



## A Paradigm Shift in the Buying Behavior of Indians Towards Gold Jewellery – A Theoretical Approach with Reference to the Growth of Branded Retailers

### KEYWORDS

Jewellery industry, Organized retailers, Changing buying behavior.

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**ABSTRACT** *The Indian Gem and Jewellery is witnessing tremendous changes because of its growth. Indians are fond of consuming gold in the form of jewellery. The players in the industry is also changing as the industry started to move from unorganized players to the organized. The changing consumer buying preferences towards gold jewellery leads to have growth for the organized retailers. According to FICCI Study on Gems & Jewellery Industry- As India's jewellery market matures, it is expected to get more organised and the share of family jewelers (unorganized) is expected to decline in the coming years. The rational of the study is three fold: first to examine the nature of change in jewellery industry with the emergence of organized retailers. Second theoretically to examine the changing buying preference of Indian consumers towards gold jewellery due to the growth of branded retailers. Third this area has remained largely an unexplored part of research. This theoretical research will pave way for the further research contribution. The study confines that transformation from family owned to professionally managed business is witnessing by the industry and it influences the buying behaviour of the Indian consumers towards gold jewellery.*

### INTRODUCTION

India is the largest market for gold jewellery in the world, representing a staggering 552.0 tonnes of gold in 2012 (World Gold Council). India is ranked high in the gold consumption when compared to other countries. Gold has become an inseparable part of the Indian society and fused into the psyche of the Indian. Gold has acted as the common medium of exchange or the store of value across different dynasties in India spanning thousands of years and countless wars. Thus wealth could be preserved in spite of wars and political turbulence. The Indian Gems & Jewellery Industry is witnessing a drastic change due to the huge consumptions by the Indians in the form of gold jewellery. In the current economic trend the consumption is curbed by raising the import duty and prohibiting the import of gold coins and medallions, because of the drastic demand for gold in the country. Gold jewellery is the most preferred form of jewellery demanded in India as it is considered auspicious to purchase gold on major occasions like festivals, marriage, birth etc. The buying behaviors of the consumers are drastically changing because of the growth of organized retailers. Increasing youth population has paved way for new players. Marketing, though, has also led to more awareness about purity of the metal, the importance of hallmarking and guarantee of quality among others in consumers. "That's what brands do: they go beyond the technical satisfactions of a product and make larger promises," says Lamb, Managing Director, Jewellery, WGC. The organized retailers thus give an alarm to the industry that the unorganized sector has shifted towards organized sector in a rapid speed. To be successful players in the industry the consumer buying behavior is to be analyzed to identify their needs and satisfy them.

### OBJECTIVE OF THE STUDY

Theoretically to examine the changing buying preference of Indian consumers towards gold jewellery with reference to the growth of branded retailers.

To examine the nature of changes in Jewellery industry, due to the growth of organized retailers.

To examine the opportunities for the growth of organized retailers in gem and jewellery industry with reference to Indian consumers.

To explore the area for the contribution of research towards understanding the consumer buying behavior with reference to branded retailers.

### INDIAN GEM AND JEWELLERY INDUSTRY

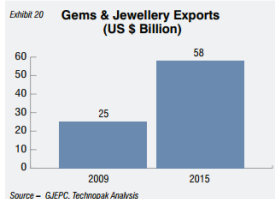
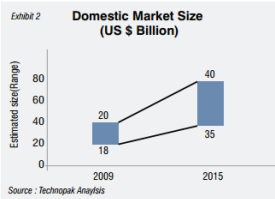
India's gems and jewellery industry is likely to double in the next five years, according to a study titled 'all that glitters is gold: India Jewellery Review 2013' by the global consultancy firm AT Kearney. The study forecasts the sector to reach Rs 500,000-530,000 crore (US\$ 81.63 billion-US\$ 86.52 billion) by 2018 from Rs 251,000 crore (US\$ 40.96 billion) in 2013. In FY 2012-13, industry exports touched Rs 227,000 crore (US\$ 37.04 billion), topping textiles and apparels by a substantial 25 per cent.

The two major sectors of the industry in India are gold jewellery and diamonds. The country is the largest consumer of gold, accounting for more than 20% of the total world gold consumption. Gold jewellery forms around 80% of the Indian jewellery market, with the balance comprising fabricated studded jewellery that includes diamond and gemstone studded jewellery. A predominant portion of the gold jewellery manufactured in India is consumed in the domestic market.

The Indian gem and jewellery industry has the potential to grow from the present estimate of \$45 billion to \$100 billion by 2015, according to a white paper by the Federation of Indian Chambers of Commerce and Industry (FICCI).

The domestic gem and jewellery market is estimated to be in the \$18- to \$20 billion range. The industry is expected to grow at around 13 per cent annually and could reach \$35- to \$40 billion by 2015,"

Gem and jewellery exports are expected to grow at a compounded annual growth rate of 15 per cent to reach \$58 billion by 2015 from the current level of \$25 billion.



### KEY SUCCESSFUL FACTORS FOR THE GROWTH OF GEM AND JEWELLERY INDUSTRY AND ITS CHANGING FACETS:

One of the key successful factors for the growth of the industry is the movement from unbranded to branded jewellery and increase in fashion dictated buying; changing, though slowly, with the entry of large number of players. Currently however the market is fragmented across the value chain. There are more than 300,000 Gems & Jewellery players across the country, with majority being small players. Modern retail players have only 4%-6% share. The good part is that India is now beginning to move towards branded jewellery and the consumers have accepted the modern retail formats. We can expect that this would act as a catalyst for change and may impact the traditional players.

The percentage of contribution by the organized players for the growth of the industry is increasing at a healthy manner because in the current scenario numerous factors are contributing for the customers to buy gold jewellery. To harvest the huge potential for the industry growth it further requires capacity building at the domestic front, quality management and professionalization which can be done by the organized retailers. Thus organized retailers bring latest technology which paves way for the growth of the industry.

According to PWC A week in Retail and consumer 2012 - Jewellery is one of the growing sectors in online commerce. E-retailers offer better pricing options, greater variety, international patterns, third-party lab certification of all their products and easy payment schemes to gain a larger customer base. On the other hand, several organised players have also launched their online portals to reach out to shoppers who prefer the online medium.

### HEALTHY GROWTH FOR THE ORGANIZED RETAILERS

According to CARE 2013, India is the fastest growing branded jewellery market in the world which expected to account for 10 percent of the country's total jewellery retail market by 2016, up from the current 4-6 percent. Several organised players are foraying into Tier-II and Tier-III cities as almost 60 - 70 % of the gold sales is attributed to rural India. With the changing lifestyle patterns and mall culture fast catching-up in Tier-II & Tier-III cities, transformation from family owned to professionally managed business takes place. The other contributing factors are young population, increase in per capita income, changing fashion trend, increasing awareness about brand, media exposure, financing option and entry of large number of national and state level organized retailers.

The Gems and Jewellery market in India has also been witnessing the new players in jewellery retail stores. The key vendors dominating this market space are Titan Industries Ltd., Gitanjali Gems Ltd., Reliance Jewels Tanishq at national level with the market share of 5-6%.

Other regional retailers like Kalyan Jewellers, Malabar Gold, PC Jewellers, TBZ, GRT Jewellers, P N Gadgil etc, the contribution from organized sector rises to 16-18% .

Leading jewellery brands have brand ambassadors to market an aspiration lifestyle to Indian women, suggesting that buying gems and jewellery is more than an investment. It is instead being promoted as rooted in our culture to make a woman look and feel beautiful. Further large organised jewellery retailers are tying up with international players and ex-

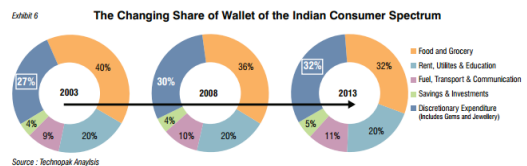
panding their operations outside India. India is known for its traditional and intricate jewellery. Collaboration with international brands will produce a broader product offering to cater to varying customer demands, according to PWC.

According to Technopak analysis we anticipate that large investments of about US \$ 1 billion in the coming years would be made by large retailers/brands which would catalyze the growth of the industry, set higher standards and create value across the value chain. Another heartening fact is that in the past leading brands have been able to grow the market through wider range, new designs and through innovative marketing concepts. Newer ways of segmentation and usage has attracted new set of consumers and created new occasions. It is thus very important to gain the momentum in this direction.

Enhancing and adopting product quality standards will go a long way in boosting consumer trust and will enable the industry to gain a larger share of discretionary spending. The above mentioned can be done by branded players.

### THE CHANGING INDIAN CONSUMER

By 2025, the Indian middle class will constitute 41 per cent of the population from 5 per cent in 2005. This number will include a sizeable urban middle class. This will create exciting opportunities for firms in the consumer and retail space, the report said. India's current per capita annual disposable income of Rs.32,299 (\$700) is expected to grow by 8- to 13 per cent in the next five years. Rising population and income levels will lead to an overall increase in consumer spending on aspirational products, it added.



Bijou Kurien, president and chief executive officer of Reliance Lifestyle, stated, "India is rapidly transforming – politically; culturally (inter caste/ religion marriages are common); socially (the poor are getting richer, people moving from villages to towns; and economically (we are a lot richer today than we were 10 years ago). We are witnessing an attitudinal change in the way we spend money especially among youngsters, who are willing to take up loans to maintain a certain lifestyle. All this leads to both market and retail transformation."

### CHANGING BUYING BEHAVIOR

As per a study conducted by the World Gold Council, a first of the kind research is that gold jewellery designing and aesthetics, have actually taken a turn for more designs. The conventional chunky designs don't strike a chord as much, as buyers are more concentrated on jewellery aesthetics with modern design. Study reveals that 75% of the women in India are searching for new design. The Indian market is witnessing an accelerate shift from viewing jewellery as an investment.

Isha Datwani, founder of Anmol Jewelers who says, "The biggest change we see is that younger people are buying gold". They know their mind and the influence of elders in the purchase is reducing.

The FICCI-Technopak report noted that currently, people of working age – between 16 and 60 years – represent 64 per cent of the total population of the country. India now has a rich base of young consumers who have a different set of needs and are more amenable to branded products and services towards jewellery. These new Indian consumers demand greater transparency, better service and a more compelling value proposition driven by brands and fashion.

According to Branded gold & diamond jewellery attracting Indian buyers Kiran Dixit, group head for advertising & marketing at TBZ - GenY is looking for contemporary designs, convenience and an enjoyable shopping experience while buying gold jewellery and diamonds.

In India most purchase jewellery are investment oriented. According to Infi beam: Indian gold jewellery – A much sought after gift option: Gold jewellery is often foreseen as a symbol of wealth and status. Interestingly, buying gold jewellery is also one of the best ways to invest. Vibrant looks, exquisite design and the impeccable style, inborn to well crafted gold jewellery; make it Indians to love.

According to Shanoo Bijlani and Regan Luis report on Study Thinks Indian Industry Could Reach \$100 Bn by 2015 - The new Indian consumers demand greater transparency, better service and a more compelling value proposition driven by brands and fashion

According to David Lamb, managing director, jewellery, World Gold Council (WGC), on a study -Branded gold & diamond jewellery attracting Indian buyers. Marketing, led more awareness about purity of the metal, the importance of hallmarking and guarantee of quality among Indian consumers which they look for it beyond its investment . “

## CONCLUSION

Thus the above theoretical study of the current scenario implies that the consumer buying behavior is taking a paradigm shift and consumers are interested in brand values rather than unorganized jewellery of the past. To be successful in this industry understanding the changing consumer needs and behavior would enable building trusted. Research in this field would lead to better understanding and contribute to the growth of this industry.

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