

china's jewelry
industry analysis
essay sample



**ASSIGN
BUSTER**

China is the world's important jewelry producer and consumer. Due to historical reasons, China's jewelry industry developed a little later, and started in the early 1980 s. In recent years, because of rapid development of national economy and the improvement of residents' disposable income, China's jewelry industry presents a high-speed development. According to the statistics, China's jewelry industry growth in annual sales amount for years and in 2009 reached \$36650 million, and record sales in 2010, to \$43450 million, went up 18. 6% from a year earlier. According to the Chinese Jewelry Management Center, it estimates that by 2020 China will become the world's largest jewelry consumer market. Table 1. Table 2

International experience shows that when a country's per capita GDP reached \$3000, residents of consumer spending will turn from necessity, subsistence which is given priority to with food and clothing, to an enjoying type. In 2008, China's per capita GDP reached 23708 yuan, more than \$3000, marked it has formally entered the consumption structure adjustment period. In recent years, China's luxury market has gradually stepped into rapid rise stage. According to McKinsey's survey, 2010 household income of more than 300000 groups of luxury consumption totaled 56. 8 billion yuan, accounting for 71% of the total amount of the luxury market. And rich families of China, the number of family income in 30 to 1 million yuan are growing at an annual rate of 15. 6%, is expected in 2015, China will have 5. 5 million households reached this level of income; (the most wealthy families earning more than \$1 million) are growing even faster, growing about 22. 4% a year, in 2015 there are 1. 1 million households will achieve this level of income.

With the rapid increase of affluent, McKinsey expects China's luxury market scale will increase from \$14 billion in 2010 to 2010 of \$30 billion, 5 annual compound growth rate of 17.6%, China will account for 20% of global luxury market, more than Japan to become the world's largest market for luxury goods. The luxury market will not be limited to the first-tier cities. According to a McKinsey survey, in 2010, two cities of Beijing, Shanghai luxury scale in \$300 million, accounting for 21% of all luxury goods market scale, and luxury in nine cities market size is about 2.64 billion, accounting for more than 33%. By 2015, Beijing, Shanghai luxury goods market is expected to reach \$60 million, five-year CAGR (Compound Average Growth Rate) of 16.5%, and nine big city market scale will reach \$90 million, five-year CAGR of 15.4%. In addition the rest of the 25 developed cities, the size of the market will also be increased from \$350 million in 2010 to \$800 million in 2015. With China's rapid economic development and urbanization process accelerated, China's per capita jewelry consumption has increased significantly in recent years, from \$10.2 in 2000 increased to \$18.8 in 2009.

And compared with the developed countries in the world, China's per capita jewelry consumption was significantly lower. According to consulting statistics, in 2009 the Chinese jewelry consumption per capita is only \$18.8, while the United States and Japan that figure for \$154.7 and \$89 respectively, is one of China's eight times and 5 times. From the perspective of the level of consumption of gold, the situation is the same, according to 2009 gold consumption per capita is only 0.33 g/people in China, and Japan is 1 g/people, South Korea is 1.3 g/person, Taiwan is 1.4 g/person. If the future of China's jewelry per capita consumption level can reach the level of

these countries, so jewelry demand in China will expand about 5 times, therefore the treasure jewelry space is still large.

At present domestic high-end market, mainly occupied by Tiffany & Co, Cartier and other international jewelry giant monopoly. The competition in the end market is intense, main competitive brands are in Hong Kong Chow Tai Fook, Chow Sang Sang, Tse Tui-luen, Old Phoenix Fook and in the mainland, the Old Temple Gold, Villa Store, etc. From sales category, the main products for high-end market higher gross profit margin of inlaid jewelry and diamond ornaments, and mid-market's main products is relatively low gross profit margin of gold and platinum jewelry. Due to the high-end brands per item price is higher, inventory turnover is relatively low, but in the end the brand the small commodity prices are relatively low and accounts for part of jewelry wholesale business is higher, so the higher inventory turnover. In addition, sales of high-end brands higher than mid-range brand.

Foreign luxury brands and Hong Kong brand, with its high profile, strong fashion sense, and retail channels, rapidly develop in the domestic market, and promote the jewelry into the ordinary consumers in the process of life. At the same time, foreign brands to enter for the domestic jewelry industry has brought the advanced management experience and flexible operational mechanism, exquisite production technology, high quality products exhibition, the advanced marketing idea, which prompted domestic jewelry enterprises gradually stepped into the stage of brand operation and competition. With the improvement of consumer demands for quality, high popularity, high brand reputation enterprise's products are more and

<https://assignbuster.com/chinas-jewelry-industry-analysis-essay-sample/>

more concentrated. High-value brand could expand the customer base and market influence, increase customer loyalty.

And high-value brand companies will also earn higher value-added products and gross margin, so in recent years, in major jewelry company has gradually speed up the brand construction, and improve profitability and competitiveness. In addition, the jewelry design is also more valued by consumers. The product design ability has become a core competence of jewelry enterprises to gain market share. And on the present market, Hong Kong jewelry brand such as Chow Sang Sang, Chow Tai Fook, its design is relatively single and lack of originality, product homogeneity phenomenon is serious, which at a disadvantage position. Fortunately, domestic brands have gradually realized the importance of design capability, has accelerated to improve product design ability and improve competitiveness.

References:

1. <http://hy.stock.cnfol.com/yuancailiao/20140715/18399067.shtml> 2.
- <http://www.askci.com/reports/2010-01/huangjinshipinbaogao0113.html> 3.
- <http://clients1.ibisworld.com/reports/cn/industry/default.aspx?entid=701>
4. <http://clients1.ibisworld.com/reports/cn/industry/atagance.aspx?entid=701>
5. <http://clients1.ibisworld.com/reports/cn/industry/currentperformance.aspx?entid=701>