

Gems and jewellery essay sample



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INTRODUCTION :

Gems and jewellery are a part of many cultures and customs around the world. For ages, people have been using gems and jewellery as ornaments, gifts, and for investment purposes. The major segments of the Gems and Jewellery industry are Gold Jewellery, Silver Jewellery, Platinum Jewellery, Diamond Jewellery, Costume Jewellery, and Other Gemstone Jewellery. Jewellery is mainly associated with women in many regions across the globe. In many customs, it is used to depict wealth in society.

The global gem and jewelry industry over the past decade has witnessed significant changes and exhibited growth, on account of increasing income as well as demand from the emerging economies across the world. Among the various types of jewellery, plain diamond jewelry accounted for the largest share of the global jewelry market, followed by plain gold jewellery.

Gems and jewellery industry - India

Evolution

India has been one of the most important countries for the production of Gems and Jewellery. One of the highlights is the production of Studded Jewellery. Studded Jewellery trading in India is age old as it is established by the fact that in 1650 A. D., sources report the employment of more than 60,000 workers in the Eluru mines, where they dug and washed the precious stones. Today though India has almost no raw Studded Jewellery left within her own soil still we produce 70% of the World gems in terms of quantity and 45% in terms of value. India is the original country which discovered gems and initiated gem craft. The gems produced here gave birth to a fabulous industry and global trade. Looking at the evolution of the Indian Gold Market,

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India was never in dearth of Gold Reserves. History had been a witness of the fact that India was always self sufficient in all its natural resources and more so in case of gold. But it was due to this abundance in availability of such precious metals that made foreign ruler to invade the country. Over the period of time, reserve of gold decreased due to these invaders as well as due to the lavish livelihood of the Indian emperors.

Current Scenario

Today, Indian Gems and Jewellery Industry have achieved a premier position in the Internationalmarket. Today India has been recognized as a significant manufacturing exporting center apart from its traditional strengths in handmade jewellery, the country has niche for itself in machine made commercial jewellery arena. The export industry has come of age and is now entering a new phase of development. The gems and jewellery sector has been one of the fastest-growing sectors in India in the past few years. The sector has gained global popularity because of its talented craftsmen, its superior practices in cutting and polishing fine diamonds and precious stones, and its cost-efficiencies. The sector has been vital to the Indian economy as well.

The gems and jewellery sector in India is engaged in sourcing, manufacturing, and processing, which involves cutting, polishing and selling precious gemstones and metals such as diamonds, other precious stones, gold, silver and platinum. The gems and jewellery industry has an important role in the Indian economy. India is the largest market for gold jewellery in the world. Gold dominates the Indian jewellery market and formulates almost 80 per cent of the market share. Gold jewellery is the most preferred form of

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jewellery in demand in India as it is considered auspicious to purchase gold on major occasions like festivals, marriage, birth etc. Also, gold occupies the second position among all investment instruments and is considered as the safest investment option. Gold is followed by fabricated studded jewellery including diamond and gemstone studded jewellery.

India is also one of the largest diamond processor in the world and its artisans have specialised skills in processing small diamonds (below one carat); in fact, the Indian craftsmen have achieved excellence in cutting and polishing small diamonds. However, the real uniqueness of the Indian craftsmen lies in the fact that they do most of the cutting and polishing manually which sets India apart from its other peers. India (especially, Surat and Mumbai) ranks among the 'big four' diamond cutting centres of the world — the other three being, Belgium (Antwerp), the US (New York) and Israel (Ramat Gan). Moreover, Southern India is poised to be the biggest and the fastest growing jewellery market in the whole country. While Tamil Nadu and Kerala are known for plain gold jewellery, Andhra Pradesh and Karnataka have emerged as good markets for studded jewellery.

Industry Structure

Indian gems and jewellery sector is expected to grow at a compound annual growth rate (CAGR) of around 13 per cent during 2011-2013, as per a RNCOS report titled 'Indian Gems and Jewellery Market Forecast to 2013'. At present, Indian gems and jewellery market is highly fragmented, and is rapidly transforming into an organised sector due to the growing acceptance of branded jewellery market.

Size:

- Large market size with domestic sale of over \$10 billion • 4 per cent of the global Gems and Jewellery market
- India is the largest consumer of Gold jewelry in the world • India is the third largest consumer of polished Diamond after USA and Japan

Structure:

The Gems and Jewellery industry in India is highly fragmented, with large number of Public and Private sector players vying the market. Though this industry has been existing for long and much has been achieved and much has evolved over time, but still, a large part of this industry is still un-organized. India has been gaining large prominence globally in terms of the demand for designer jewelry at a lower cost.

The high quality labor available in India at a lower price band makes it a lucrative destination for consumers globally to buy Jewelry here. This has impacted India at the bottom of the pyramid as well. Artisans in Rural India who have the creative ability and the art which has been passed onto them through generations are finding a global consumption base for their products.

Some of the large International retailers like WalMart and JC Penney import exclusive Jewelry items from India.

Government Policy:

The Indian Government has been liberal with the Gems and Jewellery industry with 100 per cent FDI allowed in the same through the automatic route.

There have also been SEZs created by the Government to support the growth of the Gems and Jewellery sector.

Future Outlook:

The Gem and Jewellery Export Promotion Council (GJEPC) suggests the growth of the Gems and jewellery exports from India by 30-35 per cent in 2010-11, on the back of revival in demand in the international markets.

The Gems and Jewellery Export Promotion Council has initiated IJS Signature to promote India as the preferred source for jewellery and eventually build brand 'India'. Signature was conceptualised to showcase India's ability to produce quality jewellery that will match the lifestyle trends world over.

Statistics:

Jewellery demand in India grew by 36 per cent to 184.5 tonnes in the third quarter ending September 2010, according to the WGC. The sale of jewellery items stood 135.2 tonnes in the July-September period of 2009. India's jewellery demand reached a remarkable US\$ 7.42 billion in the third quarter, 67 per cent higher than the same period of 2009. Source: IBEF

For the SMEs in India, Gems and Jewellery sector is an emerging opportunity to be a part of. As the government is taking steps to regularize the sector, there is a visible opportunity for SMEs to create specialized services such as: jewellery designing, antique art forms etc. Changing lifestyle and urbanization are also fuelling the growth in the gems and jewellery industry, mainly in branded jewellery, which is expected to grow over 40% in the coming years.

This industry is a leading foreign exchange earner and one of the fastest growing sectors, which accounted for 14 percent of India's total merchandise exports during FY 2011-12. The industry has registered a remarkable growth over the last four decades, with exports growing from USD 28 million in 1966-67 when the Gem & Jewellery Export Promotion Council (GJEPC) was established, to USD 42.84 billion in FY 2011-12.

Diamonds account for 54 percent of the total export basket of the industry, with gold jewellery contributing 38 percent and coloured gemstones and others contributing 1 percent each, whereas rough diamond contributes 4 percent of the total share. The industry is a truly global one, with both suppliers and buyers from many different countries.

The UAE (44 percent), Hong Kong (25 percent) and USA (12 percent) are among the major buyers, while Belgium, which accounts for 21.55 percent of all imports of raw materials, is by far the major supplier. According to the estimates of Assocham, in CY 2008, the total market size of the sector was US\$ 23.44 bn, out of which exports garnered the largest share of 90.45% at US\$ 21.20 bn and the domestic market accounted for 9.55% at US\$ 2.24 bn. According to the Economic Survey 2006-07, India had a market share of just around 3% in the global gems and jewellery sector, which was worth around US\$ 80 bn annually.

Through the ages, Gems & Jewellery has played a very pivotal role in weaving the social fabric of India. Besides the ornamental value, jewellery remains an important savings and investment vehicle for most Indians. The two major sub-segments within jewellery are gold (22kt and above) and

diamonds, with the former constituting 80% of the jewellery market, the balance comprising diamonds and gemstone jewellery. A major chunk of gold jewellery manufactured in India is for domestic consumption, whereas a major portion of polished diamonds or finished diamond jewellery is exported.

Overall Size: The Gems & Jewellery sector in India is currently pegged around US \$ 44 billion of which US \$ 25 billion is exports. **Employment:** The sector currently provides employment around 1.8 million people which is a significant number. Majority of people employed in the sector are semi-skilled and belong to economically weaker sections of the society. The Gems & Jewellery sector is capable of creating additional employment for around 1.1 million people in the next 5 years. **Domestic Market:** Though the government has been proactive in promoting exports in Gems & Jewellery sector, it now needs to take concrete steps to boost the domestic consumption as well. Even though India is the largest consumer of gold in the world, the per capita consumption is almost 1/10th that of any matured market.

- Gems & Jewellery Sector pegged between US \$43-45 billion
- Exports (2009): US \$ 25 billion
- Domestic Industry (2009): US \$ 18-20 billion
- Employs 1.8 million people
- Share of Organised Retail in Jewellery Retail: 4%-6%

The domestic market of Gems & Jewellery is estimated to be in the US \$ 18-20 billion range. Given the fragmented nature of the industry it is difficult to

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put a finger on the exact size. The industry is expected to grow at around 13% annually and at this rate it could reach US \$ 35-40 billion by 2015.

Currently the domestic Gems & Jewellery market is fragmented across the value chain. There are more than 300, 000 players across the Gems & Jewellery sector, with majority of them being small unorganised players.

The gems and jewellery sector can be categorized into the following sub-sectors based on characteristics, processing techniques, preciousness in terms of price range and marketability. •Gemstones- Diamonds and coloured stones (precious, semi-precious and synthetic) •Jewellery- Plain Gold, Studded, Silver, Costume

- Pearl

1)GOLD:

Gold with its intrinsic luster and ease of fabrication has always been the jewelers' favorite metal and forms the backbone of the precious jewellery industry. India's culture and mythology embrace gold. India's traditions of unparalleled craftsmanship and skill are exemplified by its gold jewellery manufacturing, with the majority of pieces still made meticulously by hand. India is one of the largest consumers of gold in the world.

2)DIAMONDS:

Diamonds have always enjoyed a special place among precious gemstones. India has the distinction of being one of the first countries to introduce diamonds to the world. Earlier, diamond jewellery was limited to a very small elite segment of the population but now it has found way in various segments of consumers. Besides, India has emerged as one of the

world's leading diamond cutting and polishing centres. De Beers is one of the largest diamond miners in the world and controls majority of the diamond supply and production (almost 40 to 43%) of the world. De Beers has mines in South Africa, Botswana, Tanzania, and Namibia. It buys diamonds from members across the globe through the central selling organisation (CSO) and sells them through its marketing arm - the Diamond Trading Corporation (DTC) - located in London. Rio Tinto and BHP Biliton are the other major diamond producers

3) COLORED GEMSTONES:

The colored gemstones segment includes remaining forms of jewellery which includes precious gemstones like emeralds, sapphires, rubies and tanzanite; and semi-precious gemstones like silver, pearls, etc. Traditional Indian gemologists identified around 84 precious and semi-precious stones, amongst them nine stones form the ' Navratnas or the nine gems. There are three types of gemstones:

- Natural
- Synthetic
- Simulant

Natural gemstones include minerals and organic materials such as amber, sapphires, coral, fossil, ivory, emeralds, rubies, cultured freshwater pearls and natural salt water pearls. Synthetic and Simulant are terms used by the USBM for laboratory grown gemstones. Other terms are sometimes used to refer to laboratory grown gemstones. Synthetic gemstones have the same appearance, physical, and chemical composition, crystal structure.

4) PEARLS:

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Since ancient times, the pearl has been a symbol of unblemished perfection. It is the oldest known gem, and for centuries it was considered the most valuable. Pearls have been considered ideal wedding gifts because they symbolize purity and innocence. The word pearl appeared in the English language in the fourteenth century. In the thirteenth and fourteenth centuries, pearls were very fashionable in Europe as personal ornaments.

5) PLATINUM:

Due to the increasing gold prices, platinum jewellery has gained momentum in the past few years not only worldwide but also in India. As per the Platinum Guild International (India), the number of outlets selling platinum jewellery increased from 12 in 2000-01 to over 300 currently. It is predicted that the number of outlets selling platinum jewellery would increase to around 1,000 outlets in the next 2-3 years. Most platinum jewellery manufacturers are targeting 20-40 years age group consumers with high disposable income.

LITERATURE REVIEW:

PROBLEM STATEMENT:

Indian gems and jewellery market is divided into organized and unorganized market and the share of unorganized market is more than 90%. Now, slowly and gradually, share of organized market is increasing as people have started preferring to purchase branded jewellery.

Due to increasing number of players in organized market and marketing efforts of these companies, people are becoming aware about various

brands. Tanishq, nakshtra, Gitanjali, gilli, TBZ are some of the well-known jewellery brands.

Though the share of organized market is increasing, it is important to know if the customers perceive any difference between organized and unorganized market.

RESEARCH OBJECTIVE:

- To understand the dynamics of Gems and jewellery industry
- To explore the trends in gems and jewellery industry for unorganized retail.
- To explore the perception and preferences of customers regarding purchase of gems and jewellery from unorganized retail outlets.

RESEARCH METHODOLOGY:

1. Research Plan:

- Exploratory
- Descriptive

2. Sample Size: 385

3. Sampling Technique: CONVENIENCE SAMPLING

“ Convenience sampling is non probability sampling in which researchers use any readily available individuals as participants”

4. Sampling Unit: Consumers

5. Sampling Tool: Questionnaire

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