

SIGNET

Investor Day

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Akron, Ohio

**Profit Measured,  
Sales Driven,  
Customer Service  
Orientation**

**Mark Light**

**President & Chief Operating Officer**

# Jewelry Purchases

## ⇒ Customer characteristics

- ⇒ emotional purchase
- ⇒ lacking product knowledge

## ⇒ Product characteristics

- ⇒ every diamond has its own unique characteristic
- ⇒ every product has to be sold

## ⇒ Key factors in shopping decision

- ⇒ selection
- ⇒ trust in the sales associate

- 3 ⇒ trust in the retailer

# Competitive Advantage - Our People

- ⇒ The best and brightest people in the industry
- ⇒ Leverage best practice by focusing on training
- ⇒ Philosophy of continuous improvement
- ⇒ Clear standards of performance and behavior
- ⇒ Promotion from within a priority
- ⇒ Recruit, train, motivate
- ⇒ Stores are customer facing, home office supporting and monitoring

# Recruiting The Brightest and Best Quality Staff

- ⇒ Recruitment & selection process
  - ⇒ Managers and District Managers ultimate responsibility
  - ⇒ Home Office Recruiters
    - furnish districts with a larger pool of candidates
    - better qualified candidates
  - ⇒ District Manager held accountable for recruiting
    - incentives and rewards

# Best Training In The Industry

## ⇒ Field based Training

### ⇒ selling process

- new associate training system
  - must complete before receiving commission (90 days)
- Signet US Selling System (District Manager led)
- Ultimate Customer Service (District Manager led)

### ⇒ product knowledge

- covers all product categories
- know the competition

# Developing Staff Skills

## ⇒ product knowledge (continued)

- e.g., Leo Diamond
  - » District Manager led field session
  - » video enhanced
  - » role play
- most certified diamondologists in the United States
  - independent diamond product knowledge program
    - » Diamond Council of America

## ⇒ Manager Training System

- prepare store personnel for store management
- primarily for Store Managers and Assistant Managers

# Store Manager Development

## ⇒ Home Office Training Schools

- ⇒ Career Development
- ⇒ High Volume Store
- ⇒ Jared Store Management
- ⇒ Repair Management

## ⇒ Monitoring of all training

- ⇒ computer tracked by Home Office
- ⇒ District Manager objective
- ⇒ critical part of District Managers' bonus

# Clear Measurable Objectives

## ⇒ Daily store standards

- ⇒ store staff “controllables”
- ⇒ clear performance expectations for each member of staff displayed in store
- ⇒ individual standards build up into annual reviews
- ⇒ Store Manager coaches staff

## ⇒ Monitoring

- ⇒ daily reports provided to Store and District Manager overnight
- ⇒ peer support

# Strongly Incentivized Sales Team

- ⇒ Individual commission based on own and store performance
  - ⇒ store has to reach graduated targets to maximize commission
  - ⇒ encourages team work
- ⇒ Other programs
  - ⇒ incentive trips
  - ⇒ monthly contests

# Field Management Incentives

## ⇒ Manager profit bonus

- ⇒ profit based bonus
- ⇒ monthly store operating statement
- ⇒ training to be profit business managers

## ⇒ District Manager MBO

### ⇒ Controllable Standards:

- Sales
- Training
- Discounting
- Add-ons
- Recruiting

# Head Office Support

- ⇒ Development of tools for stores
  - ⇒ training programs
  - ⇒ policy and procedure communication
  - ⇒ labor scheduling
  - ⇒ monitoring of performance
- ⇒ World Class Store Systems (WCSS)
  - ⇒ simplifying execution
  - ⇒ improve customer service
  - ⇒ build customer trust

# High Quality Real Estate

## ⇒ Strict investment criteria

- ⇒ operational
- ⇒ financial

## ⇒ Consistent program of investment

- ⇒ 60 - 90 remodels and relocations

## ⇒ 6% to 8% new space per year

- ⇒ Kay
- ⇒ regional brands
- ⇒ Jared

## ⇒ Potential to double US space over ten years

# Mall Store Investment Criteria

- ⇒ A or B malls
- ⇒ A or B+ locations
- ⇒ Advertising support
- ⇒ Typical capital costs:
  - ⇒ fixed assets - \$325,000
  - ⇒ working capital - \$550,000
- ⇒ 20% IRR on a 5 year discounted cash flow
- ⇒ Regression model for predicting sales

# US Malls

## ⇒ Mall characteristics:

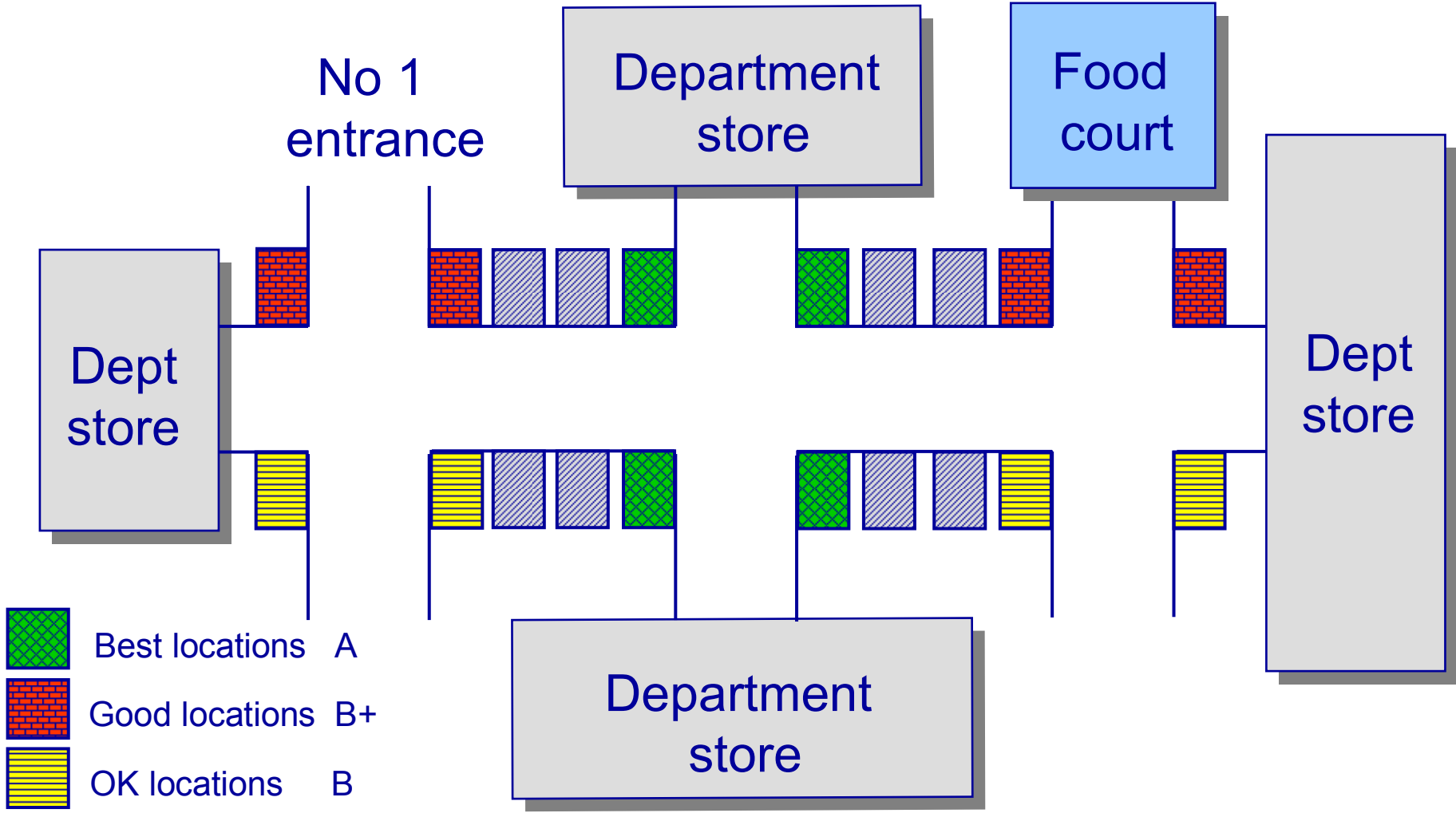
- ⇒ population
- ⇒ household income
- ⇒ jewelry sales potential
- ⇒ mall performance record

## ⇒ Polarization of malls

- ⇒ 346 'A' malls
- ⇒ 507 'B' malls
- ⇒ 475 'C' malls

## ⇒ Less than ten new malls opening a year

# Typical Mall Layout



# Relationship with Developer

- ⇒ 10 year lease
- ⇒ Base rent plus % of sales over a minimum level
- ⇒ Most attractive tenant driven by:
  - ⇒ highest sales per store
  - ⇒ record of sales growth
  - ⇒ quality of company

# Kay Strategy

- ⇒ 717 stores at 31 January 2004
- ⇒ Main competitors other specialty jewelers in malls and department stores
- ⇒ Benefit from national TV advertising
- ⇒ Potential for up to 150 additional mall stores over longer term
- ⇒ Accelerate by in-fill acquisitions

# Kay Off-Mall Test

- ⇒ Leverage of “Kay” brand name
- ⇒ Testing model in variety of locations:
  - ⇒ life-style centers
  - ⇒ power strip malls
  - ⇒ traditional strip center
- ⇒ Opportunity to enter new markets and to in-fill current markets
- ⇒ 10 opened in 2003/04 and 10 planned for 2004/05

# Development of Regional Brands

- ⇒ Well known regional brands allowing second logo in strong malls
- ⇒ Currently 237 malls with multiple Signet logos
- ⇒ Over 200 further opportunities identified
- ⇒ Second mall national logo opportunity
  - ⇒ benefit from national TV Advertising
  - ⇒ requires 500 plus stores
  - ⇒ selective acquisition opportunities

# Jared Development

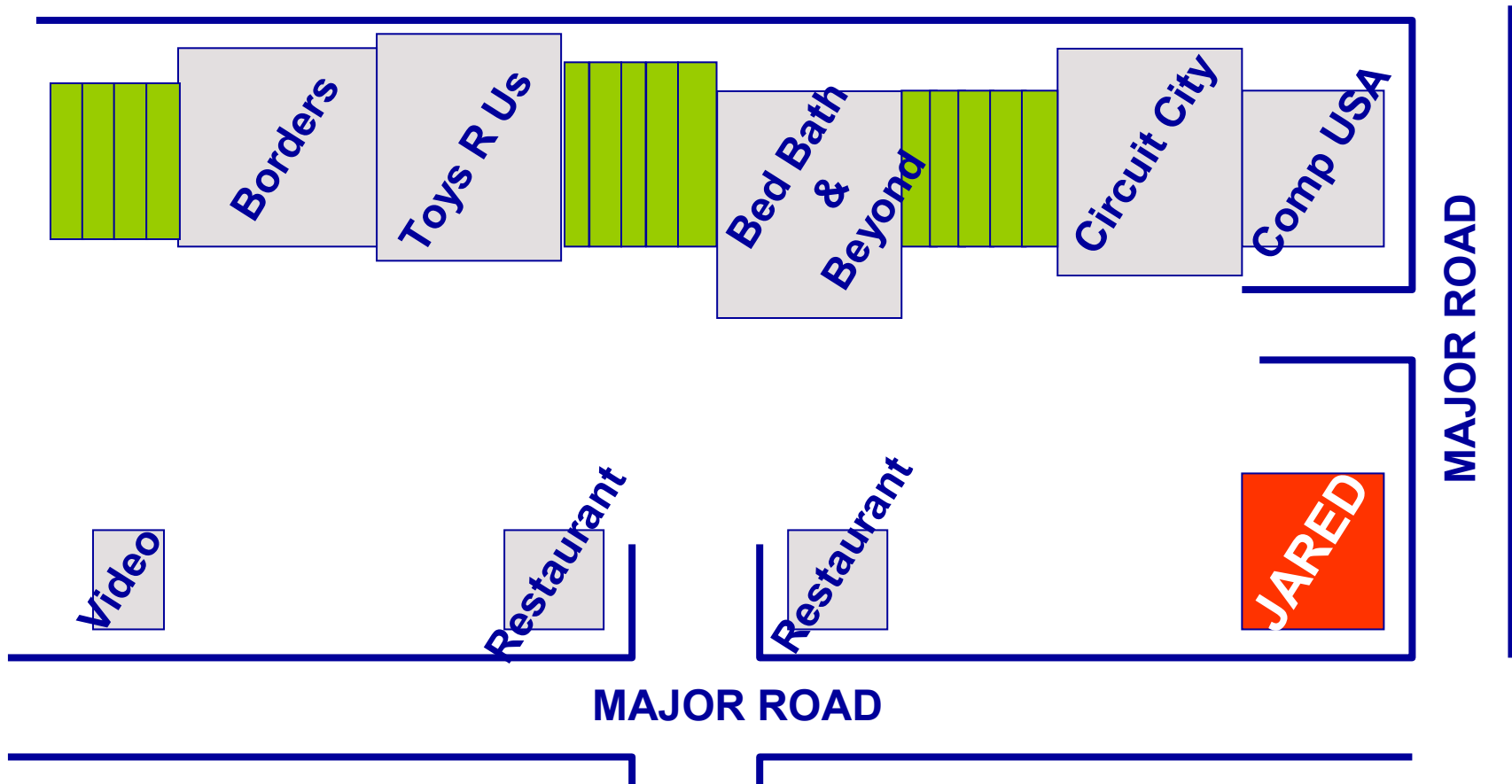
## ⇒ Key parameters:

- ⇒ market selection
- ⇒ advertising support
- ⇒ site selection
- ⇒ store staff
- ⇒ financial return

# Market Selection

- ⇒ Population
- ⇒ Household income
- ⇒ Demographics
- ⇒ Jewelry sales potential
- ⇒ Competitive index
- ⇒ Advertising support

# Site Selection



2.  Speciality retailers

# Jared Store Staff

## ⇒ Store managers

- ⇒ proven Signet mall store managers/ district managers or high volume/multi-store managers experience within jewelry industry
- ⇒ special training provided
- ⇒ separate field support
- ⇒ alternative career development

# Jared Store Staff

## ⇒ Sales associates

- ⇒ specialist product knowledge
- ⇒ Diamond Department Manager/Sales Associate
- ⇒ Watch, Gold, Colored Stone Department Manager

# Jared Investment Model

- ⇒ Minimum 5 year IRR of 20%
- ⇒ Initial investment - \$3.8m per store
- ⇒ First full year sales - \$3.25m
- ⇒ Year 5 sales - \$5m to \$6m
- ⇒ At maturity, EBIT % equal to / greater than mall stores
- ⇒ Year 5 average for 15 mature stores
  - ⇒ sales \$5.8 m
  - ⇒ contribution rate similar to mall stores

# Jared - Unique Opportunity

- ⇒ Only national off-mall destination jewelry store
- ⇒ Competition from independent local jewelers
- ⇒ Established track record
- ⇒ Early stage of development
- ⇒ Barriers to entry
- ⇒ 15 - 20 opening stores per year
- ⇒ Potential for 200 plus stores and over \$1 billion sales

# Superior Execution of a Superior Strategy

- ⇒ Clear goals and strategy
- ⇒ Building the consumers' trust
- ⇒ Best and brightest people
- ⇒ Strict real estate criteria
- ⇒ Continuous improvement