Experience: ☆☆☆☆ <div>3 ☆☆☆</div>	<b>116%</b> Revenue growth  <b>36%</b> Net Income growth  <b>9.7% ^</b> Inventory	○ # subscriptions per YoY ○ Inventory turnaround	<p><b>Design:</b> An entirely new idea to meet the needs of modern generation, with an unexplored value proposition without disrupting or cannibalising any existing platforms.</p> <p><b>Brand:</b> Increasing the awareness of the brand by decreasing the barrier to entry to democratize the affordable jewellery market.</p> <p><b>Core Markets:</b> Penetrating the \$300B market from both the sides, catering the need of the major chunk.</p> <p><b>Personalisation:</b> Seasons will allow users to jump from one trend to another without ripping their pockets.. Personalizing their ever changing needs will in turn become long term prospects.</p>
<b>PANDORA</b> health  <div>    </div>	Utility: ☆☆☆☆ CTC ☆☆ Ease of Implementation: ☆☆☆ User Experience: ☆☆☆☆☆ <div>3.5 ☆☆☆☆</div>	<b>30.8%</b> Revenue growth  <b>23.28%</b> Net Income growth  <b>43.48% ^</b> Conversion of the existing Pandora user base	○ # units sold ○ MAU	<p><b>Design:</b> New product design focussed towards the athleisure nature of the wearables enabling it to be used as a productivity tool while still boasting a status quo.</p> <p><b>Brand:</b> This will shape a new perspective in the jewelry industry and increase the scope of their offerings from just a novelty sitting in a closet to a performance tool, engaging with the consumers which lie in the intersection of these markets.</p> <p><b>Core markets:</b> Product designed to cater to the ever so growing the health and fitness industry which accounts for over \$60B in the US alone.</p> <p><b>Personalization:</b> Highly engaging design which can be worn to your gym as well as your colleagues birthday party!</p>

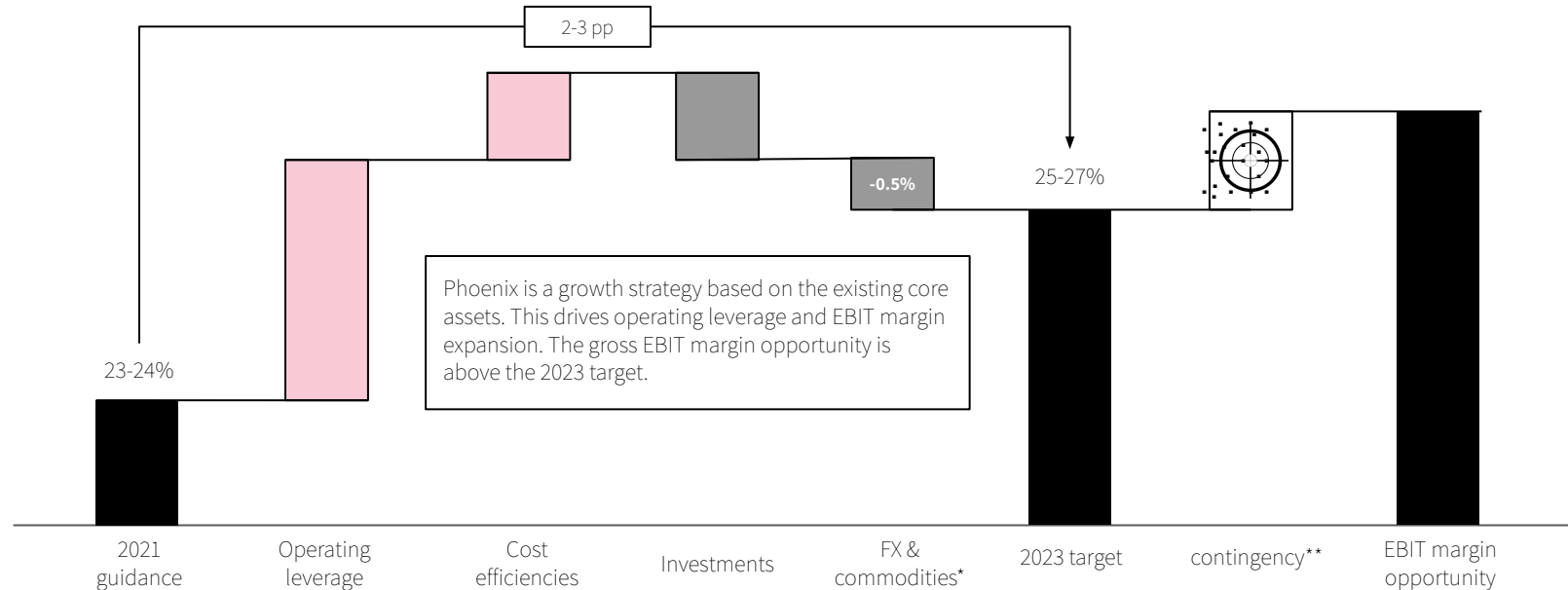
Reference: Self analysis, with the newly proposed solution of Pandora seasons and health.

## EBIT MARGIN

Moving to financial numbers, this slide focuses on current EBIT margins as seen from Phoenix strategy. Pandora's operating leverage has maximum potential to drive EBIT margin upwards.

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EBITDA margin expansion....



\*Denmark's central bank FX fixings and LBMA precious metal prices (Silver USD 24.0/Oz) pr. 1 September 2021. Net impact consists of +0.3pp from FX and -0.8pp from commodities.

\*\* Contingency is mainly related to the level of revenue growth and thereby operating leverage.

## FINANCIAL MODEL (1)

Forecasted Income Statement from the proposed product segment of Pandora HEALTH.

						PANDORA
In DKKm	2021	2022	2023	2024	2025	Source
<b>User base</b>	37.4	40.1	43.4	47.2	51.9	Case Information
% of customers using pandora health	-		15%	17%	18%	Statista & Market Sizing
Total pandora health customers	-	-	6.51	8.04	9.34	
Retail price of pandora health	-	-	795	842.7	893.2	
<b>Revenues</b>	-	-	5178.23	6775.75	8348.26	
COGS (10% on retail price)	-	13.79	517.82	677.57	834.82	
<b>Gross Profit</b>	-	-13.79	4660.41	6098.17	7513.41	
COGS Breakdown	-	13.79	783.49	846.21	908.74	
Raw material & OEM sourcing (40% of retail price)	-	-	318	337.08	357.30	
Design & development cost	-	13.79	15.30	16.52	17.86	
Product team (5 employees working with engineering team)	-	2.7	3.1	3.1	3.1	Glassdoor
Engineering team	-	11.09	12.19	13.41	14.76	
Software (10 engineers to build the platform)	-	4.95	5.44	5.99	6.58	Glassdoor
Hardware (10 engineers to build the device)	-	6.13	6.75	7.42	8.17	Glassdoor
Manufacturing costs	-	-	159	168.54	178.65	
20% of product retail price						Jungle Works
Warehouse & logistics	-	-	99.65	119.73	136.89	
No. of workers (10 for each region)	-	-	14	14	14	
Logistics cost	-	-	85.65	105.73	122.89	
Marketing & brand management	-	-	32.54	35.79	39.37	
Influencer & partnership fees						BusinessofApps Influencer Marketing
Taxes	-	-	1165.10	1524.54	1878.36	
<b>Net Income</b>	-	<b>-11.09</b>	<b>3495.30</b>	<b>4573.63</b>	<b>5635.08</b>	

Reference: Self analysis, based on the financial models made..

Link to excel model:



## FINANCIAL MODEL (2)

Forecasted Income Statement from the proposed product segment of Pandora SEASONS.

						PANDORA
In DKKm	2021	2022	2023	2024	2025	Source
<b>User base</b>	37.4	40.1	43.4	47.2	51.9	Case Information
<i>% of customers using pandora seasons</i>	-	0.5%	1%	2%	2.5%	Statista & Market Sizing
Retail price of pandora season subscription	-	1000	1000	1000	1000	
Pro rata pricing	-	12000-	12000	12000	12000	
<b>Revenues</b>	-	2606.57	5645.03	12297.28	16874.40	
COGS	-	-3251.86	2588.207	5809.42	8027.28	
<b>Gross Profit</b>	-	-645.28	3056.82	6487.83	8847.11	
COGS Breakdown	-	-3251.86	2588.20	5809.42	8027.28	
Logistics	-	481.21-	1042.16	2270.26	3115.27	
Repairs and maintenance	-	-601.51	1302.7	2837.83	3894.09	
Marketing and brand partnerships	-	-32.54	35.79	39.37	43.31	Glassdoor
Ramping up inventories	-	1780.49	172.95	551.62	812.16	Glassdoor
Charms	-	-36.09	42.07	134.17	197.55	Glassdoor
Bracelets	-	-50.52	58.89	187.85	276.57	
Earrings	-	30.07-	35.05	111.81	164.62	
Necklaces & pendants	-	-10.02	11.68	37.27	54.87	Jungle Works
Rings	-	-21.65	25.24	80.50	118.53	
Depreciation	-	-356.09	34.59	110.32	162.43	
PBT	-	-1001.39	3022.23	6377.52	8684.68	
Taxes	-	-	25%	25%	25%	BusinessofApps Influencer Marketing
<b>Net Income</b>	-	<b>-1001.39</b>	<b>2266.67</b>	<b>4783.14</b>	<b>6513.51</b>	

Reference: Self analysis, based on the financial models made..