

A Study on the Effect of Imitation Jewellery on Real Sales of Gold Jewellery

***Hanna Joseph**

*Faculty-Management, Leads Academy for Corporate Excellence, Thrissur, Kerala
Research Scholar at School of Management, Hindustan University, Chennai

Abstract

As per Indian culture, gold jewellery was used by both men and women to add to their glamour and charisma. Gold is considered as the most precious and invaluable metal discovered by man till date. It has been found that no other metal has fascinated this imagination as done by gold. Although the fluctuating gold prices have never lost the sheen of gold, it has definitely made the alternatives for gold jewellery very popular. The desire for Indian women for wearing jewellery is rising day by day giving a major push for the demand for imitation jewellery. Imitation jewellery offers the benefit of affordable accessories for the common man. They mimic the appearance of finer pieces of original jewellery by using less expensive materials. Precious metals and gemstones that are quite valuable are used for fine jewellery which makes it expensive. Imitation jewellery replaces these materials with plated metals and fake gems. The Research paper studies the effect of imitation jewellery on real sales of gold jewellery. From the research it was found that imitation jewellery plays a significant role in the Gold jewellery market and its sales.

Keywords: demand, fashion, gold, imitation jewellery.

Introduction

The demand for fashion jewellery has been increasing rapidly for the past few years. The popularity of imitation jewellery has further increased with the prices of gold rising sharply. The imitation jewellery market in the country is expected to touch Rs. 15,000 crore as on 2015 leading to growing demand and popularity. People always look for attractive and affordable jewellery in line with the latest trends in fashion. Even in case the price of gold decreases, the imitation jewellery will continue to attract high demand. India holds the second position being the largest manufacturer of imitation jewellery after China. The Indian imitation jewellery has got a huge demand in the US, Europe, Canada, Australia and many other Asian countries.

Imitation jewellery is largely made of cut and uncut stones, plastic beads, cast iron, brass, nickel, American diamonds and other attractive materials, which are sourced from places such as Jaipur, Kolkata, Surat, and Ahmadabad. Some raw-materials for such jewellery are also imported. The demand for imitation jewellery ranges from big flashy coloured jewellery to traditional designs of Kundan, Polki, Antique jewellery etc. The demand for imitation jewellery is evergreen and is not limited to wedding season or occasions.

Review of Literature

A literature review is the critical analysis of a segment of a published body of knowledge through summary, classification and comparison of prior research studies and theoretical articles. The aim of literature review is to show that "the writer has studied existing work in the field of insight". A good literature review presents a clear case and context for the study that makes up the rest of the thesis. It raises questions and identifies areas to be explored. Previous studies and articles written are reviewed in order to gain insights for the research done in the particular topic. It also analyzes, what impact the study will have on the selected topic. The

following information have been collected from various articles and journals related to the topic of study:-

Different religious and cultural streams have deeply influenced the Gems and jewellery industry in India. The rich tradition craft is still relevant in the Indian household, and in many communities the use of craft is for artistic pursuits and as a source of occupation. Review of literature is the most important basis of formulating the research problems precisely. For this purpose the researcher has to review the works already done by others. Relevant bibliographical reviews of studies are most useful to the researcher for formulating the problems precisely. Knowledge can also be acquired through studying some standard books, magazines and journals on the subject. It helps in understanding the problem well and creates awareness of technical terminology to be used in the study.

Mital Amita (2008) analyzed matters related to competition, demand and supply conditions of India's gems and jewellery products. Government initiatives and regulation to promote exports of gems and jewellery products are also discussed. According to the study, the demand of gems and jewellery depends on various factors such as economic growth, employment levels, income levels, tax rates and credit availability and competition is based primarily on the quality, design, availability and pricing of products. GJEPC22 (2009) (Gem and Jewellery Export Promotion Council) discussed the major highlights of the Foreign Trade Policy (FTP) 2004-09 for gems and jewellery sector. It studied the contribution of various gems and jewellery products in India's exports for about ten years. It also discussed the objectives, functions and facilities provided (GJEPC) to boost the trade of gems and jewellery products. Exim Bank (2010) identified the various challenges and strategies for Indian gems and jewellery sector. It explained that there has been a loss of market for gems and jewellery exports due to recession and global economic slowdown.

Statement of Problem

Emergence of Imitation Jewellery

Imitation jewellery has been a part of culture for almost 300 years. Jewellers during the 18th century, started with making pieces of imitation jewellery with inexpensive glass. By 19th century, imitation jewellery made of semi-precious material came into the market. They were affordable, and this affordability opened chance to common man to own imitation jewellery.

By the middle of 20th century, the golden era for imitation jewellery came into being. People, especially the middle class demanded beautiful but affordable jewellery. This demand had a co-incidence with the industrial revolution and machine age. The industrial revolution paved way for replicating the most admired heirloom pieces of jewellery. Some designers made imitation jewellery very popular among common man in the mid of 20th century. Some of the popular brand names existed at that point of time was Dior, Napier, Crown Trifari etc. The Hollywood movies played a significant role in the promotion of imitation jewellery. The actresses endorsed elegant pieces of imitation jewellery made by some designers.

Business of Imitation Jewellery

Imitation jewellery has become an inevitable part of fashion accessory. It is considered as a self-contained industry. The manufacturers of imitation jewellery are concentrated mainly in India and China. The various aspects of imitation jewellery industry include imports, exports, globalization, trade laws etc. The business of imitation jewellery is as mentioned below:-

The wholesalers purchase imitation jewellery in bulk from the manufacturers and then export to wholesale distributors and suppliers who in turn directly deal with the retailers. Trade shows play a significant role in connecting wholesalers and suppliers. The trade shows connect the wholesalers, suppliers and retailers from different parts of the world which plays a major role in the imitation jewellery industry. Also, the internet has become an inevitable part in the global trade of imitation jewellery and the retailers can select from a large number of wholesalers at their fingertips. Many sites in the internet connect directly with the end consumer who can select and order their preferred imitation jewellery eliminating all the intermediaries.

Scope of Study

The main reason for the increased use/ popularization of imitation ornaments among the common middle class and BPL families is the glittering price of the yellow metal which is around Rs. 2500/- per gram. The cost of a neck chain or necklace commonly used by the Indian women weighs an average of 8 to 10 grams which costs around Rs. 25,000/- including making cost and other charges levied by the merchants. This is unaffordable by the common man who turns to cheap imitation jewellery like gold covered or gold-plated articles of substantial lower cost. One of the latest trends in the imitation ornament business is the 1gram gold articles which look similar to pure gold items.

There are many variants of imitation jewellery in the market today. German silver ornaments, gold covered items, gold plated ornaments in copper or silver or alloy metals of various combination, light weight articles of fibre or synthetic origin, paper made jewellery, antique imitation jewellery etc. are a few of them. A few of these carry guarantee of colour and coating varying from one to five years depending on the prices. An average Indian woman is attracted by not only the glitter and finish of these articles, but the competitive prices also.

Objectives of the Study

- To have an in-depth understanding of the effect of imitation jewellery on real sales of gold jewellery.
- To analyse the perception of customers about imitation jewellery over gold jewellery
- To identify the reason behind the emergence of imitation jewellery.

Analysis and Findings

Terminologies in Gold jewellery Industry

Karat

As we know Gold in its purest form is not suitable for jewellery as it would not be able to withstand the rigors of daily wear and tear. It is therefore alloyed with other metals to make it stronger and more suitable for making jewellery. When this pure Gold is alloyed with other metals such as silver, copper or nickel, the Gold percentage decreases. 22kt Gold Jewellery mean that 22 parts of the jewellery is gold and the balance 2 parts are some other metal(s) or equal to 91.3 percent gold plus 8.6 percent of some other metal alloy. The Gold content in a metal is measured in terms of karats. Pure Gold or 100% Gold is referred to as 24k Gold.

Making Charges

Making Charges are the charges you pay to the Gold Smith to make the Jewel out of raw gold. A good design is a culmination of artistic view and effort to

create a wonderful design that attracts the eyes of buyer. Jewellery stores generally charge the customer with making charges. This varies from design to design based on the complexity. It also varies based on the jeweller.

Wastage Charges

During the process of making the ornament some amount of gold will be wasted or will be lost while cutting, soldering, melting etc. Hence the gold gets 'wasted' in the manufacture of a jewellery item. These are called wastage charges and jewellery stores generally asks buyer to pay these wastage charges. Generally, the wastage charges are dependent on type of ornament and they range anywhere between 3% to 25%. Wastage charges are expressed as % of weight of gold ornament.

Value Added Tax (VAT)

The Value Added Tax (VAT) is a type of indirect tax and is one of major source of revenue to the state government. It is multi-point sales tax. It is collected on value addition only at each stage. It differs from the sales tax in that, with the sales tax, the tax is collected and remitted to the government only once, at the point of purchase by the end consumer. With the VAT, collections, remittances to the government, and credits for taxes already paid occur each time a business in the supply chain purchases products.

Pricing Strategy of Gold:

Putting all the things together, when one buys gold ornaments then the cost of old ornament (without gem or diamond) is calculated as follows:

Cost of the gold ornament based on weight = Price of 22K gold * (Weight in grams + (Wastage charges as % of weight + Making charges))

Total Price = Cost of the gold ornament based on weight + VAT on price of gold based on weight

The day you buy the gold jewellery the price of gold on that day will be charged. Gold rates are published in the newspapers.

Hallmarking

A Hallmark indicates that the gold content in the jewellery has been evaluated and that the gold adheres to international standards of purity. So you can take the gold quality as claimed by the jeweller to be genuine. A Hallmark – or Standard Mark – for gold jewellery is awarded by the Bureau of Indian Standards (BIS). BIS Hallmark consists of five parts.

- The first is the logo of the BIS Standard Mark.
- The second is the fineness mark. This refers to the gold caratage and is represented as the amount of gold in parts out of 1000. So, if the mark says 916, then it means that gold forms 91.6 per cent of the total metal.
- The third part of the hallmark is the mark of the assaying centre which carries out the certification process, represented by a logo. The list of hallmarking centres with their symbols can be found on the Website of the BIS.
- The fourth part is the logo of the jeweller.
- The final part is the year of marking, represented by a code approved by the BIS. For instance, 'A' denotes the year 2000, 'B' 2001 and so on.

Advantages of Imitation Jewellery

Usually the imitation ornaments are much cheaper compared to gold items. They carry a price tag in the range of about 1/10th to 1/5th price of gold articles depending upon the material and craftsmanship of the fancy ornaments. They are lighter in weight and therefore much easier to wear or remove. Unlimited designs and varieties are possible in such jewellery items. Everyday new alloys and synthetic materials like carbon, fibre, thermoplastics etc. are coming in the market. Imported fancy ornaments and artificial pearls and diamonds of new generation metals and alloys from countries like China are flooding the market.

The shopkeepers are also happy that every day they can display and show new varieties and new fashion items to their customers. Young generation especially campus-goers prefer light weight imitation fancy ornaments of different colours that go with their costumes. They can have any number of colourful and unlimited options. A major advantage of imitation jewellery wearing women is that they can travel hassle free without much risk or fear of chain snatchers in buses and in lonely places. Moreover the risk of keeping valuable gold ornaments at home can be avoided to some extent.

The fancy ornament business give investment potential to small, medium and micro entrepreneurs in small and big cities as well as in country sides. The fairly small investment as well as the no- risk and non-perishable nature of the items give a major scope of business to common man. Housewives and unemployed women stand a better chance in the fancy ornament market. Forecasting the scope of this business area, you can find that recently many showrooms/shops have upcome in urban as well as in rural areas.

A very interesting fact you can find is that the feminine fraternity of the state is very conscious about the changing scenario of the fashion world and is willing to spend any amount of time or money to go in the track. Their literary level and the financial stability add fuel to the above mentioned trend. Moreover the state is fast transforming into a single large “township” comprising of major cities, towns and urban villages (as studied by a reputed survey firm).

The variety and diversity of the innumerable fancy ornaments, both imported and indigenous filling the market have opened new vistas for fashion setters, beauticians and boutiques. Fashionable and sophisticated feminine world have now, unlimited possibilities of new trends in the ornament sector. Due to the favourable factors like ready availability, varieties, no hidden charges for making and wastage provision and moderate prices, the artificial jewellery market poses a great challenge to the well-established gold and diamond jewellery sector. However, the wealthy and upper strata of the society go for gold only especially in the wedding occasions and festive seasons. The middle class gives equal importance to both imitation and gold jewellery. The lower strata prefers imitation items to a great extent. Non-availability of private vehicles and bank locker facility for them may also be a strong reason for their preference as above.

Disadvantages of Imitation Jewellery

On the other hand, we find a lot of disadvantages for the imitation jewellery. Prima –facie it cannot be used for investment purposes visa-vis the premium metal. The short life and non-durability of the imitation items diminish the demand to some extent. A comparative cheaper look affects the status and high- end fashion conscious strata of the weaker –sex avoids the items. The imitation stones carry no guarantee and usually no exchange value is available for the same. The non-

convertibility and non-liquidity nature of the imitation items also reduce its acceptability to the common man.

Conclusion

Nowadays we find that many jewellers including the reputed and established brand owners formulate novel schemes and plans to increase the sale of 22 karat and 916 hall- marked items to overcome the tough competition prevailing in the market. Each jeweller devises specific packages for customers with different purchasing power for occasions like marriage functions, birthday celebrations, anniversaries etc. For example, individual packages with special discounts in making charges and wastage charges are offered for the purchase of complete requirement for a wedding ceremony. Flexible payments, that also in installments are allowed along with exchange facilities. Buy- back arrangements are also extended to attract prospective customers.

As per a general survey the imitation jewellery business in a major city like Thrissur itself comes to about 20-25 crores per annum apart from the surrounding townships. The substantial profit margin of around 30 to 50% attract many new entrepreneurs to this field. The non-perishable nature, small carpet area, easiness of storage and comparatively less risk of burglary, unskilled and low paid staff, nominal working hours etc add to the glamour of the fancy jewellery business. Since the prospective customers are ladies only, housewives and unemployed women can easily manage the business. The usual problems of high-value gold business like risks of intervention of legal and statutory authorities; political persons' enforcement authorities etc. are minimized.

The high rate of price variation in gold business is also considered. Same is the case with storage problem, risks of burglary, non-trustworthy staff, high premium of underwriting etc. However, there is a strong passion for the yellow metal as ornaments for the women and for investment for the wise and elder men in the traditional families of Kerala. Hence the gold jewellery business will flourish as long as the upper class and middle class families are in the state. The alternate imitation jewellery business has all the scope to co-exist side by side of the traditional gold ornaments as new and trendy fashion oriented fancy items from North India and Chinese origin are flooding the market. Thus, from the research it is found that factors like changing fashion trends and less risk of burglary of imitation jewellery plays a significant role on real sales of gold jewellery.

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