

A study on Jewelry and gem industry in India

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Abstract

This study is on the marketing research, scope and method forward for jewelry and gem exchange of India, because this sector plays an enormous role among the Indian economy one in every of the fastest growing sectors contributing around 6-7 per cent of the country's gross domestic product. This study is conducted with the help of case studies and reports published to throw light on the market scenario of India and the expected growth in jewellery and gem industry. China and India are leading the market in terms of process jewellery and gems, supported its potential for growth and price addition; the govt of India has declared the gems and jewellery sector as a spotlight house for export promotion. The worldwide gems and jewellery trade is to boot expected to witness high demand among the near future owing to the enlargement among the consumption of branded jewellery. It's expected that branded jewelleryes will gain an enormous share among the market over the forthcoming years.

Key words: Jewellery and gem industry, Indian market, marketing research.

Introduction

This study is to provide an extensive understanding and analysis about jewellery and gems industry in India. This sector has a rapid and stable growth over a long period of time in India. The enlargement and renovation in the incomes of middle class and urbanization have led to a trigger in the consumerism in India. The branded retail is growing in India quickly; subsequently this is paving way for a better and organized industry with more structured jewelry and gem stores across India. The traditional preference of jewelry on auspicious occasions such as weddings, festivals, various functions and ceremony(s), etc; are the prime reasons for this craze in India for jewelry and gems. In spite considering gold and stones proposed as a portrait of predicament and valuable assets. The fall in to place in behavior and practice the consciousness bounded by women has notably increased the outlay of gold as bar pin for wearable purposes in original times. Earlier, gold and gems were predominantly considered for investment purposes and status symbol. Apart from these there are various other reasons to get on global popularity for Indian jewellery such as the large variety of designs & collections, top notch quality & durability, impeccable & artistry craftsmanship and the pioneered process in cutting, polishing various stones and gems in a more cost efficient manner. The jewellery and gem industry in India operates at all levels starting from mining to sourcing, processing, designing, cutting and polishing. This includes gold, gemstones and precious metals. In gold, India is the second largest consumer. Over 20% of the global gold consumption is done by India. India is leading the market as hub of the world, in diamond cutting and polishing and also the third largest market for polished diamonds after USA and Japan respectively. The substantial reserves of gold, diamond and other gems of India are very strong and commendable. Indian jewelry market commands the percentage of market share in the value sales and percentage of global market on the basis of number of pieces of diamonds sold. Irrespective of the mining location, out

of every 15 diamonds (approximately) sold all over the world have been processed and designed in India. This sector has been playing a key role in the economy of India. The jewelry and gems sector in India has alone contributed around 6-7% of the Indian GDP every financial year. The employment opportunities in this sector are getting bigger and bigger every year, and many are getting benefited out of it. On the other hand the earnings from foreign exchange are also in the boom because of this sector. On the whole, the jewelry and gem industry in India is playing a cohesive role.

Indian Market Scenario

The jewelry and gems sector in Republic of India is extremely labor intensive and majorly export destined. Gold and diamond are the two primary segments in India. This sector plays a significant formidable role in the Indian economy. To promote the “Brand India” in the global market the Government of India has taken various steps to pull in the latest and upgraded technology, investments and skills. In today’s market scenario India is deemed to be the hub of this sector due to the availability of the highly skilled labour force at a low cost. There are various trade policies formulated by the Government of India for this sector. According to a recent study, this sector is said to grow at a CAGR of 15.90% over the period 2014-2019. The FDI for the past 15 years had been US \$716.95 Billion in gold and diamond ornaments. This was released by the Department of Industrial Policy and Promotion. In the FY14, then wipe out and new diamonds had reached US \$19635 Million, mutually a review of 12.65% in export. On the other common laborer the imports of diamonds were on a fall into place of 11.98% in the resembling year. 163.11 Million carats of serrated diamond were imported by the India outlay of US \$16.34 Billion. The dispatch was 36.46 Million carats and US \$20.23 Billion in 2013 respectively. More than 80% of age for gold ornaments comprises of domestic jewelry consumption by the whole of other incalculable stones and metals. In the total retail market the organized retail market constitutes about 8%. In India Jewelry and Gems manufacturing constitutes 6% to the lock, stock and barrel organized retail. The farther pie block out has the statement, for it.

India’s Position on the Global Front

India is deemed to be the hub of the global jewelry market because of its low costs and availability of high-skilled labor. India is the world’s largest cutting and polishing center for diamonds, with the cutting and polishing industry being well supported by government policies. Moreover, India exports 95 per cent of the world’s diamonds, as per statistics from the Gems and Jewelry Export promotion Council (GJEPC). The industry is projected to generate up to US\$ 35 billion of revenue from exports in 2015. India’s Gems and Jewellery sector has been contributing in a big way to the country’s foreign exchange earnings (FEEs). The Government of India has viewed the sector as a thrust area for export promotion. In FY14, India’s gems and jewellery sector contributed US\$ 34.75 billion to the country’s FEEs.

The diamond market’s skyrocketing growth in the key developing markets of China and India moderated in 2013 amid economic slowdown. Due to continuing economic uncertainty, diamond sales in Europe suffered. However, the USA and Japan registered a growth in sales. Globally, jewelry demand was up 37% in the quarter ending September 2013 to 576 tonnes. In China, demand was up 54% compared to a year ago; while in India demand increased by 51%. There were also significant increases in demand for gold jewelry in other parts of the world: the Middle East region was up by 33%, and in Turkey, demand grew by 38%. India’s domestic Gems and Jewelry market is equally strong. The domestic gems and jewelry industry had a market size of INR 251,000 crore (US\$ 40.45 billion) in 2013, with the potential to grow to INR 500,000–530,000 crore (US\$ 80.59–85.43 billion) by 2018, according to a study by a leading industry body. The study projected that the country’s gems and jewelry market could witness exponential growth driven by a healthy business environment and the government’s investor friendly policies (O’Byrne, 2013).

Market Size of Jewellery Industry in India

According to a report by Research and Markets, the Jewelry Market in India is expected to grow at a CAGR of 15.95 per cent over the period 2014-2019. The cumulative foreign direct investment (FDI) inflows in diamond and gold ornaments in the period April 2000-June 2015 were US\$ 716.95 million, according to Department of Industrial Policy and Promotion (DIPP). India imported 163.11 million carats of rough diamonds worth US\$ 16.34 billion and exported 36.46 million carats of polished diamonds valued at US\$ 20.23 billion in 2013. The country exported gems and jewelry worth US\$ 36.04 billion in 2013. The domestic gems and jewelry industry had a market size of INR 251,000 crore (US\$ 41.61 billion) in 2013, with potential to touch INR 500,000–530,000 crore (US\$ 82.94–87.93 billion) by 2018, according to a joint report by FICCI –AT Kearney titled ‘all that glitters is Gold: India Jewelry Review 2013’. FY 2013–14 saw an increase of 12.65 per cent in export of cut and polished diamonds with the segment reaching US\$ 19,635 million. The industry also saw an increase of 11.98 per cent in imports of rough diamonds with figures of US\$ 16,716 million, suggesting a growth in cutting, polishing and other manufacturing activities in the country. Key exporting destinations for gems and jewelry in FY 2013–14 were UAE – 35 per cent of exports valued at US\$ 12,195.34 million; Hong Kong – 28 per cent of exports valued at US\$ 9,790.45 million; and the US – 14 per cent of exports valued at US\$ 4,948.92 million.

Challenges Faced By the Industry in India

Dependence on Import: The gems and jewellery industry is highly dependent on import for meeting its raw material requirements and among the imported commodities rough diamonds account for almost 50% of the imports. India is also one of the largest importer and consumer of silver in the world.

Lack of Financial Support: The industry is also facing problems in terms of financial assistance from the banks, which is evident in the below table which highlights the gross credit deployment to the industry: The gross credit deployment towards the gems & jewellery industry has been increasing in value terms; but still it is less than 3.00% during the last five years and stood at around 2.74% of the total credit deployment towards industry in 2013. As the market is especially entrenched by tiny players, banks & monetary establishments hesitate to produce them help or they elicit personal collaterals in conjunction with high rate of interest, which successively jeopardizes the monetary health and growth prospects of the entity and its house owners.

Fluctuations in Exchange Rate: Gems and jewellery trade is influenced by the rupee/dollar rate of exchange as a result of its export & import orientating trade. Any variation within the exchange rates affects the margins of the players.

Changing Consumer Preference: International promoting needs keeping pace with dynamical fashion of Gems and jewellery notably within the context of terribly high costs of diamond, gold and silver. Republic of India isn't having enough style development centres to supply feedback and for innovation of latest styles to catch up with fashion desires of the foreign consumers. Makers craft specific style of gems and jewellery merchandise in line with the market demand. However owing to modification of fashion, demand of that style of product starts decreasing and eventually it finishes. This case blocks the manufacturer's capital and results in inventory assemble.

Competition Threat: Presently Republic of India is that the dominant player as a process hub for diamond, however she faces future threats in terms of competition from varied countries; one amongst them is China, attributable to low-cost economic labour, infrastructure and a hospitable government. Technology is another side wherever the Indian gems jewellery business faces a significant threat from China. Aside from China, Israel and European nation are rising as diamond process centres; these countries are technologically additional sound and economical than India. The diamond manufacturing nations also are building infrastructure for diamond process to achieve economic blessings.

Why Invest In The Indian Gems & Jewellery Industry?

India offers a beautiful investment and business chance for large players inquisitive about establishing a powerful foothold within the Country. This could be attributed to numerous factors just like the Country's growing domestic market and particularly the growing socio-economic class, the export advantage existing within the business as a result of illustrious Asian country accomplishment and also the FDI Policy and a number of alternative initiatives undertaken by the govt. of India. Not solely this, varied factors like low price of production and virtuoso however low price acquisition, facilitate maintain a healthy competition within the business. The main foreign markets for the trade are Europe, USA, UAE and urban centre. A number of the newer markets that are being centred on by the business players are the Latin America, Russia and continent.

Study about the Jewellers in India

1. TRIBHOVANDAS BHIMJI ZAVERI

Parent Company: Shrikant Zaveri Group

Number of stores: 28

Founder: Tribhovandas Bhimji Zaveri

Established Year: 1864

Headquarters: Mumbai

SWOT ANALYSIS

Strength

- Development of new products and designs from all over the world (Italy, Turkey)
- TBZ is known for selecting potential markets, real estate locations, training staff and undertaking the marketing
- Admirable advertising and brand awareness amongst Indian cities

Weakness

- Focusing an increase in sales of diamond studded jewelry in order to increase its profit
- Need to expand globally since it is dependent on the Indian market only

Opportunity

- Increase in number of stores in India as well global penetration
- Increase marketing activities to increase footfalls and sales
- Sponsorship and tie-ups with fashion events to increase brand visibility

Threat

- There is an intense competition from Branded companies and local retailers
- The difficulties of securing retail store locations
- Competition from family owned business in this sector

Major Competitors

- Titan Industries Limited
- Gitanjali Gems
- Thangamayil Jewelry Ltd

2. GITANJALI JEWELS

Parent Company: Gitanjali Group

Number of stores: 110 stores

Established Year: 1966

Headquarters: Surat

SWOT ANALYSIS**Strength**

- One of the pioneers in jeweller industry in India, which is not family owned but which is run by modern entrepreneurs
- Marketing through celebrity endorsements helps to grab maximum eye balls
- There are different brands which cater to each price brackets like DDamas, Diya and etc

Weakness

- Stiff competition from organised as well as unorganised retail means limited market share
- Despite being a huge brand in India, it has limited global penetration

Opportunity

- Global acquisition is there in large to enhance visibility and acquire knowledge
- Conversion of diamond into Jeweller before exports
- To expand its business in Europe the company has incorporated a wholly owned subsidiary (WOS) in the name of "Gitanjali Resources" in Belgium with a view to explore in that continent

Threat

- Weak economic recovery in the US
- Debt burden in USA
- Constant change in consumer preferences
- Fluctuation in price and gold prices

Major Competitors

- Tanishq
- Tribhovandas Bhimji Zaveri
- Kiah Jeweller

3. JOY ALUKKAS

Parent Company: Joy Alukkas Group

Number of stores: 105 (Globally)

Founder: Joy Alukkas

Established Year: 1987

Headquarters: Kochi

SWOT ANALYSIS**Strength**

- One of the largest jewelry stores in India
- Good presence Pan - India and Middle East
- Over 10 million customers and employs a highly committed team of over 3000 people
- Have won National Jewelry awards by the All India Gems and Jewelry Trade Federation (GJF)
- Has a wedding centre where a person can buy saree, accessories matching to the jewelry
- Good marketing and advertising in India by associating with celebrities

Weakness

- Less brand visibility globally, which has a huge potential market
- Brand recall is less as compared to Established brands in North India

Opportunity

- Expansion in international markets

- Continue expansion to increase the market share

Threat

- Gold prices are increasing
- Huge debt for expansion operation overseas
- Continuously changing fashion trends means continuous investment in innovations

Major Competitors

- Tanishq
- Tribhovandas Bhimji Zaveri
- Ddamas
- Nirvana Diamonds

4. TANISHQ

Parent Company: Tata Group

Number of stores: 170

Founder: Ratan Tata

Established Year: 1994

Headquarters: Bangalore

SWOT ANALYSIS**Strength**

- One of the most trusted jewelry brands in India
- Strong backing of the Titan Industries of the Tata Group
- Excellent branding and advertising through TVCs and print ad campaigns
- Association with celebrities as brand ambassadors to reach out to the customers
- Apart from Indian jewelry in wedding and diamond collections, also offers simplistic and low-priced jewelry for daily wear
- Has its presence in over 100 Indian cities

Weakness

- Limited global presence as compared to a few other international brands
- Tough competition from other jewelry brands means limited scope of growth

Opportunity

- Global penetration in other countries
- Acquisition of smaller businesses to increase brand position and reach
- Tie-ups with corporate and business partners

Threat

- Economic fluctuations mean people decrease their spending
- Government policies, taxes etc also affect the premium jewelry segment
- Trends change quickly, hence innovations and R&D are investments

Major Competitors

- De Beers
- Nakshatra
- Ddamas
- Tribhovandas Bhimji Zaveri
- Reliance Jewels

5. RAJESH EXPORTS

Parent Company: Rajesh Exports
Number of stores: 85
Founder: Rajesh Mehta & Prashanth Mehta
Established Year: 1990
Headquarters: Bangalore

SWOT ANALYSIS

Strength

- Strong global presence
- Largest exporter of gold products from India
- The only company in the world with presence across the entire value chain of Gold from refining to retailing

Weakness

- Not strong in India
- Distribution channels are not efficient enough

Opportunity

- Expansion in global Markets
- Growing demand for jewelry across the world

Threat

- Rising cost of raw materials
- Government regulation and policies
- Increase in labour costs

Major Competitors

- Maruti Jewellers
- Raghunandan Prasad & Sons
- S. Zaveri & Sons Jewellers

Future Outlook

The jewelry trade in Asian country adds a particular feature with high domestic and international demand. With rising gold and silver costs, imitation jewellery market has been witnessing vital growth over the past few years. Moreover, Indian imitation jewellery creating is rising because the next huge market that has been preponderantly driven by its autochthone styles and native demand. Additionally, the attitude of makers, wholesalers, traders and retailers of the imitation jewellery trade holds rather more capability than the traditional providing. The trade dynamics and shopper Behavior Patterns have created Asian country, the world's second-largest manufacturer of imitation jewellery over China. Rajasthan, Uttar Pradesh, West Bengal, Bihar and Madhya Pradesh are a number of the necessary states familiar for such merchandise. Further, with the entry of huge organized players, the market can become additional competitive and other people have additional decisions among branded and quality merchandise. Besides, Indian imitation jewelry encompasses a immense potential for exports and enjoys immense demand within the foreign markets. The demand is additionally raising in several Asian countries which is able to facilitate additional the business to accelerate within the close to future. However, there are bound challenges like low cost imports from China, pricey labour, etc., that must be self-addressed as these will have an effect on the expansion of the business. Considering the on top of factors, the long run of Indian imitation jewellery market looks quite bright.

India is one of the leading players in the Gems and Jewelry market but in order to maintain herself as a dominant player, she needs to adapt to the changing lifestyles and expenditure pattern through better quality products and adopting modern technology. Over the long term, gold jewelry demand is likely to witness consistent growth driven by evolving lifestyle, anticipated recovery in economic conditions and expected improvement in demand from tier 2 and tier 3 cities and rural markets which account for a major chunk of the demand.

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