

Indian Gems and Jewellery Industry: A Quiet Revolution

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ABSTRACT

The major components of the gems and jewellery industry include the Gemstones – Diamonds and colour stones (precious, semi precious and synthetic), Jewellery (plain gold, studded, silver) and pearls. If we look at the Indian Gems and Jewellery industry it is having two major segments, which include gold jewellery and diamonds. Gold jewellery forms around 80 % of the Indian jewellery market, with the balance comprising studded jewellery that includes diamond studded as well gemstone studded. The historical records clearly indicate that the jewellery of any type is an integrated part of the Indians psyche. The reasons may be any but jewellery has always remained a preferred investment option with the Indians. The Indian market is a highly unorganized one and it is dominated by the family jewelers which comprise nearly 96 % of the market. Organized players such as Tanishq, Gili have however been growing steadily, carving a niche for themselves. As the market matures it is expected to get more organized and the share of family jewelers is expected to decline.

Over the years this sector at the global level has been impacted by many developments, like falling trade barriers, increasing competition, changing customer preferences and developments in technology in several areas. The Indian market has also gone through a metamorphosis. This metamorphosis is the result of many factors, which are not only related with the efforts of the industry but also to its changing demographic patterns.

Background

The gems and jewellery industry can be categorized into the following sub sectors based upon characteristics, processing categories and marketability.

- ◆ Gemstones – diamonds and coloured stones (precious, semi precious and synthetic)
- ◆ Jewellery – Plain gold, studded, silver.
- ◆ Pearls.

In addition to this there are several stages in the value chain through which the jewellery products pass and reach the final consumer. The three main stages are:

- ◆ Mining
- ◆ Processing (cutting, polishing & setting)

◆ Trading

The global market for gems and jewellery today is pegged around US\$ 85 billion with key markets having registered an average compounded annual growth rate (CAGR) at 5 –10 % in the last decade. Over the years the global market has been impacted by several developments like falling trade barriers, increasing competition, changing customer preferences and development of technology. These factors one way or another have impacted the demand in the global market. The major noted key trends in the global market are as follows:

- ◆ Increasing competition among top producing countries.
- ◆ Emergence of different materials and alloys within gold as well as non-gold jewellery.

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- ◆ Emergence of new manufacturing techniques.
- ◆ Emergence of stricter quality norms.

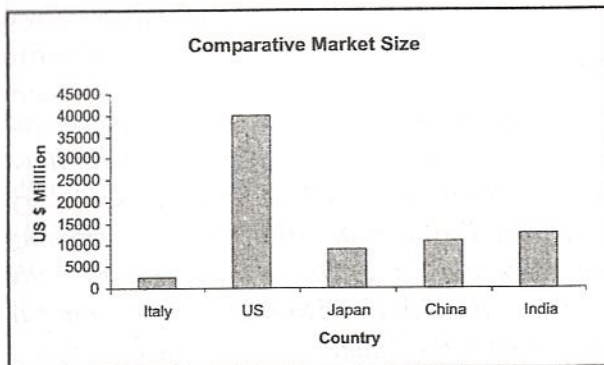


Figure 1 Comparative Market Size

In India the gems and jewellery market occupies an important position in the Indian economy. It is one of the fastest growing industry and a leading foreign exchange earner. The major segments of this industry in India include gold jewellery and diamonds. Gold jewellery forms around 80 % of the Indian jewellery market, with the balance comprising studded jewellery that includes diamond studded as well as gemstone studded jewellery. Besides being the largest consumer of gold, India is also the leading diamond-cutting nation in the world.

Table 1 Indian Gems and Jewellery Industry Highlights

Gold Jewellery Market size	US \$ 13billion
Diamond Jewellery Market	US \$ 12billion
Gold Jewellery Market growth	15%
Diamond Jewellery Market Growth	27%

The Indian gems and jewellery sector is largely unorganized at present. There are about 15000 players across the country in the gold processing industry of which only 80 players have a turnover of over US \$ 4.15 million. There are about 4,50,000 gold smiths spread throughout the country.

There has been a sea change in the industry over the last few years. The industry is experiencing and emphasizing on innovation, quality, promotion, designing and branding. The branded segment is the fastest growing segment in the gems and jewellery market. The major trends are discussed in the following sections.

Trend I – Brand Wave, Innovation & Retailing

Brands are playing a major role in propelling the growth in the jewellery industry. In the year 2005, the branded segment has grown at a galloping 40%. The consumers are more attracted towards branded products because of their quality, designs and shopping experience, with around 50 plus diamond and gold brands being marketed across the country which are targeted at different lifestyles, income levels, traditions and value systems. Many companies are catering to the niche segments also. The market has grown over the years and now there are more players entering the branding spree and the heat of competition among them has increased.

It is a well-known fact that to create a brand, money has to be spent. In this industry, which has grown over the past few years, the marketing and promotional activities are phenomenal. Companies are innovating in design, retail formats and branding to remain competitive. The examples include: -

- ◆ Design
 - The exclusive collections of the companies for the different market segments to build their brand equity. For example Tanishq with their exclusive designs and product quality has positioned itself as a reputed jewellery brand.
- ◆ Retail Format: Supporting the growth in gems and jewellery industry is India's retail scenario, which is on an upswing. Different patterns on the retail front are emerging, for example:

In order to increase product visibility, Gili struck alliances with several leading lifestyle and department stores to display their products.

Exclusive jewellery malls such as Gold Souk has more than 50 stores in India.

Inter gold, a diamond studded gold jewellery brand, is planning to open up a chain of 60 stores across the country.

Big Bazaar is launching a Gold section.

Supermarkets like Lifestyle and Shoppers Stop have jewellery outlets.

gold bars have increased at the range of 72 % from the year 2000 -01 to 2004 -05. Same way the imports of silver bars, platinum bars, imports of cut and polished diamonds and import of other items increased to the tune of 188%, 80%, 558%, and 407% over the years from 2000 - 01 to 2004 -05.

From the Table 3 it can be interpreted that exports of items is much higher than the imports. Cut and polished diamonds, gold jewellery, non-gold jewellery, sales to foreign tourists and exports of rough diamonds have increased manifold over the years.

Table 2 India's Imports of Raw Materials for Gems and Jewellery

Sr. No.	Items	2000 - 01	2001-02	2002-03	2003-04	2004-05
1	Rough Diamonds	4,350	4,250	6,271	7,141	7,595
2	Rough coloured gemstones	96	63	68	73	83
3	Raw Pearls	6	5	6	5	5
4	Rough Synthetic Stones	0	0	0	2	4
5	Gold Bars	497	573	667	815	855
6	Silver Bars	8	6	21	20	23
7	Platinum Bars	5	8	1	3	9
8	Import of Cut and Polished Diamonds	432	465	632	1,187	2,843
9	Import of Other items	4	9	41	107	167
	Total Imports	5,398	5,336	7,708	9,353	11,584

Trend II – Imports and Exports

The analysis of the Table 2 clearly indicates that over the years there is an increase in the import of raw materials in the Gems and Jewellery industry. The rough-diamonds witnessed a growth of 75% from the year 2000 -01 to 2004 -05. The import of rough synthetic stones has increased 400% from the year 2000 -01 to 2004 - 05. The imports of

So it can be concluded that India 's exports of jewellery and jewellery related products have increased many fold. This is because of the demand of the Indian jewellery in the foreign markets.

Women who are traditional and status conscious in their outlook: A key segment in Indian market, uses traditional symbolism to communicate to others and gold plays a strong role

Table 3 India's Exports of Gems and Jewellery Items

Sr. No.	Items	2000 - 01	2001-02	2002-03	2003-04	2004-05
1	Cut and Polished Diamonds	6,187	5,972	7,111	8,627	11,182
2	Coloured Gem Stones	203	183	192	178	193
3	Gold Jewellery	1,150	1,167	1,513	2,681	3,813
4	Pearls	3	3	4	4	3
5	Non - Gold Jewellery	56	64	85	99	129
6	Synthetic Stones	2	2	1	1	1
7	Costume Fashion Jewellery	10	10	10	10	0
8	Sales to Foreign Tourists	12	13	13	18	-
9	Export of Rough Diamonds	157	142	241	536	358
	Total Imports	7,779	7,556	9,170	12,156	15,678

in this. This group of women have little desire to be modern in their culture. They are slightly more rational than some women in their selection of jewellery, but still appreciate the emotional benefits that wearing gold can bring. Gold has the added bonus of being seen as a wise investment.

Women passionate about their appearance and accessories: A key segment in all six countries. In some eastern markets these women are aiming to be more modern and progressive, but are conscious about the boundaries of tradition.

Through design, gold jewellery enables these women to express their modern self without conflict, since gold is traditionally endorsed. Overall gold is extremely important to this group, they own many pieces, but still have the desire to own more.

Self-confident creative women: A key segment emerging in the Indian market. These women have the desire to express their feelings and individual personality through their clothes, jewellery and accessories. Gold jewellery is valued by these women for their originality of design.

Trend III - Consumer Patterns

Table 4 The Indian Rich Consumer Class

Consumer classification	Income Class(Rs. 1000)	No. of Families(1000)	Growth Rate(%)
Strivers	5000 - 10000	3,212	17.50
Near Rich	10000 - 20000	1122	19.40
Clear Rich	20000 - 50000	454	21.30
Sheer Rich	50000 - 100000	103	23.40
Super Rich	>100000	53	25.90

Source: NCAER. Income Figures per annum at 2001 - 02 prices

Traditional Approach	Modern Approach
Investment	Fashion, Accessory and gift
Demand in Marriage and Festivals	Demand throughout the year
Family jeweller dependence	Trust on brands
Traditional and ethnic designs	Innovative designs
Gold based jewellery	Diamond and gemstones studded jewellery in addition to gold jewellery
Cost plus pricing	Premium pricing by branded jewellers

- ◆ Import of gold of 18 carat and above allowed under the replenishment scheme.
- ◆ Duty free import of consumables for metals other than gold and platinum allowed up to 2% of Free on Board (FOB) value of Exports.

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Trend IV – Government Regulation and Support

In order to give a boost to exports of gems and jewellery, government of India took major initiatives during 2004 –05.

- ◆ Lowering import duty on platinum from US\$ 12.2 per 10 grams to US \$ 4.64.
- ◆ Exempting rough coloured precious gemstones from custom duties at the first stage itself instead of claiming reimbursements later.
- ◆ Rough semi precious stones are already exempted, aimed to further increase the export of studded jewellery and platinum jewellery.

The policies for this sector announced in the Foreign Trade Policy include:

- ◆ Duty free re – import entitlement for rejected jewellery up to 2 % of Freight on Board (FOB) value of exports.
- ◆ Increased duty free import of commercial samples of jewellery to Rs 1 Lakh.