# MANUFACTURING TOMORROW

CONSIDERATIONS FOR GLOBALIZATION

## TODAY'S GOAL

Frame the problems and ask questions in a way that can stimulate all of us to imagine scenarios that might play out in the future.

# KEY CONCEPTS AND GOAL FOR TODAY'S DISCUSSION

- Major crises introduce new challenges and trends.
- Major crises intensify existing trends.
- We don't have answers, only questions.


# 5 MAJOR DISRUPTIONS IN 30 YEARS

# 1980S | 1ST DISRUPTION | LABOR ARBITRAGE

01

Jewelry manufacturing base moved to China, and to a lesser extent other low-labor-cost countries.

02

Industry became less agile.

03

Beginning of commoditization.

04

Smaller production operations became uncompetitive.

# IMPACTS OF 1ST DISRUPTION

- Shortage of Jewelers: 20 years later, the training environment for jewelers has been dramatically diminished.
- Price Resistance: Race to the bottom in price.
- Commoditization begins.

# 1990S | $2^{ND}$ DISRUPTION LOGISTICS TECHNOLOGY

- Packaging technology made it easier and more affordable to produce smaller units of measure.
- Logistics technology made it easier and more affordable to pick/pack/ship smaller quantities.
- ERP technology made it easier to see the true costs of the organization.
- Transportation technology made it easier and more affordable to ship smaller parcels.

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Manufacturer Direct

# IMPACT OF 2ND DISRUPTION

MANUFACTURERS ARE EQUIPPED TO GO DIRECT.

## LATE '90S | 3RD DISRUPTION THE INTERNET + SMART PHONES

- Computer in everyone's hand.
- Removed retail barrier to entry.
- Perception of endless choice.
- Changed the minimum standard necessary to compete in service standards (speed, simplicity).
- Further commoditization.

# IMPACTS OF 3RD DISRUPTION

- Noise Noise Noise Noise Noise
- Let consumer tastes out-of-the-bag!
- Changed consumer expectations.
- (More) price pressure and commoditization.
- Globalization of retail.
- Revealed technology deficiencies in jewelry industry.


## 2007- 2010 4$^{TH}$ DISRUPTION RECESSION SHIFTED PRIORITIES

- Elevated quality-of-life concerns.
- Responsible consumption.
- Altered luxury landscape.

# 5TH DISRUPTION – COVID-19

- Changes the way we work.
- Spotlight on supply chain interdependence.
- Challenges to JIT.
- Distancing + Retail = ?
- Loss of players.
- Systems and infrastructure deficiencies.

# PRE-EXISTING HIDDEN TRENDS

- Micro-producers.
- Thousands of independent online retailers.
- Growing segment of appointment-only and non-stocking jewelry sellers.

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# HOW DO WE RESPOND?

BIG THEMES NOW

IT’S CHANGING DAILY

# CHANGING JEWELRY INDUSTRY BUSINESS MODELS

A design for the successful operation of a business, identifying revenue sources, customer base, products, and details of financing.

The jewelry industry has traditionally relied on these business models:

| | | | | |
|---|---|---|---|---|
| Independent Retail | Chain/Mall Retail | Manufacturers | Distributors | Brands |

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## IMPACTS ON SUPPLY CHAIN & MANUFACTURING BEHAVIOR AND FOCUS

Trends Already In Play
+ Covid-19 Impacts

Business Model Changes in Play
+ Covid-19 Impacts

Consumer Changes in Play
+ Covid-19 Impacts

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# METAL MARKETS

FILIPPO FINOCCHI, BUSINESS DEVELOPMENT MANAGER, PRECIOUS METALS FOR LEGOR GROUP (ITALY)

# LABOR ARBITRAGE WAS CHANGING BEFORE COVID-19

- Growing demand in China and developing world.
- Growth of domestic supply chains in those countries.
- New technologies.
- Labor-cost arbitrage had already become less important (18% of goods trade from low-wage to high-wage countries).
- Trade becoming concentrated within regions as companies prioritize customer proximity and speed-to-market.

# MANUFACTURING & SUPPLY CHAIN RESILIENCE

Diversification a primary responsibility

Jewelry supply chains not resilient

# MANUFACTURING DIVERSIFICATION & SUPPLY CHAIN STABILITY

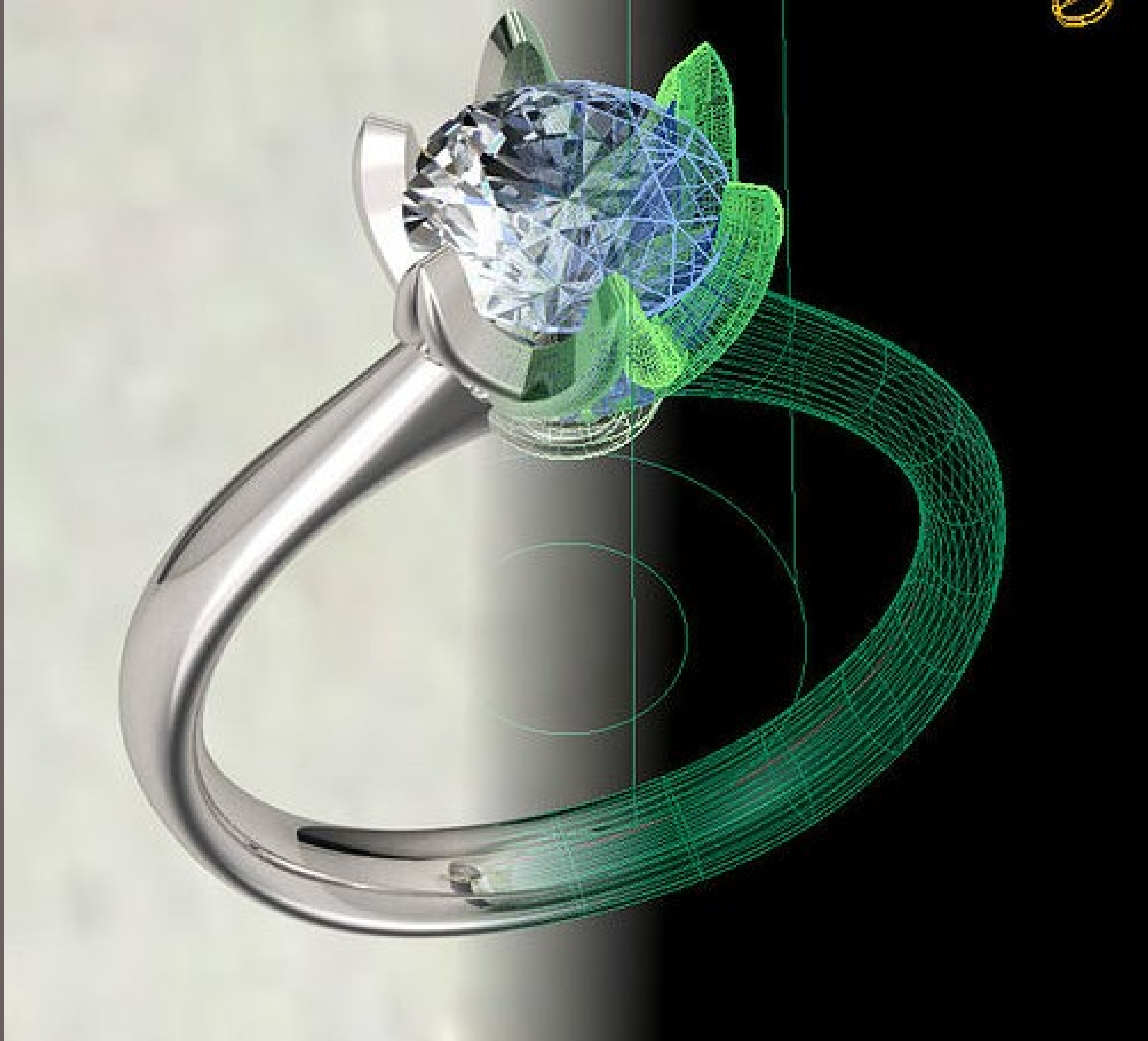
Pre-Covid-19

- Trade liberalization already in reverse.
- Tax codes changing.
- Covid-19 has expanded risks.

Post Covid-19

- Production in or near consumer markets.
- Transparency.
- Agile operations.
- Technology.
- Responding to and shaping customer demand

# WHAT ABOUT ADDITIVE MANUFACTURING?



# TECHNOLOGY (PRODUCTION, CONTROL, DATA, MARKETING, SELLING)

## Pre Covid-19

- Poor utilization of existing technology.
- Poor integration across jewelry supply chains.

## Post Covid-19

- Supply Side: More intensive use of technology and greater integration across supply chain (including both down and upstream)
- Retail Side: Dramatic push to omnichannel, with integration points along supply chain.

# LOGISTICS

- All the technology exists to decrease distance between production and consumers.
- Competitiveness will hinge on use of these technologies.

- Inventory management.
- Forecasting.
- Mass personalization.
- Customization.
- Delivery systems.

# RESPONSIBILITY AND TRANSPARENCY

## Pre Covid-19

- Accelerating consumer interest in environment, social justice, economic justice.
- Kimberley Process and RJC had already raised the bar for social and environmental responsibility.
- Tax codes and tariffs increasing regulatory demands for transparency

## Post Covid-19

- Accelerated search for solutions to blockchain.
- Increased awareness of human suffering will drive responsibility initiatives.
- Ability to report provenance and working conditions will become a requirement.

# DESIGN & STYLE

## Pre Covid-19

- Consumers bored.
- More regional consumption makes design more challenging.
- Mass personalization and customization.

## Post Covid-19

- Short term: Styles will change.
- Design for global consumer?
- More customization & personalization.
- Shift to earrings and necklaces?

# RETAIL DISTRIBUTION

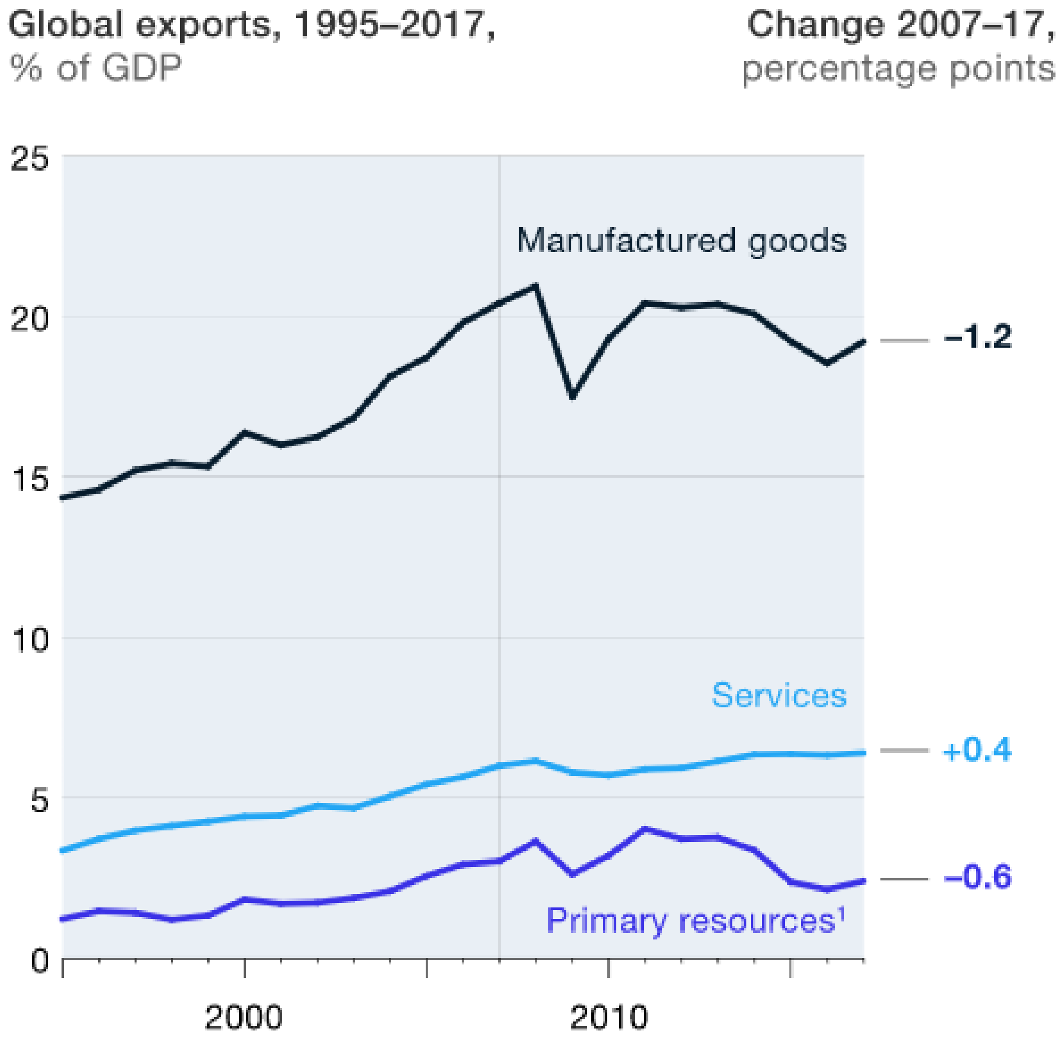
## Pre Covid-19

- Poorly capitalized.
- Credit risk.
- Poor utilization of technology.
- Commoditized.

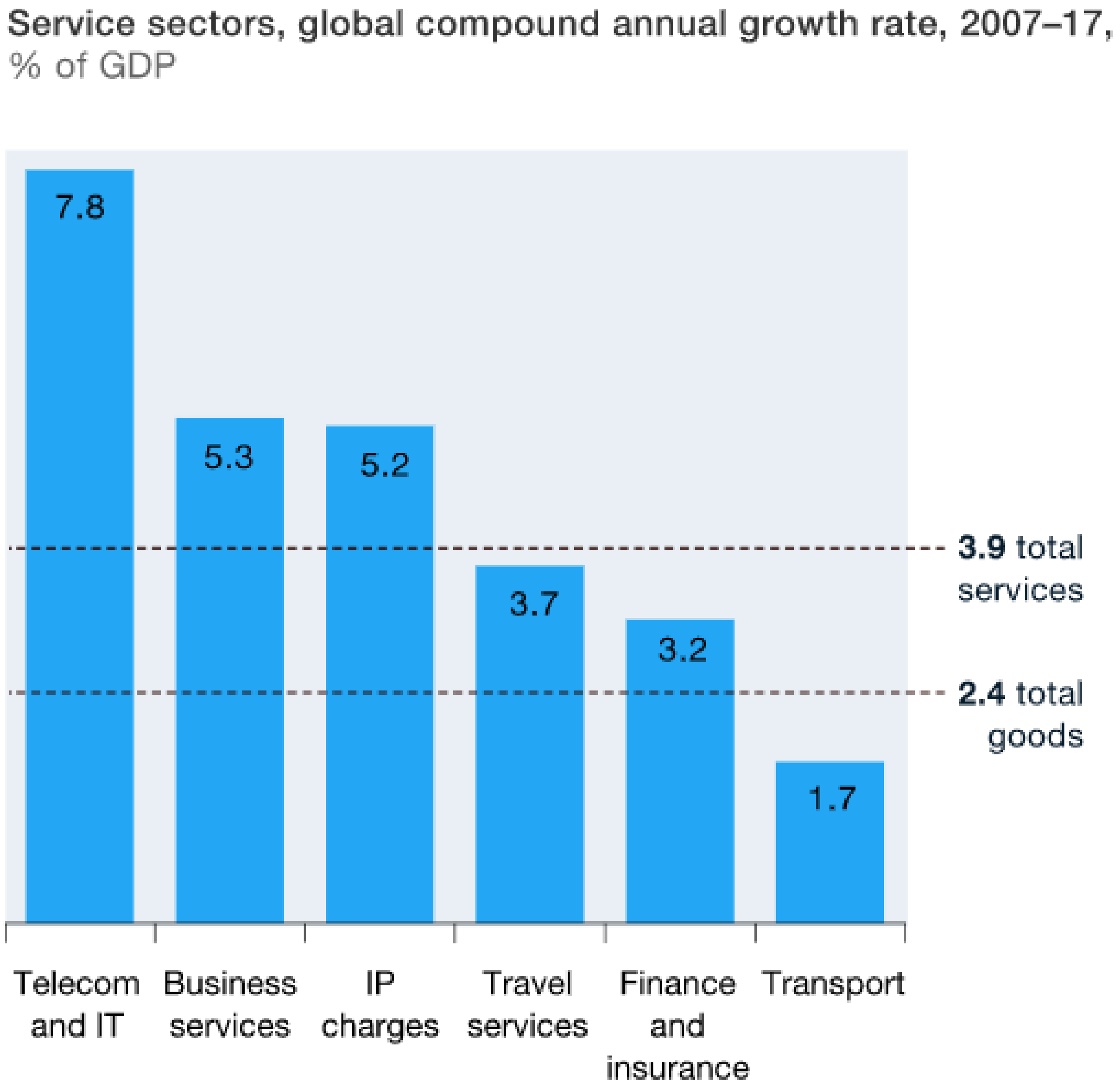
## Post Covid-19

- Direct to consumer?
- Rack-job retail?
- Drop shipping/collaboration strategies?
- Design focus?

# SERVICES



Global exports, 1995–2017,
% of GDP
Change 2007–17,
percentage points
25
20
15
10
5
0
2000
2010
Manufactured goods
–1.2
Services
+0.4
Primary resources[1]
–0.6

Service sectors, global compound annual growth rate, 2007–17,
% of GDP
7.8
5.3
5.2
3.7
3.2
1.7
3.9 total services
2.4 total goods
Telecom and IT
Business services
IP charges
Travel services
Finance and insurance
Transport

# SERVICES

## Pre Covid-19

- Experimental Use of Services Across Jewelry Supply Chains.
- Major Retailers Moving Into Services to Offset Decline in Foot Traffic

## Post Covid-19

- Innovative Utilization of Services Could Differentiate.

# GOING FORWARD

- Be Realistic
- Clear, Unflinching Conversations with Suppliers
- Map Your Supply Chains
- Map Your Technology Environment
- Clear, Unflinching Conversations with Buyers
- Forecast Business Potential Based on Current Realities
- Innovate Your Business Model
- Invest in Your Tools and Skills

MJSA

Professional Excellence
in Jewelry Making and Design

# THANK YOU

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