

Tiffany's Product Assortment Tarnishes its Brand Image

Ellen Byron, "To Refurbish Its Image, Tiffany Risks Profits," *The Wall Street Journal*, January 10, 2007.

Tiffany & Co. has long been known for luxury jewelry, which it markets to wealthy segments of the population and delivers in its signature blue boxes. However, in the 1990s, the company expanded its product assortment to appeal more to the middle class, following the widespread trend of "affordable luxury." But though Holly Golightly might be able to afford something at Tiffany & Co. today, she might not want it anymore.

Tiffany introduced a silver charm bracelet, priced at \$110, and a "Return to Tiffany" line that became very popular among teenagers and resulted in explosive sales growth for the company. Tiffany stores were bustling with people, but the lower-end silver jewelry was what attracted the crowds. The company hoped it would gain lifetime customers from this strategy—adults who had bought the jewelry when they were teenagers would continue to buy the brand throughout their lives.

Instead, the short-term success of the less expensive silver jewelry alienated older, more affluent clientele who now viewed Tiffany as an inexpensive, common brand. Similar to the British fashion house, Burberry Group, that indiscriminately put its signature tan plaid on products ranging from dog collars to headbands, Tiffany had become overexposed and was losing its most important customers.

In response, the company increased prices on its silver products by 30%, though the market took two years to respond to the price increase with a sales drop. Its continued attempts to revive its luxury image include store renovations, with chilled water and champagne available to shoppers and private viewing rooms to create an intimate feel. By featuring high-end products like \$2.5 million pink diamond rings, Tiffany hopes to reclaim its image as the essence of luxury.

The decision to renounce sales and store traffic, though a tough choice, may have not come soon enough. The company may be reinforcing its high-end image in the quality jewelry market, but many consumers in this target segment remain convinced that pretty much anyone can wear Tiffany jewelry. The retailer will have a hard time convincing them that only an exclusive few can afford items made by the retailer.