

Repositioning Making Charges in Gold Jewellery Retailing to Drive Industry Change Customer and Jeweller Perspectives

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Striking Gold Necklace for Kannadiga Bride

INR 1,61,625

Gold 22k INR 1,23,072

Tanishq



Malabar Gold U Necklace

INR 24,703

Gold 22k INR 17310

Malabar Gold and Diamonds



Source: Jeweller websites

Ethereal Swan Lake Necklace

INR 35,000

Tribe Amrapali, Aulerth



Thanpa Ball Necklace

INR 9,000

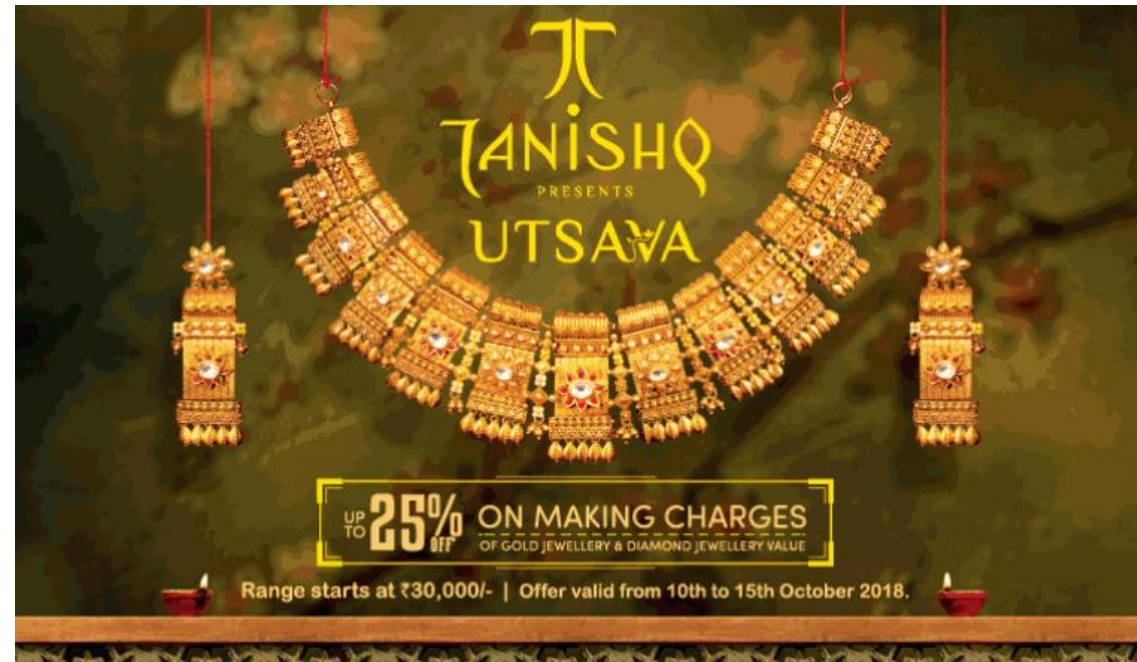
Tribal jewellery, Dhora India



Source: Jeweller websites

Positioning of gold jewellery

- All jewellers: Beauty, design, material, ...
- Non-gold jewellers: Sustainability, sourcing, designer, ...
- Gold jewellers: Quantity of gold, making charges, discount on making charges



Research questions

- RQ1: Are current practices with respect to making charges **suitable** to the changing context of the Indian gold jewellery industry?
- RQ2: What is the **feasibility** of adopting pricing of gold jewellery based on craft premium rather than on making charges?

Current practices in gold jewellery pricing

- **Making charges** form a 2%-25% premium over price of gold metal
- Making charges are **construed as a loss** (limited craftsmanship value)
- Only a miniscule amount of jewellery is sold at a combined price
- **Discount** on making charges is regularly provided
 - Not a temporary “sale” but through the year, more during festivals
 - Price bargaining is common despite the high value of the purchase
- Consumer’s **choice of retailer** depends on discounts, brand and loyalty
 - Does not depend on product design and craftsmanship

Source: Market observations, customer interviews, jeweller interviews, secondary research (news)

Gold vs other products

- Premium for craft, brand, design in designer apparel and luxury watches
- In fashion jewellery, diamond jewellery, and gold kundan and polki jewellery are sold on MRP without price breakup
- But gold is **not a luxury** product!
 - Gold vs. refrigerator – **resale** value
 - Bridal jewellery vs. bridal sari – **reuse** value
- Gold is bought for **investment and adornment**: quantity vs. design tradeoff
 - Resale value arises from the quantity of metal
 - Beauty is important but commoditized

Source: Market observations, customer interviews, jeweller interviews, secondary research (news)

Studies

Study objective	Examine current notions of making charges	Understand customer perspectives of making charges and craft value	Understand jeweller perspectives of making charges and craft premium
Research method	Secondary research (review of news articles)	Prior research data (survey and interviews) + additional interviews	Interviews
Sample size	41 articles on four themes, during 2018-2023	14 customer interviews pan-India, 4 customer segments	9 jeweller interviews pan-India, across a range of jewellers
Topics analysed	Customer behavior Current pricing practices Value for artisans and craftsmanship Scope for craft premium	Product purchase, usage Perception of pricing Resale/exchange behavior Interest in craft value	Customer behavior Current pricing practices Value for artisans and craftsmanship Interest in craft premium

Findings from customers

Young women (20-35 years)

- Willing to pay premium for design
- Comfortable with single number as price
- Ability to pay is lower but increasing
- Gold is bought for adornment
- Buys from branded jewellers
- Parents' accumulated gold as stock
- Products with high jeweller margin
- Do not buy bridal jewellery

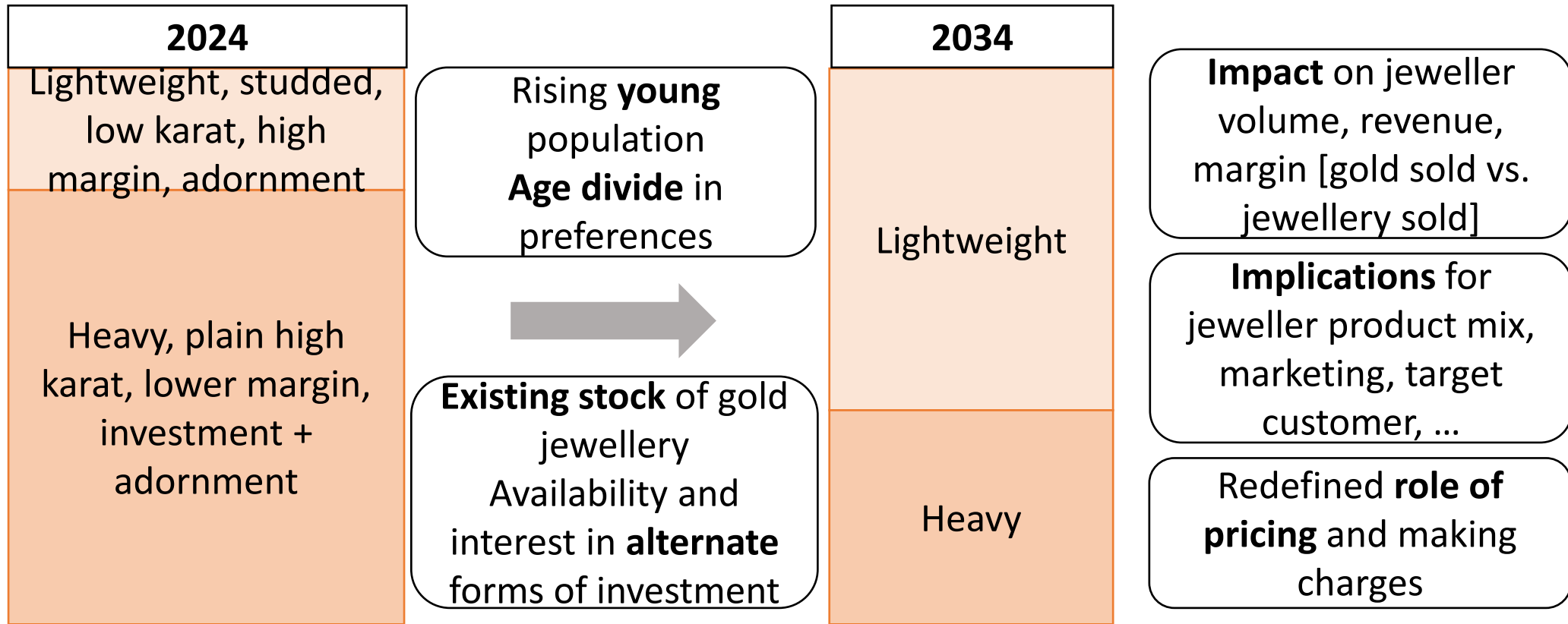
Older women (45-65 years)

- Unwilling to pay premium for design
- Requires separated making charges
- Ability to pay is higher
- First investment, then adornment
- Mostly local or regional jewellers
- No interest in accumulating further
- Products with low jeweller margin
- Bridal jewellery for daughters

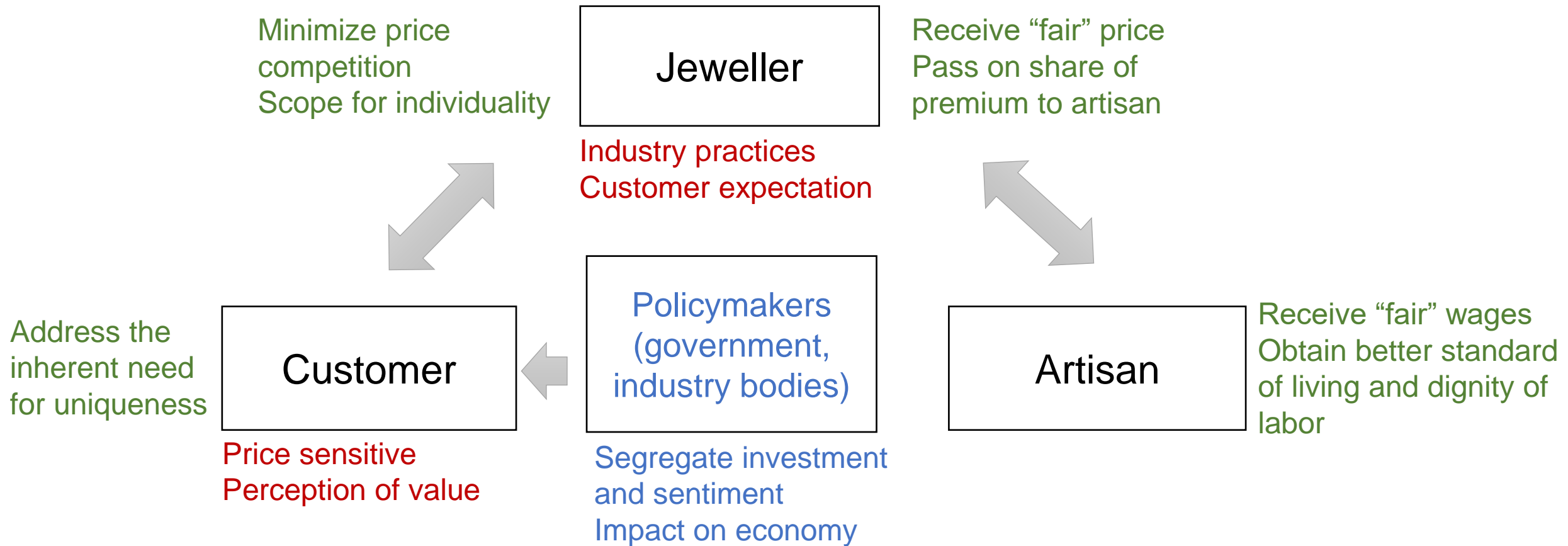
How much gold should gold jewellery have?

Note: Participants were middle-class customers in tier I and tier II cities

An imminent shift in the industry



Ecosystem impact – stakeholders

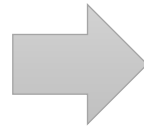


Source: Market observations, customer interviews, jeweller interviews, secondary research (news), literature review

Directions for pricing practices

Cost- and competition-based pricing

- Reduces margins in the long run
- Negative impact on all players
- Product commoditization
- De-values intermediaries such as craftsmen



Value-based pricing

- Price as a signal of value
- “Fair” price reflects value added at each stage
- Enables other drivers of value besides cost
- Allows sustainable valuation of intermediaries

*Shift the focus of retailing from **quantity** (amount of gold) to premium for **quality** (craftsmanship) to follow shift in customer preferences?*

Recommendations

Stakeholder	Recommendation for a gradual shift in stakeholder perspective
Policy makers	Drive alternate forms of investment in gold such as gold ETF, sovereign gold bonds (and gold monetization scheme) Drive customer's gold investment transition from jewellery to bars to paper assets Tap jeweller expertise beyond selling (e.g. formal jewellery monetization)
Jewellery industry bodies	Drive discussions on alternate forms of gold pricing and product categories Educate customers on making charges construed as craftsmanship premium
Jewellers	Drive gold jewellery sales through branding and design Move away from partitioned prices to combined price in selected product categories Educate customers so that gold jewellery is not seen as investment Direct investment-oriented customers to gold coins and bars

Next steps

- Quantify the shift in the gold jewellery market and arrive at a predicted timeline for the shift
- Identify additional roles for jewellers and associated policy implications

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Thank you!
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