

Luxury jewelry retailer Tiffany & Company's profits surge

By Isaac Finn
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The iconic luxury jewelry company Tiffany & Company announced this week that profits over the first quarter of this year had experienced a massive 53 percent increase to \$142 million, compared to \$93 million in 2017. Following the announcement Wednesday, the company's shares shot up by more than 23 percent.

The sudden increase in the company's stock prices marked a 52-week high, having increased by roughly 30 percent over the past 12 months. The company now expects earnings per share of \$4.50 to \$4.70 for the year ending in January 2019, compared to earlier estimates of earning per share of \$4.25 to \$4.45.

Stock prices also rallied on the announcement that Tiffany's is initiating a new \$1 billion stock buyback program to pad the pockets of its wealthy shareholders.

The upsurge in Tiffany's sales is the outcome of the creation of a small but growing ultra-wealthy layer that can afford to spend thousands upon thousands of dollars on bracelets, earrings, necklaces and other trinkets out of the immiseration of millions of workers. In fact, jewelry retailers as a group experienced a 13 percent increase in stocks following Tiffany's earnings report, while retail companies that have a base among more working-class shoppers, such as Target and JCPenney, have experienced a fall in sales and their stock value.

At the end of last year, UN special rapporteur on extreme poverty and human rights Philip Alston noted that the US is plagued with "soaring death rates and family and community destruction wrought by prescription and other drug addiction." While a full 40 percent of American adults report that they cannot cover a \$400 emergency without going into debt, a small layer is able to live an extremely opulent lifestyle.

The more than \$1 billion squandered in just the first three months of this year on a single company's luxury items would cover over two-thirds of the costs of replacing the toxic water infrastructure of Flint, Michigan. The squandering of such resources on frivolous goods, while large sections of the world's population live without clean water and other essential services, is the most blatant expression of the failure of capitalism.

Sales in the Americas, which is the company's largest market, rose by 9 percent to \$425 million; in Europe, sales increased by 13 percent to \$107 million, and sales in Japan increased by 17 percent to \$151 million over the course of a three-month period that ended on April 30. The Asia-Pacific market experienced the largest growth, with sales skyrocketing by 28 percent to \$329 million over the same period.

Tiffany's total first-quarter net sales rose by 14.8 percent to \$1.03 billion, more than the estimated \$959.4 million, according to Reuters. Part of the increase is due to the tax windfall signed by Trump in December. The company's effective tax rate for the first quarter was 25.3 percent compared to 31.7 percent last year.

The increase in sales is also a reflection of the ever-growing hordes of money controlled by the upper echelons of the global population. According to a recent report by Wealth-X, North American billionaires increased their wealth by 22.8 percent to a total of \$3.3 trillion and Asia's billionaires increased their wealth by 49.4 percent to a total of \$2.4 trillion in 2018.

Tiffany reported that the increase in sales was aided by more tourists shopping in the US, as well as New Yorkers spending more on jewelry. New York, where the company's flagship store is located, is home to 103 billionaires. Same-store sales increased by 7 percent,

more than double the 2.7 percent increase that was estimated by analysts.

Tiffany's new CEO, Alessandro Bogliolo, stated in an earnings release that the company was "particularly encouraged by the breadth of sales growth across most regions and all product categories." He also hailed a new ad campaign, titled "Believe in Dreams," for aiding sales and said the company would continue to ramp up its ads for the rest of 2018 because the company is "committed to reaching the sustainable growth potential of this legendary brand."

The company has also diversified into "everyday objects" and luxury home goods to attract younger wealthy consumers that might otherwise go to Tiffany's competitors. These products include a \$1,000 18-karat gold paper clip bookmark and a sterling silver "coffee can" that costs \$1,500. The store also offers diamond-encrusted Swiss-made watches ranging in price from \$30,000 to just \$2,950.

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