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Birks: The sparkle of a cherished brand

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In 2012, Jean-Christophe Bédos became president and chief executive officer (CEO) of Birks Group Inc. (Birks), a renowned Canadian luxury retailer and jewellery company with a historical pedigree dating back to the 19th century. Having held positions as the president and CEO of Boucheron International, the president and managing director of Richemont & Cartier France, and the international executive director of Richemont International, Bédos arrived at Birks at a time when the brand’s appeal was waning and its positioning was unclear. The retail industry had undergone a significant decrease in traffic since the 2008 financial crisis, and with his strong track record in the luxury industry, Bédos knew that Birks had not spent much of the previous decade adapting to the new market realities. “The stores lack modernity [and] attractiveness,” he thought. “They don’t stimulate curiosity or appetite from the consumers.”

Thus, with visionary flair and a firm emphasis on branding, Bédos reinvigorated and modernized the business, editing its offerings, reimagining the store concept and format, and launching an in-house Birks jewellery line. Yet, with the company revitalized and posting profits since 2016, Bédos faced a new set of challenges. At the beginning of 2017, what were the best ways to grow Birks and optimize resources and effort? Where were the greatest opportunities for value creation? What should Birks focus on in the Canadian market, and what shape should its international expansion take? What role would e-commerce play? How far and in what directions should Birks extend its brand?

CHANGES IN The Luxury Jewellery Space

Market research showed that the fine jewellery industry had recovered from the 2008 crisis and ensuing recession and was building to a robust future.[[1]](#endnote-1) Although the financial crisis hit the fashion apparel industry harder than the jewellery market, cultural and economic changes had affected Birks in way that management could no longer ignore.

As Bédos recognized, millennial consumers differed from the preceding generations of luxury jewellery buyers, who had tended to follow a predictable path to purchase. Reports documented different paths for millennials, influenced by statistically higher marrying ages, increased use of digital technologies, online shopping, and a cultural thirst for experiences rather than material things.[[2]](#endnote-2) A greater sense of social responsibility and environmental concern also shifted the approaches to consumerism for both millennial customers and the companies catering to them.[[3]](#endnote-3) New demands arose for ethically sourced and sustainable jewellery. For a generation that valued authenticity, jewellery became another token of self-expression, with self-purchases growing alongside traditional practices of gifting jewellery.

E-commerce and digital communications further complicated the consumer landscape for millennials; many were “digital natives” who had grown up with unprecedented access to information.[[4]](#endnote-4) In the newly “wired” world, increased global offerings and greater price awareness led to heightened competition and a faster spreading of trends. However, there was still resistance to change within the luxury goods industry, as many major brands—including most of the high-end Swiss watch brands—refused to sell online. At the same time, several media sources and industry reports noted the recent emergence of e-commerce in the fine jewellery business.[[5]](#endnote-5) While consumers frequently used the Internet to research products, they did not necessarily buy online, which meant that brick-and-mortar stores were highly relevant (see Exhibit 1). Companies like Birks needed to ensure that they were among the first “hits” for potential buyers doing online searches.

The rise of global consumerism also sparked new developments, as a growing number of elite travellers made luxury purchases to commemorate their trips. The effects of this phenomenon cut both ways for the Canadian jewellery market, as luxury purchasers would come to the country for purchases, but domestic purchasers would often go abroad for luxury purchases or to invest in experiences rather than buying jewellery.[[6]](#endnote-6) In short, Birks’s environment had changed drastically since the company originated over a century ago.

Birks: COMPANY History

Birks had been ingrained in Canada’s history (and vice versa) since 1879, growing along with the country to become an iconic national brand. It began as the legacy of a prominent Canadian family. In 1879, Canadian businessman Henry Birks established a jewellery store in the financial hub of Montreal. Fourteen years later, the firm of Henry Birks and Sons was born when Birks partnered with his three sons.

As Montreal’s commercial centre gravitated northward to Saint Catherine Street, the Birks store relocated in 1894 to Phillips Square, where the company maintained a flagship store and corporate offices.[[7]](#endnote-7) Henry Birks and Sons began to expand nationwide in 1901, opening stores in the largest Canadian cities and sometimes acquiring local jewellers, which would then operate under the Birks name. In 1953, Henry Birks and Sons expanded its offering when it purchased Roden Brothers Limited, a producer of silver hollowware, flatware, medals, and cut crystal. By the late 1980s, Henry Birks and Sons controlled more than 200 retail stores in Canada and the United States.

The early 1990s were a rocky period for the company, as it struggled with debt and filed for bankruptcy protection following an ill-fated attempt to expand into the low-to-mid-market sector with a broader range of merchandise. The company’s acquisition by the Italian-based Borgosesia Group in 1993 provided the necessary financial resuscitation. In 2002, Henry Birks and Sons invested more than US$15 million[[8]](#endnote-8) to buy a controlling interest of shares (approximately 72 per cent) in the American chain Mayors Jewelers Inc. (Mayors). The company went public in 2004, which paved the way for a 2005 merger that resulted in the newly named Birks Group.[[9]](#endnote-9)

Birks also started its own product brand. It had previously sold private label jewellery that was stamped with the Birks name, but in 2008, the firm halted the private label to create its own styles and product lines. By making jewellery creation an in-house activity, Birks gained full control of the process, from production to point of distribution. The new products would better reflect the character of the Birks brand, which was revitalized when the company came under new management.

The Modern Birks

Rehabilitation of a Cultural Icon

When Bédos took over as president and CEO in 2012, he rejuvenated Birks’s operations in Canada. Soon, the company was perceived as one of the few luxury brands truly invested in the future. Bédos’s reputation and credentials preceded him. In addition to his work in the luxury industry, he also had an impressive academic background that included a master of science in management from the London Business School, and a bachelor of laws in international law from Panthéon-Sorbonne University. A forward-thinking intellectual with a studiously informed business philosophy, Bédos put the Birks brand front and centre. He wanted Birks to focus on the future, but without abandoning its rich history. Eva Hartling, chief marketing officer, summed up the challenge from the company’s market research: “Birks was known for its iconic blue box of premium-quality, expensive treasures. But it became ‘my mother’s brand, my grandmother’s brand.’ It has been a tricky balance modernizing the brand while preserving the iconic stature of the brand.”

To steer Birks into the modern era, Bédos sought to identify and highlight the company’s essence. He and his executive team developed the modern-day Birks’s ethos: “We believe in the promise of a brighter tomorrow.” This conviction was shared by all Birks employees; Bédos described it as “not just a corporate motto” but a truth that gave employees a direction and a sense of optimism. The purpose expressed in this mantra pervaded the culture of the company. According to Hélène Messier, chief talent officer, Birks’s core values were steeped in Canadian values—friendliness, courtesy, respect, and a love of nature.

Strategically, Bédos’s two main goals were to repair Birks’s retail business and develop its product brand. He made three key decisions to support his strategy: (1) develop an in-house jewellery brand with its own product lines and categories, rather than outsourcing design and production to a white-label manufacturer; (2) clarify the company’s market position, editing the brands offered in stores by removing entry-level price point product lines while eliminating the flatware, china, and giftware categories (these products previously took up a large portion of the stores while generating only 5 per cent revenue); and (3) modernize Birks stores and distribution channels.

More revolutionary still was the choice to implement a whole new store concept focused on the customer experience. Influenced by the success of the Apple Store’s open concept, the new format of Birks stores abandoned the traditional jewellery counter, with its air of old-fashioned elegance and class distinctions. New, modern-looking “island” counters changed the layout of the store space and the dynamics of customer relations. Employees would stand next to customers instead of lecturing them authoritatively from behind a counter. The aim, as Bédos put it, was to “talk with the customer rather than at the customer.” With the belief that “retail is part of sociology,” Bédos wanted to tap into the social zeitgeist of millennial culture that challenged the older generation of institutions. These innovations sparked an immediate change in perception from the company’s landlords, who wanted more of the modernized stores. Notably, Birks was the only major jeweller adapting to the new store model.

Keeping an open mind to apply new methods that worked, Birks took the time to perfect the store concept while developing its own product lines. The company spent 2013–2014 learning to optimize the cost per square foot. The first two new stores were experimental, and Bédos admitted they were too clinical and uninviting. Birks therefore continued to improve the store experience until it achieved the right atmosphere. According to Albert J. Rahm, Birks’s executive vice-president of retail store operations, the ideal ambiance was one of greater approachability and openness, with improved visibility of product items. Birks stores were intended to be inviting and friendly, allowing sales professionals and customers to connect comfortably on the same level.

This reinvention paid off. In 2016, Birks posted a profit buoyed by strong year-end holiday sales (see Exhibit 2).[[10]](#endnote-10) From November 2016 to January 2017, the company defied a jewellery industry dip and showed an increase in sales of 11 per cent over the previous year, with the strongest surge in sales coming from the renovated stores. More impressively, same-store sales grew (see Exhibit 3). New concept stores opened in locations like Toronto’s Yorkdale Shopping Centre,[[11]](#endnote-11) and unprofitable locations—especially those in smaller markets—closed. Birks intended to refurbish flagship and shopping mall stores, as Bédos described: “We believe intuitively that the transformation and renovation of our Canadian flagships . . . will reveal the new Birks value proposition.”

Yet, even with all this progress, Bédos believed that Birks had still not reached its full potential. The Montreal, Vancouver, and Toronto flagship stores were landmarks on the Canadian retail landscape, but he felt that they were just a glimpse of what Birks could be—a powerful global brand.

Birks Brand Product Lines

Bédos believed strongly in branding and viewed the Birks brand product lines as central to the company’s growth strategy. These lines included prestige luxury items as well as more affordable luxury products, such as the 18-karat gold collection of pendants, earrings, and bracelets, which retailed between $700 and $7,000. Tying in with the brand imagery, popular lines were often inspired by and linked to Canada’s natural landscape—for example, Birks Muse; Birks Bee Chic; Birks Rock & Pearl, which targeted millennial women with a chic, edgy style; Birks Snowflake, and Birks Shooting Star (see Exhibit 4). Bédos understood the extra challenges of branding jewellery: “Unlike other categories where the brand name may be visible, on luxury jewellery the name is not present and the design has to carry the brand. This explains why Birks has developed its signature lines—just like Cartier did with its Trinity rings.”[[12]](#endnote-12)

Product lines were designed in Canada by in-house designers and manufactured in Europe. A new line took between three to nine months to go from inception to store shelves. The frequency of new pieces and collections aligned with the fashion seasons, and additional pieces were launched in between.

The company invested in developing product lines in the large bridal space (for example, diamond engagement rings, brides’ and grooms’ jewellery gifts, and wedding bands). According to Hartling, the onslaught of e-commerce competitors like Blue Nile, Inc. commoditized diamond engagement rings and lowered margins, and some less credible international e-commerce retailers even created confusion over how a “proper” or “real” diamond was defined. To develop its new bridal lines, Birks worked exclusively with Canadian diamonds, which appealed to consumers who wanted ethically sourced and conflict-free stones; this gave Birks an opportunity to distinguish its lines by marketing them with greater clarity, but this was not always an easy task. Hartling expressed a fundamental complexity in marketing Birks’s identity as both a brand and a third-party retail destination.

Marketing

Birks’s marketing messages synchronized with its Canadian heritage and values in a fresh and upbeat way. In keeping with the nature-inspired themes of the brand, communications were attuned to seasonality, with peaks over the Christmas holiday period and Valentine’s Day seasons. Hartling described how the company’s messaging reinforced the position of Birks as a fresh and world-class prestige brand (see Exhibit 5). Bédos shed additional light on the significance of prestige as something earned, but a source of pride and joy, as opposed to the colder, class-based connotations of high-end luxury: “If you look at the luxury industry, it’s cold. The models do not smile. They look unapproachable and the industry tries to be unattainable, exclusive, and separating people. That is not Birks. Birks is prestige, something attainable, something fresh, something that comes with a bright smile.”

Under Hartling’s watch, Birks extended its marketing in various directions, encompassing traditional advertising (for example, newspapers and magazines) as well as digital and social media (for example, Facebook and Instagram). Sponsorship deals included Birks’s role as the main jewellery sponsor of the Toronto International Film Festival, which gave the brand a glamorous opportunity to have its products worn by various Canadian and international celebrities. In addition, Birks gained exposure at the Governor General’s Performing Arts Awards, a prestigious annual ceremony hosted by the vice regal representative of the Canadian monarch to honour Canadian contributions to the performing arts. This event allowed Birks to capitalize on its status as a Canadian icon and reach large numbers of Toronto business people. Perhaps most importantly, in a major public relations coup, Sophie Grégoire-Trudeau, the wife of Prime Minister Justin Trudeau, wore a $7,000 Birks diamond brooch when meeting with Queen Elizabeth II in 2015.[[13]](#endnote-13) “After the story broke, the brooch sold out within days,” noted Hartling.

Birks was also no stranger to publicity from its corporate social responsibility initiatives. When the issue of bee colony collapse was not widely recognized, Birks was among the first companies to bring awareness and support to the preservation of honey bees. The company kept beehives on the roof of its Montreal flagship store and did its own beekeeping. The image of the bee (a pun on the first letter of the company name) was another nod to nature and inspired the firm’s bee-themed line of jewellery. “We didn’t do this for sales,” said Bédos. “Bees are a critical piece of our ecosystem. A better world needs bees.”

RetailInG and Merchandising The Birks Product Line

Birks carried out its sales operations under three retail banners: Maison Birks, Brinkhaus, and Mayors.

Maison Birks

The Maison Birks banner was represented by 27 stores across Canada (see Exhibit 6). Maison Birks had three store formats that depended on individual stores’ size, location, and offerings: flagships, multi-brand stores, and mono-brand stores.

Flagship Stores

These were the largest format and located in the most prime real estate locations. Maison Birks’s three Canadian flagships (Montreal, Toronto, and Vancouver) were located in historic buildings. While maintaining a focus on Birks-branded products in the centre of the stores, flagships were destination locations that had exclusive relationships with top-tier brands, such as Van Cleef & Arpels and Cartier, which were offered in shop-in-shops or boutiques accessible from inside the building.

Maison Birks stores of all formats underwent extensive renovations, but the most impressive renovations were reserved for the main flagship in Montreal. The historic store was scheduled to be relaunched by 2018. Its footprint would be reduced from 15,000 square feet to 8,000 square feet with significant space dedicated to Birks products. The higher levels of the building (formerly devoted to the head office of Birks, which was relocated to a nearby modern office space) would be transformed into a luxury five-star boutique hotel. The back of the old store would become a restaurant, while the mezzanine would become the hotel reception area with a bar and lounge. Notably, the owners of the high-end hotel chose to retain the Birks name. This decision not only provided another opportunity to heighten Birks’s visibility—it was further proof that the brand was durable enough to extend across product categories.

Multi-Brand Stores

There were 16 Maison Birks stores of this format, located in higher-end suburban malls with high traffic. Each store occupied 2,200–4,000 square feet. The newly renovated stores (seven in total) had wide entrances and an inviting atmosphere. The periphery of these stores showcased more “mainstream” high-end brands of watches (for example, Tag Heuer and Baume & Mercier) and branded jewellery (for example, Messika and Roberto Coin). Birks-branded products were merchandised in the centre of the store.

Mono-Brand Stores

These Maison Birks stores were the smallest format by square footage and carried Birks product lines only. There were eight of them in Canada, constituting a third of the store portfolio.

Brinkhaus

Two stores operated under the Brinkhaus banner—one in Calgary and one in Vancouver. The latter location was particularly popular among international tourists from Asia. Brinkhaus stores focused heavily on elite watch brands, such as Patek Philippe and Rolex.

Mayors

The Mayors banner was used for 17 stores in Florida and Georgia. These stores were well-known destinations for watch brands like Cartier, Rolex, and Tag Heuer, and they also had a strong selection of designer jewellery, including Kwiat, Mikimoto, Pasquale Bruni, and Roberto Coin. Mayors stores carried Birks-branded jewellery on an exclusive basis. The stores were used to test Birks-branded products in American markets. “The Birks name does not have the brand equity [in the United States] that it has in Canada,” said Bédos. “But when we tested our jewellery lines in our Mayors stores with some modest marketing support it sold briskly . . . A lot of brand building has come from spillovers from the other brands in the store.”

Sales professionals within all banners and store formats had to attend “Birks University,” an intensive week-long program where they learned product knowledge and the Birks style of client service and sales skills. Rahm had developed this program to foster a cohesive employee culture, which he likened to that of a sports team. He stressed the importance for sales representatives to live the Birks brand and deliver the “wow experience” to retail customers.

Domestic Competition

When releasing Birks’s annual report, chief financial officer Pat Di Lillo described the North American market and competition in the following way:

[T]he North American retail jewelry industry is approximately an $80 billion industry and is highly competitive and fragmented, with a few very large national and international competitors and many medium and small regional and local competitors. The market is also fragmented by price and quality. Although our Birks and Mayors retail brands are prestige jewelry brands, we compete with companies within and outside of this segment, including other luxury categories. Our competitors include national and international jewelry chains, independent regional and local jewellery retailers[[14]](#footnote-1).

Tiffany & Company

Tiffany & Company (Tiffany) was Birks’s strongest competitor in terms of its brand power. Tiffany had built a global brand around its luxury goods, especially diamond jewellery, and had established itself as an arbiter of style.[[15]](#endnote-14) The New York–based company had 313 stores worldwide, including 95 stores in the United States and 13 locations in Canada, and was active online with an e-commerce offering. In 2016, Tiffany had $4 billion in worldwide sales (46 per cent from the United States), but was suffering from softening sales.[[16]](#endnote-15)

Signet Jewelers

Signet Jewelers Limited was the largest specialty jeweller in the United States, Canada, and the United Kingdom. It operated 3,600 stores under the banners Zales, Peoples Jewellers, Kay Jewelers, and H. Samuel, and it had revenues of $6.4 billion. In Canada, Peoples Jewellers, a less premium brand, billed itself as Canada’s number-one diamond store in the entry price point category and offered third-party watches (for example, Bulova, Seiko, and Citizen). Peoples Jewellers stores were typically located in shopping malls, and there were close to 150 locations in Canada.

Independent Jewellers

Some of Birks’s strongest competition also came from independent jewellers. Bédos estimated that there were hundreds of independent jewellers operating in Canada and the United States and thousands around the world. These independent jewellers often served the high-end market. For example, Château D’Ivoire competed directly with Birks in Montreal, selling top brands like Cartier, Breitling, and Rolex, as well as its own jewellery offering. Many of these jewellers were highly profitable family-run businesses located in malls and business districts. If it took the wholesale approach, Birks would use these independent jewellers to distribute its product brand. This approach was one of the company’s growth options outside of the domestic market.

GROWTH OPPORTUNITIties

With an increasingly competitive landscape in Canada, Birks had four different growth options: (1) continue to penetrate the Canadian market; (2) make a stronger push into the United States, the biggest market in the world; (3) scale internationally (see Exhibit 7); or (4) pursue growth in the e-commerce landscape.

Wholesale Growth in Canada

Birks had launched a wholesale business to expand its lines into highly targeted independent jewellers and smaller stores that could carry its brand. Bédos knew that the brand recognition was high in Canada and strong within the industry, so it would be logical to access distribution in smaller markets—perhaps even some where Birks used to have stores. Wholesale growth could allow Birks to re-enter these markets where former stores had closed.

Wholesale Growth in the United States

Buoyed by profitable test runs of Birks’s product brand in Mayors stores and an optimistic outlook for the industry (see Exhibit 8), Bédos believed his firm had an offering that could succeed in the United States. Birks was already preparing for further U.S. expansion by entering into talks with a chain of 25 stores in the United States, but what markets should it target? Who were the ideal partners? What were the best ways to support the offering? How would the company ensure the differentiation of its brand? How might e‑commerce factor into these U.S. plans?

International Markets

The rapid growth of the Internet brought international competition to Canadian businesses. Birks’s worldwide presence was relatively small, so it would have to consider expanding globally. The four most promising international markets for expansion were China, Japan, the Middle East, and Europe. As Bédos considered which of these was the best choice for the growth of the brand, he realized that each had its advantages.

China

Chinese outbound tourists numbered 120 million in 2015. These tourists spent an estimated $229 billion on overseas purchases, the majority of which were luxury fashion apparel items and accessories.[[17]](#endnote-16) Birks was a popular destination for tourists visiting Canada. In researching the Chinese market, Hartling commented that heritage and history were particularly important in Asian markets like China, which tended to favour brands with a longstanding history. Among many Chinese visitors (especially in western Canada), Birks already had some brand recognition.

Japan

In 2015, the size of the Japanese luxury jewellery market was $8.1 billion, making it the world’s third-largest jewellery market after the United States and China. Bédos predicted that Japanese culture, with its poetic aspects, would be a good fit for the nature-inspired imagery and themes of the Birks brand. A recent Bain & Company report explained that Japanese shoppers had a reputation for enjoying the full in-store experience, conversing with store clerks and making use of the services on offer. These consumer behaviours fit well with the atmosphere that Birks aimed to create with its new concept stores.

The Middle East

With luxury jewellery sales surpassing $6.74 billion, the Middle East was one of the 10 largest luxury goods markets in the world in 2015. The United Arab Emirates alone, with a population of under 10 million people, was one of the top five markets for gold consumption worldwide, and sales of gold jewellery there exceeded $2.5 billion. The country’s largest city, Dubai, served as a major hub for luxury buyers from around the globe, and many Dubai residents travelled to Europe for luxury shopping.

Europe

The European luxury market was expected to have solid growth, generated largely by American and Chinese tourist consumers who were drawn by the weak euro.[[18]](#endnote-17) Between 2010 and 2014, European jewellery and watches experienced a 2.3 per cent compound annual growth rate, and steady growth was expected to continue, with jewellery being the driving force behind the growth.[[19]](#endnote-18) In addition, having a strong presence in trend-setting European cities like Milan, Paris, and London gave credibility to any brand in a high-end space.

E-Commerce

E-commerce for watches and jewellery was a growing trend, and online competition was significant. Blue Nile, a U.S.-based online specialty retailer of fine jewellery since 1999, dominated online with $480 million in annual revenues in 2015.[[20]](#endnote-19) Blue Nile was particularly strong in the diamond engagement and bridal space. Spence Diamonds, a Canadian-owned retailer that positioned itself as an ethical company specializing in laboratory-created raw diamonds “identical to traditional mined diamonds” in every way except for their origin,[[21]](#endnote-20) had an expanding online presence to complement its retail offerings.

In 2016, online luxury fashion retailer Net-a-Porter became Tiffany’s exclusive e-commerce partner, increasing Tiffany’s online sales from 13 to 170 countries.[[22]](#endnote-21) The online transactions from the 13 nations constituted 6 per cent of Tiffany’s worldwide net sales in 2014 to 2016.[[23]](#endnote-22) Online giant Amazon had also moved into watch and jewellery sales. New York-based Allurez, which had an extensive online offering, eyed the future of e-commerce, predicting that three-dimensional printing would drive e-commerce sales of fine jewellery.[[24]](#endnote-23) In light of all these entrants, was e-commerce a golden opportunity or a threat for Birks?

Looking Ahead

Bédos reflected on how far he and his team had brought Birks. With the firm’s retail and product brands energized and profitable, how could he keep growing the business? What balance should Birks strike between pushing the brand in Canada, in existing markets in the United States, in new U.S. markets, and internationally? How far and in what directions should the firm extend its product brand? How could e-commerce help the company? Though much was yet to be done, the future gleamed bright for Birks.

This case was prepared by Professor Robert Mackalski (McGill University, Desautels Faculty of Management); Professor Alfred Jaeger (McGill University, Desautels Faculty of Management); Dr. Marc Ducusin (McGill University); and case researcher Phoebe Balshin.

**Exhibit 1: Distribution of Luxury Jewellery Sales in North America by Format (%)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Format** | **2012** | **2013** | **2014** | **2015** | **2016** |
| Brick-and-Mortar Stores | 99.8 | 99.6 | 99.3 | 99.0 | 98.9 |
| Online Retailers | 0.2 | 0.4 | 0.7 | 1.0 | 1.1 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Euromonitor International Database, “Luxury Goods 2017: New Insights and System Refresher,” December 9, 2016, accessed April 26, 2017.

**Exhibit 2: Birks Group Inc. Financial Statements**

**Condensed Consolidated Balance Sheet (in US$ thousands)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **As of March 28, 2015** | **As of March 26, 2016** | **As of March 25, 2017** |
| **Assets** | |  |  |  |
| Current assets: | |  |  |  |
|  | Cash and cash equivalents | 2,356 | 2,344 | 1,944 |
|  | Accounts receivable | 7,696 | 10,293 | 13,561 |
|  | Inventories | 135,739 | 137,839 | 132,069 |
|  | Prepaid and other current assets | 2,232 | 1,793 | 2,191 |
|  | Total current assets | 148,023 | 152,269 | 149,765 |
| Property and equipment | | 28,544 | 29,419 | 22,990 |
| Intangible assets | | 917 | 792 | 690 |
| Other assets | | 2,720 | 493 | 190 |
|  | Deferred incomes taxes | - | - | 5,303 |
|  | 32,181 | 32,181 | 30,704 | 29,173 |
| Total assets | | 180,204 | 182,973 | 178,938 |
| **Liabilities and Shareholders’ Equity** | |  |  |  |
| Current liabilities: | |  |  |  |
|  | Bank indebtedness | 64,347 | 62,431 | 70,434 |
|  | Accounts payable | 44,740 | 46,730 | 46,657 |
|  | Accrued liabilities | 8,079 | 9,040 | 8,386 |
|  | Current portion of long-term debt | 4,745 | 5,634 | 2,810 |
| Total current liabilities | | 121,911 | 123,835 | 128,287 |
| Long-term debt | | 52,039 | 46,651 | 30,525 |
|  | Other long-term liabilities | 3,431 | 4,783 | 7,330 |
| Total long-term liabilities | | 55,470 | 51,434 | 37,855 |
| Stockholders’ equity: | |  |  |  |
|  | Common stock |  | 69,601 | 69,601 |
| Additional paid-in capital | | 69,601 | 16,216 | 16,372 |
| Accumulated deficit | | −84,287 | −78,849 | −73,921 |
| Accumulated other comprehensive income | | 1,402 | 736 | 744 |
| Total stockholders’ equity | | 2,823 | 7,704 | 12,796 |
| Total liabilities and stockholders’ equity | | 180,204 | 182,973 | 178,938 |

**EXHIBIT 2: BIRKS GROUP INC. FINANCIAL STATEMENTS (CONTINUED)**

**Condensed Consolidated Statements of Operations (in US$ thousands, except per-share amounts)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Fiscal Year Ended March 28, 2015** | **Fiscal Year Ended March 26, 2016** | **Fiscal Year Ended March 25, 2017** |
| Net sales | | $301,637 | $285,826 | $286,921 |
| Cost of sales | | 183,832 | 176,439 | 178,487 |
| **Gross profit** | | **117,805** | **109,387** | **108,434** |
| Selling, general, and administrative expenses | | 103,735 | 91,125 | 94,226 |
| Restructuring charges | | 2604 | 754 | 842 |
| Depreciation and amortization | | 5,932 | 5,229 | 5,034 |
| Gain on sale of assets | | - | −3,229 | - |
| Impairment of long-lived assets | | 238 | - | - |
| **Total operating expenses** | | **112,509** | **93,879** | **100,102** |
| Operating income | | 5,296 | 15,508 | 8,332 |
| Interest and other financing costs | | 11,285 | 10,020 | 8,681 |
| Debt extinguishment charges | | 2,643 | - | - |
| Income (loss) before income taxes | | −8,632 | 5,488 | −349 |
| Income tax expense | | - | 50 | −5,277 |
| **Net income** | | **−$8,632** | **$5,438** | **$4,928** |
| Weighted average shares outstanding: | |  |  |  |
|  | Basic | 17,937 | 17,961 | 17,961 |
|  | Diluted | 17,937 | 17,961 | 18,418 |
| Net income (loss) per share: | |  |  |  |
|  | Basic | −0.48 | 0.3 | 0.27 |
|  | Diluted | −0.48 | 0.3 | 0.27 |

**Sales by Geographic Region (in US$ thousands)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | Fiscal Year Ended | | | | |
|  |  |  | March 29, 2014 |  | March 28, 2015 |  | March 26, 2016 |
| Net sales | | |  |  |  |  |  |
|  | Canada | | $146,277 |  | $143,384 |  | $128,651 |
|  | U.S. | | 134,888 |  | 158,253 |  | 157,175 |
|  |  | Total revenues | $281,165 |  | $301,637 |  | $285,826 |
| Long-lived assets | | |  |  |  |  |  |
|  | Canada | | $19,484 |  | $17,898 |  | $19,464 |
|  | U.S. | | 13,281 |  | 13,366 |  | 12,115 |
|  |  | Total long-lived assets | $32,765 |  | $31,264 |  | $31,579 |

Source: Company documents.

**Exhibit 3: Increase in Comparable Store Sales (%)**

|  |  |  |
| --- | --- | --- |
|  | **March 2014 (YE)** | **March 2016 (YE)** |
| **Canada** | 2 | 6 |
| **U.S.** | 6 | 1 |
| **Total** | 4 | 3 |

Note: YE = year end.

Source: Company documents.

**Exhibit 4: Birks Collections**

|  |  |  |
| --- | --- | --- |
| Birks Muse | Birks Bee Chic | Birks Rock & Pearl *../../../../../../../Desktop/Birks_Rock-Pearl-Collection-Image_Option-B-800x735.jpg* |
| Birks Snowflake | Plaisirs de Birks Collection  **../../../../Desktop/Screen%20Shot%202017-04-30%20at%208.27.52%20AM.png** | Birks Gold & Pearl  **../../../../Desktop/Screen%20Shot%202017-04-30%20at%2012.31.43%20PM.png** |

Source: Company documents.

**Exhibit 5: Birks Communications Campaigns**

|  |  |
| --- | --- |
| /Users/robertmackalski/Desktop/Screen Shot 2017-04-30 at 8.26.29 AM.png  2017 spring campaign | /Users/robertmackalski/Desktop/Screen Shot 2017-04-30 at 8.38.55 AM.png  2016 campaign |

|  |  |
| --- | --- |
| ../../../../Desktop/Screen%20Shot%202017-04-30%20at%208.27.27%20AM.png  2017 influencer (Instagram) campaign | ../../../../Desktop/Screen%20Shot%202017-04-30%20at%208.27.39%20AM.png  2017 influencer (Instagram) campaign |

Source: Company documents.

**Exhibit 6: Birks Group Inc. Store Locations**

|  |  |  |
| --- | --- | --- |
| **Operating Stores** | **Size (square feet)** | **Location** |
| ***Canada*** |  |  |
| Bayshore Centre | 2,544 | Ottawa, ON |
| Bloor | 15,620 | Toronto, ON |
| Brinkhaus | 1,046 | Calgary, AB |
| Brinkhaus | 750 | Vancouver, BC |
| Carrefour Laval | 2,617 | Laval, QC |
| Chinook Shopping Centre | 3,661 | Calgary, AB |
| Cornwall Centre | 2,349 | Regina, SK |
| Dix-30 Mall | 1,691 | Brossard, QC |
| Fairview Pointe-Claire | 4,210 | Pointe-Claire, QC |
| First Canadian Place | 2,243 | Toronto, ON |
| Edmonton Manulife Centre | 4,196 | Edmonton, AB |
| Mapleview Centre | 1,384 | Burlington, ON |
| Montreal Flagship Store | 19,785 | Montreal, QC |
| Oakridge Shopping Centre | 2,244 | Vancouver, BC |
| Park Royal | 1,797 | West Vancouver, BC |
| Place Ste-Foy | 2,366 | Sainte-Foy, QC |
| Rideau Centre | 2,745 | Ottawa, ON |
| Saskatoon | 3,486 | Saskatoon, SK |
| Sherway Gardens | 2,726 | Etobicoke, ON |
| Southgate Shopping Centre | 2,915 | Edmonton, AB |
| Square One | 1,825 | Mississauga, ON |
| Toronto Dominion Square | 5,568 | Calgary, AB |
| Toronto Eaton Centre | 1,042 | Toronto, ON |
| Vancouver | 20,221 | Vancouver, BC |
| Victoria | 1,561 | Victoria, BC |
| West Edmonton Mall | 2,244 | Edmonton, AB |
| Willowdale Fairview Mall | 2,353 | North York, ON |
| Winnipeg | 3,187 | Winnipeg, MB |
| Yorkdale | 2,930 | Toronto, ON |
| ***United States*** |  |  |
| Aventura Mall | 3,447 | North Miami Beach, FL |
| Town Center at Boca Raton | 5,878 | Boca Raton, FL |
| Dadeland Mall | 5,700 | Miami, FL |
| Florida Mall | 5,070 | Orlando, FL |
| The Galleria at Fort Lauderdale | 2,467 | Fort Lauderdale, FL |
| The Gardens Mall | 5,099 | Palm Beach Gardens, FL |
| International Plaza | 5,583 | Tampa, FL |
| Lenox Square Mall | 2,991 | Atlanta, GA |
| Lincoln Road | 4,250 | Miami Beach, FL |
| Mall at Millenia | 2,088 | Orlando, FL |
| Miami International Mall | 3,246 | Miami, FL |
| North Point Mall | 1,145 | Alpharetta, GA |
| Rolex Store in Mall at Millenia | 1,171 | Orlando, FL |
| Phipps Plaza | 2,182 | Atlanta, GA |
| Village of Merrick Park | 4,894 | Coral Gables, FL |
| Weston Commons | 4,000 | Weston, FL |
| St John’s Town Center | 3,458 | Jacksonville, FL |
| University Town Center | 1,734 | Sarasota, FL |

Source: Company documents.

**Exhibit 7: Sales of Luxury JEWELLeRY by Geographic Region, 2014–2016**

Sales in US$ Millions

Source: Euromonitor International Database, “Luxury Jewellery Market Size,” accessed February 6, 2018.

**Exhibit 8: Forecast Sales of Luxury Jewellery IN THE United States (in US$ millionS)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **2017** | **2018** | **2019** | **2020** | **2021** |
| 11,406 | 11,561 | 11,705 | 11,839 | 11,950 |

Source: Euromonitor International Database, “Luxury Jewellery in the US,” November 2016, accessed April 26, 2017.

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