

Case Study of Pandora, a Light Luxury Jewellery Brand

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ABSTRACT

Pandora's main products include beadings, bracelets, necklaces and earrings. It was founded in Copenhagen in 1982 by Danish goldsmith Per Enevoldsen and his wife Winnie. In 1987, the factory was established in Thailand. In 1989, designer Lisbeth Larsen joined and designed iconic beaded products. In 2020, the company has 7728 sales outlets around the world, and the net profit attributable to operating income is 22.8 billion / 50.5 billion Danish kroner; the CAGR of net profit attributable to operating income from 2009 to 2020 is +233%/+20.1%. The company's core model is fashion, light luxury, emotional interaction, and efficient turnover.

The development history of Pandora has brought us a series of operational notices in the luxury jewelry industry. In mature markets such as gold and silver jewelry, cosmetics, and clothing, the new brand is mainly used to differentiate in design, concept, technology, and composition. The market, its channel selection, expansion speed, etc. need to match its positioning and business model. The positioning of high-end and luxury products emphasizes scarcity, dignity, and experience. This experience of Pandora is of great research significance, and this case analysis has a guiding effect on the commercial operations of other brands.

Keywords: Pandora, Light Luxury, Jewelry, Fashion

1. INTRODUCTION

According to Euromonitor data, in 2018, the global jewelry market reached US\$356.4 billion (approximately RMB 2.4 trillion), a year-on-year increase of 4%. The CAGR from 2004 to 2018 was +6.18%; the market size is expected to reach 398.3 billion in 2021. US dollars (approximately RMB 27 trillion), the CAGR from 2018 to 2020 is 3.78%, gradually stabilizing. The global jewellery market is highly fragmented, low concentration, and fierce competition. According to Euromonitor data, in 2017, CR5 of global jewelry group companies was 8.5%, CR10 was only 120%, and CR5 of global jewelry brands was 8.1%, and CR10 was only 11.3%; the top three jewelry companies in the world were Chow Tai Fook, Richemont and Lao Fengxiang.

China has become the world's largest jewelry market. In terms of geographic distribution, China and the United States are the main markets for jewelry products, with market shares of 30% and 20% respectively in 2018. Among them, the size of the Chinese jewelry market has rapidly increased from 16.2

billion U.S. dollars (approximately RMB 111.7 billion) in 2004 to 107.2 billion U.S. dollars (approximately RMB 736.5 billion) in 2018, with a CAGR of 14.5%, far exceeding the overall industry level. Euromonitor expects the market size to reach US\$120.1 billion (approximately RMB 825.1 billion) in 2020, and the CAGR from 2018 to 2020 is 5.8%.

The medium and long-term development space for diamond-encrusted jewelry is broad. In 2018, in the US and China's fine jewelry market (Fine Jewellery), the retail sales of diamond-encrusted jewelry were 23 billion USD/17.7 billion USD, +3%/4% year-on-year, and the CAGR from 2008 to 2018 was -0.9%/13.0%. In 2018, the proportion of diamond-encrusted jewelry from Japan, the United States, South Korea, France, and China was 49.1%/39.3%/33.9%/31.9%/20.4%, respectively. The proportion of diamond-encrusted jewelry in China is only half of that of Japan and the United States. With the rise of young consumer groups and the increasing purchasing power of residents, diamond-encrusted jewelry has broad room for growth.

2. LITERATURE REVIEW

2.1. The Intrinsic Value of the Brand

"Brand" is a complex marketing concept. At present, people have not yet formed a unified and authoritative definition of the concept, which also explains to a certain extent that the concept of brand involves a wide range and rich content. The following is the author's list of the three most recognized definitions and the author's own understanding. First, the American Marketing Association defines from the basic functions of the brand: "Brand mainly refers to the name, mark, slogan and other elements, or a combination of them. The brand is the logo of a certain company's product, so that Its products are distinguished from similar products in the market." [1]

Second, the marketing guru Philip Kotler mainly interpreted from the symbolic meaning of the brand: "Brand is a complex symbol, which mainly contains six levels of content, including attributes, interests, value, culture, personality and users."

Third, two brand scholars, Gardner and Levi, define from the perspective of consumers, "Brand is a kind of evaluation and cognition formed by consumers on the quality, service, and cultural value of a company and its products. For example, some brand representatives Some brands represent low prices. Therefore, the brand is the value judgment produced by consumers and the emotional response produced by consumers." Based on the above analysis and summary of scholars' viewpoints, the author believes that a brand is a business The embodiment of the comprehensive quality of its products. This comprehensive quality includes two elements, visible and invisible. Visible elements include an intuitive visual and auditory symbolic expression system based on logos, names, standard characters, and standard colors. It also includes the content of the product itself and the shopping experience level, such as product, quality, packaging, window, service attitude and so on. They are all directly perceivable by consumers, and they are the most intuitive embodiment of the brand. Invisible elements include: connotation, philosophy, temperament, culture, emotion and other deep inner strengths, which are the appeals and selling points at the spiritual level and the value level, and are abstract and invisible. The visible elements and the invisible elements are interdependent and mapped to each other, and the invisible elements can also be understood as the added value of the visible elements. In the past, companies only passed the invisible elements to consumers through the visible elements of marketing. But today with the reduction of product differentiation, invisible elements have gradually become the core competitiveness of corporate marketing, and abstract invisible elements such as corporate marketing culture, emotions, ideas, and connotations are particularly important. [2]

2.2. Brand Marketing and Communication

In the 1990s, materials were extremely abundant, and the substitutability of products was increasing day by day, and the probability of relying on differences in products to drive sales was getting lower and lower. Therefore, the product-oriented era has basically passed, and the seller-oriented market has gradually shifted to a buyer-oriented market. If traditional marketing is to develop good products and give them appropriate pricing, supplemented by corresponding sales channels and cooperating with strong promotional activities, the marketing value can be basically realized. So for the current era of product homogeneity, these are far from enough. In this state, the core way of realizing marketing value has undergone a fundamental change. Being consumer-oriented, winning consumers' attention to the brand and subsequent recognition and goodwill has become the key. [3] In such a marketing value system, pure "marketing" should evolve more in the direction of "marketing communication", and enterprises should use more "communication" as the leading marketing communication model. In addition, the author believes that around the 21st century, the unprecedented development and transformation of the media industry has also contributed to this evolution. Therefore, the success of marketing activities depends largely on communication and on good communication with consumers. The originator of integrated marketing communication, said: "Marketing is also dissemination, and communication is marketing", which more accurately encompasses various marketing communication methods including advertising, public relations, online and offline, and emphasizes. Unknowingly infiltrate the information of brand products, and affect the cognition and attitude of the audience. [4]

2.3. Further Sublimation of Brand Value

Integrated Marketing Communication is produced with the development of marketing practice. Since its birth in 1989, researchers and practitioners in various fields have conducted research on integrated marketing communications from different perspectives. They have put forward various opinions on the definition, principles, and applications of integrated marketing communications. It has been more than 20 years since the theory of integrated marketing communication was put forward, but there is still a lot of room for development in its theoretical construction. Below the author sorts out several more authoritative definitions, and then gives the author's own understanding. The first formal definition of integrated marketing communications appeared in the late 1990s and came from the American Association of Advertising Agencies. [5] This definition states that "integrated marketing communication is a marketing

communication plan that requires a full understanding of the various value-added communication methods used in the formulation of a comprehensive plan-such as advertising, promotion, public relations, etc.-and Combine them organically to provide clear and coherent information to maximize the influence of communication." This definition focuses on the collocation and combination of all marketing methods. It is hoped that through the integration of various communication methods, the communication effect will be greatly improved. The superposition, premium, and the formation of domino spreading effect. [6]

Marketing experts Tomas Russell and Ronald Ryan defined integrated marketing communication as "including advertising, promotion, event marketing, packaging...all the information conveyed to consumers is presented in a form that is beneficial to the brand, conveying the same theme of information, and making the information echo each other. To support each other's information or impressions about the brand, it builds brand equity by conveying the same information to consumers." This definition puts forward the need to "unify" the dissemination of information, that is, to unify brand information through different Means to communicate to the target audience. [7] Make the entire marketing communication process integral. Northwestern University in the United States is the birthplace of integrated marketing communication theory. Their IMC research group defines integrated marketing communication as "integrated marketing communication uses all the contact points between the brand and the company as a channel for information dissemination, which is from the perspective of consumers, using all This definition considers integrated marketing communication to be a communication process, and emphasizes that consumers should be the starting point, and the contact points between consumers and enterprises should be used as information transmission channels. "[9] Based on the above point of view, the author understands integrated marketing communication as: the brand is audience-oriented, around a communication theme, using many marketing communication channels including advertising, public relations, online and offline, and systematically combining them , Comprehensive and collaborative application to form a "spider web" that captures the target audience's attention from all-round and multiple angles, and then realizes the brand's information penetration of the target audience through a variety of contact points. Integrated marketing communication is an in-depth and systematic communication The process, a process of establishing long-term relationships with the audience, requires the audience to receive information in a subtle and gradual manner, and unknowingly, affect the audience's perception and attitude.[10]

3. PANDORA OPERATION MODEL ANALYSIS

3.1. Analysis of Brand Concept and Product Positioning

Pandora targets young consumers. According to data from the World Bank, in the world population in 2017, women under 30 accounted for 49% of the total number of women, and men under 30 accounted for 51% of the total number of men. The influx of young consumer groups into the market has accelerated the growth of jewelry consumption. Pandora positions its target market as the young consumer group with the largest population base, with 38% of its customers under 30 years old and 26% of customers aged 31-40.

The high-end transformation failed, and the "affordable luxury" was repositioned. In the first quarter of 2011, the price of raw materials rose, and the company began to raise product prices in an all-round way, transforming to high-end products. However, the company's main customers are young people who are highly price-sensitive. The price increase directly led to a sharp decline in sales. The stock price fell 66% on the day of the financial report and the company's CEO Makkel Vendelin Olesen resigned. After Marcello Bottoli temporarily replaced the CEO position, he repositioned Pandora as a light luxury brand, stopped raising prices, and increased the number of lower-priced basic products.

Adhere to the light luxury route and strictly control product pricing. In the Chinese market, most of the best-selling charms are priced below 500 yuan, while bracelets start at 398 yuan, and more than 85% of bracelets are below 1,000 yuan. One of the main competitors is other light luxury jewelry brands, such as Swarovski, Apm Monaco, etc., and the other is the cheap series of traditional jewelry brands, such as Tiffany's Fashion Jewelry series.

Make full use of KOL popularity to attract widespread public attention. At the 2017 autumn new product launch conference, supermodels Wang Shiqing and Li Danni were invited to promote new jewelry. In addition, the company also sponsored the Coachella Music Festival and launched a Disney series to attract the attention of young consumers and deepen the brand's fashion positioning. The proportion of offline concept stores has increased rapidly, shopping experience has improved, and profitability has increased. Pandora has multiple offline sales channels, including Concept Store, Shop-in-shop, and multi-brand stores (including Gold, Silver, White Dealer).

In recent years, in order to build brand awareness and improve consumer shopping experience, the company has focused on building larger concept stores with consistent decoration and strong brand culture,

while closing or upgrading smaller sales outlets. As of the end of 2020, the company has opened 2,705 concept stores worldwide (1,304 of which are self-operated). Although concept stores accounted for only one-third of the total number of sales stores, the revenue of concept stores accounted for 69% of total operating income (wholesale and retail total), with outstanding profitability. In the future, the company will continue to use concept stores as the main development channel, and plans to add 200 concept stores each year: about 50% of them will be opened in Europe, 25% in the Americas, and 25% in the Asia-Pacific region.

The online market is in its infancy and its development prospects are broad. As of the end of 2018, the company has deployed online channels in 20 countries around the world, covering major markets such as China (including self-operated and Tmall flagship stores), Australia, Italy, the United Kingdom, and the United States. In the fourth quarter of 2018, the company's online revenue reached 1 billion Danish kroner, a year-on-year increase of 25%. However, the proportion of online revenue is still less than 15%, and there is plenty of room for future growth.

3.2. Analysis of Competitive Advantage

The company has a vertically integrated supply chain, high gross profit, and fast turnover. The supply chain is vertically integrated and operated efficiently. In the company's Thai factory, the jewelry production time can be shortened to 4 weeks, and the production capacity has been rapidly increased, which supports the rapid update of the design, and also creates advantages for subsequent marketing. At the same time, the company gradually withdrew its regional agency rights in Australia, France and other countries, forming a vertically integrated industrial chain of design, production, marketing, communication, and service.

Outstanding cost advantage and leading gross profit level. The company's main raw materials are 925 silver, 14K gold, leather, etc., which are cheaper than precious metals or diamonds. At the same time, in order to control raw material prices and foreign exchange market fluctuations, the company has adopted a series of hedging strategies. In addition, Pandora's factory is concentrated in Thailand, and labor costs are only two-thirds of China's. Further reduce the company's production costs. In 2018, the gross profit margin reached 74%, while the gross profit margin of the traditional jewelry brand Tiffany was only 63%, highlighting Pandora's cost advantage.

Introduce new products frequently, create an exciting fashion model, and strictly control the efficiency of inventory turnover. In 2013, Pandora copied the fast fashion model from the clothing industry to the jewellery industry, increasing the rate of new updates from 2 to 7 times a year. In order to cope with

the problem of inventory retention that is likely to be caused by the introduction of new products, Pandora will conduct small batch test sales before launching new products. If the response is not good, it will be modified or cleared. The inventory turnover rate continues to stabilize above 2X; while the traditional jewelry brand Tiffany inventory The turnover rate is only 0.7X.

3.3 Analysis of Competitive Disadvantages

The company's penetration rate in the American market is approaching its ceiling, and revenue growth has slowed. In 2020, operating income in the Americas was 6.8 billion Danish kroner, which accounted for 30% of total revenue, a decrease of 4% year-on-year (0% in local currency). As Pandora's first overseas market, the United States accounted for 72% of the total operating income of the Americas. In 2017, Pandora's share of the US jewelry market was 1.4%, ranking third, second only to Tiffany and Richemont. As the overall market matures and the competitive landscape gradually stabilizes, it will be difficult for Pandora to achieve further breakthroughs in the future. Since 2016, the company's growth rate in the American market has slowed significantly, from +25% in 2013 to -4% in 2020.

The image of the group restricts its development, and the silver jewelry lacks room for appreciation. String ornaments form an inherent image, and future development is limited. Pandora's hot-selling product structure is relatively simple. In 2018, the total revenue of charms and bracelets accounted for 72% of the total revenue. The company's performance is heavily dependent on charms and bracelet products, which imposes certain restrictions on future development. In order to improve this situation, the company has successively launched rings, earrings, necklaces and other products, but the response so far has been relatively flat. Take ring products as an example. Pandora launched ring products in 2010 and began to focus on promoting ring products in 2012. In 2018, ring products achieved operating income of 31.7 billion Danish kroner, accounting for 13.9% of total operating income. However, after 2016, the growth rate of the ring business began to slow down, and the growth was weak. In the future, whether Pandora can break the inherent image limitations of its jewelry bracelets and create new successful products determines the sustainable development of the brand in the future.

The product lacks room for appreciation and the design is easy to be imitated. The raw materials used by Pandora are mainly 925 silver, 14K gold, leather, etc. The cost is relatively low, there is no room for appreciation, and the phenomenon of oxidation and blackening is prone to occur. In addition, the design of Pandora charm bracelets is easy to be imitated. Many local or Hong Kong brands such as Magic Home, Chow

Sang Sang, Chow Tai Fook, etc. have also launched similar charms that can be freely matched, resulting in consumers' choices no longer being limited. To Pandora.

R&D bottlenecks appear. Three characteristics of "fast fashion": fast new products (fast turnover), affordable prices, and keeping up with fashion trends. Pandora has achieved "fast up-to-date" with a frequency of updates every year, and achieved cost reduction through vertical integration of the supply chain. However, Pandora relies too much on Charms beaded series. This series of products are similar and similar in style. At present, the problem of insufficient research and development of new products has emerged. At the same time, Pandora's target consumers are the new generation groups who pursue freshness and fashion sense, and their loyalty to the brand itself is low. How to maintain "fashion ability" and even lead the fashion trend, this will be a huge challenge Pandora currently faces.

4. CONCLUSION

The development history of Pandora has brought us a series of operational notices in the luxury jewelry industry. In mature markets such as gold and silver jewelry, cosmetics, and clothing, the new brand is mainly used to differentiate in design, concept, technology, and composition. The market, its channel selection, expansion speed, etc. need to match its positioning and business model. The positioning of high-end and luxury products emphasizes scarcity, dignity, and experience.

Mass and fast-fashion companies win on scale, and their revenue and performance during the rapid expansion period have strong explosive power. After the rapid expansion period, they often encounter bottlenecks in product innovation, market space, operation management, etc., and their life cycle fluctuates greatly. During its rapid expansion period and performance realization period is the best time to invest. High-end and luxury goods require long-term brand precipitation and orderly and orderly expansion. Their life cycle is relatively stable and longer than that of mass and fast fashion companies. Long-term holding and obtaining stable income are the main investment models. Economy (the economic environment of the core sales area), policies (consumption tax, tariff, tax exemption policies, etc.), designers, etc. are the medium and short-term influencing factors.

Regardless of whether the masses, fast fashion companies or high-end, luxury companies, expanding product lines, establishing brand echelon, and platform development are important ways for long-term sustainable growth.

This paper is of great research significance, and this case analysis has a guiding effect on the commercial operations of other brands. From the perspective of prospects, the research results of this paper also have certain inspirations for future consumption upgrades at the industrial level.

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