

Tiffany Response to the Sales Declining

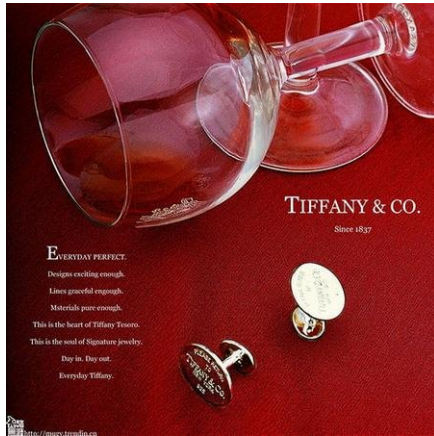
[Tiffany & Co.](#) reported earnings and the results were not pretty which should not come as a surprise given the state of the US consumer (and to a large degree the global consumer). Sales for the quarter ending April 30 were down



22% to \$523.1 million and earnings came in at \$0.20 per share compared to \$0.60 last year. While the earnings were in line with expectations, sales came in a bit below the consensus

figures.

One issue that may be concerning to investors is the inventory balance. Despite lower sales, inventory levels were 6% higher than last year. Management stated that obviously a portion of this growth is due to new store openings, but a lower level of sales is likely more to blame for the increase. With input costs rising, it will become more difficult for the company to hold high levels of inventories as they wait for the economic picture to turn.



[Tiffany](#) is sitting on a strong balance sheet primarily due to its recent offering of \$400 million in debt. While some of this capital was used to retire old debt, a good

bit of it is left for “general corporate purposes.” This capital will likely help finance new store openings as management continues to pursue a relatively aggressive growth strategy. This strategy could pay off huge if the economic picture turns quickly and [Tiffany & Co.](#) has a much wider footprint of stores. However, the gamble is pretty dangerous as a prolonged period of weak consumer spending will leave [Tiffany](#) with costly non-performing locations.

Another aggressive move (or non-move) by the company has been to stick with its upscale pricing and product



offering. While some competitors have begun offering lower cost items, [Tiffany](#) believes that this strategy would cheapen **Tiffany jewelry** and its

brand and cause more pain in the long run. Wealthy clients could potentially turn their nose up if the [Tiffany sterling silver jewelry](#) is affordable to a larger portion of the population.

With the market trading in a relatively range-bound level after a sharp advance this spring, the potential for a quick decline could be dangerous for Tiffany & Co. shareholders. If you are not involved in the stock right now, it could be a great short opportunity to offset long exposure in other areas. Despite catering to some of the wealthiest customers around the world, [Tiffany](#) is not immune to the global recession.

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Tiffany & Co., Tiffany, Tiffany jewelry, Tiffany sterling silver jewelry

Tiffany & Co. reported earnings last month. And as to the sales declining, **Tiffany & Co.** makes several marketing strategy. Facing with the factor that some competitors have begun offering lower cost items, **Tiffany** believes that this

strategy would cheapen **Tiffany jewelry** and its brand and cause more pain in the long run. Wealthy clients could potentially turn their nose up if the **Tiffany sterling silver jewelry** is affordable to a larger portion of the population.