

Silver Jewellery

Market Entry Strategy



Federation of Handicraft
Association of Nepal



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Executive Summary

1. CHANGED GLOBAL INDUSTRY

The jewellery industry has become increasingly dominated by Thailand, India and China—the three big Asian countries. Despite most of the silver mining taking place in Thailand, Mexico, Peru, Australia and Russia, recently China and India have become important silver producers as well. In 2013, a large part of the manufacturing of silver jewellery, which took up 55% of the world silver jewellery exports, was in the big Asian countries. Between 2008 and 2012, silver jewellery exports from Thailand doubled (from €579 to €1,181 million). A similar situation can be seen in China (from €253 to €529 million), and exports from India rose by eight times (from €90.1 to €718.4 million) in the same time period of 2008 to 2012.

2. ECONOMIES OF SCALE AND JEWELLERY AS A FASHION ACCESSORY

The majority of exports from these big three Asian countries went to Hong Kong, USA and UAE. The jewellery is high exclusive items, or accessible items. Recently, jewellery has become less of a stand-alone item and more of a fashion accessory offered as part of a total fashion outfit. Apparels for the western importers, retailers and fashion houses are produced in the big Asian countries where the latest technology is used and they benefit from the economies of scale and are thus able to supply jewellery items at very low prices.

3. LESS STOCK, MORE CONTROL AND UP-AND-COMING NEARBY COUNTRIES

As consumers in Europe and America are more particular when choosing a jewellery piece, retailers want to minimise their stock and thus ask their suppliers for small quantities on a regular basis, and at low cost. There is a trend towards horizontal coordination where retailers/importers have control over more activities such as sourcing, manufacturing and distribution. This is something, for example, that Wal-Mart does. Another trend is to source in nearby countries or in up-and-coming supplying countries such as Indonesia, Vietnam, Taiwan, Malaysia and Sri Lanka.

4. CHOICE IN JEWELLERY AND DEMANDING CONSUMERS

Most cheap and accessible jewellery items match well with the latest seasonal fashion trends and are focused on the younger generations (Generations Y and Z) who keenly follow the latest fashion trends in, for example, France and Japan. Designs and colours of jewellery items change frequently to keep up with these trends. Young consumers have become more demanding and less loyal to retailers, particularly to specialised jewellers. Today the young consumer tends to shop around online or wait until the sales season to get the best value for money. There is also a wider choice in jewellery nowadays, especially in mature markets such as France, Germany, USA and Japan, partly because there was an oversupply of jewellery during the recession.

5. SILVER JEWELLERY IN THE FOCUS MARKETS CONTINUES TO GROW

Despite the recession, the silver jewellery market continued to grow and has benefited from the rising gold prices. **In 2013, the six focus markets** covered in this report accounted for 46% of the global silver jewellery sales, valued at €19,950 million in 2013.

Although most countries are mature markets, silver jewellery sales are still expected to grow between 2013 and 2016 in the USA (+1.5%), Canada (+3.7%) and Japan (+2.1%). Although growth in Germany will be less (+0.8%), the number of people aged 55 plus (known as 'Baby Boomers') is growing fast.

Baby Boomers, having more disposable income, are an important target group for handcrafted jewellery and tend to look more for timeless jewellery. This implies opportunities for Nepali exporters, especially for those exporters who are already selling in these markets. However, in the US market there will be more competition from nearby suppliers (Latin America). In Canada, there will be more competition for silver jewellery by upgraded costume jewellery or fashion jewellery, which has also become popular in other focus markets.

Hong Kong is a new market for Nepali jewellery, with good growth prospects and more shopping tourism expected from China. However, there is a danger of copying of designs and products. With a growing middle class and young consumers having an interest in western fashion, there are also good opportunities in the **emerging markets** of China, Russia, India, Brazil, UAE, Singapore, Taiwan, Indonesia, Mexico and South Africa. The sales value of silver jewellery in China, Russia, India and Brazil together was estimated at €3,500 million.

6. TRENDS THAT CREATE MORE INTEREST IN HANDMADE JEWELLERY

There are trends in handmade jewellery, both contemporary and traditional, which could be important market opportunities and which create interest in handmade jewellery in general. These include **personalised jewellery** which people like to buy to reflect their own personality. Some people create their own items with charms or beads (collectible jewellery) or have customised jewellery items specially made. These personalised pieces often have an emotional value for the wearer.

Spiritual jewellery also has an emotional and personal value. For example, in a period of insecurity, consumers search for a deeper meaning to life. Jewellery can express a special meaning for them, such as good luck or protection. These items can also be given as gifts to others.

In a similar way, **statement jewellery** may be worn to boost women's confidence as this type of jewellery has an original design and clearly expresses a vision of beauty, love, peace, fashion, nature, etc.

There have been cases of bad practices in the fashion industry, including serious disasters. Therefore, many consumers now want to know where a product

is coming from, how it is made and under what type of circumstances it is manufactured. This has led to a demand for **ethical** and **Fair Trade/Fair Mined** jewellery.

7. POTENTIAL CONSUMER SEGMENTS

The most interesting segments for handmade silver jewellery from Nepal are Generation X (35–55 years), Baby Boomers (55 plus) and Generation Y (20–35 years). **Generation X** is attracted to traditionally designed jewellery, including spiritual jewellery, with a modern twist and in a finer form. **Baby Boomers, a growing segment**, are attracted by the traditional designs of Nepali jewellery, its history and the fact that it is handmade. **Generation Y** is likely to be attracted by modern designs in Nepali jewellery with an authentic twist, such as spiritualism, statement or customised items, and in fashion colours.

8. WHY NEPAL HAS DIFFICULTY TAPPING THIS POTENTIAL

Nepal is overshadowed by the power of the big Asian countries, which have increased their supplies to Nepal's export markets (USA, Canada, France, Germany). Handcrafted jewellery made in these countries also has filigree work which is hard to clearly distinguish from Indian designs. In addition, cheap imitations of Nepali/Tibetan jewellery made by other Asian countries have harmed the image of Nepali jewellery.

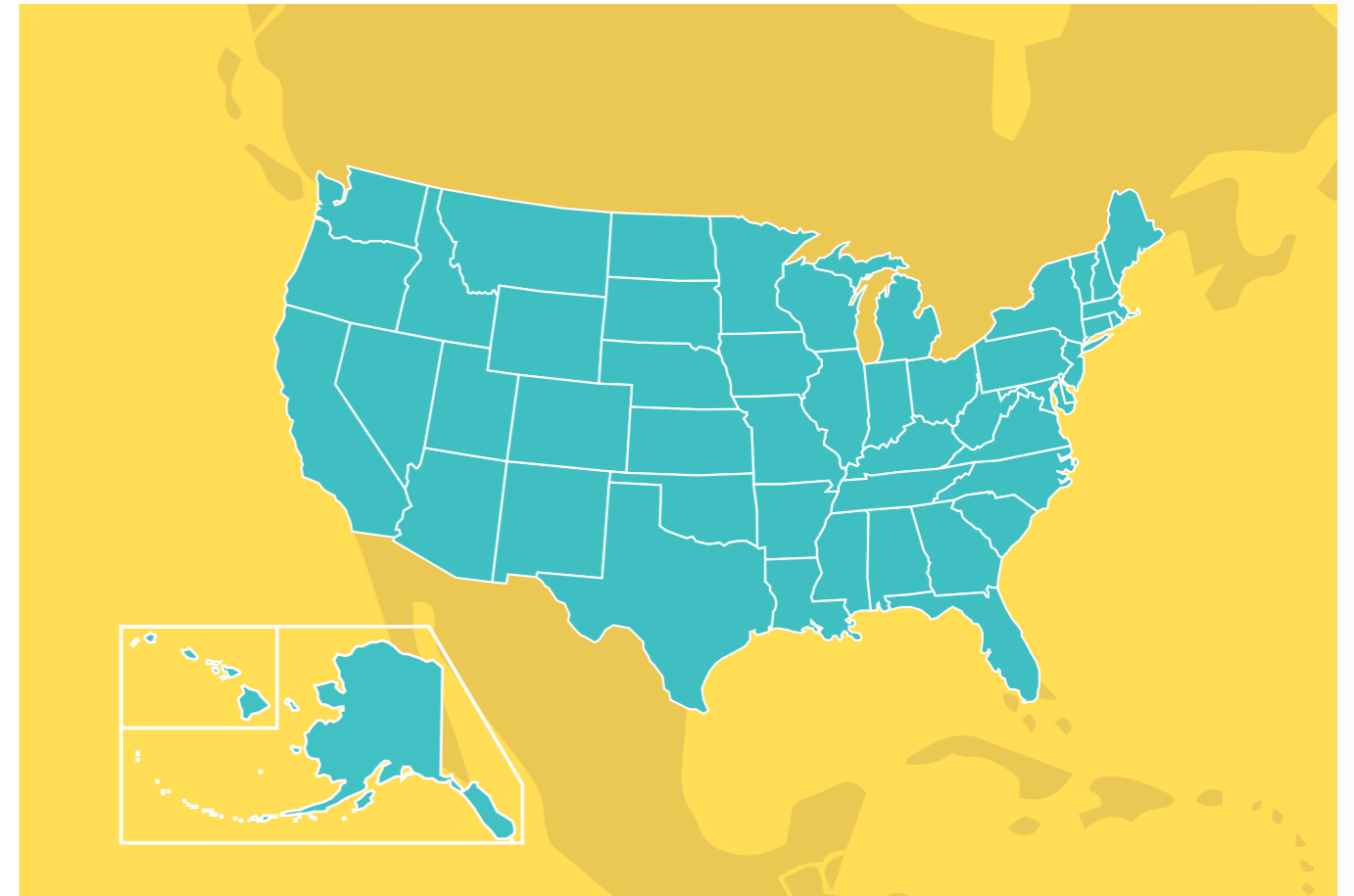
Silver jewellery exports from Nepal decreased from €4.3 to €1.6 million between 2008 and 2013. This was partly due to consumers with allergies to certain components of silver—components common in silver imported from unreliable suppliers to Nepal for use in Nepali jewellery manufacture. Most export markets, with stricter health rules, have now rejected and banned silver containing cadmium, nickel and lead. Rhodium-plated silver items are more common now. In addition, export markets demand an alloy 925 as the minimum standard in silver, and proof of this must be hallmarked by an Assay Office or trade partner in the country to which the silver is exported. Yet, within Nepal, the exact alloys in silver are not always checked properly.

Other difficulties faced by the Nepali manufacturers are the lack of distributors and problems in the value

chain, such as the fact that Nepal has no silver mines and often buys raw silver from India or China, which can be unreliable suppliers. With regard to precious stones used in silver jewellery, even though the stones are from Nepali mines, they still must be processed in India, which is expensive.

9. RECOMMENDATIONS AND CHALLENGES FOR NEPALI JEWELLERY EXPORTERS

- **Nepali jewellery should be more visible.** Nepali jewellery collections can be inspired by the different faces of Nepal, using traditional, contemporary, natural and spiritual designs. These will be difficult for manufacturers from other countries to imitate. The recommended accessible market segments are Baby Boomers, Generation X and Generation Y.
- **Showing the diversity in jewellery making** by ethnic groups. In addition to the traditions from Tibet or from the Shakyas or Sunar castes, elements from other Nepali cultures such as Gurung, Sherpa, Tamang, Rai, etc., can be incorporated into the jewellery. There are craft villages in Vietnam and Indonesia where local artists produce items which are considered 'sustainable', thus making every item exclusive. Thought could be given to how to incorporate this sustainability into Nepali jewellery.
- **Make the jewellery sector more export-oriented** based on future growth prospects for handmade jewellery. The jewellery sector needs to be modernised in line with international standards by adopting new techniques.
- **Offer own jewellery collections, possibly in co-design** with artists/schools in the export market countries.
- **Join forces** with exporters, the government and banks to organise joint promotion at trade fairs.
- **Boost visibility on the Internet** by creating own or collective websites with other manufacturers which can act as showcase for collections, etc.
- **Identify the right trade partners** (importers, jewellers, department stores and online sellers who need to diversify and specialise in order to compete with the big brands and players).



1. Silver Jewellery in the USA

Brief Overview

Population

316 million; 0.9% growth rate (2013)
80% Caucasian, 13% black, 4% Asian
- 0-14 years: 20.0%
- 15-24 years: 13.7%
- 25-54 years: 40.2%
- 55-64 years: 12.3%
- 65 years and over: 13.9%

Economy

GDP: €39,546 per capita
Unemployment rate: 7.3% (2013)
Retail sales: €3,694 billion (2012)

Social

Women in labour force: 46.4%
Marriage rate: 6.8 per 1,000
Tourists to Nepal in 2012: 48,985

1.1 Current Size of the US Market

1.1.1 Jewellery retail sales

Total jewellery sales

- **In 2013, total US jewellery retail sales** were estimated to be worth €27,337 million, based on retail sales, and represented 33.2% of global retail sales (compared to the US share in clothing of 9.4%). Please note that this excludes diamond jewellery sales, which take up around half of US jewellery market.
- The US jewellery market is mature and has become more fragmented. Precious jewellery takes up 88% (€24,102 million) of the total US jewellery retail sales. Gold is still the most popular metal in the USA.

Table 1 USA: Jewellery retail sales, 2008–2013, value in € million / volume in million items

	VALUE					VOLUME				
	2008	2012	2013 ^c	2012/13	per capita*	2008	2012	2013 ^c	2012/13	per capita*
Total jewellery	25,983	26,650	27,337	+2.6%	€86	388	382	391	+2.3%	1.24
Precious jewellery, of which: Silver jewellery	23,680	23,506	24,102	+2.5%	€76	220	211	213	+0.9%	0.68
Costume jewellery	4,353	5,187	5,328	+2.7%	€17	117	128	134	+4.7%	0.42
	2,303	3,144	3,235	+2.9%	€10	168	171	178	+4.1%	0.56

c = estimate *per capita in 2013 Source: Equity Communication, Euromonitor, Trade estimates (2014)

- US consumers annually spend €86 per capita on all jewellery. Around €17 is spent on silver jewellery, which is high compared to, e.g. Germany (€11).
- **Since 2008 the US jewellery market has contracted** when, because of the credit crunch, consumers cut down their expenditure on jewellery or graded down to lower carats of gold jewellery (10 or 14K). Consumers, although still interested, began to think twice before buying an item of jewellery. In addition, the price of precious metals rose enormously. (See section 1.4.1.) This meant a drop in jewellery sales by 8.0% to €24,058 million in 2010.
- **From 2011, value sales increased**, primarily due to higher average prices of jewellery items, whereas volume sales of precious jewellery continued to decrease. (See table 1.) From 2012/13, the US economy began to slowly grow. This resulted in a growing consumer confidence and a carefully regained demand for jewellery (+2.6%). This was helped by the substantial drop in precious metal prices from April 2013.

Silver jewellery sales

- **Silver is the second most popular metal.** In 2013 silver jewellery stood at 17% of the total US jewellery sales, and had sales valued at €5,328 million—a growth of +2.7% since 2012.
- The USA remains the largest silver jewellery market in the world, with an estimated share of 26% of the global silver jewellery retail sales (2012).
- By volume, silver jewellery took up 34% (134 million units) of total jewellery sales in the USA in 2013—more than gold jewellery. The volume share of costume jewellery (178 million units) was large and is estimated at 46% of US sales. The average

price of costume jewellery is less than half the average silver jewellery price.

- Specialist jewellery retailers accounted for 41% of all jewellery sales and represented a value of €11,208 million. This includes sales of handmade silver jewellery.

1.1.2 Significance of silver jewellery and main market segments

- Silver in jewellery has always been the preferred metal for young people. More recently, because of the high price of other metals, it has become more popular among the middle-aged and the elderly as well.
- Silver jewellery remains a popular gift item. It is fashionable, affordable and increasingly more personalised. The main occasions for buying jewellery are Christmas, Valentine's Day and weddings. In 2012, around 30% of US jewellery sales were generated in November and December.
- **Women represent the largest part of the market.** US women buy silver jewellery for themselves, and wear items on a regular basis with formal, casual or evening clothes.
- **Jewellery designs are more diverse** and increasingly influenced by seasonal fashion trends, especially (silver) jewellery with stones.
- **People tend to wear jewellery at an earlier age.** Teenagers (13–19 years), pre-teens (8–12 years) and children are being recognised as important segments for costume and silver jewellery.

What's relevant to you?

Handmade silver jewellery can benefit from the trend towards personalised jewellery and well-designed jewellery. One result of the recession is that people want value for money. They increasingly look for jewellery that can be worn every day, on special occasions or be worn over a longer time (timeless jewellery). Younger and middle-aged women are more knowledgeable and attracted to jewellery items that are unique and which gives them a sense of pride when wearing or showing to others. In addition, there is a growing curiosity in how and where the item is made.

1.2 Future Potential

Expected jewellery sales in the USA

According to the World Bank, the US population is expected to grow by an annual rate of 0.9% between 2013 and 2016, reaching 319 million people. The breakdown by age group will be similar to that in the 'Brief Overview' at the beginning of this section. Within the 25–54 age group, the category of people between 30 and 40 years is expected to grow between 2013 and 2016. In addition, the age categories with people older than 55 years are also expected to grow.

- **According to the Nepal Tourism Board the number of visitors from the USA** rose considerably between 2008 and 2012, from 30,076 to 49,985. Around 54% were on 'holiday for pleasure' and 17% for 'trekking'. Although only a fraction of the US population (316 million), this contributes to a growing awareness about Nepal among the citizens of the USA.
- Because the prospects for economic growth have improved, the total jewellery market in the USA will grow by an average rate (CAGR) of +1.0%, reaching €28,386 million in 2016.

Table 2: USA jewellery retail sales forecast, 2013–2016, value in € million/ volume in million items

	VALUE					VOLUME				
	2008	2012	2013 ^c	2012/13	per capita*	2008	2012	2013 ^c	2012/13	per capita*
Total jewellery	27,337	27,641	27,966	28,386	+1.0%	391	398	406	410	+1.2%
Precious jewellery, of which: Silver jewellery	24,102	24,396	24,778	25,231	+1.2%	213	219	224	227	+1.6%
Costume jewellery	5,328	5,477	5,504	5,658	+1.5%	134	136	140	143	+1.7%
	3,235	3,245	3,188	3,155	-0.7%	178	179	182	183	+0.7%

*Compound Annual Growth Rate Source: Equity Communication, Euromonitor, Trade estimates (2014)

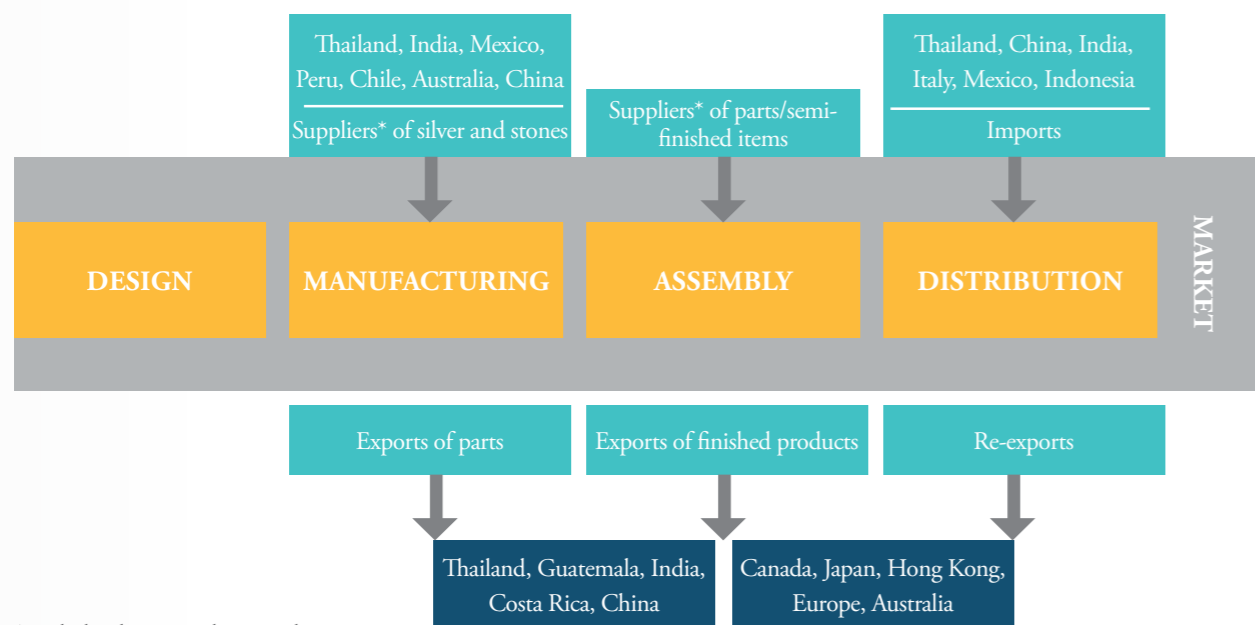
- **In 2016, silver jewellery is expected to represent approximately 20% of the total US jewellery value sales and 35% of volume sales**, indicating a higher average value per item. This implies a grading-up of the silver jewellery market through higher grades of silver, improved designs, improved (shiny) effects to approach white gold, more use of colourful gemstones, and through more handmade silver jewellery.
- **US silver jewellery retail sales are expected to grow further (+1.5%), reaching €5,658 million in 2016 and will outperform costume jewellery** because of a tendency towards timeless jewellery of a higher value.
- **The majority of costume jewellery** is mass-produced, with a low price. However, there is

another trend towards handcrafted costume jewellery using different metals (brass, copper, tin, pewter), combined with silver, stones, beads, shells, textiles, leather, etc. In these jewellery items, the design, look or colours are more important than the intrinsic value.

Much will depend on the continued growth of the US economy and the development of gold and silver prices. The price of precious metals went up in 2014 but not as fast as previously. In the future, silver jewellery might face more competition from other precious metals. For example, platinum is promoted with the help of celebrities such as Britney Spears and Anne Hathaway. Palladium is still little known in the US market and is now being promoted as a 'heavy metal'.

1.3 Market Structure

Figure 1: Value chain flow chart of the silver jewellery industry as percent of retail sales in 2012



* Includes the main silver supplying countries; stones come from a variety of countries

Source: BPC Ltd. Searce estimates (2014)

1.3.1 The jewellery value chain

The value chain of silver jewellery in the USA is composed of four main activities, namely design, manufacture, assembly and distribution.

1. Design

- In handmade jewellery, the manufacturer can also be a small independent shop that designs, makes and sells their own jewellery collection.
- Some manufacturers work to design, i.e. making jewellery for importers or retailers (bridal stores, gift shops or jewellery retailers). Large retailers or importers of well-known brands (fashion houses) either have their own design department, or work with freelance designers.
- Large companies use 3D computer-aided designs, work with computerised manufacturing (CAD/CAM) systems, and manufacture the jewellery in low cost countries.
- Jewellery designs focus on consumer target groups, lifestyle, fashion trends, originality and personality of the wearer.

2. Manufacturing

- The jewellery manufacturing process ranges from traditional handmade techniques to automated manufacturing with the help of advanced technology. The jewellery industry can be broadly sub-divided into four different areas, as below:-
 - **Manufacturers**, with a strong relation with the main local players. (See section 1.8.2)
 - **Modern niche jewellery production** companies who are new to the market.
 - **Designers** with smaller workshops, who are the driving force in innovative designs.
 - **Luxury jewellery brands** (Kay Jewellers, Cartier, Tiffany's, van Cleef & Arpels, Bulgari), fashion houses (Armani, Chanel, Dior, Louis Vuitton, Gucci) and big retailers (department stores, accessory chains, clothing chains, etc.). They operate internationally with a network of importers supplying companies all over the world. They have seasonal jewellery collections produced by manufacturers or modern jewellery makers in the USA, or Asia.

- **In 2012, the total jewellery industry in the USA consisted of 2,000 companies and 30,000 employees.** There were 34 large companies with more than 500 employees, producing 51% of the total US production turnover.

- Around 96% were small to very small companies (including gold and silversmiths and jewellery designers) each competing in a fragmented US market and trying to identify new niches, as competition from Asia grew.

- **Export markets account for 45% of the total US production turnover** with finished silver jewellery being, in 2012, mainly exported to Canada (33%), Japan (18%), Hong Kong (10%), Europe and Australia. There is an increase in demand by the emerging countries (UAE, Brazil, Russia, India and China), which have a growing interest in the US fashion.

- The majority of silver jewellery sold in the US market is made in Thailand, China and India.

- Since the 1990s, the number of US jewellery manufacturers has decreased. Since 2007, the total jewellery production turnover decreased due to the recession. From 2011, however, jewellery production turnover picked up and reached a value of €5.9 billion in 2012.

- The market shares of larger companies rose as major players established new brands. According to Euromonitor, the average profit margin of US jewellery manufacturers in 2012 was 22.9% (of their turnover), compared to 19.8% in 2009.

Main trends in manufacturing

- Larger US companies invest in advanced processing technology. Some companies use a combination of electro-form and handcrafting to work more efficiently and to produce items in large quantities. Other companies use computer-controlled (CNC) machine tools in their design and manufacturing process.
- There is greater emphasis on training, technological development and scientific research in the US jewellery industry. The leading jewellery manufacturers, as well as the US trade associations, invest heavily in this area.
- In order to compete on a global level and share some of their costs, smaller manufacturers have been joining forces with colleagues, designers and trade associations. This has proved to be much more powerful than working individually.

- Similar to the 'Made in Italy' or 'Made in France' concept promoted at trade fairs and in stores, there is a 'Made in the USA' concept. (<http://www.madeintheusa.com>)

3. Assembly

- This activity refers to the assembly of manufactured components to create a complete jewellery item. In the case of assembly in low cost countries, jewellery parts are exported to either Asian countries or **nearby low cost countries** (Guatemala, Costa Rica) to be imported by the US as finished products. (See figure 1.)

- In the case of local manufacturers, jewellery parts or semi-finished jewellery is imported into the USA from a variety of countries. The jewellery item is then assembled and sold in the USA or in export markets.

- The assembly is increasingly carried out by manufacturers in order to save costs and so as they can have better control over the delivery of the jewellery items. In a period of weak demand, retailers prefer to keep their stock low, which means that manufacturers are expected to deliver quickly.

4. Distribution

This refers to all activities by different channels, including the commercialisation, sales and delivery of the items through various sales routes. There are many different routes, but the main routes are:

- From manufacturers through importers, wholesalers to retailers, and on to consumers.
- From manufacturers direct to retailers or consumers.

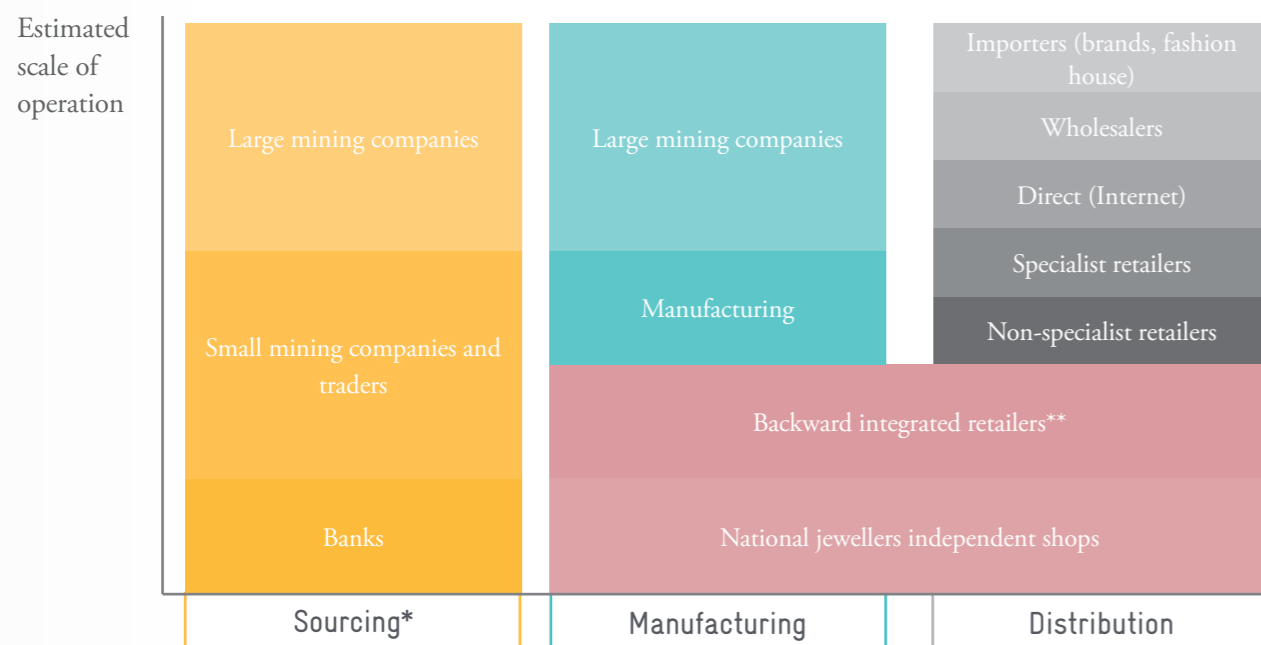
Distribution channels are covered in detail in section 1.7.

1.3.2 Trends in the jewellery value chain

A move to large scale

As a reaction to the highly fragmented jewellery industry and a weak and fast changing consumer demand, there is a trend in sourcing towards larger scale operating companies. They join forces by mergers and acquisitions, and operate on a global level. For mining companies there is more pressure on generating results because of the required large capital investments. In an environment of fluctuating metal prices and insecurity due to the recession, this pressure can increase.

Figure 2: The relations between actors in the jewellery value chain



* Sourcing excludes imports
 ** Large scale/international retailers
 Source: KPMG, Searce estimates (2014)

A move to lower cost countries

At the beginning of the millennium, the fabrication of silver was mainly carried out in Mexico, Peru, USA, Australia, Chile, China and Poland. In 2012, Mexico was still the world's largest silver producing country, with the following companies representing 20% of global silver production: Fresnillo, Palmarejo, Saucito and Alamo Dorado. Now, China has become the second largest silver producing country (15%) with new resources in Tibet. Peru (14%) and Australia (7%) are still large silver producers, followed by Russia (6%). The large shares of the production market belonging to Mexico, China and Peru illustrate a move of silver fabrication to low cost countries to cut down on costs.

Horizontal coordination

This aims at strengthening relationships between companies in order to become larger. They aim to integrate backwards in the value chain by carrying out more activities, for example, a large retailer who buys up a manufacturer who exclusively produces jewellery for them. The retailer benefits from economies of scale. In addition, they can control the process throughout the chain, and are more flexible and able to deliver quickly in small quantities. Some large retailers already invested in mining assets, cutting and polishing operations, and in securing access to primary rough supply of gemstones.

The independent shops and some of the national jewellers are doing the same by designing, making and selling jewellery items themselves. In fact, they are more flexible than large retailers. For their raw materials, they still rely on mining companies, traders or banks.

Vertical coordination

Vertical coordination in distribution aims at gaining competitive advantages. Retailers join forces to develop buying power (e.g. buying groups, retail chain operations) so that they can import direct from manufacturers. They can put manufacturers/suppliers under pressure during price negotiations. They are also more demanding by asking for flexible and timely delivery of small volumes to minimise stock and risks during silver price fluctuations.

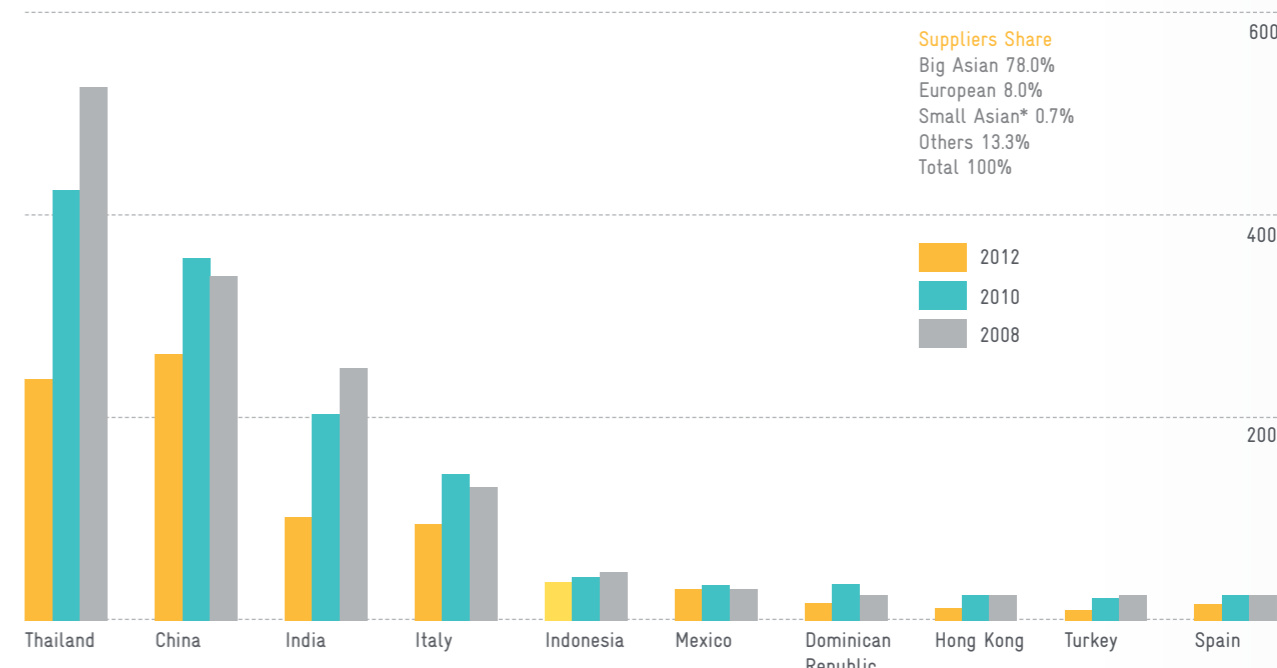
1.3.3 US imports of jewellery

- In 2012, US jewellery imports were valued at €7,325 million (37,846 tons), being sub-divided into:

Precious jewellery: €5,453 million (2,208 tons), of which:

- Gold jewellery: €3,774 million (175 tons)
- Silver jewellery: €1,647 million (2,032 tons)
- Jewellery of base metal, plated with precious metal: €32 million (1 ton)

Figure 3 USA: Silver jewellery imports and main supplying countries value in € million, 2008–2012



* Small Asian countries which supplied less than €3 million
 Nepal: €0.8million (0.05%) in 2012. See also Table 2 in Annex 2
 Source: ITC Trademaps (2013)

Costume jewellery: €1,872 million (35,638 tons), of which:

- Imitation jewellery: €1,636 million (9,612 tons)
- Hair accessories: €236 million (26,026 tons)
- **Silver jewellery** represents 22.5% of the total value of US jewellery imports, and 5.4% by volume, which can be mainly attributed to the high volume share of hair accessories within the costume jewellery product group.

- The USA is the largest silver jewellery importer, and accounted in 2012 for 30.1% of the world's silver jewellery imports (€5,466 million).
- Between 2008 and 2012, US silver jewellery imports rose by an average annual rate (CAGR) of 15%, from €956 to €1,647 million. In the same period, imports rose by 5.7%—from 1,625 to 2,032 tons.
- **The big Asian supplying countries** took the lion's share (78%) of US silver jewellery imports in 2012. (See figure 3.) In the period under review, large increases were registered in the supplies from Thailand, valued in 2012 at €575 million (+22%), and India, valued at €369 million (+25%) (figure 3). US imports from China (€325 million) dropped in 2012.
- The USA imported more silver jewellery from **smaller, nearby countries** such as the Dominican Republic (+12% of value supplies) and Costa Rica

(+63%), as well as from Indonesia (+6%), Hong Kong (+21%), Turkey (+26%), Spain (+12%), and Peru (+24%). Volume supplies were large from the nearby countries, indicating outsourced production in these countries.

- **The small Asian supplying countries** supplied €11.2 million of silver jewellery in 2012 and accounted for 0.7% of US imports. Nepal supplied less than a tenth of this, being €0.8 million. Between 2008 and 2012 US imports from Nepal decreased by 18%, from €1.8 million in 2008.
- **The average price of silver jewellery** from Nepal to the US market increased between 2008 and 2012 from €0.09 million to €0.16 million per ton, which can be partly attributed to increased raw silver prices.
- **The average value of silver jewellery** exports from Nepal to the US market decreased from €0.9 million to €0.8 million per ton, even when silver prices increased. This may be attributed to more exports of lower priced/lower quality jewellery items to the US market.
- **Nepal was ranked 30th in the list of US silver jewellery** suppliers. Developments of similar supplying countries, i.e. main competing countries, will be covered in section 1.8.

(See table 1 and table 2 in Annex 2 for more detailed statistics, including volume supplies.)

1.4 Price Structure

1.4.1 Silver price developments

Price is important in the jewellery sector and depends on the weight of silver or raw materials used, as well as craftsmanship, design, fashion appeal, distinctiveness and, increasingly, the brand.

In the late 1990s, jewellery retail prices decreased with cheaper grades of silver and techniques designed to use less silver. However, the price of precious jewellery increased due to the rising price of metal. Since 2002, silver prices started to rise considerably, following the steep rise in gold. The economic downturn in 2005/06 made gold a safe investment in a period of economic uncertainty, global political concerns and a low dollar. There was also more demand for gold and other precious metals from India, China and the other emerging economies. This drove up the gold price to a high of US\$1,744 per ounce in October 2012 and silver to US\$33.60. Since April 2013, precious metal prices dropped substantially. Nevertheless the rises in the past decade were spectacular:

- The price of gold rose by almost four times: from US\$332 in 2002 to US\$1,225 in 2013 (December).
- The price of silver also rose by more than four times: from US\$4.60 to US\$19.10 in 2013 (December).

The development of gold and silver prices is shown in section 7.8.2.

Table 3 USA: Average jewellery prices per item (€)

	2008	2012
Total jewellery	66.97	69.76
Silver jewellery	37.21	40.52

Source: Trade estimates (2014)

Based on the total US retail sales in value and volume, the average price of a silver jewellery item (€40.52) rose in the period under review by a CAGR of 2.1%. This increase was more than the average price increase of 'total jewellery' (1.0%). This can be largely attributed to the falling prices of costume jewellery, which are included in the total jewellery group in table 3.

Retail prices of silver jewellery vary considerably, for example, from €200 for an exclusive item of plain sterling silver, while the most common/accessible price range for a sterling silver neck chain is between €25 and €200.

There is a broad range of jewellery types, silver grades, designs and styles, which all have an influence on the retail price. Some consumers are prepared to pay extremely high prices for unique pieces made by a well-known designer or their favourite brand, and for imitations of an exclusive precious jewellery item worn by their favourite celebrity/model. Prices also largely differ per retail outlet, with silver jewellery being below €25 at clothing chains, accessory chains and hypermarkets.

Table 4 USA: Average prices of handcrafted sterling silver jewellery items from Nepal

	Retail price (€)
Ring with gemstone (open work structure)	37.75
Ring (bypass) with Amethyst (2.00 ct)	56.25
Ring (bypass) with Moonstone	44.05
Earrings (Chalcedony dangle)	33.85
Earrings with gemstone (special promotion price)	17.55
Pendant with gemstone	42.50
Pendant with Nepali copper coin	20.60
Bracelet—engraved with Amazonite stone	109.00

Source: QVC (2014)

1.4.2 Margins and price structure

Margins

The margins in each distribution channel depend on various factors, such as risk, volume, other additional services required, competition and exclusiveness. Consumers want better quality, a good finish, and innovative designs. Fashion aware consumers expect new design collections on a regular basis and at an affordable price. In several cities, this has led to retailers being declared bankrupt. In 2009, around 900 shops closed their business.

In the jewellery industry, margin maintenance and cost control are vital. However, the margins at each level in the whole US industry have been squeezed because of the high metal prices, recession and the growing competition from low cost producing countries and online jewellery sellers. Between 2012 and 2013, wholesalers increased their prices by 2.4%, while retailers had to lower their price by 1.5% so as not to lose their clients.

Margins for silver jewellery are very much influenced

Table 5: Calculation of final consumer price in €

	Low	Medium	High
Material cost (incl. 15% for unsold stock)	7	7	7
Direct labour cost (incl. design costs)	5	5	5
Other cost (e.g. packaging, promotion, sample shipments)	3	3	3
Cost price in €	15	15	15
Mark-up (overhead costs incl. own profit, e.g. 35%)	5	5	5
Export price (f.o.b.) in €		20	20
Import duties* (e.g. silver bracelet 2.5%)	0.5	0.5	0.5
Other costs (e.g. transport, insurance, handling, banking)	1.5	1.5	1.5
Landed cost or CIF price (€)	22	22	22
Importers/wholesalers' mark-up (low 30%, medium 40%, high 50%)	7	9	11
Importers/wholesalers' selling price (€)	29	31	33
Retailers' mark-up (low 95%, medium 105%, high 120%)		33	40
Net selling price	57	64	73
Sales tax, e.g. 7%	2	4	5
Final consumer or retail price (€)	59	68	78
Ratio CIF price - Consumer price	2.7	3.1	3.6

* The preferential GSP tariff is applicable for Nepal so the import duty can be reduced to zero.

by the price of silver with importers, wholesalers and retailers reducing their margins to maintain sales. Margins for costume jewellery are usually higher as their perceived value is usually much higher than their actual cost.

Margins at retail level

Margins are higher compared to other consumer goods, justified in part by the high cost of holding stock and anti-theft insurance. Margins now range between 90 and 120%. This includes sales tax, which ranges between 5 and 10%, depending on the State.

• **Margins can vary depending on the jewellery item**, the level of demand and the handling involved. For example, some products such as silver pendants are relatively low in price and require little attention in retail (display and selling), so a retailer will ask for a low margin, e.g. 90%. On the other hand, margins for silver rings with coloured gemstones, which need much personal attention and service from the sales staff, will most likely have a higher margin, e.g. 120%.

• **Another factor is the location of the retailer.** High street chain stores are often located in expensive places, carry a wide range and have many sales staff, all of which are reflected in higher margins.

• **High retail margins are still necessary as prices are reduced during the sales period.** Retailers need to allow for the heavy discounting that takes place often twice or more a year, and which tend to last longer. The usual sales periods are during summer and after Christmas. Prices regularly fall by up to 30%. During times of recession, consumers tend to delay their purchasing and only buy when jewellery pieces are on special offer.

Margins at importer/wholesale level

• Wholesalers and importers base their costing on a CIF base. This means that their landed cost is the f.o.b. (Free on Board) plus transport to the warehouse, insurance and any import duty. The importer/wholesaler mark-up by between 30 and 50% on average. Depending on the circumstances, there can be a wide variation in these averages. Basically, importers keep control over the recommended retail prices. However, the higher prices of precious metals have seriously disturbed the situation.

• Table 5 indicates the effect of low, medium and high margins on the final consumer price, based on an f.o.b. price of €20 for a silver bracelet leading to a CIF price of €59–€78. The final consumer price can be compared with the price of competitor's

items of a similar nature. In this example, an imaginary mark-up is set, covering overhead costs (such as housing, personnel, selling and general expenses, own profit), which is estimated at 35%. The breakdown of the cost price by material, direct labour and other costs are also imaginary in this example. If the bracelet is imported by a retailer who buys from an importer or wholesaler, the multiples vary between 2.7 and 3.6 of the CIF price depending on the kind of importer, wholesaler or retailer taking their margins. Therefore, it is important to look carefully at costing before making a quotation to importers, especially if they supply the low end of the market, e.g. accessory retailers, etc. This may not be the correct partner for Nepali manufacturers. Importers or wholesalers who operate in the medium to high range market, supplying to small jewellery shops, boutiques or department stores, may be a better fit.

- **The average typical commission rate for an agent** is usually 6 to 12% of sales. If the same silver bracelet is imported by a retailer who buys from a selling agent, the consumer price will be €53 and the multiple will be 2.4, assuming that the agents' commission is 10% and the retailers' mark-up is 105%.

1.5 Access Requirements for the US Market

Generally, there are two kinds of market access requirements:

1. **Legislative requirements** that concern the protection of (imported) unsafe jewellery that can harm consumers' health. For example, the level of toxic material in a jewellery item is defined by law and if a manufacturer or supplier violates this law they will be penalised. It also covers the hallmarking of jewellery as a proof of its purity.
2. **Voluntary requirements** mainly concern the production methods, quality standards (ISO), social standards, environmental standards and transparency.

There are a range of recognisable labels among buyers and consumers, which can be obtained from certifying organisations on compliance with their criteria. Time and commitment need to be invested, but a label will increase ethical credentials and buyers are likely to credit your company and jewellery collection with more respect.

1.5.1 Legislative requirements

Even if there are still some differences in legislation between the States, the Metal-Containing Jewellery Law from the Department of Toxic Substances Control (DTSC) in California has had a large impact on buyers in other States.

Recall of lead and cadmium contaminated items
Recall of jewellery, especially costume jewellery, from China or other Asian countries sold at discount stores, gift shops, vending machines and by online sellers has increased people's awareness of the health hazards

associated with toxic metals in jewellery. The tragic death of a four-year-old child in Minnesota after he swallowed a charm containing lead underlined the importance of taking immediate action.

Chronic cadmium ingestion can lead to kidney damage, bone loss problems, vomiting, diarrhoea and even death if in high enough doses. Since 2008, a law has limited the level of lead and cadmium, particularly in children's jewellery (up to 6 years) and piercings, as well as in all other jewellery. This law prohibits persons from manufacturing, shipping, selling, or offering for sale jewellery for retail (and online) sale, or for promotional purposes, in California unless the lead and cadmium restrictions are met.

The ASTM Children's Jewellery Safety Standard (F2923-11) sets safe limits for heavy metals—such as cadmium and lead—in fine and fashion jewellery:

- The metal, including silver, should contain less than 0.06% (600 parts per million - ppm) lead by weight.
- Glass or crystal components must contain less than 0.02% by weight (200 ppm) and have no unintentionally added lead.
- Printing ink or ceramic glaze must contain less than 0.06% (600 ppm) lead by weight.
- No component of material used in children's jewellery may exceed 300 ppm cadmium per weight.

The DTSC has the authority to inspect a factory, warehouse or retailer and to obtain a sample for review. Penalties can go up to US\$2,500 per day per violation and manufacturers or suppliers risk being imprisoned for up to one year. More information about the Federal requirements can be found at:

[http://www.cpsc.gov/en/regulations-laws--standards/statutes/the-consumer-product-safety-improvement-act/or-at-the-MJSA-website-\(http://www.mjasa.org\)](http://www.cpsc.gov/en/regulations-laws--standards/statutes/the-consumer-product-safety-improvement-act/or-at-the-MJSA-website-(http://www.mjasa.org))

Hallmarking

The hallmarking of silver jewellery is commonplace throughout the world, and in many European countries should be done by their National Assay Office. There is an Assay Office at the Mint in New York, but hallmarking is not necessarily done there. Also in the USA, the purity of silver must be registered and stamped. This can be also done by your trade partner.

The terminology to describe precious metal can sometimes differ. In trade, the words 'silver' and 'sterling silver' describe a product that contains 92.5% pure silver. Silver products sometimes may be marked 925, which means that 925 parts per thousand are pure silver.

Jewellery described as 'silver plate' has a layer of silver applied to a base metal. 'Coin silver' are the words used for compounds that contain 90% pure silver. According to the Federal Trade Commission, it is unfair or deceptive to mark or describe a product as being made of 'silver', 'solid silver', 'Sterling Silver', 'Sterling' or the abbreviation 'Ster' unless it is at least 925/1,000^{ths} of pure silver. (See <http://www.ftc.gov>)

According to the law, quality-marked silver also must bear the name or a U.S. registered trademark of the company or person that will stand behind the mark.

There are certain instances where silver jewellery does not need to be hallmarked. For items where the amount of metal in the piece weighs under 7.78 grams (excluding stones or non-metal materials), no hallmark is needed. Please note that in a pair of silver earrings, each earring is considered as an individual item.

1.5.2 Voluntary requirements

Nickel in jewellery

In the USA nickel in silver jewellery is not prohibited by law as in Europe, but it is an important issue among buyers. It is estimated that around 20% of women in the U.S.A. and Europe have an allergy to nickel. There are numerous other sources from which a person could develop a nickel allergy (ear or body piercing). Over time, the body will become sensitive and react to nickel oxides.

These oxides form as a result of exposure to common chemicals, salts and perspiration. Therefore, it is recommended not to use nickel in silver jewellery items, especially items worn daily, e.g. earrings, rings or piercings. (See <http://nonickel.com/pages/nickel-allergy-information>)

Fairtrade standard

Fairtrade standard for certified silver jewellery aims to pay better/fair prices to miners of silver. After the launch of the Fairtrade/Fairminded Gold Standard in September 2010, ethical and environment-friendly jewellery has been increasingly in the focus of consumers. If the manufacturer is able to comply with the fair trade rules and be able to show/improve the

Recommended for your pricing

- Stress your exclusiveness. As a company making handcrafted jewellery, you would be better off by concentrating on the exclusiveness of your jewellery collection, e.g. by introducing original styles of necklaces or bracelets that meet the design, size and comfort needs of a specific target group. In this case, price is less important than the appeal of the item and its perceived value.
- Try to avoid being regarded as another cheap supplier from a developing country. Although price is very important, you should also attach great importance to quality and service.
- In the case of trial orders, sometimes a discount is given to buyers and freight is prepaid.
- Try to keep similar prices in different channels and different countries. As there is now greater transparency of prices between countries (in US\$ or in €), try to avoid large differences in your selling price and your recommended retail price. Be careful when you negotiate and agree prices in the beginning. You will not be able to change/increase easily in the future.

transparency in the value chain, i.e. how and where the silver is mined, this implies a good opportunity to apply for a fairtrade membership, which will improve the image of your jewellery collection. (See Annex 5.)

The Responsible Jewellery Council

The issue of 'responsible jewellery' has been picked up in the global jewellery industry. The Council has now 450 member companies (mining companies, manufacturers and retailers) in 45 countries. Most of them are the big players and brands.

Each member company commits to be audited against the RJC Code of Practices—an international standard. The Code of Practices addresses human rights, labour rights, environmental impact, mining practices, product disclosure and many more important topics in the jewellery supply chain. More information and some case studies (under 'members') can be found at <http://www.responsiblejewellery.com/>.

Annual membership fee rates are scaled to the size of the business, with a minimum annual member fee for small companies of US\$175 and a maximum fee of US\$102,000 for large companies (See <http://www.responsiblejewellery.com/applications/membership-fees/>)

Example

Wal-Mart has just launched 'Love, Earth'—a gold and silver jewellery collection that promises to trace every material used. By collaborating with Newmont Mining Corporation, Conservation International and Rio Tinto, the customer will be able to track the origins of any bangles, earrings or necklaces bought from the collection. By entering a unique batch number on the 'love, earth info' website, the consumer can see from which mine the gold or silver comes from, and see every stage of the production process, all the way to the shop.

Social accountability standards

These are voluntary ISO standards, for example, the guideline ISO 26000 on social standards and ILO standards, SA 8000 and OHSAS 18000 on working conditions, health and safety, freedom of association, right to collective bargaining, working

hours, compensation, and management systems social accountability, etc. (See <http://www.iso.org>)

Sizes

Note that Americans are much taller and larger than Nepali people and most Europeans. This implies larger bracelet, neckwear and rings especially for middle-aged people.

The average ring size

The average ring size range between 16 and 19 mm and the sizes are expressed differently in the USA and other countries. You can check the official international ring size conversion chart at <http://www.ringsizes.co/>. If you are in doubt, discuss this with your trade partner.

1.6 Consumer Preferences

1.6.1 Insights in main segments

Segmentation by generation

The US market can be broadly segmented by generation. These segments are also used in the seasonal trend forecast for 2014 (Annex 3). The description below is meant to indicate the main differences between the generations and their jewellery buying behaviour. Please keep in mind that there are exceptions to the descriptions that we give below.

- **Baby Boomers are people aged 55 years and over (26.2% of the US population)** who are reaching retirement age and who will have more free time. The exclusivity of jewellery and its personal and intrinsic value, as well as its origin, is most important for them. Their interest in fashion is lower, but their curiosity in general developments in society is high. Their children have left the nest and, therefore, Baby Boomers have more to spend and more time to travel. They prefer precious jewellery. When buying an item, they are most likely to do so at precious jewellery shops or at bazaars when on vacation.
- **Generation X are people aged between 35 and 55 years old (25.9% of the US population)**. The majority are married couples with children. A large part of their income is spent on their homes and basic cost of living. Due to the recession, many people postponed jewellery purchases. Fashion-aware women, especially in urban areas, continued to buy jewellery but less frequently and at lower prices. Housewives usually buy (mass-produced) costume and silver jewellery. The overall look of the jewellery item is more important for them than its precious metal content or craftsmanship. Birthstone

necklaces have been popular within this segment.

Mature singles and couples without children are also included in the Generation X group. They are at the top of their career, live mostly in urban areas and are more likely to travel to exotic countries, having a larger disposable income. They sometimes indulge themselves with fashionable clothing and jewellery of good quality with an original design. They shop around at jewellers, boutiques or on the Internet—this being a convenient way to shop in their busy life. They are aware of designer brands, but can 'fall in love' with an unbranded original or well-designed jewellery item which is handmade.

- **Generation Y are people aged between 26 and 35 years old (13.9% of the US population)** are the children of the Baby Boomers and have started to make a career. They are young married couples or singles. Their focus is on self-improvement and success. They are well aware of fashion trends and buy a jewellery item to reward themselves for working hard, or buy a charm to further build up their (personalised) bracelet. They like the concept of 'Do it Yourself' (DIY) jewellery and collectible charms.

In the USA, it is suggested that all fashionable women should own at least five jewellery items for special occasions. According to a survey by Equity Communications, this segment buys more jewellery than the other age groups. Internet and (social) media are very important to them. They spend more than twice the average on gifts of jewellery, e.g. for Mothers Day, Valentine's Day, courtship gifts and wedding related gifts. They shop around or check on the Internet before buying an item. They could finally buy the item either at a jeweller, boutique, accessory chain, or at a department store or clothing retailer. Generation Y is the opinion leader for other generations and are, therefore, an interesting segment.

- **Generation Z are people aged between 15 and 24 years (13.7% of the US population)** and were born during the fast running economy of the mid 1990's and early 2000's. They often still live with their parents and have grown up in a highly diverse and fast changing hi-tech environment. In order to stay connected with the world around them (24 hours/7 days), smart phones and laptop computers are essential tools to communicate. They regard outfits as a very important reflection of their own lifestyle or mood. They are likely to be very brand aware and celebrities or 'it girls' (their example of the 'perfect look') can be very

influential. Jewellery plays an essential role to accessorise their outfit or look with piercings, DIY jewellery and new/hi-tech items being popular. They buy from the Internet, from fashion accessory chains, clothing stores, department stores or street markets. They are curious and uniqueness is important for them. Generation Z might be a future segment for handmade jewellery from Nepal. On the other hand, they are the 'zapping culture', get quickly bored and expect regular changes in jewellery collections.

Other market segments

Bridal market

Low consumer confidence and unemployment were reasons for US couples to postpone marriage. Women preferred to marry later and benefit from a longer single life. Especially college-educated women marry in their thirties. Nonetheless, this segment was estimated to be worth around €10 million in 2012. It includes diamond jewellery as white diamonds are still favoured most in wedding bands.

The use of silver is less common in wedding rings and gold is the preferred metal for brides. Grooms prefer white gold, titanium and tungsten. Tungsten consists of carbide particles that are held together by a metal. It is known for its hardness (10 times harder than 18k gold) and its high resistance to scratching. There is a tendency towards using more coloured gemstones in rings and the use of designer jewellery.

What's relevant to you?

Even if silver is less commonly used, the US bridal segment is large and is expected to grow.

Consumer confidence is growing and older couples are deciding to marry. In addition, more gay couples are expected to marry. Both developments offer opportunities for precious jewellery items such as neckwear, bracelets or tiaras of fine silver jewellery with gemstones.

Men's jewellery

Many men buy jewellery as a gift. Wearing jewellery themselves is slowly becoming popular. However, many US men regard it as too feminine. The trend was started by the growing number of male celebrities wearing jewellery, especially rappers, hip-hop artists and movie stars. American men would like to wear more jewellery if they knew that women would find them more attractive or fashionable. Modern men are

more concerned about their looks, being encouraged by their social network or fashion blogs. They tend to buy their own jewellery along with skin care and fragrance products, while others are gifted jewellery. Earrings, bracelets, neck chains, pendants on a leather rope, large rings, cuff links, piercings (for younger men) and brooches are the most popular items. Men mainly choose silver or stainless steel items with diamonds or gemstones. There are opportunities for silver jewellery with or without stones.

Children's jewellery

A rising number of children like to dress as their favourite celebrity/model. They often select the jewellery item themselves, and their parents are willing to buy it for them. Because parents are having children at a later age, they are often economically more stable and therefore can afford to pay for a (precious) jewellery item for their child. The children's segment is recognised by US retailers who have introduced colourful and well-designed collections for children.

During the economic recession, people tended to sell old jewellery bought in, e.g. Nepal, for its metal value at high street stores or pawnbrokers. Second-hand trade is controlled in the USA in order to assure that it is not a stolen item. For example in Washington the seller of a gold or silver piece must be registered by the pawnbroker (ID, fingerprint). However, there is no unified procedure, and in other US States different procedures apply.

Market niches

Ethnic groups

In 2012, Latino people (Mexican, Puerto Rican) comprised one-third of the US population. Around 13% of the US population are black and 4% are Asian. Gold is the preferred colour. However, silver jewellery appeals to young people, and silver is also seen in the 'rap scene'—large chains and big silver rings with brightly coloured stones.

Tourists

In 2012, around 50 million tourists visited the USA, mainly New York, Los Angeles and Miami. Most tourists come from Europe and Latin America. Opportunities exist in the rising numbers of Russian and Chinese tourists to the USA. They are open to jewellery from other cultures (e.g. Nepal), and they will bring more international tastes to the US jewellery marketplace. However, young Chinese tourists often look for branded silver jewellery. The number of tourists to the USA from China and from other emerging countries (Latin America, South East Asia, South Africa) is expected to grow in the coming years.

Jewellery collectors

The most common collectors are people who visited Nepal, people who are attracted to old Nepali/Tibetan culture, or people who invest in antique jewellery or old coins. Authentic old items can still be found in Nepal. Although some antique jewellery is already sold via traders to, e.g. tourists, nowadays original jewellery items are harder to find. This niche market became less transparent because of the faux antique items. Now consumers try to become knowledgeable before buying an item that looks old and is being sold as an 'original' antique item.

For collectors of old coins from foreign countries, coins integrated into jewellery are available. One popular item sold, e.g. via telesales (QVC) in the USA, is a lotus shaped silver pendant with an inset of an old Nepali coin, made of copper and minted by the Government of Nepal with a *trishul*, a moon and a sun.

During the economic recession, people tended to sell old jewellery bought in e.g. Nepal, for its metal value at high street stores or pawnbrokers. Second-hand trade is controlled in the USA in order to assure that it is not a stolen item. For example in Washington the seller of a gold or silver piece must be registered by the pawnbroker (ID, fingerprint). However, there is no unified procedure, and in other US States different procedures apply.

1.6.2 Main market trends

This can be easily achieved by beads, charms or by combinations of different bangles. Women can personalise, e.g. a bracelet by replacing or adding charms and beads, regularly. In doing so, they can use their bracelet much longer. In this collectible charm jewellery, there is a 'DIY' element where women make their own combinations.

Glass beads have been on the market for a while but are becoming more sophisticated and better designed. Beads now have the latest fashionable colours and are combined with sterling silver. Here brands such as Pandora, Trollbeads or the multi-coloured Murano beads have been very successful. Charms are often of sterling silver, plated silver or gold and their forms express the wearer's personal interest or mood. For example, animals, flowers, leaves, coconuts, feathers, hearts, stars, angels, horoscope signs, crosses, names, keys, high heels, guitars, cars, etc. The most well-known brands that offer a variety of charms include: Swarovski, Thomas Sabo and Fossil. Handmade silver charms from Nepal could be a good opportunity.

Spiritual jewellery

In a period of insecurity, consumers tend to search for a deeper meaning to life, which can be in Asian religions (Buddhism, Hinduism), the (magical) life of Nepal/Tibet, life on the roof of the world (Himalaya), astrology and tribalism, with jewellery that expresses a special secret meaning (protection, praying for others, etc.). Medallions can be inspired by ancient tales, fauna, flora or cultural diversity.

Silver medallions, amulets or charms that dangle on a silver chain, are typically used in symbolic jewellery. **Yoga jewellery** was an emerging niche in the USA in 2013 with jewellery items engraved with 'Om' or 'Om padme hum'.

Opportunities can be found in: friendship rings with worked silver, jewellery with hammered silver techniques from the ancient Nepali cultures, bracelets with symbolic charms, or in bangles engraved with ethnic patterns. The American people are familiar with turquoise, stemming from Native Indian culture. They might be interested in new colour variations in turquoise jewellery. Red coral and yellow amber from the (ancient) Tibetan culture remain popular.

Statement jewellery

In order to give a boost to women's confidence, impact and attitude are buzzwords in the latest fashion trends. Statement jewellery with an original design and that clearly expresses a person's vision fits well in this trend. Themes often relate to glamour,

beauty, love, peace and fashion-awareness. Designs could also be related to nature loving, garden themes, animals, the environment or global cultures. An example would be where an antique pendant could be re-worked into a contemporary statement piece.

Opportunities can be found in silver pendants in the form of a large eye-catching disc, or multiple necklaces. Other examples are shiny silver bangles, large chunky bracelets, long silver chandeliers, Creole earrings, layered long neck chains. (See the photos in the next section and Annex 3) In the higher alloys of silver (more than 925 purity), however, designs are more refined and elegant.

Ethical or sustainable jewellery

Due to serious disasters and bad practices in the fashion industry, people have become more critical about their outfits and want to know the stories behind them: where it comes from, how it is made and under what circumstances. This has been an advantage for the ethical jewellery market. Jewellers increasingly stress the sustainability and the feel-good factor of buying jewellery. In general, ethical fashion is gradually becoming more diverse and glamorous, with more interesting designs. (See Annex 5)

Customised jewellery

Consumers increasingly appreciate handmade pieces. Jewellers and Internet sellers increasingly offer consumers the ability to design their own necklace or bracelet with a simple computer program, thus, they can create their favourite charms or beads. This 'designed' necklace or bracelet is then made and delivered to the consumer.

Customised jewellery can feature anything from a name, anniversary message or sacred date, to a thought or phrase. The item does not necessarily need to be handmade; it is more about that personal touch through a specific meaning or sentiment.

Convertible/multi-use jewellery

To get the best out of their money, some consumers look for jewellery that can be worn differently to go with different outfit styles. This is referred to as convertible jewellery. For example, reversible bracelets, earrings that can change lengths, interchangeable pendants, brooches which can transform into pendants, or rings with changeable diamonds or stones. Other examples are long layered necklaces that can be also used as wrist wear, or rings that can be stacked or worn separately.

Branded jewellery is still gaining ground

In 2012, branded jewellery took up around 20%

of the total US jewellery market. Luxury and mainstream jewellery brands remain most popular, especially among Generation Y and Z who have grown up in a brand environment and who are sometimes called 'brand advocates'. They sympathise or feel associated with the brand name, clearly visible on a jewellery item (e.g. Guess, Calvin Klein, etc.). The main fashion houses and clothing brands have already entered the jewellery market.

In order to improve their image, brands will need to find more sophisticated ways of making jewellery appear exclusive, particularly as more and more people know they are mass-made in Asia. In general, a brand identity that shows a deeper meaning (e.g. sustainability, durability, origin) that fosters 'simplicity in creativity' will thrive in the future.

(See section 7.8.1 for further information)

Link with other sectors

Jewellery is increasingly linking with other sectors such as clothing, footwear, handbags, belts, beauty cases, eyewear, clothing, watches and electronics. You could do the same as the fashion houses by presenting your jewellery together with shawls (Pashmina, Cashmere), sweaters, belts or accessories'



such as jewellery boxes or ring holders. Your designs need to perfectly match and complement the clothing, footwear and accessories styles worn by the people in your target market.

Seasonal fashion trends for 2015

(See Annex 3 and the site of CIJ Jewellery)

International where you can view the E-magazine with trends for 2014, as well as the 'Design Trends' and 'Latest Trends & Colours' (<http://www.cijintl.com/Magazine-5627-Colour%20Trends.html>).

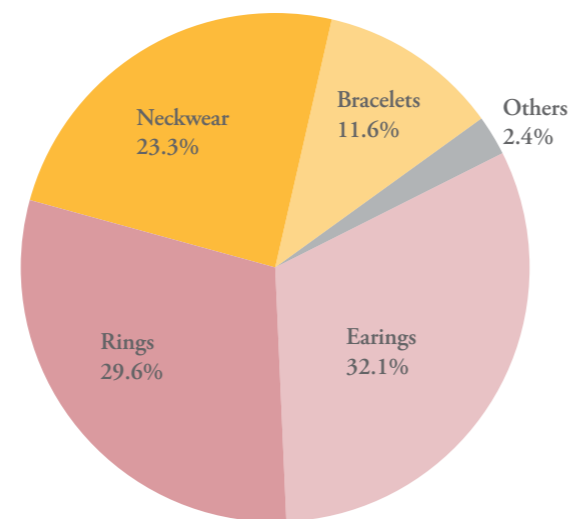
1.6.3 Main product trends

A product-based division is given here with the main trends in jewellery items. More detailed product trends for 2013 and 2014, with photographs, can be found in the Trendbook Forecast 2015+ with a digital version that is available for you via GIZ or at the Negosita Training Centre.

Trends in jewellery items

Earrings are the leading product type within precious jewellery, with an estimated value in 2013 of €7,736 million (32.1% of US precious jewellery retail

Figure 4 USA: Breakdown of precious jewellery* by type as percent of retail styles in 2013



* includes gold, silver and other precious metals
Source: Euromonitor (2013)

sales). This includes earrings of gold, silver and other precious metals. Some ideas are shown below.

Most American women have at least one piercing in their ears, while younger people tend to have two or three. Earrings are a fast and practical way for (busy) women to quickly dress up and to match the style of their outfit. Because of this, and because they are affordable, earrings continue to be popular. Ear charms are gaining ground in the earring product group. The most popular designs and shapes of earrings are shown here.

Necklaces are the second most popular type of product, with an estimated value of €5,857 million (24.3%) in 2013. Necklaces are regarded as the best jewellery item to express a woman's individual style. Designs can range from a thin/fine silver necklace being light to wear every day, to bold neck chains



or multi-strand chains (see below) combined with coloured gemstones or charms. Long Y chains fall down the body. Other neckwear consists of massive open structures (see below).

The pendant remains very popular as it conveys a romantic or symbolic meaning. There are very small to macro pendants in silver with a large variety in charms, e.g. with floral or oriental patterns. Other pendants have amulets, hearts, coins or stones such as emerald, peridot, aquamarine, amethyst or turquoise surrounded by refined silver structures.

Bracelets are the third most popular type of product within precious jewellery, with an estimated value of €2,796 million (11.6%) in 2013. Please note that bracelets take up a larger proportion (25%) of the costume jewellery market that includes mass-produced mainstream silver jewellery.



Charm bracelets and flexible bracelets are being rediscovered and the successful DIY bracelet concept and heavy promotion by Trollbeads and Pandora have largely stimulated the bracelet segment. In the latest bracelet designs, large bangle cuffs are covered in 'carpets of diamonds' and coloured stones. There are contrasting size links in order to create 'crazy chains'. Fine multi-chain 'thick bracelets' and machine-made multi-bangles are worn together. Bracelet shapes vary from small chains with charms or large bracelets with beaded, arabesque surfaces, as shown below.

Rings, in 2013, held a 29.6% value share in precious jewellery, valued at €7,135 million, with the majority being gold and platinum wedding and engagement rings. The value share of silver rings is small, whereas the volume share is large, being mainly fashion rings (with stones). Rings are worn on different fingers, e.g. thumb rings, and toe rings are worn in summer. Friendship rings as well as cocktail rings, using a large coloured stone, remain popular. US women tend to wear rings special to themselves on the ring finger of their right hand.

Other items

Brooches have made a comeback in all sorts of patterns, including charms, salamanders, chameleons, butterflies, jaguars or pierced disc concepts.

Small studs The revival of cuff links and the popularity of gold or silver studs (nose or upper lip) partly explain the growth within the category 'others'.

Handbag charms There has been also a trend for handbag charms among teens and young women.

There are also charms for mobile phones, belts and for other items that women use daily.

Hair accessories Tiaras remain popular among brides with brands such as Finesse, Mikey, Swarovski and Jon Richard. Flower patterns and colourful stones or beads are seen in barrettes, hair bands (decorated), coloured hairpins, hairgrips and clips at the accessory chains (Accessorize, Claire's) are worn daily.

Body piercing Influenced by Madonna, Rihanna and other celebrities, piercing of the navel, nose, tongue and lips has become more common among young people. Navel and nose piercings are sometimes combined with gemstones or diamonds. Other body parts for piercing include the eyebrows and the labret (just under the lower lip).

The most common materials for body piercing jewellery are stainless steel and titanium. Silver can be also used, but it is less popular because:

- There is a risk that scratches on silver can become a place for bacteria.
- Silver corrodes when it comes in contact with sulphur or acid, which the human body contains. However, its degree varies per person. This contact forms toxic substances such as silver salt. Therefore, silver piercings must be kept clean and must be polished regularly by its wearer.



Stones Despite the recession, jewellery with stones remained popular. Stones have a symbolic meaning and appeal to people expressing beauty, ideas or beliefs. Inspired by glamour and colour, stones are used much more in rings, pendants, neckwear and earrings. There is a trend towards larger stones giving a 'bold look' and reducing the amount of precious metal that is used in an item, especially since the rise in metal prices!



1.6.4 Opportunities for Nepali exporters

Opportunities in the US market

In the high street and in shopping centres people are becoming more exposed to different kinds of (branded) jewellery. This means that jewellery remains an important item to complement one's outfit.

It appeals to a wide range of consumer groups. People in Generation X and Y are looking for more variations in personalised and unique items. The interest in handmade silver jewellery grows among all consumers despite an insecurity about the economic recession and rising metal prices.

You can find good opportunities in the following trends:

- *The trend towards customised items continues*, which drives demand for handmade jewellery.
- *The growing market is demonstrated by the performance of online craft marketplaces*, e.g. www.etsy.com with 12 million global members and a profit of €450 million in 2011. Similar online sites are also coming up.
- *Personality is also expressed by wearing jewellery with unique colourful gemstones* e.g. kyanite or lebedorite.
- *In design, there will be influence from fashion* (colours and forms), combined with themes such as romance, friendship, nature, garden, animals, spirituality (yoga) and global culture (tribal).

- *There is a growing concern about the environment* and a growing awareness among consumers of *unethical practices* in mining and labour conditions. If you are able to demonstrate that you respect such issues, contribute to sustainable development of people in local villages, or if you show that you use recycled material in your collection, there are good opportunities.

- *Handmade silver jewellery will benefit* from the expected growth of the bridal segment and a sustained growth in the *US gift market*.

- *Clever innovation in convertible jewellery* will be appreciated by consumers who want to get the best for their money.

- *Opportunities can be found in niche markets* such as men's jewellery, children's jewellery, ethnic groups and in the growing number of tourists visiting cities such as New York, Miami, LA, etc.

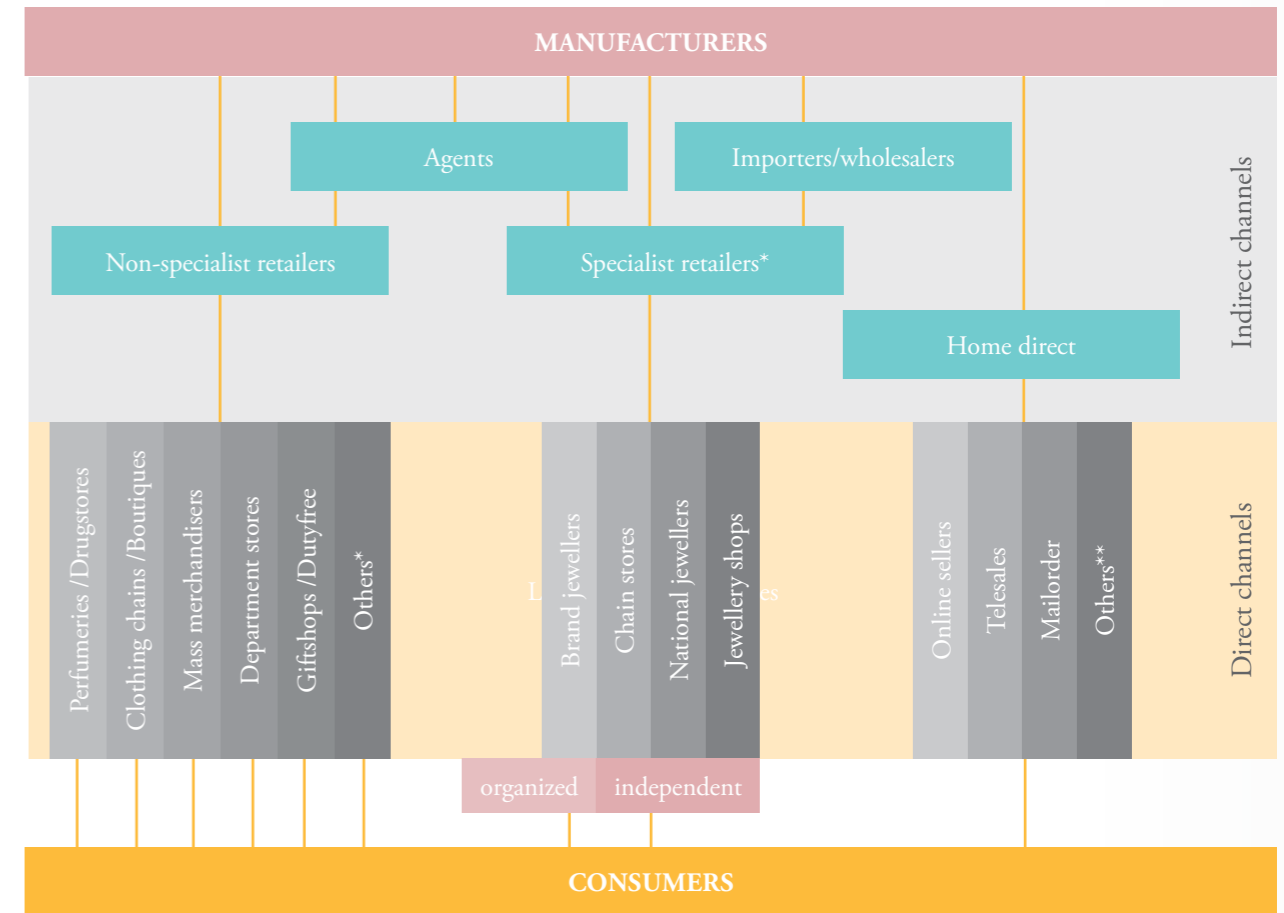
- *Opportunities can be found in specific jewellery items* such as small studs, specific Nepali charms, handbag charms/jewellery, hair accessories, brooches, piercings jewellery, etc.

(For ideas on jewellery items see section 1.6.3 or the seasonal trends for 2015 in Annex 3.)

- According to the US Department of Commerce, around 60% of all jewellery sales is through retailers and home shopping, while 40% is through importers, wholesalers and agents.

- Along with the growing popularity of jewellery in the 1990s, the influence of large retailers (mass merchandisers, chain stores) and Internet sellers increased considerably. These retailers and sellers

Figure 5: Silver jewellery distribution channel



* Includes mono-brand stores, hypermarkets, street markets and pop up shops

** Includes network marketing and second-hand sales

Source Source (2014)

import jewellery directly so that they can benefit from economies of scale and can offer low prices.

1.7.2 Indirect channels

The indirect approach means that all export activities are taken care of by an importer, wholesaler or agent. Find out to what extent your possible trade partner in this channel sells to your target group, how they work, which regions they work in, buying volumes and how specialised they are in handcrafted silver jewellery. You could work with the following trade distribution channels:

Importers

They take ownership of the jewellery items when they buy from you and keep them in stock. They usually buy large volumes and are then responsible for the onward sale. They have good knowledge of the markets in which they operate. Your capital requirements are limited. The importer can supply considerable information and guidance. The

development of a successful working relationship can lead to a high level of co-operation with regard to appropriate designs for the market, new trends, dealing with market access requirements and promotional campaigns.

Importers tend to specialise in particular groups of jewellery and hold a wide range. Importers often design or develop jewellery collections under their own brand or their client's brand. As large direct importing retailers become more dominant, importers have to offer some point of difference and target their markets more precisely to stay competitive. Therefore, they might welcome handcrafted jewellery from Nepal. Some examples of specialised importers are:

- Jewellery items made according to the fairtrade vision.
- Jewellery items being sustainably designed. This could also be through design companies having their own sales staff selling to retailers or through agents. (Also see section 7.3 under 'Design'.)

Importers usually work on a national level. Their margins have traditionally been between 30 and 40%. Because of the recession and the growing competition, margins are under pressure now. Some importers can be found via Jewellers of America (www.jewellers.org or via http://www.usimportersdirectory.com/jewelry_importer.html).

Wholesalers

They also take ownership of the items and have them in stock. They can deliver quickly to retailers and provide some technical support, e.g. resizing rings. Wholesalers work either at a State level or on a national or international level. They usually carry a wide range of jewellery. They specialise in jewellery items in a particular style, origin or country. Some examples are:

- Earrings in all forms, colours, designs and origins.
- Jewellery parts, beads and charms.
- Jewellery for tourists or special events, merchandised through a specific distribution channel.

The nature of the trade has been changing and the influence of various middlemen such as traditional importers, wholesalers and agents has diminished. As a consequence, many of them assume multiple roles, e.g. wholesalers also acting as manufacturers, or agents acting as importers.

Wholesalers' margins also range between 30 and 40% and you can find them via:

<http://www.teeda.com/prodbystyl-silver>

<http://www.wholesalejewelrytown.com/>

<http://www.wineonion.com/>

Agents

They are mostly individuals who represent one or more manufacturer from one country or various (developing) countries. They have built up their own client network and they bring exclusive or fine jewellery to jewellery specialists, boutiques, jewellery galleries, etc. They could act as a local sales executive for your collection. They use samples of your items and sales promotion materials (brochures, leaflets, flyers, etc.). They could also exhibit for you at trade shows or arrange small events (buyer meetings, jewellery parties, etc.), carry out advertising or generate some traffic/exposure via social media. They could also organise in-store promotions, or negotiate demonstrations of artisans at, e.g. department stores, trade shows or at local flea markets.

Agents usually cover one country or a defined area in the USA (e.g. Florida). He/she takes (small) orders

from retailers, passes them on to you, which will then be delivered by you direct to the retailers. The commission the agent will receive is usually 6-12% of the order value depending on the handling and administration involved. If the agent does part of the logistics, invoicing, handling payments, etc and if he/she is very active to promote your collection, the agency commission can be 15% or more.

In more recent times, agents have suffered from the growing importance of direct sales through the Internet. They tend to specialise in a particular target group or type of jewellery and usually do not keep items in stock, but this is changing as short lead times are of greater importance. There are also 'buying agents' who look for new products in a particular area or developing country.

The commission the agent will receive is usually 6-12% of the order value depending on the handling and administration involved. If the agent does part of the logistics, invoicing, handling payments, etc. and if he/she is very active to promote your collection, the agency commission can be 15% or more.

Fashion houses

Several well-known luxury brand names such as Armani, Chanel, Dior, Louis Vuitton and Gucci include jewellery as a complement to their apparel, leather goods, footwear and fashion accessory collection. Large international fashion houses operating in the USA tend to control more activities in the value chain (mining, manufacturing) on a global scale. They sell via an exclusive distribution network targeting affluent consumers and tourists. Fashion houses are increasingly built on the licences of designers, sports stars and many other celebrities.

1.7.3 Direct channels

Direct channels are most commonly used for fine handcrafted jewellery because the volumes are small and the margins for the jewellery manufacturers are higher. There are many possibilities to enter the US market via different retailers. Try to find the right retailer, one who sells to your target group, pay attention to their competitiveness and specialism in handcrafted silver jewellery.

Your silver jewellery collection is most likely going to be sold through specialist retailers. Even if the share of non-specialist retailers has grown, the specialist jewellers still hold around 40% of the market and consist of a large number of small independent jewellery shops.

Most retailers struggled during the recession because of the lower demand and the high price of precious metals. They tried to keep their prices as low as possible but still hundreds of jewellery retailers had to close down. Between 2005 and 2011, the number of jewellery shops decreased by an average of 6% per year, from 29,624 to 23,394.

Specialised retailers

Jewellery shops include goldsmiths and silversmiths, small artisan shops and family jewellers. They are mostly independent and offer special customised jewellery, e.g. for the bridal market or for specific consumer groups. They are highly skilled and

concentrate on the design, manufacturing and sale of precious jewellery using gold, fine silver and platinum. They are qualified gold or silversmiths and focus on the creation of unique handcrafted jewellery.

Jewellery galleries are places to see and buy sophisticated art jewellery. Goldsmiths and silversmiths who make their own collections often run galleries and give space to other jewellery artists to broaden their range. These are the places for new ideas and designs in jewellery.

National jewellers primarily focus on the sale of gold, silver and platinum jewellery, watches, clocks and fine metal giftware targeted at a broad consumer group. They are organised and mainly buy jewellery from abroad. In order to benefit from volume discounts, they belong to a franchise or buying/voluntary group. Some of the family jewellers and silversmiths also fall into this group. Although the owner is not necessarily a qualified goldsmith or silversmith, these jewellers often have a small workshop for repairs or service. There are also national jewellers selling higher quality designer jewellery to comply with the growing need for fashion and personal jewellery of good designs in order to attract younger people to their stores.

Jewellery chain stores are jewellery specialist stores being part of an (international) chain store operation. Most stores have standardised product ranges that are mass produced in Asia. They take up a large proportion of all jewellery retail sales generated by

Table 6: Retail distribution share (by value) in the USA in 2008-2013

Outlet type	2008	2010	2013
Specialist retailers	42.3%	40.7%	40.5%
Jewellery and watch retailers (Sterling Jewellers, Zale Corporation, Tiffany & Co (organised and independent)	42.3%	40.7%	40.5%
Non-specialist retailers	47.6%	47.5%	46.9%
Department stores (JC Penney, Macy's, Sears, Roebuck, Saks)	21.9%	21.4%	20.6%
Mass merchandisers (Wal-Mart, Target, Kmart)	9.7%	9.7%	9.4%
Clothing stores (Marmaxx, Nordstrom, Ross, Abercrombie & Fitch)	8.0%	8.0%	7.6%
Hypermarkets (Meijer)	2.2%	2.2%	2.2%
Grocery stores	2.2%	1.2%	1.1%
Variety stores (Woolworth, Duckwall-ALCO, Ben Franklin)	0.2%	0.2%	0.2%
Others (airport, gift shops, market stalls, direct sales, etc.)	3.4%	4.0%	5.8%
Home direct	10.1%	11.8%	12.6%
Internet sellers (Blue Nile, Kay jewellers, Amazon, etc.)	3.0%	5.3%	6.4%
TV Home shopping (QVC, HSN, ShopNBC)	5.3%	5.0%	4.9%
Mail order	1.8%	1.5%	1.3%

Source: Euromonitor, Trade estimates (2013)

specialists, estimated at €11,071 million in 2013. (See table 6) Jewellery chain stores sell branded or private label jewellery and are located in the high street or at out-of-town shopping centres. Women treat them like any other chain store (clothing or footwear store). Because of their buying power, they can negotiate volume discounts from their suppliers. Therefore, they are able to offer jewellery items at low prices.

This category includes **multi-brand jewellers** which only sell branded jewellery, e.g. Pandora, Thomas Sabo, Guess, etc. and collections from fashion houses, e.g. Armani, Kenzo, Diesel, Boss.

The largest jewellery chain stores in the US market are:

- **Sterling Jewellers** in 2012 held the largest share (5.7%) of all jewellery sales through 1,361 outlets in the USA. They are a subsidiary of Signet Jewellers Inc. and own the brands Kay Jewellers and Jared the Galleria. Their stores are very large, and they are very active in the promotion of their brands, for example, on TV for Valentine's Day, Christmas and other high seasons. They offer exclusive collections and a lifetime warranty on their items. (See <http://www.sterlingjewellers.com>)
- **Zale Corp** holds a 2.7% share of jewellery sales. They own the brands Zales Jewellers, Zales Outlets, Peoples Jewellers, Gordon's Jewellers, Mappins Jewellers, Piercing Pagoda and the Internet selling brand ZLC Direct. (See <http://www.zalecorp.com/>)
- **Other chain stores** operations such as Tiffany & Co (97 outlets), Fred Meyers Jewellers (376 outlets), Helzberg Diamonds (235 outlets), and Ultra Stores, Inc. (175 outlets), Icing

(<http://www.icing.com/icing/us>) and the Pandora, Cartier, Claire's, Fossil and Swarovski stores.

During the recession, jewellery chain stores also had to cope with more demanding consumers and with competition from Internet sellers and large mass-merchandisers (Wal-Mart). They also had to deal with tougher restrictions on distribution policy from branded suppliers. In order to differentiate, jewellers seek new sources to develop their own exclusive collections. To keep their clientele, they offer finance facilities, refunding policies, own guarantees and customisation.

Non-specialised retailers

Department stores A large part (20.6%) of silver jewellery sales come from department stores, which has slightly decreased since 2008. (See table 6.) Department stores benefit from a high volume of consumer traffic and can offer a wide range of goods

from fashion to high quality jewellery. Department stores have their own jewellery corners and allow jewellery franchises to use some of their space. The largest stores are Macy's (424 stores), J.C. Penney (1,106 stores), Sears (929 stores and 1,200 speciality stores, owned by Roebuck & Co.).

Mass merchandisers are very large stores offering a range of product categories such as fashion accessories (including jewellery), clothing, footwear, furniture, home appliances, stationery and food. The most common mass merchandiser is Wal-Mart with more than 2,500 stores. K-Mart (1,300 stores) and Target Stores (1,285 stores) are other leading mass merchandisers. Most of them also operate discount stores and super centres (more than 50,000m²). Mass merchandisers had an estimated share of 9.4% of the US jewellery market in 2013, slightly less than 2010.

Clothing stores International and national clothing chains play a major role in selling silver jewellery. In the USA, clothing stores account for around 7.6% of total jewellery sales, which is high. These store groups usually have their own brands of fashion accessories in addition to seasonal collections from manufacturers. Young consumers tend to buy pieces of jewellery at the same time as new clothes as part of a 'look'. Others buy on impulse. Marmaxx, Nordstrom, Ross, Abercrombie & Fitch are the largest clothing chains in the USA. (See other clothing chains at

https://www.chainstoreguide.com/static_content/pdf/Apparel_Top_100.pdf)

Fashion boutiques are mostly independently owned and operate in the middle to upper segments of the market. As they do not have the purchasing power of bigger retailers, they work with higher margins. In these outlets, jewellery and clothing need to be fashionable and exclusive in order to differentiate from mainstream fashion. They tend to carry a limited range of silver jewellery that is chosen to complement their clothing collections (D&G, Versace, Chanel, Louis Vuitton, Armani, Boss, Kenzo, Moschino, Fiorucci, etc.). Importers and agents are their main source of supply. The international fashion houses operate their own **mono-brand stores** (or flagship stores) that are often located in the high street.

Hypermarkets, variety stores and grocery stores offer low to medium-priced mass-produced jewellery for buying (on impulse) during the weekly shopping. Hypermarkets allow jewellery franchises in their stores.

Other shops such as **gift shops**, airport shops, tourist shops, optical shops, direct by wholesalers with retail outlets, perfumeries and street markets, also sell silver jewellery. **Tourist shops** offer all kinds of silver jewellery from cheap to luxury and often the design of the jewellery item includes some local trends.

Recently some jewellery has begun to be sold at **pop-up shops**. These temporary small shops are set up quickly in unusual places or near the high street and target a particular (young) consumer group. In case of weakening demand, or if the owner cannot pay the rent anymore, the pop-up shop may disappear as quickly as it came. Therefore, it might be just a one-shot business for you.

Fair trade shops The number of certified fairtrade producers and the number of fair trade shops in the USA is growing. In addition, fair trade shops of other organisations and Internet sellers that include jewellery are coming up. This implies good opportunities for Nepali silver jewellery. More information can be found in Annex 5 or at <http://fairtradeusa.org/> or <http://www.fairjewelry.org/> or <https://www.coc.org/act-now/take-action/fair-trade-suppliers>

Important seasons for jewellery sales in the USA

- Christmas in December, Valentine's Day in February, Mothers Day in May (2nd Sunday)
- Engagements and weddings in spring or autumn
- Big three shopping holidays:
- Black Friday: November 23 (the Friday after Thanksgiving)
- Cyber Monday: November 26 (the Monday after Thanksgiving to encourage online shopping)
- Small Business Saturday: November 24 (the Saturday after Thanksgiving to encourage shopping at small shops in the neighbourhood).

Home direct sales Mail order and TV shopping have traditionally been important sales channels in the USA. More recently, online sales have grown rapidly.

Online sales Over the past 10 years this sector has continued to grow with an increasing number of online jewellers or fashion retailers selling jewellery.

They benefit from low overhead costs compared to shops in the high street and can offer lower prices. Other benefits include:

A disadvantage of online sales is that the consumer cannot see how the item looks on themselves. Therefore, some Internet sellers have opened physical stores where consumers can try on the jewellery items and where staff can answer questions from consumers. Some Internet sellers also offer customised jewellery.

Other benefits include:

- For consumers, it is a convenient way of shopping, especially for busy people. Another advantage is that consumers can easily compare prices from different suppliers' brands or websites.
- BlueNile.com, Kayjewellers.com, Tiffany.com and Ice.com are the largest Internet jewellery sellers, taking up around 6.4% of the total US jewellery sales in 2013, with an expected growth to reach 12% by 2016. Jewellery specialists, department stores and clothing stores all suffer from the success of Internet sellers even if they also sell online.
- There is growing competition from Internet sellers specialising in second-hand clothing and jewellery. Therefore, the other Internet sellers will have to specialise or offer a very wide range of products. Thus, they might welcome new products from new suppliers. A disadvantage of online sales is that the consumer cannot see how the item looks on themselves. Therefore, some Internet sellers have opened physical stores where consumers can try on the jewellery items and where staff can answer questions from consumers. Some Internet seller also offer customised jewellery.

TV home shopping Selling through television started in the USA in the 1970s/80s. The biggest company is QVC, which sells in the USA, UK, Germany and Italy. The share in the US jewellery market (4.9%) is relatively significant compared to other markets. Much time is spent on showing how the item looks on the wearer. However, sales have decreased in the past five years (see table 5) mainly due to competition from Internet sellers. Some TV channels include collections from young or well-known jewellery designers (e.g. Molly Sims and Imam) with detailed explanation about the designer and their source of inspiration. QVC already sells a small range of jewellery from Nepal and might be interested to expand this range. Other companies are jewellery-specific network JTV (Jewelry Television), HSN and Shop NBC.

1.7.4 Which channel and finding partners

Recommended for your trade channel selection

- Which channels—which scale In the diverse US trade structure, you will have to assess which channels suits your company's target group and think about which channel could meet to your scale of operation.
- For any volume supplies covering different US states, a wholesaler or importer is the most suitable partner. In the changing structure of trade they often have to compete with those who offer more specialised items so they welcome new products. Another advantage is that an importer or wholesaler is well aware of local trade structure/practices and local consumer tastes. They often have strong relationships with local retailers.
- For smaller volume supplies, you could work with an agent for similar reasons.
- For higher value items with a low turnover rate, you could sell direct to specialised retailers.
- (See section 7.8.3 for further information.)

Finding a trading partner in the USA

The first place to look would be to contact the main trade association (s), followed by trade fairs, which tend to feature a list of exhibitors, many of which may be potential partners. The following organisations may be worth looking at:

Trade Associations

There are several trade associations for jewellery and for giftware. Some of their members could be interested in contact with exporters from Nepal:

- **JA - Jewellers of America—is the national trade association** for professional jewellers, multi-store retailers and jewellery manufacturers. (See <http://www.jewelers.org/>)
- **The MJSA is the prime source for jewellery-making supplies and services** and makes use of publications, trade shows, and thousands of individual referrals. (See <http://www.mjasa.org/>)
- **For online sales**, there are possibilities to find online sellers via JA or via trade magazines. More information can be found at www.wrcobbonline.com

Trade Shows

There are around 45 trade shows for jewellery, watches and giftware in the USA. The most important international shows, and when they happen, are:

- ASD Las Vegas—Jewelry, mid-March
- International Fashion Jewellery & Accessory—New York, beginning of May
- Las Vegas Antique Jewelry & Watch Show, end of May
- NICHE: The Show, early June
- JA New York Summer Show end of July
- Denver Gift, Home, Jewelry & Resort Show, end of August
- International Gem & Jewelry Show—Dallas, mid-October
- The International Gem & Jewelry Show—Houston, mid-October
- G.L.D.A - Gem & Jewellery Show—Las Vegas, end of October
- The International Gem & Jewelry Show—Seattle, early November
- International Gem & Jewelry Show—Chicago, December

Trade Press

US contacts can also be found in trade magazines for the jewellery industry such as:

- The Art jewellery Magazine at <http://artjewelrymakingmagazines.com/>, where you can make new contacts via their 'Advertising Links' (under 'Resources').
- JCK magazine at <http://www.jckonline.com/>.
- JCK's online market place at <http://jckmarketplace.jckonline.com/en/Company-Search/>.
- The MJSA Journal being focused on the jewellery designers and industry. (See http://www.mjasa.org/publications_and_media/mjsa_journal)
- The JA report at www.jewelers.org/news/newsletters/.
- At the international site, [http://www.acronymfinder.com/American-Jewelry-Manufacturer-\(magazine\)-\(AJM\).html](http://www.acronymfinder.com/American-Jewelry-Manufacturer-(magazine)-(AJM).html)

Other sources

An interesting blog with suggestions, experiences and tips on many different categories of the jewellery business can be found at <http://tips.jewelers.org/>. In addition, the US Chambers of Commerce is also useful to find contacts in the USA. (See <https://www.uschamber.com/asia>)

1.8 Main Competitors

1.8.1 Supplies to the USA by competitive countries

Some of the following developments in the jewellery industry have had a negative impact on the competitiveness of the jewellery sector in Nepal.

More competition in mainstream jewellery:

- The competition in the US silver jewellery market has grown, especially due to an oversupply of mass-produced jewellery manufactured in the big Asian supplying countries being led by Thailand, China and India. Traditionally, Thailand and India are well-known for their silver jewellery. Thailand is an important manufacturer for leading silver jewellery brands such as Pandora. India has a wide variety of jewellery with gemstones at competitive prices while China has new resources of silver in Tibet.
- Most of this jewellery manufacturing is mass-produced silver jewellery being outsourced by US importers, retailers, fashion houses, online sellers, etc.

- Together with a weaker demand, there is a growing downward pressure on prices, which was reinforced by frequent selling-out periods. In addition, online sellers, discounters and street markets offer old released stock items from importers at very low prices.
- In mainstream silver, as well as costume jewellery—being the bulk of the market—low prices are a key issue in the negotiations between buyers of, e.g. mass merchandisers and Asian suppliers.
- Because of rising metal prices, buyers increasingly look for other lower cost countries in Asia, for example in Vietnam, Cambodia or Pakistan, who have a large availability of rough, uncut gemstones.

More sourcing in nearby countries

- Silver jewellery has been sourced in countries nearby the USA such as the Dominican Republic (10% of US volume supplies of silver jewellery), Costa Rica (7%), Peru, Bolivia, Guatemala, Colombia and Panama. The designs in jewellery are different with new, unusual and colourful gemstones. US imports from Mexico grew by just 1% between 2008 and 2012, from €32 to 33 million. In addition, there is the advantage for US buyers that the distances between the USA and these supplying countries are shorter. Supplying companies in nearby countries are able to deliver small quantities rapidly and in a flexible and timely manner. This is quite important for buyers in a time of weak/fickle demand.

Jewellery as a complementary accessory

- Silver jewellery is increasingly offered as a complementary accessory along with full-package fast fashion clothing outfits mainly from the big Asian countries, as well as from Costa Rica, Peru and Colombia.

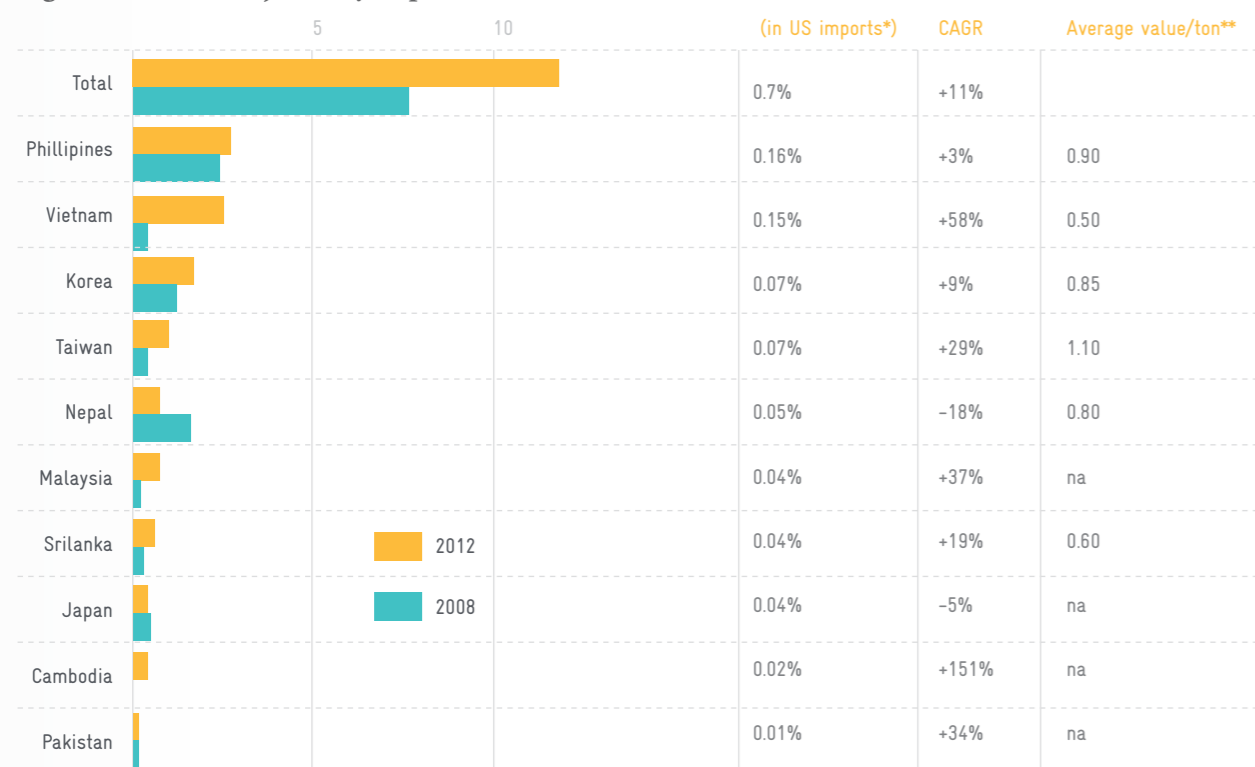
Diversity in design and more fusions with costume jewellery

- Fashion jewellery items increasingly use silver combined with other materials. This creates a fusion between silver and costume jewellery. Here, the overall look and the unique design are more important than the intrinsic value.

Innovation in silver jewellery design techniques

- The jewellery industry in the big Asian countries has invested in new technologies such as rapid prototyping (RP) and computer aided designing (CAD). This saves time in mass-produced silver jewellery items.

Figure 6 USA: Silver jewellery imports from small Asian countries value in € million, 2008–2012



* Value share in 2012

** Average value per ton in million in 2012

Source: ITC Trademaps (2013)

- For designers it is much easier to make variations on popular jewellery design with the help of a computer program, and they can easily simulate how a jewellery item with a colourful gemstone will look on a model.

More technical training in Asia

- Along with the growing popularity of jewellery in the US market, as well as in the Asian domestic markets, the government and the jewellery industry in the big Asian countries have invested in skilled personnel through the provision of technical support training and skill-training.

Improved quality of silver jewellery

- Along with the glamour and glitter trend, silver jewellery looks smoother and brighter which is preferred by many younger consumers. There is more diversity in silver alloys (e.g. Argentium), hammering techniques, open work structure techniques (laser welding), and plating techniques (rhodium, copper) to ensure that no nickel residues can be in contact with the skin. There are also new finishing techniques to make the silver item more tarnish-resistant.

More medium to higher priced (branded) jewellery

- Medium to higher priced silver jewellery is also increasingly made in the big Asian countries (see section 1.3.3) which are branded items from the main players, or under private labels of the US retailers. Indonesia increased their supplies to the US by 6% in the period under review, from €38 to 48 million—see Annex 2, table 2.
- Supplies of silver jewellery to the USA from the small Asian countries was valued at €11.2 million in 2012, a value share of 0.7% of total US imports.
- The volume of supplies from these countries - 18 tonnes—was the same as the volume supplied by Indonesia (not included in the small Asian group).
- The average value of silver jewellery coming from Indonesia was €2.7 million per ton. This was three times higher than the average value of silver jewellery supplies from, e.g. the Philippines (€0.9 million), or from Nepal (€0.8 million). Indonesia has more experience in exporting silver jewellery in many different styles and designs with synergies between east and west because of the presence of foreign (expat) designers.
- Between 2008 and 2012, large increases were registered in the supplies from Vietnam, Taiwan,

Malaysia, Sri Lanka and Cambodia, as is shown in figure 6. Part of the exports by these countries was handcrafted jewellery with colourful gemstones or glass beads. Vietnam (5 tonnes in 2012) was the largest volume supplying country in this group. Jewellery from Vietnam mixes silver with horn, hand-painted materials, wood, resin, leather and lacquer work. More details about other competitive countries can be found in section 7.6.

Detailed figures of the small Asian suppliers are given in Annex 3, table 2.

1.8.2 Main players in silver jewellery in the USA

The main players in the US market are the large importing companies (importers, retailers) who sell mainly mass-produced silver jewellery under their own brands. A proportion of their collection is custom made or handmade in the countries mentioned in the previous section. According to Euromonitor, the US retail sales of all jewellery in 2012 were divided as follows:

- Seven main players: 15.0%
- Smaller players: 2.2%
- Private labels: 2.1%
- Others (unbranded): 76.7%

The seven main players are:

- Sterling Jewellers, Zale Corp, Tiffany & Co and Cartier International** together account for 12% of US retail sales, selling gold jewellery and also

exclusive silver jewellery collections with precious stones for the upper-end of the market.

- Tiffany & Co** accounted for 2.5% of US retail sales in 2012, a decrease from 2.7% in 2010. They had a difficult time during the recession in keeping their affluent clientele. During that time there was growing competition from Sterling Jewellers at the lower end of the market and from Harry Winston, a large retailer at the higher end of the market. Tiffany's main competitor, Cartier, still managed to increase their share in the US market from 1.0 to 1.2% during that time. Sterling Jewellers maintained their leading position (5.7%) in the US jewellery market with their extensive store network.

- Pandora, Fossil and Claire's Stores** are main players in the mainstream jewellery market and together account for 3.0% of US retail sales. Claire's Stores mainly sell costume jewellery, but also sell silver jewellery, targeting younger fashionable women and teens. Pandora is leading in precious and costume jewellery, and represented 1.6% of US retail sales in 2012.

- Gitanjali Group from India** is another important player. They are manufacturers and retailers, and purchased the Samuels Jewellers chain in 2006 and the Rogers Jewellers chain in 2007. They plan to expand in the US market by buying more stores. They aim to manufacture 50% of the jewellery sold by Rogers and Samuels in India.

More on competitors and how you can position yourself can be found in sections 7.6 and 7.7.

See Annex 6 for an example on the group work done to enter the US market.





2. Silver Jewellery in Canada

Brief Overview

Population

35 million; 0.8% growth rate (2013)
23% French, 15% other EU, 6% Arab
- 0-14 years: 15.5%
- 15-24 years: 12.9%
- 25-54 years: 41.4%
- 55-64 years: 13.3%
- 65 years and over: 16.8%

Economy

GDP: €29,539 per capita
Unemployment rate: 7.5% (2013)
Retail sales: €321 billion (2012)

Social

Women in labour force: 47.1%
Marriage rate: 4.4 per 1,000
Tourists to Nepal in 2012: 13,507

2.1 The Canadian Market

2.1.1 Jewellery retail sales

- **Total jewellery retail sales** in Canada were estimated to be worth €2,131 million in 2013 and accounted for 2.7% of global retail sales (compared to the US share of 33.2%).
- The Canadian jewellery market has become more fragmented with a larger variety in jewellery designs and in costume jewellery.



Table 7 Canada: Jewellery retail sales, 2008–2013, value in € million / volume in million items

	VALUE					VOLUME				
	2008	2012	2013 ^e 2012/13		per capita*	2008	2012	2013 ^e 2012/13		per capita*
Total jewellery	1,796	2,076	2,131	+2.7%	€61	38.5	39.8	41.7	+4.8%	1.19
Precious jewellery, of which: Silver jewellery	1,372	1,612	1,636	+1.5%	€47	18.2	18.9	19.4	+2.6%	0.55
	419	467	481	+2.9%	€13	13.8	14.6	15.2	+4.1%	0.41
Costume jewellery	424	464	495	+6.6%	€13	20.3	20.9	22.3	+6.7%	0.60

e = estimate *per capita in 2012 Source: Euromonitor, Bain & Co, Trade estimates (2013)

- Canadian people spent €61 per capita on all jewellery per year during the period under review, with €13 spent on silver jewellery. This was lower than the USA (€17), but slightly higher than Germany (€11).
- Between 2008 and 2010, the Canadian jewellery industry suffered from low consumer confidence due to the economic recession. The rising metal prices explain the rise (+2.7%) in precious metal jewellery between 2008 and 2012. Canadian volume sales decreased, especially in gold and platinum jewellery, and during this period consumers postponed purchases, or chose to buy silver jewellery, lower carats of gold jewellery (10 or 14K) or costume jewellery.
- However, from 2012, jewellery sales picked up by +2.7%, along with the slow growth in the economy. There are still concerns about the slow recovery of its neighbour country, the USA.
- **Silver jewellery took up 23% of the total Canadian jewellery sales**, and was valued at €481 million in 2013—a growth of +2.9% since 2012. By volume, silver jewellery took up 36% (15 million units) of the Canadian market in 2013.
- **Sales of costume jewellery (22 million units) were larger** and faster growing than silver jewellery (see table 7). This can be attributed to new variations of jewellery made of stainless steel, titanium, pewter, wolfram or other metals in sophisticated/ trendy designs at an affordable price. In addition, the big retailers, such as Wal-Mart, offer more costume jewellery.

2.1.2 Future potential

Expected jewellery sales in Canada

- According to the World Bank, the Canadian population is expected to grow by an annual rate of 0.8% between 2013 and 2016, reaching 35.3 million people. The proportion by age group will be similar to those in the 'Brief Overview' at the beginning of this section. In the future, the segment of people aged between 30 and 40 years and people aged 55 and over are expected to grow faster than the other age groups.
- **According to the Nepal Tourism Board, the number of Canadian visitors to Nepal rose from 8,132 to 13,507 between 2008 and 2012.** Around 50% were here for 'holidays for pleasure' and 24% for 'trekking'. Even if this is a fraction of the Canadian population (35 million), this contributes to a growing awareness among Canadian people of Nepal.
- **The prospects for economic growth in Canada are good** and people are expected to invest again in precious jewellery. They are expected to look for timeless jewellery, such as rings for example, with a special meaning, which they will wear for a longer time.
- **Silver jewellery retail sales are expected to grow steadily (+3.7%),** reaching €556 million in 2016, with volume increases at a similar rate. It is expected that silver grades are higher and finishing techniques will be improved. **However, there will be more competition from costume jewellery,** which is expected to increase by value using new materials, stones, crystal, etc. in more sophisticated designs. In addition, more imports are expected from Thailand, China and the USA.

Table 8 Canada: Jewellery retail sales forecast, 2013–2016, value in € million / volume in million items

	VALUE					VOLUME				
	2008	2012	2013 ^e 2012/13		per capita*	2008	2012	2013 ^e 2012/13		per capita*
Total jewellery	2,131	2,251	2,361	2,446	+3.5%	41.7	42.9	44.2	45.1	+1.9%
Precious jewellery, of which: Silver jewellery	1,636	1,732	1,798	1,859	+3.2%	19.4	19.8	21.0	21.5	+2.6%
	481	509	535	556	+3.7%	15.2	16.2	17.0	17.6	+3.7%
Costume jewellery	495	519	563	587	+4.3%	22.3	23.1	23.2	23.6	+1.5%

*Compound Annual Growth Rate Source: Euromonitor, trade estimates (2013)

2.2 Market Structure

The structure and value chain of silver jewellery in Canada is similar to the USA. (see section 1.3.1) Specific developments in manufacturing and imports are briefly covered in this section.

2.2.1 Jewellery manufacturing

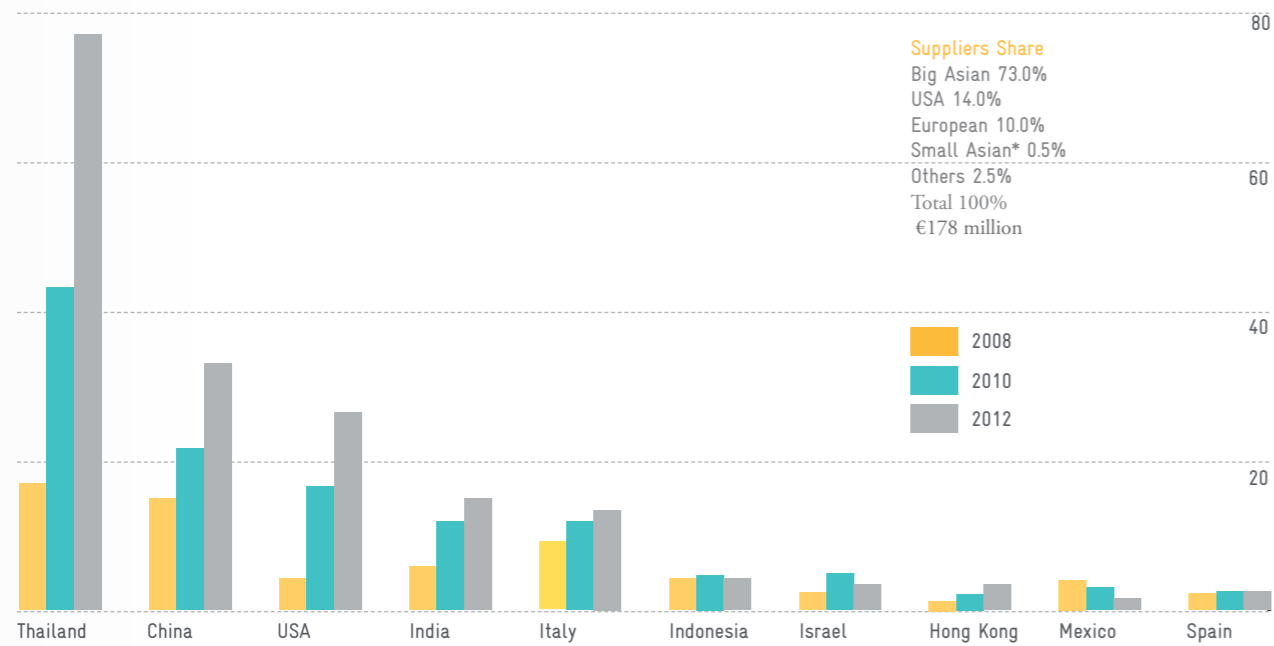
- **Canada has 19 mining companies** and is the ninth largest gold producing country in the world, with an estimated output of 92 tons per year. Diamonds are also produced, and Canada was the fifth largest world producer of diamonds in 2010.
- Canada is recognised as a country for precious jewellery with Basal, Cadman, Tecimer and Bumps & Straus as important manufacturers of jewellery items.
- **In 2011, the total jewellery industry in Canada** consisted of 453 companies and 3,329 employees. There were 153 companies in Ontario, 146 in Quebec, and 80 in British Columbia with three quarters of all Canadian jewellery companies being very small, consisting of 1-4 employees. Only four companies had more than 100 employees.
- **As the competition from Asia grows,** many Canadian companies are trying to identify new niche markets.
- **Silver jewellery exports** valued €29 million in 2012, of which 83% went to the USA, 5% to Singapore, 4% to the UAE and 8% to Europe and other destinations.
- In 2011, sales turnover was generated at €425 million.

2.2.2 Imports of jewellery

Canada is a small silver jewellery importer and accounted in 2012 for 3.3% of the world silver jewellery imports (€5,466 million). Between 2008 and 2012, Canadian silver jewellery imports more than doubled from €67 to 178 million in value and from 115 to 200 tons in volume. In 2012, Canada imported jewellery valued at €990 million (3,981 tons), being sub-divided into:

- **Precious jewellery:** €769 million (225 tons), of which:
 - Gold jewellery: €586 million (25 tons)
 - Silver jewellery: €178 million (200 tons)
 - Jewellery of base metal, plated with precious metal: €5 million.
- **Costume jewellery:** €221 million (3,756 tons), of which:
 - Imitation jewellery: €196 million (1,456 tons)
 - Hair accessories €25 million (2,301 tons).
- **Silver jewellery** represented 18.0% of the total value of Canadian jewellery imports, and 5.0% by volume.
- **The big supplier countries in Asia** took the largest share (73%) of silver jewellery imports in 2012. An enormous increase, by more than four times, was seen in the supplies from Thailand, valued at €76 million (+49%). This can be largely attributed to outsourced jewellery in Thailand by the big retailers dominating the jewellery market, and by the success of collectible jewellery, such as charms, from Pandora and Thomas Sabo, which were also made in Thailand.

Figure 7 Canada: Silver jewellery imports and main supplying countries value in € million, 2008–2012



* Small Asian countries which supplied less than €1.2 million
Nepal: €0.3million (0.02%) in 2012. See also Table 4 in Annex 2

Source: ITC Trademaps (2013)

- **Silver jewellery imports from China** (€34 million, +27%), India (€14 million, +38%) rose fast, with Canadian imports from the USA (€25 million, +16%) increasing as well. The USA is still the largest volume supplier of silver jewellery to Canada (60% of total). (See Annex 2, table 4)
- **The small supplier countries in Asia** supplied €0.6 million of silver jewellery in 2012 and accounted for 0.5% of Canadian imports. Nepal supplied 40% of this, being €0.2 million. Between 2008 and 2012 Canadian imports from Nepal decreased by -25% from €0.6 million in 2008.
- **Nepal was ranked 21st in Canadian silver jewellery supplies.**

See table 3 and table 4 in Annex 2 for more detailed statistics, including volume supplies.

2.3 Prices and Margins

Price development

Price development in gold and silver prices is covered in Section 1.4.1 and is shown in Section 7.8.2.

Based on the total Canadian retail sales in value and volume, the average price of a silver jewellery item (€31.98) rose in the period under review by a CAGR¹ of 1.3%. This increase was less than the average price

increase of total jewellery (2.8%). This can be largely attributed to the rising metal price of gold and a grading-up of the prices of costume jewellery (average €22.20) being included here. On average, the price of costume jewellery is 75% of the average silver jewellery price.

Table 9 Canada: Average jewellery prices per item (€)

	2008	2012
Total jewellery	46.65	52.16
Silver jewellery	30.36	31.98

Source: Trade estimates (2014)

Retail prices of silver jewellery vary considerably. For example, an exclusive item of plain sterling silver could start from €200, while the most common/accessible price range for a sterling silver neck chain ranges between €20 and €200.

Value for money. Consumers want their friends and relatives to recognise the value of their jewellery item, thus are looking for visible signs of value in the pieces they buy. Generation X and Generation Y are more knowledgeable as they compare prices extensively on the Internet and look for the best bargain. Thus, a special collection of original designs, with a personal touch such as something spiritual, will attract the consumer who will then feel the price is of less importance.

An idea of the retail prices of different jewellery items for the Canadian market can be found in Section 1.4.1

Margins

The margins for each Canadian distribution channel are very similar to the USA with a multiple of the CIF² price versus consumer price between 2.7 and 3.6. An insight into the price structure, from cost price, f.o.b. price to consumer price (CIF), with the most common margins, is given in table 5 of Section 1.4.2.

2.4 Access Requirements for the Canadian Market

Legislative requirements

The Canada Consumer Product Safety Act prohibits manufacturing, imports, advertising or sales of jewellery that is dangerous to human health and safety. Therefore, the **use of cadmium is limited**, particularly in children's jewellery, where it is restricted to a total cadmium concentration of 130 ppm (parts per million), or 0.013% of the item's weight. This amount should protect small children from the risk of acute toxicity from cadmium ingestion.

Detailed information can be found at <http://www.aws-lois.justice.gc.ca> or at http://www.hc-sc.gc.ca/cps-spc/legislation/consultation/_2011cadmium/draft-ebauche-eng.php

The Precious Metals Marking Act and Regulations prescribes uniform methods of marking precious metal articles made in whole or part of gold, silver, platinum and palladium and prohibits markings that do not truly and correctly indicate the quality of the precious metal content.

The minimum allowable quality for silver is .925, as indicated by acceptable quality marks such as 'sterling', 'silver', 'sterling silver', 'SS', 'argent', 'argent sterling' and '.925'. Precious metals that have a quality mark must also have a trademark that has been applied for, or registered with the Registrar of Trademarks in Canada. The Jewellery Appraisal Guidelines can be downloaded at: http://www.jewellersvigilance.ca/docs/Jewellery_Appraisal_Guidelines_2010.pdf

Or via the Canadian Jewellers Association at: <http://canadianjewellers.com/media-education-details.asp?contentid=4907>

The use of lead is limited and it is illegal under the

² CIF—Cost, Insurance and Freight

Hazardous Products Act to import, advertise or sell jewellery items intended mainly for children under 15 which contain more than 600 mg/kg (0.06%) total lead and 90 mg/kg (0.009%) of migratable or leachable lead.

Voluntary requirements

Voluntary requirements are of growing importance in Canada and buyers expect jewellery to be free from nickel. Other voluntary requirements are similar to USA (see section 1.5.2).

2.5 Consumer Preferences

The main consumer segments, market niches, market trends and product trends are covered in detail in Section 1.6. Specific trends for Canadian consumers are covered below.

Main market trends

- **Right-hand rings are popular among single women.** As Canadian people marry late, single women tend to buy rings, including diamond rings, for themselves. These are often referred to as 'right-hand rings'.
- **Canadian consumers are increasingly looking for more diversity** in jewellery in terms of something unique and valuable. They look for quality items that are sophisticated and which they can use over a long period of time. They are willing to pay for these qualities even if the jewellery is made from silver or is costume jewellery.
- **Silver is no longer perceived as the poor man's gold**, but a cutting-edge fashion statement.
- Men's jewellery is still a niche market, but is growing in importance.

Canadian retailers and distributors have noticed these trends and are thus expanding their product range and offer items of better design and higher quality. This implies good opportunities for original handmade jewellery, including rings with precious stones and coral, lebedorite, aquamarine, sapphires, beryl or kyanite. Turquoise is popular in Quebec, for example, as it is closer to French styles.

Main product trends

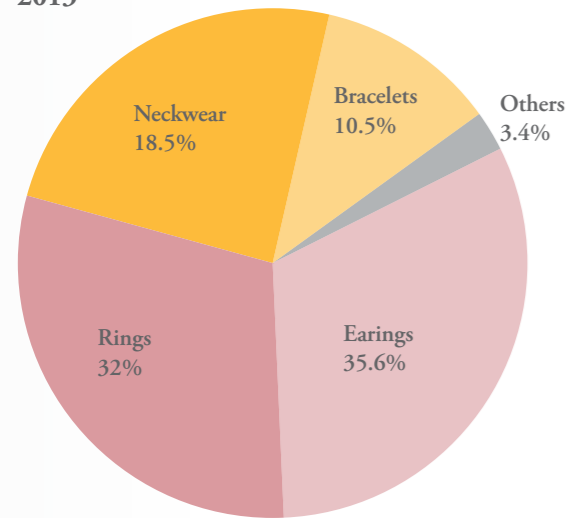
Earrings are the leading product type within precious jewellery, with an estimated value in 2013 of €582 million, or 35.6% of Canadian precious jewellery retail sales of €1,636 million. This included earrings of gold, silver and other precious metals.

¹ CAGR: Compound Annual Growth Rate

Neckwear, the second most popular type of product, represented an estimated value of €523 million (32.0%) in 2013. **Rings** represented 18.5% (€302 million), with bright, rounded and princess cut being preferred. The share of bracelets, 10.5% or €172 million, increased because of the growing popularity of friendship, charm, multi-chains and wrapped-up **bracelets**.

- **Collectible charm jewellery** has continued to grow,

Figure 8 Canada: Breakdown of precious jewellery* by type as percent of retail styles in 2013



* includes gold, silver and other precious metals

Source: Euromonitor (2013)

even during the recession. The brands Thomas Sabo, Trollbeads, Pandora, and Fossil expanded their presence in Canada. Pandora operated 25 mono-brand stores in Canada in 2012 and attracted new consumers through a special Canadian Flag charm made of silver.

- **More variety on colour** is seen in new infusions of gemstones, glass beads, crystal Swarovski Elements beads or Italian Murano glass.
- **Jewellery designs are inspired** by the vintage art deco style of the 1920s/30s, the disco style of the 1980 and the grunge style of the 1990s.
- **New patented alloys:** To compete with the new metals in costume jewellery and stimulate demand for precious jewellery, new alloys were introduced which combine silver and palladium. For example, Silverfope being patented and introduced by Fope—an Italian jeweller featuring items with a sophisticated design. (See details at <http://www.fope.com/-en>)
- Seasonal fashion trends for 2105 (see Annex 3).

Opportunities

- There are good opportunities for original handmade jewellery for single women, particularly in Generations X or Y, and for rings with precious stones such as, for example, turquoise in Quebec.
- Jewellery with other stones such as coral, lebdorite, aquamarine, sapphires, beryl or kyanite are of interest, as is vintage style jewellery. (See <http://www.vintagejewelrylane.com>)
- Many opportunities covered in Section 1.6.4 also apply to the Canadian market.
- People in Quebec are more attracted to French style jewellery. (See Section 4.5).

2.6 Distribution Channels and Main Players

The distribution structure for silver jewellery has experienced a significant consolidation with non-specialist retailers taking up 71.6% of the business, as is shown in table 10. **Department stores**, such as Sears, The Bay, and **mass-merchandisers/discounters**, such as Wal-Mart, Zellers and Costco are selling their private label jewellery at prices between €10 and €350. Well represented in shopping malls in the main cities of Toronto, Montreal, Vancouver, Ottawa and Calgary, in 2012 department stores accounted for 26.8% of total jewellery sales and mass merchandisers accounted for 15.5%.

However, mass merchandisers' market share has gradually decreased (from 22.6% in 2008) due to the success of hypermarkets who sell jewellery at their in-store concessions.

Hypermarkets increased their share from 2.8% to 11.5% between 2008 and 2012, while **jewellery specialists** represented just 28% of retail sales which partly went through importers, wholesalers and agents. **The main jewellers** were as follows: Zale (3.1% of jewellery sales), Tiffany (2.3%), Swarovski (1.8%), Birks (1.6%), Pandora (1.3%), Marshman Jewellers (Ontario), DC Taylor Jewellers (Ontario), Premier Jewellers (Alberta), The Gold Outlet (New Brunswick), Hoopers Jewellers (Ontario) and Peoples.

An overview of the distribution structure can be found in Section 1.7.1.

Table 10: Retail distribution share (by value) in Canada in 2008–2013

Outlet type	2008	2010	2013
Specialist retailers	27.9%	27.7%	27.8%
Non-specialist retailers	71.5%	71.7%	71.6%
Department stores	27.4%	27.3%	26.8%
Mass merchandisers	22.6%	18.3%	15.5%
Clothing stores	8.6%	8.4%	8.2%
Hypermarkets	2.8%	7.7%	11.5%
Grocery stores	0.8%	0.8%	0.8%
Variety stores	0.1%	0.1%	0.1%
Others (warehouse clubs, gift shops, market stalls, etc.)	9.2%	9.1%	8.7%
Home direct	0.6%	0.6%	0.6%

Source: Euromonitor, Trade estimates (2013)

Which channel and finding partners?

Recommended for trade channel selection

- **For any volume supplies**, a wholesaler or importer is the most suitable partner. Considering the dominance of department stores and hypermarkets, a wholesaler/importer will have to compete through more specialisation and therefore will welcome new products.
- **For smaller volume supplies** it is recommended to work with an agent.
- **For higher value items with a low turnover rate**, it is recommended to sell directly to specialised retailers.
- **For large volume supplies direct to retailers**, consider retail chains, online sellers or
- See Section 7.8.3 for further information.

The following organisations may be worth looking at:

Trade Associations

- Canadian Jewellers Association (CJA): <http://canadianjewellers.com/>
- Canadian Gift and Tableware Association: <http://www.cgta.org>

Trade Shows

- Mode Accessories (International) in Toronto (January/August): <http://www.mode-accessories.com>
- JCK Toronto JW Expo (August) in Toronto: <http://www.jcktoronto.ca> organised by Reed Exhibitions, CT, USA <http://www.reedexpo.com>
- Toronto International Jewellery Festival in Toronto (May): <http://tijf.info/> organised by Jewellery Arts Collective Canada, Inc. (JACI)

Trade Press

- Canadian Jeweller: <http://www.canadianjeweller.com/newsletters/current/>





3. Silver Jewellery in Germany

Brief Overview

Population

81 million; 0.02% growth rate (2013)
80% German, 2.4% Turkish, 6% South & East EU
- 0-14 years: 13.1%
- 15-24 years: 10.8%
- 25-54 years: 42.0%
- 55-64 years: 13.3%
- 65 years and over: 20.9%

Economy

GDP: €30,966 per capita
Unemployment rate: 5.2% (2013)
Retail sales: €414 billion (2012)

Social

Women in labour force: 45.8%
Marriage rate: 4.6 per 1,000
Tourists to Nepal in 2012: 30,409

3.1 The German Market

- **In 2013, the total German jewellery retail sales** were estimated at €3,920 million and accounted for 4.9% of global retail sale (compared to the US share of 33.2%).
- **The German jewellery market is mature and continues to become more diverse** because of a growing originality by German designers being backed up by the whole German jewellery industry.

In addition, in the past decade people from a wider age bracket have been wearing jewellery as a fashion accessory.

Table 11 Germany: Jewellery retail sales, 2008–2013, value in € million / volume in million items

	VALUE					VOLUME				
	2008	2012	2013 ^e 2012/13		per capita*	2008	2012	2013 ^e 2012/13		per capita*
Total jewellery	3,556	3,903	3,920	+0.4%	€48	54.7	58.3	59.4	+1.8%	0.72
Precious jewellery, of which: Silver jewellery	3,113	3,428	3,443	+0.4%	€42	23.8	25.6	26.1	+1.9%	0.31
Costume jewellery	443	475	477	+0.4%	€6	30.9	32.7	33.3	+1.8%	0.40

e = estimate *per capita in 2013 Source: Euromonitor, Bain & Co, Trade estimates (2013)

- German consumers spent €48 per capita annually on all jewellery. Around €11 was spent on silver jewellery, which is lower than the USA (€17).
- Precious jewellery took up 88% (€3,443 million) of the total German jewellery retail sales. Gold, including white, rose and yellow, and platinum were usually preferred, although the high metal prices turned more consumers to the more affordable and fashionable silver jewellery. The German chain Bijoux Brigitte, and mainstream brands of Pandora, Thomas Sabo and Fossil, have been doing well over the past five years.
- **Between 2006 and 2010, the German jewellery market contracted** as Germany was affected earlier by the economic recession than other European countries. And, despite the falling unemployment rates in 2012, most German consumers, especially those in former East Germany and rural areas, were still being careful of their savings and reducing their spending on luxury goods.
- Outside the usual peak seasons, e.g. Christmas and Valentine's Day, precious jewellery sales remained weak. Marriages were still being postponed, further impacting on sales. On the other hand, fashion-minded people in the urban areas continued to buy jewellery. However, they increasingly bought items from online sellers at lower prices, which negatively affected many jewellery shops, resulting in the fact that, between 2009 and 2012, the number of jewellers fell by almost 15%.
- **Since 2012, value sales increased**, which was primarily due to the higher than average prices of jewellery items. The rise in volume can be largely attributed to the increased volume sales of silver and costume jewellery (see table 11).

Silver jewellery sales

- **Silver jewellery took up 22% of the total German jewellery sales** and was valued at €872 million in 2013—a growth of +0.7% compared to the year before.
- Despite the diminishing number of jewellers, they still represented 76.8% of all jewellery sales. Gold and silversmiths, included in this category, in 2012 represented 23% of sales and represented a value €901 million.

3.1.2 Future potential

Expected jewellery sales in Germany

- According to the World Bank, the German population is ageing and is expected to decline to 80.6 million by 2016. The proportion by age group is similar to those in the 'Brief Overview' at the beginning of this section. In future, the age group segment of people aged 55 and over is expected to grow faster than the other age groups.
- **According to the Nepal Tourism Board, the number of German visitors to Nepal** almost doubled from 18,522 to 30,409 between 2008 and 2012. Around 45% were for 'holidays for pleasure' and 34% for 'trekking'. Even if this is a fraction of the total German population (81 million), this contributes to a growing awareness about Nepal, and its rural areas.
- According to the marketing agency GfK, German consumers are gradually starting to spend again, most likely because of the economic growth in 2013.
- An additional demand for jewellery will come from the rising number of tourists to Germany from Eastern European countries, Russia and China.

Table 12 Germany: Jewellery retail sales forecast, 2013–2016, value in € million / volume in million items

	VALUE					VOLUME				
	2008	2012	2013 ^e 2012/13		per capita*	2008	2012	2013 ^e 2012/13		per capita*
Total jewellery	3,920	3,939	3,962	3,993	+0.4%	59.4	60.7	62.2	63.7	+1.7%
Precious jewellery, of which: Silver jewellery	3,443	3,460	3,479	3,506	+0.5%	26.1	27.0	27.3	28.2	+1.9%
Costume jewellery	477	479	483	487	+0.5%	33.3	33.7	34.9	35.5	+1.6%

*Compound Annual Growth Rate Source: Euromonitor, trade estimates (2013)

- **There is a growing interest in well-designed personalised jewellery** made by German designers and a move-away from the mass-produced, fashion branded jewellery items. Handmade jewellery will be more influenced by art in the future, and will be available in any style from classic to ultra-modern. In addition, German consumers are willing to pay for a jewellery item if they can clearly recognise a high level and skill in the craftsmanship.
- **Silver jewellery retail sales continue to grow (+0.8%)**, and are expected to reach €901 million in 2016, with larger volume increases (see table 12). It is anticipated most of the silver finishing will be either ultra-shiny or matt; engraving or hammering techniques will improve, and more silver items will be available with colourful gemstones. The grades will be at least 925.
- **Costume jewellery sales** are expected to rise at lower rate than silver jewellery. However, more combinations of silver with stainless steel, titanium and other metals are expected to upgrade costume jewellery in the coming years. With regard to cheaper costume jewellery, more discounting is expected by the discounter Tchibo or by Internet sellers through, e.g. the daily deal websites such as Groupon and LivingSocial.
- It is anticipated that **gold will be popular again**. Following the substantial drop in precious metal prices (April 2013), yellow gold has made a comeback and rosé gold continues to be popular. Variations in pink and rose colours, along with yellow gold, respond well to trend towards warmth, love and romance.

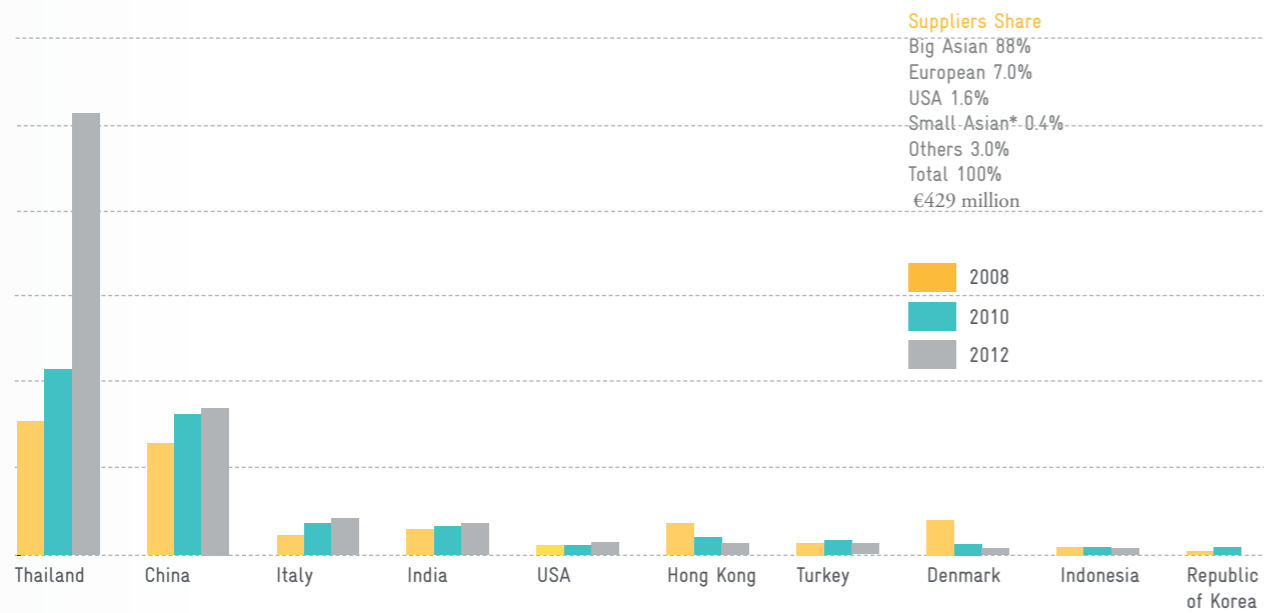
3.2 Market Structure

The value chain of silver jewellery in Germany is similar to the USA (see Section 1.3.1). Specific developments in manufacturing of jewellery and in imports are briefly covered in this section.

3.2.1 Jewellery manufacturing

- **German production is concentrated in Pforzheim**, as it is close to Stuttgart. Pforzheim, or the 'Golden City', is well known for its jewellery and watch-making industries. Similarly, Idar-Oberstein is known as the gemstone centre where agate and jasper are found. It is a trading centre for gemstones from Brazil and Africa. Recently, the area has suffered from competition from Thailand and India. Much of the precious metals and stones now come from abroad and the articles are designed, made and finished in Germany in mainly simple and elegant styles.
- **In 2012, there were 340 large jewellery manufacturers**, those with more than 50 employees, employing a total of 5,800 people. In addition, there were approximately 1,700 small jewellery manufacturers and workshops.
- **Germany is a leading EU producer, along with Italy and France**, and is ranked as the second largest jewellery producer in the EU. In fact, **German jewellery production rose between 2009 and 2012 from €3,258 to €3,612 million** according the BVJ (Bundesverband der Juweliere). For 2013, a fall by 5.5% to €3,430 million was expected, mainly attributed to a significant release by jewellers of accumulated stock after the drop in gold price.

Figure 9 Germany: Silver jewellery imports and main supplying countries value in € million, 2008–2012



* Small Asian countries which supplied less than €1.2 million
Nepal: €0.19million (0.04%) in 2012. See also Table 6 in Annex 2

Source: ITC Trademaps (2013)

The German jewellery industry can be sub-divided into three different types of companies:

- **Modern jewellery companies** with superior technological capabilities, which include the main players: www.wempe.de, www.bauer-walser.de, www.christianbauer.de, www.breuning.com, www.giloy.net, www.wellendorff.com, www.j-h.de, etc. These are the larger manufacturers who control the whole distribution and operate their own retail outlets.
- **Gold and silversmiths** with smaller workshops, who are the driving force in innovative designs.
- **Luxury brands**, such as Hugo Boss, Karl Lagerfeld, etc., and mainstream brands, such as Thomas Sabo and Bijoux Brigitte, who act more as importers and have most of their jewellery collections produced in Asia, although some higher end jewellery is made in Germany.

Trends in production

To stay competitive with the big Asian countries, German manufacturers and designers produce under the 'Made in Germany' concept. Similarly, in order to compete with mass-produced jewellery, German manufacturers focus on handmade, individual items that are well designed and of high quality with clever innovation in closings.

Silver jewellery exports were valued at €303 million in 2012, having doubled from €149 million in 2008.

The majority, 82%, went to Europe, 3% went to the USA, 2% to Thailand, 2% to China and 11% to other destinations.

3.2.2 Imports of jewellery

In 2012, German jewellery imports were valued at €1,674 million (13,312 tons), being sub-divided into:

- **Precious jewellery:** €1,169 million (328 tons), of which:
 - Gold jewellery: €737 million (19 tons)
 - Silver jewellery: €429 million (298 tons)
 - Jewellery of base metal, plated with precious metal: €3 million (11 tons).
- **Costume jewellery:** €505 million (12,984 tons), of which:
 - Imitation jewellery: €464 million (10,441 tons)
 - Hair accessories €41 million (2,543 tons).
- **Silver jewellery** represented 25.6% of the total value of German jewellery imports, and 2.2% by volume, which can be mainly attributed to the high volume share of costume jewellery. Germany is a sizeable silver jewellery importer and accounted for 7.8% of the world silver jewellery imports (€5,466 million) in 2012. Between 2008 and 2012, German

silver jewellery imports rose by an average annual rate (CAGR) of 15%, from €244 to 429 million; however, volume imports decreased by -6.9% from 397 to 298 tons.

- **The big Asian supplying countries** provided the largest share (88%) of German silver jewellery imports in 2012. In the period under review, supplies from Thailand increased by more than three times, from €74 to €258 million. Since 2010, German imports from China slowed down, while imports from Italy (+13%) and India (+8%) continued to rise (see figure 9).
 - **The small Asian supplying countries** supplied €0.7 million of silver jewellery in 2012 and accounted for 0.4% of German imports. Nepal supplied less than a third of this, being €0.19 million. Between 2008 and 2012, German imports from Nepal slightly increased by +3%, from €0.17 million.
 - **The average price of silver jewellery** from Nepal to the German market increased between 2008 and 2012, from €0.57 to 0.95 per ton, which can be partly attributed to the increase in the price of raw silver.
 - **Nepal was ranked 29th in supplies of silver jewellery to Germany.**
- See tables 5 and 6 in Annex 2 for more detailed statistics, including volume supplies.

3.3 Prices and Margins

Price developments

The development in gold and silver prices is covered in Section 1.4.1 and is shown in 7.8.2.

Table 14 Germany: Average prices of handcrafted sterling silver jewellery items from Nepal

Outlet type	Retail price (€)		
	Jeweller	Department store	Clothing chain/Hypermarket
Ring plain (unbranded/branded)	40 - 200	35 - 120	20 - 40
Ring with amethyst	50 - 220	50 - 140	
Ring with sapphire	200 - 800	160 - 400	
Earrings (Chandelier)	35 - 60	25 - 50	10 - 20
Necklace with gemstone	40 - 220	15 - 70	15 - 30
Pendant with gemstone	50 - 100	30 - 60	20 - 40
Charm (e.g. Pandora)	30 - 60	20 - 40	10 - 30
Bracelet engraved	60 - 250	20 - 150	20 - 60

Source: Store checks (2014)

Based on the total German retail sales in value and volume, the average price of a silver jewellery item slightly decreased (€38.53) by a CAGR of 0.8% in the period under review. This was in contrast with the 0.7% increase in the average price of total jewellery. The falling prices of silver can be partly attributed to the fact more silver jewellery was imported from lower cost countries by online sellers and discounters.

Table 13 Germany: Average jewellery prices per item (€)

	2008	2012
Total jewellery	65.01	66.95
Silver jewellery	39.76	38.53

Source: Trade estimates (2014)

Retail prices of silver jewellery vary considerably, starting from €200 up to €800 for an exclusive item of sterling silver with a sapphire. The most common/accessible price range for a sterling silver neck chain ranged between €25 and €200, with branded items often more expensive in department stores. Prices largely differ per retail outlet, as is shown in table 8.

Value for money Consumers want to feel they are getting value for money and want visible signs of the value of the jewellery item so that they and other people can recognise the quality and value of the item they are wearing.

Margins

The margins for each German distribution channel are very similar to the USA with a multiple of the CIF price versus consumer price between 2.7 and 3.6. An insight into the price structure—from cost price, f.o.b. price to consumer price (CIF), with the most common margins, is given in table 5 of Section 1.4.2.

3.4 Access Requirements for the German Market

Legislative requirements

There are four requirements that apply in Germany and the other EU countries that fall under EU legislation:

- **Legislative requirements** mainly concerning unsafe, usually imported, jewellery that can harm consumers' health, and those concerning the hallmarking of jewellery are as follows:
 - 1. REACH:** To guarantee the safety of jewellery sold in the European market, the REACH legislation on Chemicals—Regulation (EC) 1907/2006—is the main regulation in which all former 'EU Directives' are unified. With regard to jewellery, the REACH regulation:
 - **Restricts the use of cadmium**, which is dangerous for consumers' health. This legislation is especially relevant for silver jewellery or silver jewellery that is combined with plastic or artificial material that uses cadmium as plastic pigment, stabilizers, or as a coating.
 - **Sets limits for the nickel content** in products coming in contact with the skin. This regulation limits the nickel content in silver that is in direct contact with the skin and applies to all jewellery types—rings, earrings, bracelets, bangles and neckwear, particularly piercings. The compliance levels for an article in contact with the skin should be 0.28µg/cm²/week and for piercings to 0.11µg/cm²/week or less. Please note that the nickel content is an important issue for consumers and importers, especially when it concerns silver jewellery. All EU countries now demand that jewellery pieces are 'nickel-free'. In Germany, UK, France and the Netherlands there are several logos for jewellery items that comply with the above directive.
 - **Restricts the use of azo-dyes (colourants)** in textile and leather articles or jewellery combined with these articles.

Restrictions on lead in jewellery, which aims to protect consumers, especially children, from hazardous substances through unintended use of jewellery such as putting it in the mouth or swallowing. Under the REACH regulation, the lead limit for precious and costume jewellery must be decreased to 0.09 micrograms/square centimetre/

hour (µg/cm²/hr), being 55–110 times lower than allowed by the current law. This applies unless it can be demonstrated that lead is not released in the case of a child putting the jewellery item in his or her mouth.

- 2. Safety of children's clothing and jewellery** - Directive 2001/95/EC. European standard EN 14682:2007. Although there is no specific legislation, the European Committee for Standardisation (CEN) has developed a standard, intended for children up to the age of 14, for cords and drawstrings on clothing and jewellery.
- 3. Endangered species (CITES)**—Regulation (EC) 338/97 and Regulation (EC) 865/2006. The Convention on International Trade in Endangered Species (CITES) lays down provisions for international trade of endangered species such as ivory, turtle, snakes, tropical hardwood, or alligator skin used in jewellery. The EU has set additional import restrictions.
- 4. Plated jewellery**—ISO/DIS10712. There is an international quality standard for jewellery plated with precious metals aimed at sales of inferior jewellery where the gold or silver plating disappears or becomes discoloured after a short period of use.

Hallmarking

Germany does not have an Assay Office, however, your trade partner (manufacturer, importer or retailer) is allowed to put a stamp on the jewellery, provided that they verify the purity of each item. Your trade partner and you will be held responsible if there is a discrepancy between the stamp, e.g. 925, and the actual alloy.

Voluntary requirements

- The voluntary requirements in Germany are the same as the most common *quality standards* in the jewellery industry, and can be found at Section 7.5.
- *Social and environmental standards* are considered important in the German market such as the Social Accountability Standards ISO 26000, SA 8000 and OHSAS 18000 on working conditions and management systems (see Section 1.5).
- *The Fair Trade/Fair Mining Standard* is gaining ground in Germany, following the developments in licensed jewellery buyers in the UK, Denmark and the Netherlands. See Section 7.5 and Annex 5 for further information.

Tariff barriers

Nepal enjoys the special scheme 'Everything but Arms', now being referred to as the GSP (General System of Preferences), that provides dutyfree access to silver jewellery and gems to any of the 28 EU countries, including Germany. Through this scheme the import tariff is zero.

3.5 Consumer Preferences

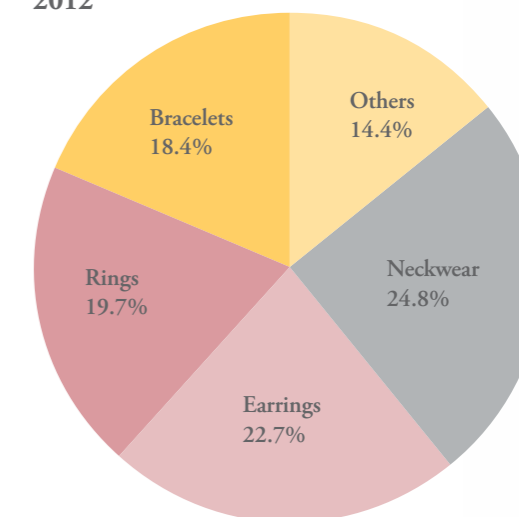
The main consumer segments, market niches, market trends and product trends are covered in detail in section 1.6. However, compared to the USA, many German consumers still look for traditional designs and more refined styles, especially for items they wear daily.

Main market trends

- **The German jewellery market is mature and has become more polarized** with a distinction between sophisticated jewellery in the main cities and conventional/designer jewellery in rural areas and in the former East Germany.
- **Timeless jewellery** One result of the recession is that people want value for money. They increasingly look for jewellery that can be worn daily or on special occasions and be worn over a longer length of time.
- **Glitter and glamour with sparkling stones** As a contrast to the sobriety during the recession, people now, even more than before, like the luxury feeling of glitter and glamour. Jewellery items with sparkling semi-precious gemstones and Swarovski crystals are preferred. They are available in all price brackets—both in long statement chains and in delicate rings and bangles. There has also been innovations in special effects in the shimmering of the stones when exposed to light.
- **German jewellers offer customised jewellery** items with personal dedications. In more expensive jewellery items, individual parts can be exchanged or they conceal small surprises, e.g. a tiny diamond inside the ring, or a turnable diamond mounting or some fascinating magnifying effects. Another example is rings that fit together easily, particularly in the combination of engagement/wedding and in cocktail rings.
- **The personality of the wearer is reflected by a great variety of forms** with many possible combinations. For example, the size of the objects in silver and costume jewellery, opulent designs from, for

instance nature, etc., give the piece a lively look. In contrast, the flowery motifs in genuine jewellery look dainty and filigree.

Figure 10 Germany: Breakdown of precious jewellery* by type as percent of retail styles in 2012



* includes gold, silver and other precious metals
Source: Euromonitor (2013)

Main product trends

Neckwear is the leading product type within precious jewellery, with an estimated value in 2013 of €853 million, i.e. 24.8% of German precious jewellery retail sales of €3,443 million. This includes neckwear of gold, silver and other precious metals.

Earrings are the second most popular type of product and represented an estimated value of €781 million (22.7%) in 2013. **Rings** represented 19.7% (€678 million). The share of **bracelets** was 18.4% (€633 million), and has increased because of the growing popularity of friendship, collectible charm bracelets, multi-chains and wrapped-up bracelets.

Long coin chains—the bestseller in 2013—have new, surprising elements such as small moving objects between glass plates.

Rings that can be put together individually are gaining importance. More and more, they can be combined with chain elements, new colours and materials.

Collectible charms, for example those from Pandora, and Thomas Sabo, continue to enjoy popularity, although competition from new suppliers increases. During the Christmas period 2013, charms were sold in the shape of gingerbread cookies and fir trees.

Pendants with symbolic meanings, such as hearts, crosses, angel wings and plumes continue to be popular.

Large coloured stones are still preferred in 2014.

Next to strong colours such as deep blue, red or green, items in more restraint colours such as pastel and flesh tones, e.g. rose, apricot and white/camel variants, are popular. The trend colour green, which was emerald green in 2013, is still present in 2014, even if a slight decline is to be expected. **Brilliant, Swarovski stones and zirconia** play a part in all variations.

Combinations of precious and non-precious materials are more and more frequently seen as these emphasise the individuality/personality of the wearer. For a few years now, silver and special steel have attained new heights in the jewellery market. New materials like ceramic, rubber, wood, leather, bronze, brass, iron, porcelain, acrylic and Corian are now being seen in silver jewellery. The refining of silver and special steel with rose or yellow gold alloys, for example, continues to be the trend in combination with other materials.

Love and protection is what people need in a time of insecurity and people want to show this by jewellery with hearts, words, angels, amulets and talismans to protect their lives. For example, rings formed from the word 'love', and engravings, visible or hidden, and thin annular disks with words or sayings that are hidden between wider rings, provide both visual and mental stimulation. In addition, jewellery items with dragons, elves, crosses, angel wings, angels and zodiac signs present themselves as meaningful pieces to the wearer and are also thoughtful gifts.

Organic shapes give jewellery a soft and feminine effect. Opening flowers, stylized leaves and intricate lines indicate nature. Sometimes these are in the abstract and even geometric shapes in circles, ovals, straight or curved lines.

Seasonal fashion trends for 2105 - see Annex 3 or at www.gz-online.de or <http://www.schmuckmagazin.de/>

Love and protection is what people need in a time of insecurity and people want to show this by jewellery with hearts, words, angels, amulets and talismans to protect their lives.

Opportunities

- German jewellers continue to expand their product range of handmade jewellery. They offer something special and compete through items of a better/clever design and of a higher quality.
- There are good opportunities for original handmade jewellery for Baby Boomers as the German population is ageing and people of 55 plus are increasingly being recognised by German jewellers as a growing target group. In particular, older people in urban areas are more open to products from other cultures.
- Jewellery with special stones such as coral, aquamarine, sapphires, beryl, kyanite or stones with multi-colours such as lebedorite might also be of interest.
- Many opportunities covered in Section 1.6.4 also apply to the German market.

3.6 Distribution Channels and Main Players

3.6.1 Main channels and players

German distribution is less concentrated than in the other selected countries. Although there are some strong and dominant retail groups, the distribution of jewellery in Germany is mainly carried out by specialised importers, wholesalers and buying groups selling to specialised retailers. This accounted in 2012 for 76.8% of the German market.

An overview of the distribution structure can be found in Section 1.7.1.

Indirect channels

Brand importers are an important channel, with an estimated share of 30% of the market in 2012. The main companies and fashion brands include Christ Juweliere, Wellendorf, Louis Vuitton Cartier, Fossil, Pandora, Tiffany', Chopart, Swarovski, Amor, Richmond, Daniel Hechter, Ti-Sento, Buddha to Buddha, Viventy and many others.

Wholesalers are diminishing in importance as chain stores increasingly source directly from German or foreign manufacturers. Nevertheless, they still represent an important channel. There are:

- *Small wholesalers* who operate locally (Germany is usually sub-divided into seven Nielsen areas) and need to specialise in a particular kind of jewellery.

Table 15: Retail distribution share (by value) in Germany in 2008–2012

Outlet type	2008	2010	2013
Specialist retailers (independent shops, chain stores, buying groups)	77.0%	77.1%	76.8%
Non-specialist retailers	13.7%	13.4%	13.3%
Department stores (Karstadt, Kaufhof)	3.7%	3.6%	3.6%
Clothing stores (C&A, Esprit, H&M, Zara)	2.6%	2.5%	2.5%
Hypermarkets (Metro, Rewe)	1.4%	1.4%	1.4%
Perfumeries (Douglas)	0.7%	0.8%	0.8%
Variety stores	0.5%	0.5%	0.4%
Others (warehouse clubs, gift shops, market stalls, etc.)	4.0%	3.8%	3.8%
Home direct	10.1%	10.3%	10.7%
Online sellers	2.4%	3.2%	5.9%
Home shopping and direct selling (QVC, Neckermann, Klingel)	7.7%	7.1%	4.8%

Source: Euromonitor, Trade estimates (2013)

- *Large wholesalers* who offer a broad range and often serve the Austrian, Swiss or Eastern EU markets. This could be time saving for anyone considering exporting to these countries.

Some wholesalers sell directly to independent retailers through a system of cash and carry showrooms. In Germany, there are two showrooms, one in Kaufbeuren (near München) and one in Pforzheim, which is more focused on precious jewellery. Many wholesalers also sell cash and carry at international trade shows (e.g. Inhorgenta). Larger importers/wholesalers have their own sales force that visit clients and take orders.

Agents are important

Agents are important, either operating on a regional, or an exclusive basis. Still others are specialised in jewellery in different materials, for different target groups, or under different brand names. The Association of Commercial Agents can be contacted at <http://www.cdh.de> or <http://www.handelsvertreter.de>. This is the best channel to reach non-affiliated independent jewellery specialists, despite the fact that their numbers have been falling in recent years.

Direct channels

Nepali exporters with small volumes could use direct channels as there are many possibilities to enter the German market via different retailers. Nepali exporters should try to find the right retailers who sell handmade jewellery and who sell to their target group.

Specialist retailers

Main retailers: according to the magazine Goldschmiedene Zeitung, there were around 9,500

jewellery specialist retailers in Germany in 2013. The specialist jewellery retailers are led by Wellendorf and Christ Juweliere, which are both trusted local jewellers who have shops all over the country.

Chain stores Bijou Brigitte is the most important mainstream chain store operation focused on young people. Their head office is in Hamburg (<http://www.bijou-brigitte.com>). They design their own costume and silver jewellery collections and sell them under their own brand through their 1,137 stores, of which 60% are abroad, mainly in Austria, Poland, Spain, Hungary, Portugal, Czech Republic, Italy, France, Greece and the UK.

Independent jewellery stores represented almost 30% of German jewellery sales during the period of review. They were mainly smaller specialists and boutiques, who struggle to find the right balance between strictly controlling costs on one hand and improve their presentation and personnel on the other.

Non-specialist retailers

They are being led by *department stores*, which accounted for 3.6% of total German jewellery sales in 2012, as is shown in table 15. The main department stores are Karstadt (91 outlets—<http://www.karstadt.de>), Kaufhof (141 outlets) and the UK owned variety store Woolworth (337 outlets).

Clothing stores, usually selling mainstream jewellery from Asia, include C&A (422 outlets), Esprit (3,531 outlets), Bonita Mode (500 outlets), H&M (319 outlets), New Yorker (289 outlets), Ulla Popken (164 outlets), Adler (Discount, 111 outlets), and Zara (Inditex, 63 outlets).

Other non-specialist retailers are:

- *Discounters* (Aldi, Lidl, Walmart) and *hypermarkets*, which are now important in the jewellery market. The leading hypermarkets are Metro - <http://www.metro.de> - and Rewe, which tend to sell lower priced goods.
- Drugstores, perfumeries, (<http://www.douglas.de>), gift shops, mail order companies, dutyfree shops and market stalls.

TV sales and mail order is also strong in Germany and both channels have suffered from the growing popularity of online sales, although many older customers still prefer to look through a printed catalogue. Leading mail order companies selling jewellery are Klingel Versand - <http://www.klingel.de>, Neckermann - <http://www.neckermann.de>, Otto - <http://www.otto.de> and Quelle - <http://www.quelle.de>.

Internet sales more than doubled their share in German jewellery retail sales between 2008 and 2012, from 2.4% to 5.9%. In addition to retailers' websites, there are jewellery brands and designers that operate transactional websites without having a store. However, there is competition from international websites owned by US companies and from sites such as eBay. An example of a German online seller is <http://de.dawanda.com/s/schmucktrends/10577-Silber>.

3.6.2 Which channel and finding partners

Recommended for trade channel selection

- **For smaller volume supplies**, Nepali exporters could work with an agent. They are well aware of local trade structures/practices and local consumer tastes.
- **For any volume supplies** a wholesaler or importer is the most suitable partner. Considering the dominance of jewellers, a wholesaler/importer will have to compete through more specialisation and, therefore, will welcome new products.
- **For higher value items with a low turnover rate**, Nepali exporters could sell direct to German jewellers.
- **For large volume supplies direct to retailers**, Nepali exporters could consider retailer chains, buying groups, or online sellers which have grown fast in Germany.

See Section 7.8.3 for further information

The following organisations may be worth looking at:

Trade Associations

- Federal Association of Jewellery and Clocks/ Schmuck und Uhren Bundesverband e.V. www.bv-schmuck-uhren.de
- National Association of the Gemstone and Diamond Industry /Bundesverband der Edelstein- und Diamantenindustrie e. V. www.bv-edelsteine-diamanten.de
- Industry Association of Jewellery and Hardware / Industrieverband Schmuck -und Metallwaren e.V. www.iv-schmuck-metall.de
- National Association of Trade and Specialises in Jewellery and Clocks / Bundesverband der Schmuck und Juweliere Uhrenfachgeschäfte www.bv-juweliere.de
- Federation of Associations of Goldsmiths, Silversmiths and Jewellers / Zentralverband der Deutschen Goldschmiede, Silberschmiede eV und Juweliere www.zentralverband-goldschmiede.de
- Association of Art in Gold / Gesellschaft für Goldschmiedekunst e.V. www.gfg-hanau.de
- Forum for Jewellery and Design / Forum für Schmuck und Design e.V. www.ffsd.de
- Federal Association of Wholesale Jewellery and Watches / Bundesverband des Schmuck und Uhren Großhandels e.V. www.schmuck-uhren-grosshandel.de

Trade Shows

- Inhorgenta - International trade fair for watches and clocks (München) www.inhorgenta.com
- BaselWorld - International trade fair for watches and clocks (Basel) www.baselworld.com
- Bijoutex München International Fashion Jewellery and Accessories Fair (München) www.trendset.de
- Other fairs with space for jewellery: Tendence (Frankfurt) and Ambiente (Frankfurt) <http://tendence.messefrankfurt.com> or <http://ambiente.messefrankfurt.com>

Trade Press

- Goldschmiede GZ- Zeitung www.gz-journal.de www.gz-online.de
- FZ- Fachanzeiger Der für Uhren, Schmuck, Edelsteine, Silber, Geschenkartikel www.verlag-schoener.de
- Schmuck Magazin www.schmuckmagazin.de
- U.J.S - Uhren Schmuck Juwelen www.uj.s.info

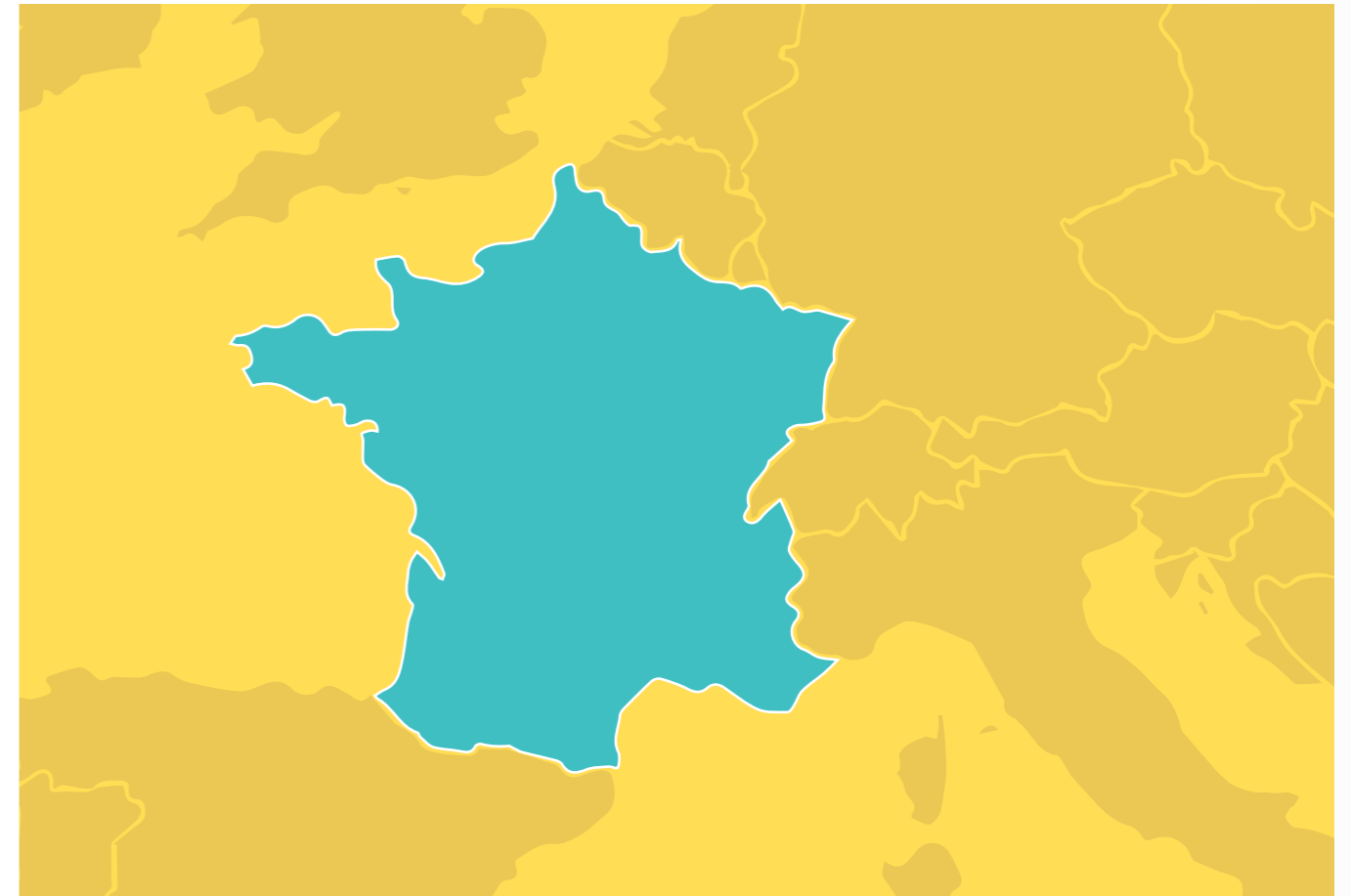
Some leading wholesalers

- Uhrenhandel24.eu <http://www.uhrenhandel24.eu/>
- Time Shine <http://www.timeshine.de/index.php/>
- Britta Schmuckvertrieb <http://www.britta-schmuck.de>
- Engelkemper GmbH & Co.KG <http://www.engelkemper.de>
- Max Fröhlich GmbH <http://www.maxfroehlich.de/>
- Ernst Schmuckwaren <http://www.schmuck-accessoire.com/>
- Günther Herrling <http://www.herrling.com/>
- Paul Hoffsommer <http://www.phf-schmuck.de/>
- Johannes Krell <http://www.johannes-krell.de>
- Aviano Group <http://www.aviano-group.de/>
- Moritzen Grosshandel <http://www.moritzen-grosshandel.de/>
- Surjeet Reena <http://www.surjeet-reena-online.de/>

See Annex 6 for an example on the group work done to enter the German market.

TV sales and mail order is also strong in Germany and both channels have suffered from the growing popularity of online sales, although many older customers still prefer to look through a printed catalogue.





4. Silver Jewellery in France

Brief Overview

Population

63 million; 0.5% growth rate (2013)
Mix Celtic, Arab, African, Slavic, Indochinese
- 0-14 years: 18.7%
- 15-24 years: 11.9%
- 25-54 years: 38.9%
- 55-64 years: 12.6%
- 65 years and over: 17.9%

Economy

GDP: €36,100 per capita
Unemployment rate: 10.9% (2013)
Retail sales: €415 billion (2012)

Social

Women in labour force: 47.4%
Marriage rate: 4.3 per 1,000
Tourists to Nepal in 2012: 28,805

4.1 The French Market

4.1.1 Jewellery retail sales

In 2013, total French jewellery retail sales were estimated to be worth €3,641 million, and represented 4.5% of global retail sales (compared to the US share of 33.2%).

France is a leading country in fashion. The highly diverse population's demand, especially in Paris and other cities, is also diverse. Consumers have a pronounced individual taste, but they are open to jewellery of all kinds with a relatively high ratio of women in the workforce who like to dress well at work, jewellery is an important fashion accessory to create their individual look. Since 2011, however, unemployment rates rose fast due to the economic recession.

Table 16 France: Jewellery retail sales, 2008–2013, value in € million / volume in million items

	VALUE					VOLUME				
	2008	2012	2013 ^e	2012/13	per capita*	2008	2012	2013 ^e	2012/13	per capita*
Total jewellery	3,871	3,647	3,641	-0.2%	€57	65.3	63.1	63.0	-0.2%	0.99
Precious jewellery, of which: Silver jewellery	3,369	3,129	3,118	-0.3%	€49	31.6	30.8	30.1	-2.3%	0.47
Costume jewellery	502	518	523	+0.9%	€8	33.7	32.3	32.9	+0.2%	0.52

e = estimate *per capita in 2013 SSource: Ecostat, GfK, Euromonitor, trade estimates (2013)

- French consumers spent €57 per capita per annum on all jewellery. Around €12 was on silver jewellery, being slightly higher than Germany (€11).
- Precious jewellery took up 85% (€3,118 million) of the total jewellery retail sales. Eighteen and nine carat gold took up three quarters of value sales, whereas costume jewellery took up more than half the volume of sales.

Rising gold prices and the ongoing recession, have moved consumers more towards costume and silver jewellery. However, French women are still interested in the latest jewellery items and buy them impulsively at a lower price level.

Silver jewellery sales

- **Silver is the second most popular metal** and silver jewellery represented 20% of the French market and valued €718 million in 2013—an average growth of +0.5% since 2012.
- By volume, silver jewellery took up 30% of sales (18.6 million units) in 2013. This was more than gold jewellery, but less than costume jewellery (32.9 million units).

According to Ecostat, the proportion of silver

jewellery items, plain or with stones, was evenly divided. Since 2010, there has been a rising preference for items with stones, and the decrease in value sales of items with stones by -1.3% can be attributed to the greater availability of lower cost jewellery that uses more stone and less silver.

4.1.2 Future potential

- According to the World Bank, the French population is expected to grow to 66.4 million in 2016. The proportions by age group will be similar to those in the ‘Brief Overview’ at the beginning of this section. In the future, the segment of people aged 60 plus will grow faster than the other age groups. The urban population, that is more sensitive to fashion trends, is expected to grow as well.
- **According to the Nepal Tourism Board, the number of French visitors to Nepal** increased from 22,402 to 28,805 between 2008 and 2012. Around 47% were for ‘holidays for pleasure’ and 36% for ‘trekking’. Even if this is a fraction of the total French population (63 million), this contributes to a growing awareness about Nepal, as well as its rural areas.

Table 17 France: Consumption of silver jewellery by category, 2009-2010, € million/pieces

	2012	2013	%	2012	2013	%	2013
	volume**	volume**	difference	value	value	difference	Share*
Silver jewellery plain	9,679	9,361	-3.3%	331	339	+2.4%	47%
Silver jewellery with stones	9,026	9,250	+2.5%	384	379	-1.3%	53%
Total	18,723	18,611	-0.6%	715	718	+0.4%	100%

* Share based on value ** volume in million pieces Source: Ecostat (2013)

Table 18 France: Jewellery retail sales forecast, 2013–2016, value in € million / volume in million items

	VALUE					VOLUME				
	2008	2012	2013 ^e	2012/13	per capita*	2008	2012	2013 ^e	2012/13	per capita*
Total jewellery	3,641	3,632	3,644	3,657	+0.1%	63.0	63.4	63.8	63.9	+0.3%
Precious jewellery, of which: Silver jewellery	3,118	3,103	3,110	3,119	0%	30.1	30.0	29.9	30.1	0%
Costume jewellery	523	529	534	538	+0.7%	32.9	33.5	34.3	34.5	+1.1%

* Compound Annual Growth Rate Source: Ecostat, GfK, Euromonitor, trade estimates (2013)

- **France is still suffering from the effects of the recession.** The unemployment rate remained high in 2014, especially among young people. More and more young French people are building new lives in other countries, including USA, China, Canada, and Australia. Uncertainty about the economy and concerns about climate change will remain in the coming years. In this respect, spiritual jewellery may become more important.

- **Silver jewellery retail sales are expected to grow marginally** (+0.1%), reaching €721 million in 2016. As fashion remains important, French women still welcome new styles in silver jewellery.
- **Silver remains an important fashion accessory and an important gift item** for Christmas, Valentine’s Day and Mothers’ Day. In addition, collectible charms and DIY jewellery have been very popular in France.
- Although mass-produced branded jewellery items are gaining importance, French women from all generations are likely to ‘fall in love’ with a beautiful handmade ethnic silver jewellery item that reflects their personality, style or mood.
- **Costume jewellery is expected to become even more diverse**, particularly as French designers are increasingly using a mix of different materials in fashion jewellery. In the coming years, costume jewellery will outperform silver jewellery (see table 18). Costume jewellery is more often purchased from online sellers as the price is lower. Therefore an average volume increase of +1.1% is expected.

Consumer confidence in France might return in 2014, but market growth will still be close to zero for precious jewellery. Much will also depend on the new seasonal trends from the fashion houses and the development of the precious metal prices.

4.2 Market Structure

The value chain of silver jewellery in France is similar to the USA (see section 1.3.1). Specific developments in manufacturing of jewellery and in imports are briefly covered in this section.

4.2.1 Jewellery manufacturing

- **The French jewellery industry has a long-standing reputation** for its creativity in design, originality and craftsmanship. France has a number of jewellery manufacturers that are internationally well known, some of which are closely linked to the French fashion houses.
- **France is a large EU jewellery manufacturer, after Italy and Germany:** Between 2008 and 2012, the total turnover increased by a CAGR of 3.1%, from €1,503 to €1,694 million with the majority being precious jewellery. In 2012, there were around 3,221 jewellery manufacturing companies with 10,124 employees.
- **The French jewellery industry remains diversified.** According to Euromonitor, 25% of the turnover in 2012 was generated by five companies, namely:
 - Gucci France, owned by the PPR Group
 - Richemont France, with the fashion houses Cartier, Lancel, Cloé and van Cleef & Arpels
 - Chanel
 - Hermès
 - Poiray Joaillier

Most of these companies are based in Switzerland because of low corporate taxes available to them there. However, the majority of precious metals and stones are imported and jewellery items designed,

assembled and finished by French manufacturers. Some stones such as amethyst are found in the Massif Central and in Brittany.

- French manufacturers are situated all over in France, particularly in the Paris area, Rhône-Alpes and Cote d'Azur. Some examples of French jewellery manufacturers are <http://www.maty.com>, <http://www.chaumet.com>, <http://www.baccarat.fr> or <http://www.bijouxfabrice.com>

You can find more manufacturers via the Trade Association <http://www.boci.org>.

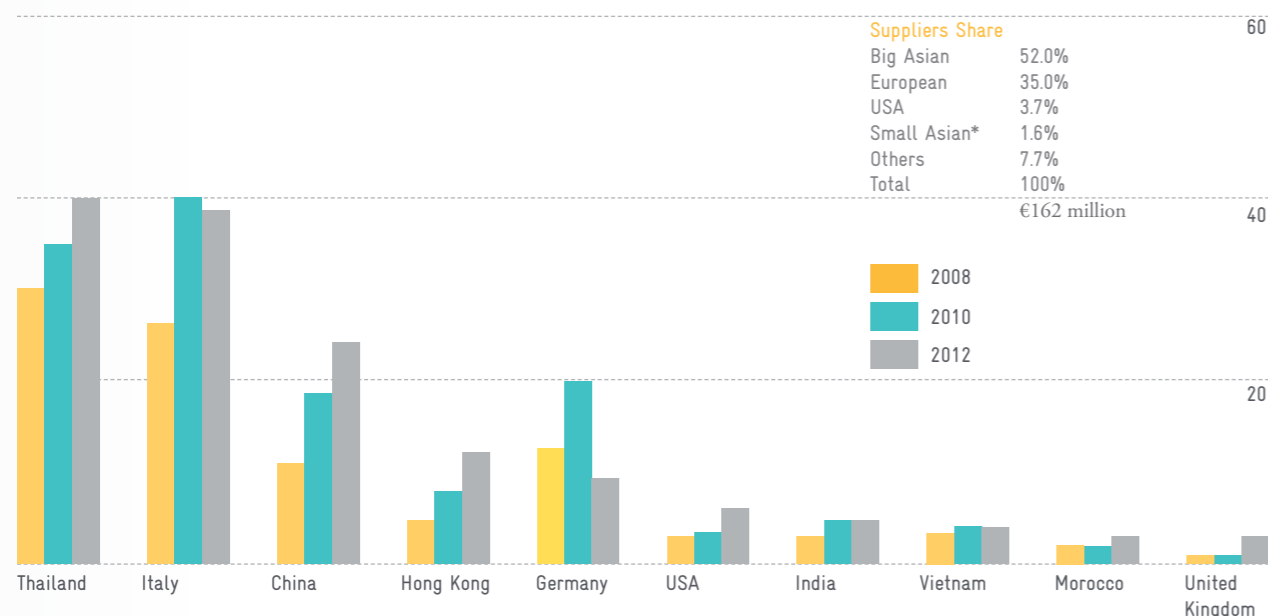
- **With regard to costume jewellery**, France is ranked as the third largest producer after Austria and Italy. Here, the production is fragmented with many smaller companies and workshops. In costume jewellery, there is definitely a 'French style' with French designers producing their own lines. Nowadays, there is more variety in styles, including the classic French style, which is mainly characterised by perfectly finished decorative designs.
- **Silver jewellery exports were** valued at €57 million in 2012, from being slightly more than €56 million in 2008. Half (54%) the exports went to Europe, 9% to Japan, 9% to the USA, 4% to Hong Kong, 3% to Thailand, 3% to China and 18% to other destinations.

4.2.2 Imports of jewellery

In 2012, French jewellery imports were valued at €1,871 million (10,091 tons), being sub-divided into:

- **Precious jewellery:** €1,463 million (276 tons), of which:
 - Gold jewellery: €1,282 million (22 tons)
 - Silver jewellery: €162 million (218 tons)
 - Jewellery of base metal, plated with precious metal: €19 million (36 tons).
- **Costume jewellery:** €408 million (9,815 tons), of which:
 - Imitation jewellery: €376 million (7,436 tons)
 - Hair accessories €32 million (2,379 tons).
- **Silver jewellery** represented 8.7% of the total value of French jewellery imports, which is low compared to the other selected markets. This illustrates more consumption of jewellery made in France. Between 2008 and 2012, French silver jewellery imports rose by an average annual rate (CAGR) of 7%, from €126 to €162 million. In the same period, imports rose by 5.5% from 176 to 218 tons.
- **France is a smaller silver jewellery importer** and accounted, in 2012, for 3.0% of the world silver jewellery imports (€5,466 million).

Figure 11 France: Silver jewellery imports and main supplying countries value in € million, 2008–2012



* Small Asian countries which supplied less than €1.2 million
Nepal: €0.41million (0.3%) in 2012. See also Table 8 in Annex 2

Source: ITC Trademaps (2013)

- **The big Asian supplying countries** accounted for 52% of French silver jewellery imports in 2012. In the period under review, an increase was registered in the supplies from Thailand, which were valued in 2012 at €40 million (+7%). Italy also registered an increase from €39 million (+11%), and China showed a large increase of +22%. (see figure 3). Meantime French imports from USA, Germany and Spain dropped in 2012.
 - **The small Asian supplying countries** supplied €2.6 million of silver jewellery in 2012, and accounted for 1.6% of French imports. Nepal supplied 15% of this, being €0.4 million. Between 2008 and 2012 French imports from Nepal decreased by -8%, from €0.6 million in 2008.
 - **The average price of silver jewellery** from Nepal to the French market increased between 2008 and 2012, from €0.53 to 0.82 per ton, which can be attributed to increased raw silver prices.
 - **Nepal was ranked 24th in French silver jewellery supplies.**
- See table 7 and table 8 in Annex 2 for more detailed statistics, including volume supplies.

4.3 Prices and Margins

Price developments

The development in gold and silver prices is covered in Section 1.4.1 and shown in Section 7.8.2.

Based on the total French retail sales in value and volume, the average price of a silver jewellery item rose (€38.24) in the period under review by a CAGR of 0.2%. This increase was in contrast with the 0.6% decrease in the average price of total jewellery, which can be largely attributed to the falling prices of costume jewellery being included here.

Table 19 France: Average jewellery prices per item (€)

	2008	2012
Total jewellery	59.28	57.80
Silver jewellery	37.88	38.24

Source: Trade estimates (2014)

Retail prices of silver jewellery vary considerably, starting from €200 for an exclusive item of plain sterling silver, while the most common/accessible price range for a sterling silver neck chain would

be between €25 and €200. An idea of prices of the various jewellery types in France can be obtained from table 14.

Value for money Consumers, especially in urban areas, are more knowledgeable and interested in jewellery and check prices of items from different online sellers. One result of the recession is that people want the best value for money, and thus increasingly look for jewellery that can be worn daily or on special occasions and can be worn over a longer time (timeless jewellery). French people also tend to wait to buy preferred jewellery items until the sales in early January and August.

Margins

The margins for each French distribution channel are very similar to the USA with a multiple of the CIF price versus consumer price between 2.7 and 3.6. An insight into the price structure—from cost price, f.o.b. price to consumer price (CIF), with the most common margins, is given in table 5 of Section 1.4.2.

4.4 Access Requirements for the French Market

Legislative requirements

Legislative requirements that mainly concern the protection of unsafe, imported, jewellery that can harm consumers' health, as well as the hallmarking of jewellery, are as follows:

1. **REACH:** As in Germany, REACH legislation on chemicals is the main regulation in which all former 'EU Directives' are unified. With regard to jewellery, again as in Germany, the REACH:
 - Restricts the use of cadmium
 - Sets limits for the nickel content
 - Restricts the use of azo-dyes (colourants)
 - Restricts the use of lead in jewellery.
2. **Safety of children's clothing and jewellery -** Directive 2001/95/EC.
3. **Endangered species (CITES)**
4. **Plated jewellery—ISO/DIS10712.**

Details of the above regulations are given in Section 3.4.

Hallmarking

As a rule, jewellery items produced in, or imported into, France need to be engraved with two hallmarks:

- **The producer's or responsible person's hallmark** being the specific hallmark and identifying mark of the producer or the importer in France.
- **The certifying hallmark**, which has to be engraved either by the State, or by an accredited body or by the producer himself. This is meant to verify and certify the percentage of gold, silver or platinum that is used in items of jewellery.

From 2004, the legislation changed with the following jewellery items not being required to be hallmarked:

- **Jewellery items containing silver weighing less than 7.78 grams.** All these items must be accompanied by a descriptive document on the letterhead of the producer/importer, mentioning the metal used and its title, i.e. its precious metal content. This descriptive document can be provided through, for example, an accredited checking body.
- **Items coming from another EU Member State** which are engraved with the producer's hallmark and a certifying hallmark registered in that State provided that the producer's hallmark has been registered with the French Administration. France follows the procedures laid out by the Vienna Convention, with easily comparable hallmarks.
- **Items produced in France for export only.** These items do not need to be hallmarked, although an authorisation is needed if non-hallmarked items are intended for export to other EU Member States.

Since 1 July 2004, producers/importers or other jewellery professionals in France were authorised to hallmark jewellery, provided they have signed an agreement with the French Customs Authorities stating their obligations, notably regarding the authenticity of the title (i.e. content of precious metal in an item). They have to submit a request at their Customs and Indirect Taxes Regional Direction accompanied by an internal working sheet ('un cahier des charges').

On-the-spot checks of the title of the jewellery items produced/imported are conducted by the administrative authorities. It is an offence, with up to 10 years imprisonment for any person to wrongly describe precious metals, for example, failing to hallmark articles that are wholly or partly made of gold, silver or platinum. If caught in an on-the-spot check, it is possible to ask the customs authorities to engrave the certifying hallmark on a jewellery item. However, there is a fee of €4 per silver item.

More information can be found at one of the eight Customs/Hallmarking offices in France at <http://www.douane.gouv.fr/data/file/4102.pdf> or via the French Jewellery Associations (see Section 4.7.4).

See also Section 7.4 on matters further related with this issue.

Voluntary requirements

See section 3.4, section 7.5 and Annex 5.

4.5 Consumer Preferences

The main consumer segments, market niches, market trends and product trends were covered in detail in Section 1.6. Trends towards statement jewellery and timeless jewellery are taking place in the French market, and some specific trends for French consumers are covered below.

Main market trends

- **Consumers are more unpredictable**, as depending on their mood/emotion or on the occasion, in France consumers tend to wear every type of jeweller from silver and gold to costume. The individual consumer also wears different styles: baroque, pure natural, romantic, glamour, rock, ethnic or symbolic, again depending on their mood or the occasion.
- **Young French people are becoming more interested in other cultures** such as those in the USA, other European countries, and developing countries, including those in Asia. In this way they are more receptive to foreign products.
- However, **brands are gaining importance in jewellery.** More branded jewellery is offered at department stores, usually from the large French jewellers such as Cartier, Christian Bernard, Groupe GL, Chaumet, Satellite and the mainstream brands (Pandora, Fossil, etc.). Department stores also include collections from the French houses, such as Dior, Chanel, Hermes, Bulgari, and Gucci.
- **Tourists are gaining in importance.** In 2011, around 35 million tourists from Russia, China, Brazil, USA and Japan visited France (mainly Paris) and thus department stores are increasingly focused on tourists. According to Euromonitor, Chinese tourists accounted for 18% of the total luxury good sales in France in 2011.
- There is also a **growing importance in fashion jewellery**, for example, it is anticipated there will be more combinations of materials used in jewellery

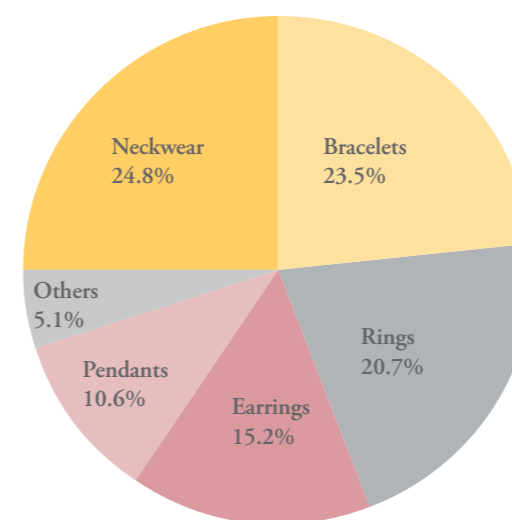
with the borders between costume and precious jewellery becoming vague as fashion jewellery items mix precious metals with bronze, copper, wood, colourful stones, (Venetian) glass, textiles, leather and many other materials.

- **Ethical/eco-chic jewellery using recycled material is slowly gaining ground in France** as consumers become more curious about how and where jewellery items are made. Under growing pressure from activist groups and the media, fashion houses are slowly taking up an environmental policy with their suppliers. Once they incorporate an environmental side into their marketing strategy, it will help make ethical/eco-chic jewellery appear more elegant and stylish.

Main product trends

According to Ecostat **neckwear** was the leading product type in silver jewellery, with an estimated value in 2013 of €176 million, i.e. 24.8% of German silver jewellery retail sales of €710 million.

Figure 12 France: Breakdown of silver jewellery by type as percent of retail styles in 2013



Source: Ecostat (2014)

Bracelets were the second most popular type of product and represented an estimated value of €167 million (23.5%) in 2013. **Rings** represented 20.7% (€147 million). The share of earrings was 15.2% (€108 million), although the share in volume sales was 21.3%. **Pendants** have been particularly popular since 2011 and increased by +51% from €73 to €112 million in 2013.

- In addition, **pendants with a silver or leather cord** with a large stone, a personalised charm, or one of the following—heart, flower, animal, classic image,

cross, stars, fossils or tribal pattern—continue to be in much demand by the consumer.

- **Silver earrings are larger, longer and more ornate in style**, and are sometimes combined with feathers. Silver gem set ear studs, silver decorated hoops and multiple hoops remain popular.
- Popular among younger people are studs for **piercings**, in upper or lower lip, eyebrows, navel and nose.
- **Seasonal fashion trends for 2015**—see Annex 3.

In France diversity in styles and emotions has become more important in jewellery. The main seasonal fashion trends for the 2014 spring/summer season in costume jewellery (see photos) also had an impact on the designs for silver jewellery and the preferred colours of stones in the French market. These styles and colours can be integrated into Nepali jewellery manufacturers' collections.



Opportunities

- **Unique ‘designer’ jewellery** with influences from global ethnicities—Arabia, Africa, India and Latin America. However, it is important not to make them too heavy or prominent, as elegance is key for French women, especially in urban areas. Turquoise remains popular.
- **The key to success here is to be original and aware of the latest trends** in French fashion. With regard to imitations, please be aware that the French customs are very strict on counterfeit jewellery.
- **Interests of young people**—even if French jewellers and manufacturers promote ‘Made in France’ products for which consumers are willing to pay a higher price, there is still an interest in silver jewellery from different cultures as a fashion accessory.
- Please note a clear distinction between Nepali silver jewellery and that from Indian or Pakistani should be made as many French people do not recognise the difference.
- Many opportunities covered in Section 1.6.4 also apply to the French market.

4.6 Distribution Channels and Main Players

4.6.1 Main channels and players

The French jewellery distribution channels are quite concentrated with strong and dominant jewellery chains, franchised operations and voluntary buying groups that mainly buy direct from manufacturers or via specialised importers. In 2012, trade by specialist channels took up 73.8% of total jewellery sales.

An overview of the distribution structure can be found in Section 1.7.1.

Indirect channels

Brand importers are an important channel with an estimated share of 40% of the market in 2012. The main companies and fashion brands include Christian Bernard (10%), GL Bijoux (8.1%), Boucheron (7.4%), Cartier (7.2%), Orest (4.7%), Bijoux Altresse (3.0%), Charles Perroud (3.0%), Chaumet (0.9%), Reminiscence (0.5%), van Cleef & Arpels (0.5%) and many others.

Wholesalers

Wholesalers have suffered from chain stores, buying groups, online sellers and non-specialists. However, France is a large country with big regional differences between the north and the south, and this affects the way trade works. **Wholesalers increasingly specialise** in order to be distinctive and it should be noted that larger wholesalers also supply to other Southern European countries and the overseas French territories such as Martinique, Guadeloupe or Reunion. These territories also see a large number of tourists who are potential jewellery buyers. Some wholesalers sell directly to independent retailers through a system of cash and carry showrooms. In Paris, most wholesalers and retailers are in the rue du Temple, near the Place de la République.

Smaller importers, agents and distributors

Smaller importers, agents and distributors have relationships that are based on a specific location. However, the French jewellery market is very diverse and retailers want to reduce their stock due to increasing cases of burglary. This implies that there is still a role for wholesalers.

Agents are widely used in France to enter the jewellery market. This includes both contacting traditional retailers and buying groups and hypermarkets. The French Federation of Commercial Agents is a good point of contact to find an agent among the 800 involved in the sale of jewellery (<http://www.comagent.com>).

Smaller importers, agents and distributors have relationships that are based on a specific location. However, the French jewellery market is very diverse and retailers want to reduce their stock due to increasing cases of burglary. This implies that there is still a role for wholesalers.

Table 20: Retail distribution share (by value) in Germany in 2008–2012

Outlet type	2008	2010	2013
Specialist retailers	74.8%	72.7%	69.6%
Jewellery chains or franchised stores in cities	14.2%	12.5%	11.9%
Jewellery chains or franchised in out-of-town centres	17.5%	17.3%	16.4%
Artists, galleries, independent goldsmiths, buying groups	35.1%	33.0%	29.9%
Bijouterie shops	8.0%	9.9%	11.7%
Non-specialist retailers	19.7%	22.3%	25.3%
Department stores	9.6%	10.4%	11.5%
Clothing stores	4.8%	5.1%	5.8%
Hypermarkets	1.5%	1.9%	1.7%
Variety stores	0.8%	0.9%	1.1%
Others (airport, gift shops, market stalls, direct sales, etc.)	3.0%	4.0%	4.2%
Home direct	5.5%	5.0%	5.1%
Internet sellers	2.9%	3.7%	4.4%
TV Home shopping	2.6%	1.3%	0.7%

Source: Ecostat, Euromonitor Trade estimates (2013)

Direct channels

Specialist retailers In 2012 there were 5,969 jewellery specialist retailers in France, employing a total of 15,988 staff. The largest retailers (in value) were Christian Bernard, GL Bijoux, Boucheron and Cartier. These large retailers took up one-third of all jewellery retail sales in 2012.

Most specialist retailers struggled during the recession because of less demand and the high prices of precious metals. This has resulted in many bankruptcies, particularly among the independent goldsmiths; they did, however, still make up the largest part (29.9%) of the jewellery specialist retailers. Silver jewellery collections from Nepal are most likely sold at these specialist retailers. This category, together with the artists and the smaller shops linked to a buying group, still represents the largest number of jewellery outlets in France.

Smaller jewellery specialists can be found at <http://www.lebijoutierdescreateurs.fr> or for details of the 120 fine silver jewellery specialists see <http://www.gilde-des-orfevres.com>.

Other typical retail categories in France are jewellery chains.

The jewellery chains in the out-of-town shopping centres that promote their collections as gift items for special occasions, etc. sell branded designer jewellery and change their collections quite frequently. These chains stores can benefit from

impulse buys from women when they do their weekly shopping. Despite being able to use their large buying power with, often Asian, suppliers to obtain the lowest price, their market share fell slightly from 17.5% to 16.4% between 2011 and 2013 (see table 20). Jewellery chains in cities suffered more from the recession because of a reduction in clientele and an increase in competition from non-specialist retailers and online sellers.

An important jewellery chain in shopping centres and cities is Thom Europe. They operate the chains Marc Orion (72 outlets), Historie d’Or (215 outlets) and Trés Or (98 outlets).

Synalia is an important buying group with the following outlets: Julien d’Orcel (166 outlets), Guilde des Orfèvres (70 outlets), Le Nouveau Bijoutier (156 outlets), Clear (75 outlets) and Maty (27 stores).

Bijouterie shops have benefited from the fact there is more demand for costume jewellery because it is more affordable than precious jewellery. Many bijouterie shops also sell other fashion accessories, such as shawls, hats, sunglasses, belts, bags, etc. The large bijouterie shops are part of French or international chains such as Claire’s (220 outlets), Swarovski (115 outlets), Agatha (116 outlets), Six (44 outlets), Pop Bijoux (32 outlets), Moe (30 outlets), Lollipops (24 outlets), Accessorize (16 outlets), Eliot (17 outlets) and Reminiscence (13 outlets, selling high value costume jewellery).

Non-specialist retailers are led by department stores, which accounted for 11.5% of the total French jewellery sales in 2012. They largely increased their share in the past few years because of the increase in sales to Chinese and Russian tourists, particularly during the Christmas and summer seasons. The main department stores are Galleries Lafayette (61 outlets—<http://www.gallerieslafayette.fr>), Printemps (24 outlets), BHV (9 outlets) and the variety store Monoprix (490 outlets, selling inexpensive jewellery). Galleries Lafayette owns the jewellery chains Louis Pion (170 outlets), Royal Quartz and Didier Guérin (40 outlets).

The main *clothing chains*, which mainly sell mass-produced jewellery at lower prices, include Eram, Etam, Promod, Kookaï, Naf Naf, Kiabi Okaidi, Camaieu, Celio, Jules, Armand Thierry, and Pimkie.

Hypermarkets saw their share in jewellery sales decreasing to 1.7%, perhaps because consumers increasingly regarded their jewellery to be of bad quality. The main hypermarkets are: Carrefour (194 outlets), Auchan (120 outlets), Géant (129 outlets), and LeClerc (96 outlets).

Small independent ethical shops also sell jewellery and there are a number of specialist players in the ethical sector, including Createur éthique - <http://www.createur-ethique.com>, Solidarmonde—<http://www.solidarmonde.fr>, Max Havelaar—<http://www.maxhavelaarfrance.org> and Made in éthique—<http://www.made-in-ethic.com>. ConsoGlobe—<http://www.consoglobe.com>—features a directory of sustainable products.

Internet sales almost doubled their share of French jewellery retail sales between 2008 and 2012, from 2.9% to 4.4%. Most French retailers (Jean Delatour, Didier, Guérin, Maty, Julien d’Orcel) operate their online shops and use the Internet to clear stock. Specific online sellers in France are www.winaretta.com, www.unamourdebijoux.com, www.maty.com and sellers of a wide range of products such as www.cdiscount.com, www.pixmania.com and www.ruedecommerce.com.

With the number of online sellers growing quickly, the next step was for them to position themselves more clearly. For example, www.gemyo.com offers custom-made jewellery and www.atelierdefamille.fr offers jewellery with special engravings. However, the main weakness of Internet sales remains the fact the consumer cannot ask for advice or try on the item. In addition, there are trust issues about payment and counterfeit jewellery.

4.6.2 Which channel and finding partners

Recommended for trade channel selection

- **For smaller volume supplies**, Nepali exporters could work with an agent as they are well aware of local trade structures/practices and local consumer tastes. Some of them have links with fashion houses.
- **For higher value items with a low turnover rate**, selling direct to French jewellery retailers is an option. Gold and silversmiths, boutiques and galleries are the most interesting channels as they sell to consumers in a wide age bracket (20–60 years).
- **For any volume supplies** a wholesaler or importer is the most suitable partner. Considering the dominance of jewellers, a wholesaler/importer will have to compete through more specialisation and, therefore, welcomes new products.
- **For larger volume supplies direct to retailers**, Nepali exporters could consider chain stores, buying groups, franchised store operators or specialised online sellers in France.

See Section 7.8.3 for further information.

The following organisations may be worth looking at:

Trade Associations

There are several trade associations for jewellery and for giftware and some of their members could be interested in contact with exporters from Nepal:

- National Chamber for Jewellers
<http://www.boci.org>
- The French Watch, Jewellery and Silverware Centre
<http://www.cpdhbjo.org>
<http://www.fedehbko.com>
- The Gem Centre
<http://www.bjop-france.com>

Trade Press

- <http://www.fashion-dailynews.com>
- <http://www.le-bijoutier-horloger.com>
- <http://www.orionmagazine.fr>
- <http://www.fashionmag.com>
- <http://www.gem-fashion.com>
- <http://www.lebijoutier2.com>

Trade Shows

- Bijorhca Paris - International jewellery fair
www.bijorhca.com

Trade Press

- <http://www.fashion-dailynews.com>
- <http://www.le-bijoutier-horloger.com>
- <http://www.orionmagazine.fr>

Some wholesalers in France

- Fried Frères in Paris (<http://www.friedfreres.fr>) for fancy jewellery and glass beads.
- Mania Bijoux, located in Villeneuve le Comte, (<http://www.bijouxmania.fr>) for costume and silver jewellery.
- Balticambre, located in Paris, imports jewellery. They specialise in silver amber jewellery and costume jewellery. They offer jewellery with

Swarovski crystals (<http://www.balticambre.fr>).

- More wholesalers can be found via:
<http://www.emotionfrance.com/>
<http://zarkocollections.com/collections/>
<http://www.guide-bijoux.com/>

See Annex 6 for an example on the group work done to enter the French market.





5. Silver Jewellery in Hong Kong

Brief Overview

Population

7 million; 0.4% growth rate (2013)
 Chinese 81.6%, Filipino 1.9%, Indonesian 1.9%,
 Others (European, USA, Arab, etc.) 12%
 - 0-14 years: 11.3%
 - 15-24 years: 10.7%
 - 25-54 years: 48.4%
 - 55-64 years: 15.1%
 - 65 years and over: 14.4%

Economy

GDP: €40,794 per capita
 Unemployment rate: 3.3% (2013)
 Retail sales: €42 billion (2012)

Social

Women in labour force: 47.0%
 Marriage rate: 8.4 per 1,000
 Tourists to Nepal in 2012: 71,861 (China)

5.1 The Hong Kong Market

5.1.1 Jewellery retail sales

- **In 2013, the total jewellery retail sales** in Hong Kong was estimated to be worth €1,953 million, and accounted for 2.4% of global retail sales (compared to the US share of 33.2%).
- Hong Kong is recognised as a large precious jewellery producing country, mainly gold, particularly as gold symbolises wealth and happiness. Other jewellery is commonly made of platinum combined with diamonds, jade or precious stones. Precious jewellery is the largest category in the Hong Kong jewellery industry, and was valued at €1,778 million in 2013 and was 91% of total jewellery sales.

Table 21 Hong Kong: Jewellery retail sales, 2008–2013, value in € million / volume in million items

	VALUE					VOLUME				
	2008	2012	2013 ^e 2012/13		per capita*	2008	2012	2013 ^e 2012/13		per capita*
Total jewellery	1,282	1,861	1,953	+3.8%	€265	21.6	31.5	32.9	+4.4%	4.50*
Precious jewellery, of which: Silver jewellery	1,147	1,710	1,778	+4.0%	€244	9.6	14.3	15.1	+5.6%	2.04*
	267	341	386	+13.2%	€48	8.8	11.2	12.3	+9.8%	1.73*
Costume jewellery	135	151	175	+15.9%	€22	12.0	17.2	17.8	+3.4%	2.45*

e = estimate *per capita in 2013, i.e. 7 million, which excludes the number of tourists Source: Euromonitor, trade estimates (2013)

- There is much choice in gem-set jewellery, from classic to contemporary, for its multicultural population (7 million in 2013) and for the 49 million tourists (2012), of which 75% were from the Chinese mainland.
- In fact, Hong Kong residents buy jewellery for special celebrations, as an investment (e.g. 24 carat gold Chuk Kam), or as a fashion accessory, whereas the mainland tourists also buy jewellery to gift to others, as gift giving is deeply rooted in Chinese culture.
- Since 2008, the jewellery market grew substantially and was fuelled by the rising number of luxury-loving Chinese tourists who trusted jewellers in Hong Kong more than in other parts of the country. The domestic jewellery market is driven by a number of things: the rising number of rich Chinese businessmen; the fact there is more women in the workforce (47.0%), and the increased marriage rate, especially in 2012, the Year of the Dragon. This year was regarded as an auspicious year to marry or to have children. This stimulated the sale of wedding rings and children's necklaces, which represent a healthy and happy life for the child.
- In 2012, the rising precious metal prices and the global recession hit the Hong Kong economy, resulting in a slowdown in sales. Smaller jewellers in particular were struggling with less clientele, high rents and increased operational costs.

Silver jewellery sales

- **Silver is the third most popular metal** and silver jewellery took up 19% of the total jewellery sales and was valued at €386 million in 2013—a substantial growth of +13.7% over 2012. Silver has benefited from the emergence of a growing segment of price sensitive jewellery consumers.

By volume, silver jewellery took up 37% of sales (12.3 million units) in Hong Kong, which was less than other precious jewellery such as gold and diamond jewellery, as well as being less than costume jewellery.

- For young women, silver jewellery has become an affordable fashion accessory and has become part of their mix and match outfits. Influenced by the media and the Internet, they are attracted to branded designer jewellery from the USA and Europe.
- **The sales of costume jewellery (17.8 million units)** grew fast (see table 21). Hong Kong has been re-exporting large quantities of cheap disposable jewellery items. However, costume jewellery, with more sophisticated designs, has been responding well to the needs of young people for lower cost designer jewellery. So much so that costume jewellery has been 'graded-up' and young people no longer use 'disposable' jewellery items. New variations of costume jewellery have been introduced using stainless steel, titanium, pewter or other metals. They are often mass-produced and combined with trendy coloured stones, glass beads and charms.

5.1.2 Future potential

Expected jewellery sales in Hong Kong

- According to the World Bank, the Hong Kong population is expected to grow by an annual rate of 0.4% between 2013 and 2016, reaching 7.4 million people. The proportion of the population by age group will be similar to that in the 'Brief Overview' at the beginning of this section. In the future, the number of young people aged between 20 and 40 years, and of people aged 55 plus are expected to grow quickly.

Table 22 Hong Kong: Jewellery retail sales forecast, 2013–2016, value in € million / volume in million items

	VALUE					VOLUME				
	2008	2012	2013 ^e 2012/13		per capita*	2008	2012	2013 ^e 2012/13		per capita*
Total jewellery	1,953	2,039	2,108	2,161	+2.5%	32.9	33.7	34.6	36.7	+2.8%
Precious jewellery, of which: Silver jewellery	1,778	1,858	1,923	1,973	+2.6%	15.1	15.6	16.1	16.5	+2.2%
	386	408	429	448	+3.8%	12.3	12.6	13.3	13.5	+2.3%
Costume jewellery	175	181	185	188	+1.8%	17.8	18.1	18.5	20.2	+3.12%

Source: Euromonitor, trade estimates (2013)

- **According to the Nepal Tourism Board the number of Chinese visitors** rose from 35,166 to 71,861 between 2008 and 2012. The majority are Chinese visitors from the mainland. Around 74% were for 'holidays for pleasure' and 4% for 'trekking'. The fast rise in Chinese tourists will contribute to a growing awareness about Nepal.
- **The prospects for economic growth in Hong Kong are uncertain** and expansion in retailing and shopping centres is expected to slow down. Domestic retailers continue to suffer from the competition from fashion houses, which dominate the prime locations in Hong Kong and are rapidly expanding into the Chinese mainland, which is also a target market for Hong Kong companies.
- **Nevertheless, the total jewellery market will benefit from more Chinese tourists** because of the following future developments on the mainland:
 - *Higher taxes on foreign products* bought in China and high import duties will widen the price gap between foreign branded designer jewellery being bought in China or in Hong Kong.
 - *The Chinese government stimulates urbanisation.* In 2020, the urbanisation rate will be more than 60%, compared with 52.6% in 2012. Thus, Chinese people will be increasingly exposed to luxury.
 - *A growing middle class.* According to McKinsey & Company, the number of middle- and high-income households in China is expected to double between 2012 and 2030, from 181 to 366 million. This implies a fast growing middle class with more money to spend.
 - *Chinese consumers of luxury goods* are younger than western consumers. Young Chinese of Generations Y and Z look for more distinction and have an outspoken taste. In addition, if they cannot afford

to buy an item, their parents or grandparents usually will pay for it.

- **Silver jewellery retail sales are expected to grow steadily (+3.8%),** reaching €448 million in 2016 with volume increases at a slower rate. Silver grades are higher and finishing techniques will be improved. There will be more demand for original designs, statement jewellery, added value through ethical issues and craftsmanship, and new combinations with other precious jewellery.

5.2 Market Structure

The value chain of silver jewellery in Hong Kong is similar to the USA (see Section 1.3.1). Specific developments in manufacturing and in imports are briefly covered in this section.

5.2.1 Jewellery manufacturing

- **In 2012, the total jewellery industry in Hong Kong** consisted of 366 companies and 2,884 employees. According to the Hong Kong Trade Council, production was divided between precious jewellery and costume jewellery. Around 86% of exports from Hong Kong was precious jewellery, with bangles, rings, neckwear and pendants being the most important items produced.
- **The Hong Kong jewellery industry is basically a handicraft industry,** with a number of larger manufacturers that use sophisticated and automated production equipment. The industry has a good reputation and has much flexibility in handling small orders and making custom-made designs. Production of jewellery is highly specialised in gold, diamond and jade jewellery at different quality/price levels. Hong Kong manufacturers are skilled in production and (pavé) setting of small gemstones

in 14 or 18 carat gold in either yellow or white.

- **The technology in jewellery production is advanced**, enabling mass-production of quality items at competitive prices. New techniques such as electroforming are combined with handicraft skills. Items are designed with (CAD/CAM) systems and with computer numerically controlled (CNC) machine tools that are used in design and manufacturing processes. With these techniques they can work more efficiently, develop new materials for fashionable jewellery, and can work much more accurately. **More recently production of larger quantities has been outsourced** to Shenzhen and Panyu on the Chinese mainland, but with high value-added processes still done in Hong Kong.
- **Manufacturers are facing more competition** from the Chinese mainland, India and Thailand and profit margins have been under pressure in the past few years as the price of gold, diamonds and precious stones rose. In addition, western customers are more demanding by asking for better designs, shorter lead times, extended credits and exchange for unsold items.
- **Hong Kong is the second largest exporting country of costume jewellery.** However, the production of costume jewellery is small. The

greater part (93%) is re-exports from items made in the Chinese mainland.

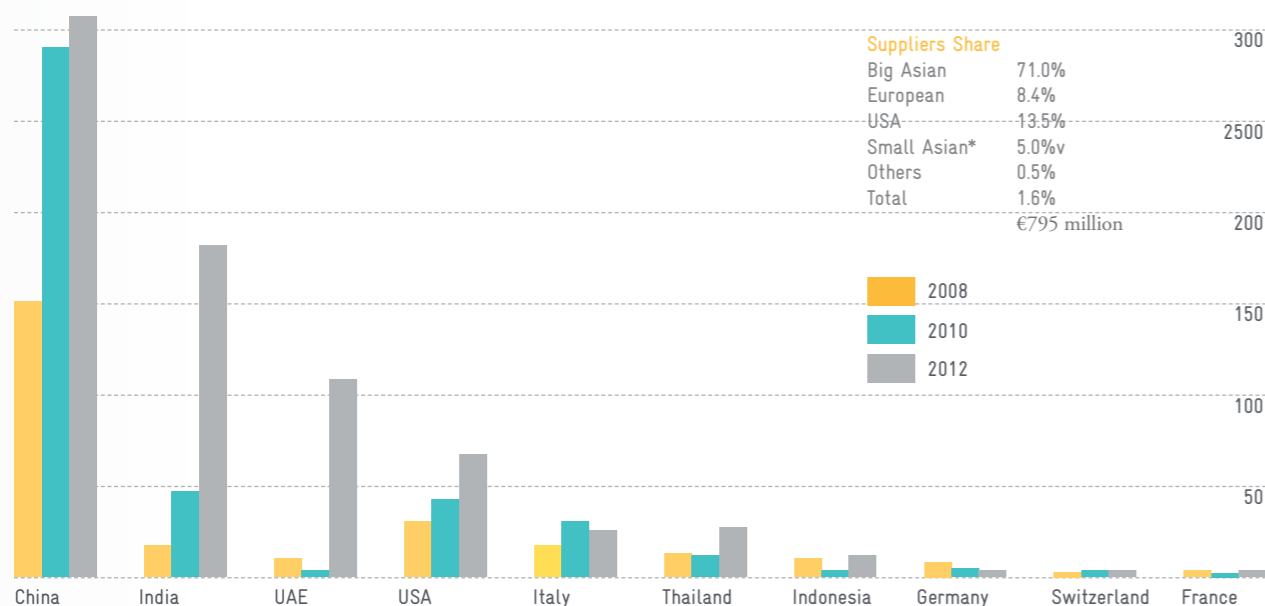
- Hong Kong is also a large trading centre for pearls.
- Some Hong Kong traders buy their silver in Dubai or in Europe (UK, Germany or Switzerland).
- **Silver jewellery exports** valued €654 million in 2012, of which 54% went to the USA, 28% to Europe, 5% to China, 2% to Canada, 2% to Australia and 9% to other destinations.

5.2.2 Imports of jewellery

In 2012, Hong Kong imported jewellery valued at €9,606 million (32,105 tons), being sub-divided into:

- **Precious jewellery:** €9,267 million (656 tons), of which:
 - Gold jewellery: €8,465 million (120 tons)
 - Silver jewellery: €795 million (531 tons)
 - Jewellery of base metal, plated with precious metal: €7 million (5 tons).
- **Costume jewellery:** €339 million (31,449 tons), of which:
 - Imitation jewellery: €303 million (15,823 tons)
 - Hair accessories €36 million (15,262 tons).

Figure 13 Hong Kong: Silver jewellery imports and main supplying countries value in € million, 2008–2012



* Small Asian countries which supplied less than €5.5 million Nepal: €0.2 million in 2010. See also Table 10 in Annex 2

Source: ITC Trademaps (2013)

- **Silver jewellery** represented 8.3% of the total value of jewellery imports, and 1.6% by volume. Hong Kong has become the second largest silver jewellery importer (after the USA) and accounted in 2012 for 14.5% of the world silver jewellery imports (€5,466 million). In fact, between 2008 and 2012, silver jewellery imports increased by almost three times from €279 to €795 million in value, although volume imports rose less spectacularly, from 363 to 531 tons. The major reason for the increases were the outsourcing of silver jewellery to manufacturers on the Chinese mainland and in India.
 - **The big Asian supplying countries** provided the largest share (71%) of silver jewellery imports in 2012, with rising imports from other Asian countries such as Thailand and Indonesia.
 - An enormous increase was seen in the supplies from the UAE, valued at €108 million (+222%). This can be largely attributed to the development of trade, with the UAE functioning as a diamond hub for the Arabic region, which also encouraged the trade of silver jewellery.
 - **The small Asian supplying countries** in 2012 supplied €4.0 million of silver jewellery and accounted for 0.5% of Hong Kong imports. Nepal had no registered supplies to Hong Kong.
- See tables 9 and 10 in Annex 2 for more detailed statistics, including volume supplies.**

5.3 Prices and Margins

Price developments

The development in gold and silver prices is covered in Section 1.4.1 and is shown in Section 7.8.2.

Based on the total Hong Kong retail sales by value and volume, the average price of a silver jewellery item rose marginally (€30.47) in the period under review, by a CAGR of 0.1%. The average price of total jewellery slightly fell by -0.2%. This can be attributed to new mixes of gold jewellery with lower priced metals.

Table 23 Hong Kong: Average jewellery prices per item (€)

	2008	2012
Total jewellery	59.35	59.09
Silver jewellery	30.34	30.47

Source: Trade estimates (2014)

Retail prices of silver jewellery vary considerably,

starting from €100 for, e.g. an exclusive item of plain sterling silver, while the most common/accessible price range for a sterling silver neck chain could range between €15 and €100. There are no fixed prices and consumers must negotiate to get the best value for money.

Margins

The margins for each distribution channel in Hong Kong are similar to the USA with a multiple of the CIF price versus consumer price between 2.7 and 3.6 (see table 4 of Section 1.4.2). However, prices are not fixed and need to be negotiated by each channel and by consumers. Due to the rising gold prices, silver jewellery offered attractive margins compared to items crafted from gold.

5.4 Access Requirements for the Hong Kong Market

Legislative requirements

In Hong Kong, the **use of cadmium** and lead is limited, particularly in children's jewellery. See Section 1.5 for further information.

Hallmarking

There is an Assay Office in Hong Kong, but hallmarking should not necessarily be done there. The purity of silver, however, must be registered and stamped, which can be also done by the local trade partner.

Because there are sellers or traders who cheat on the quality of the alloys (e.g. 922 instead of 925), it is important to have proof that the stamp on any Nepali exported silver items corresponds with its actual purity.

Tariff barriers

- Hong Kong is a tax-free trading port. There are no tariffs or non-tariff barriers for jewellery that is imported or exported to Hong Kong. There are also no sales tax or quantitative restrictions.
- For the exports of gems, no licences or permits are required. However, exporters and importers need to register the gems.



The danger of copying

- An important consideration when planning to enter the Hong Kong market is the risk of jewellery designs being copied by potential trade partners in Hong Kong or traders from the mainland.
- Tibetan jewellery is becoming more popular among young people. However, the image of this jewellery has been seriously affected by fake jewellery sold at extreme low prices in China or Hong Kong. The local authorities have difficulty in preventing such practices.
- Nepali exporters should try to be careful when talking with new partners and when sending samples, catalogues or other printed material of their collection.
- Nepali exporters should, first of all, find out the best way to registered products in Hong Kong. See Section 7.6.2 for information.

Exporting to China via Hong Kong

- The Closer Economic Partnership Agreement (CEPA) is a free trade agreement with certain rules of origin and bureaucracy for goods and services between Hong Kong and China.
- When planning to export jewellery to China, the moulding of the precious metal must be done in Hong Kong. If possible, the assembly should be done in Hong Kong as well.
- In the case of non-compliance with the rules of origin on products, it is regarded as re-export, which is subject to a 35% tariff on entry into China.

Voluntary requirements

Voluntary requirements are important in Hong Kong, and buyers expect jewellery to be free from nickel. Other voluntary requirements are similar to the USA (see Section 1.5.2).

5.5 Consumer Preferences

The main consumer segments, market niches, market trends and product trends are covered in detail in Section 1.6. Specific trends for Hong Kong consumers are covered below. The majority of tourists who purchase silver jewellery are Chinese who like much glitter and glamour in jewellery items.

Main market trends

Ethnic fashion is growing in Hong Kong with Tibetan and Indian jewellery being popular among young people. Ethical jewellery is usually made of silver and combined with stones, crystals, zirconium, glass beads or leather and is worn with jeans or other casual wear. However, the image of ethical jewellery, including Nepali designs, has been seriously affected by fake jewellery from China and sold at extreme low prices.

Customised jewellery is becoming popular. As a reaction to mass produced items, Hong Kong consumers have become more interested in made-to-order jewellery expressing more exclusivity and individuality. Established jewellers such as Chow Tai Fook and Luk Fook have introduced customised wedding rings.

Chinese tourists pay premium prices for luxury brands. With increasing exposure Chinese tourists have started to develop a good knowledge of luxury brands. Many consumers prefer to purchase well-known luxury brands, and are willing to pay a premium for them in order to 'show off'. Luxury brands are much cheaper in Hong Kong than in China where jewellery products from international brands are subject to 30% tax.

The big jewellery brands include Cartier, Bvlgari, Piaget and Van Cleef & Arpels as well as the fashion brands Gucci, Louis Vuitton and Chanel. Mont Blanc, Tiffany, Georg Jensen and Folli Follie are popular brands among younger consumers. Jewellery with licensed characters, for example, Mickey Mouse from Disney, Bugs Bunny, Tweety and Sylvester from Warner Bros, Harry Potter and Hello Kitty have enjoyed great success.

Local brands are still preferred by Hong Kong consumers. Hong Kong jewellers regard the quality of precious metals as very important. This complies with the local consumer's need for a high investment value. Local brands are more popular among Hong Kong consumers as they can provide items with higher purities of gold (up to 24 carat), as well as platinum, larger diamonds and gemstones. Their design is rather contemporary so that the jewellery items do not lose resale value. On the other hand, international brands focus much more on design and also use quality metals; however, their items are much more expensive.

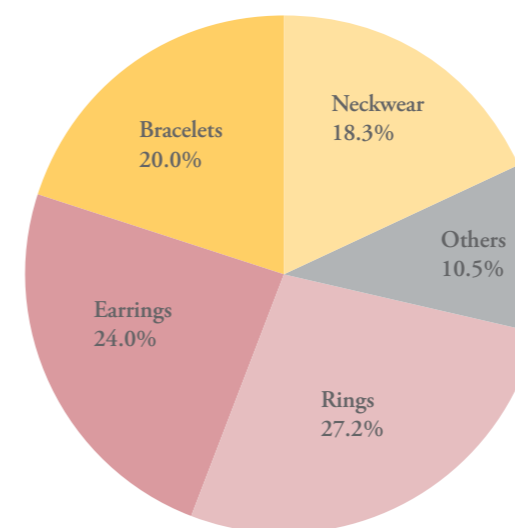
Wealthy consumers are becoming more judicious and want to know more about the history and culture of the jewellery items. Showing off a logo is

becoming less important, rather they now look for uniquely designed items that reflect their individual taste and style.

Customised jewellery is becoming popular. As a reaction to mass-produced items, Hong Kong consumers have become more interested in made-to-order jewellery expressing more exclusivity and individuality. Established jewellers such as Chow Tai Fook and Luk Fook have introduced customised wedding rings.

Seniors have more interest in stones: Elderly people usually buy precious jewellery for its intrinsic value and its sentiment. Gold rings, gold bracelets, gold earrings, gold necklaces and jade jewellery are the most common items. Recently, they have become more interested in jewellery with stones such as rubies

Figure 14 Hong Kong: Breakdown of silver jewellery by type as percent of retail styles in 2012



Source: Ecostat (2014)

and sapphires. White jade is sometimes worn by men on the waist reflecting a retro-chic style.

Main product trends

Rings are the leading product type within precious jewellery, with an estimated value in 2013 of €582 million; 27.2% of Hong Kong's precious jewellery retail sales of €1,778 million. This includes rings of gold, platinum, silver and other precious metals.

Earrings are the second popular type of product and represented an estimated value of €426 million (24.0%) in 2013. **Bracelets** represented 20.0% (€355 million) with friendship, collectible charm bracelets and wrapped-up bracelets becoming popular. The share of **neckwear** was 18.3% (€325 million).

Seasonal fashion trends for 2015—see Annex 3 and the site of CIJ Jewellery International to view the E-magazine with trends for 2014, and 'Latest Trends & Colours'—with jewellery items inspired by the Year of the Horse - <http://www.cijintl.com/Magazine-5627-Colour%20Trends.html>

Opportunities

- There are good opportunities for original handmade jewellery for women from Generation X, Generation Y and the Baby Boomers, with precious stones, i.e. sapphires, turquoise, coral, etc. Adding specific characteristics from Nepali culture will make it more difficult to imitate or reproduce in large quantities.
- Jewellery that has an interesting story will appeal to the wealthy consumers in Hong Kong and to the rising number of affluent Chinese tourists.
- Jewellery with influences from the Chinese Zodiac Animal Signs, e.g. the horse in 2014 or the green wood sheep in 2015, etc. provide opportunities.
- Many opportunities covered in Section 1.6.4 also apply to the Hong Kong market.



5.6 Distribution Channels and Main Players

Hong Kong has the most jewellery outlets per square kilometre in the world. In 2012, there were 366 jewellery outlets with 2,800 employees. According to the Hong Kong Trade Development Council (HKTDC), shopping mall jewellers and the department stores are the most important outlets and those mostly visited by tourists. Independent jewellers are very large in number, and chains stores are gaining ground. Local-made jewellery is sold direct to consumers, or via a network of wholesalers.

Chain stores

The local chain stores have a long history and market recognition. In the past, they mainly sold 24 carat gold jewellery that was produced locally. Now they have expanded their product offer, outsource their production in China, and operate their own jewellery chains mainly in the shopping malls in Hong Kong Central, Causeway Bay, Mongkok (Nathan Road) and Tsuen Wan Jordan. Chow Tai Fook (84 outlets), Chow Sang (57 outlets) and Luk Fook (38 stores) are the most important chains. Recently competition has intensified and to meet it, these chains have large promotion campaigns on TV, billboards in the metro, brochures, etc.

All luxury retailers in Hong Kong invest in digital marketing to increase their brand image. Social media has become more common among younger consumers who are quite technology savvy and who tend to interact more with brand importers or fashion houses.

Independent shops

Hong Kong has hundreds of independent shops/stores that are concentrated in Mongkok, Tsuen Wan, Kwun Tong, North Point, etc. Most of them offer a

wide range of quality items at low to medium prices. High quality jewellery shops are grouped around hotels or in shopping centres in Central, Tsim sha Tsui and Causeway Bay. Some of these stores are in high-end jewellers. They have a high reputation and maintain good relations with their customers. The services offered include free checking, cleaning and repairing any defects. In order to deal with the effects of the recession and to reduce costs, smaller jewellers joined forces in a Jewellery Alliance. This enables them, through clear positioning, to compete with the large jewellery retailers.

Silver jewellery collections from Nepal are most likely to be sold at specialist retailers.

Department stores

There are more than 15 large stores in Hong Kong which include Lane Crawford (high-end) and Sogo (medium to high).

Mono-brand shops

Almost all international brands have a presence in Hong Kong through their own mono-brand stores or by franchise. They have their offices in Hong Kong to control sales and marketing activities, and most brand stores are located in hotels and in the Causeway Bay and Tsim Sha Tsui shopping malls.

Costume jewellery is mainly sold at clothing retailers (30%), department stores and leather goods shops (20%), while 50% is mainly sold in independent jewellery shops.

Online sales

Online sales continue to grow with more jewellers online, including companies from the Chinese mainland (e.g. www.zbird.com) who aim to sell in Hong Kong. As they benefited from low overhead costs compared to shops on the high street, they can offer lower prices. The chain stores Chow Tai Fook and Chow Sang Sang are trading through Tmall, an online shopping website. Chow Tai Fook is also beginning to develop its own B2C website.

Social media

All luxury retailers in Hong Kong invest in digital marketing to increase their brand image. Social media has become more common among younger consumers who are quite technology savvy and who tend to interact more with brand importers or fashion houses.

An overview of the distribution structure can be found in Section 1.7.1.

Which channel and finding partners

Recommended for Nepali manufacturers' trade channel selection

- For smaller volume supplies, Nepali exporters could work with small local wholesalers or small retailers.
- For higher value items with a low turnover rate, Nepali exporters could sell direct to independent jewellers.

See Section 7.8.3 for further information.

The following organisations may be worth looking at:

Trade Associations

- Hong Kong Jewellery Manufacturers' Association <http://www.jewelry.org.hk>
- Hong Kong Jewellery & Jade Manufacturers' Association <http://www.jewellery-hk.org>
- The Hong Kong Jade & Stone Manufacturers' Association <http://www.jewelrynet.com/hkjsa/>
- Hong Kong Jewellers' & Goldsmiths' Association Limited
13/E, Hong Kong Jewellery Building, 178-180 Queen's Road Central, Hong Kong
Tel: 2543 9633, Fax: 2850 7361
- The Chinese Gold & Silver Exchange Society <http://www.cgse.com.hk>
- Gemmological Association of Hong Kong Ltd - email: gahk_ltd@hotmail.com

Trade Shows

- Hong Kong International Jewellery Show (March) <http://www.hkjewellery.com>
- Hong Kong Jewellery and Gem Fair (June/September) <http://www.asiafja.com/en/Fairs.html>
- Asia's Fashion Jewellery and Accessories Fair (March, June, September) <http://exhibitions.asiafja.com/3fj/>

Trade Press

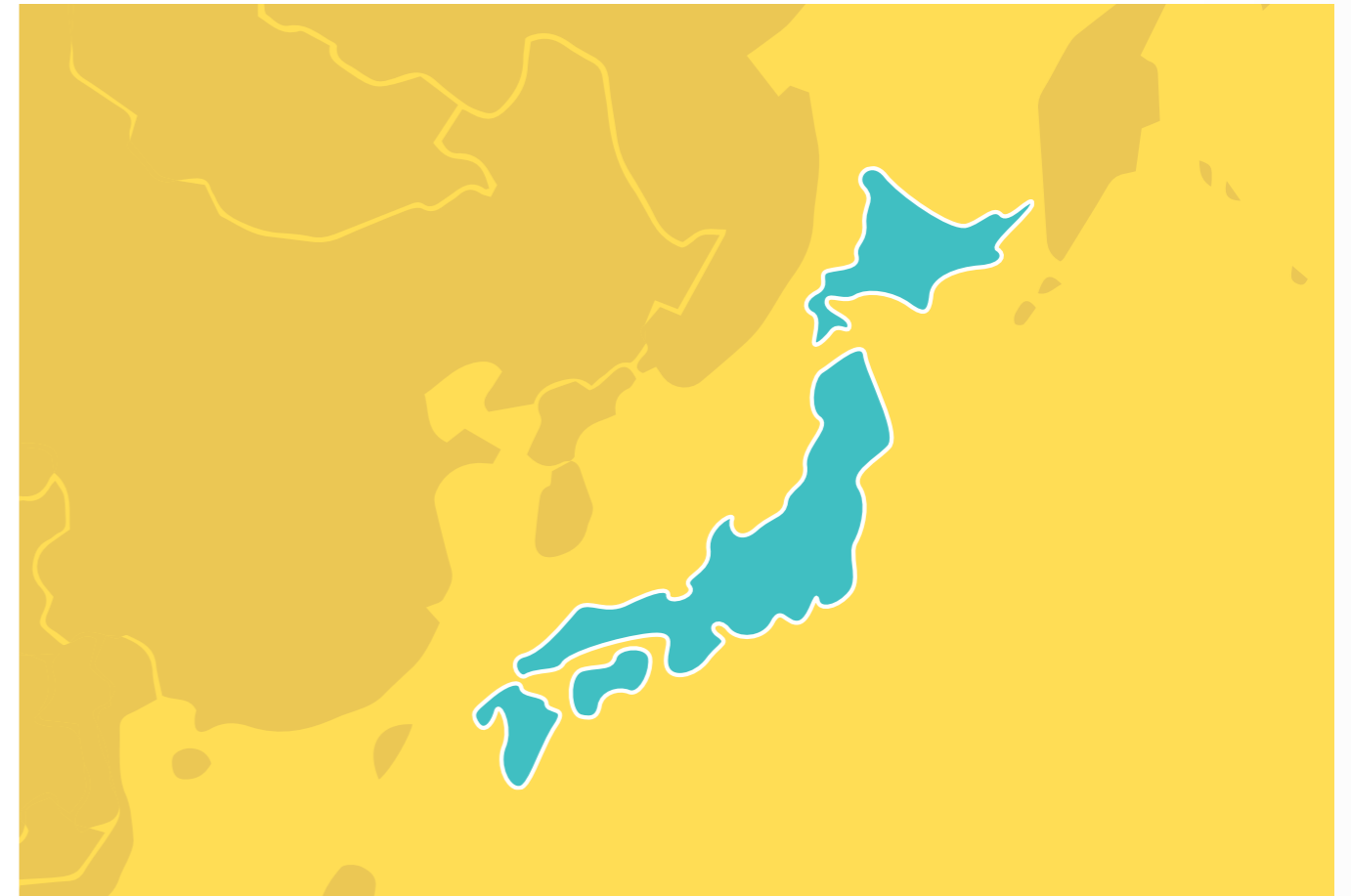
- Jewellery News Asia–Diamond News Asia <http://www.jewellerynetasia.com/en/Publications.html>
- Hong Kong Jewellery <http://www.jewellery-hk.org/hkjm.php>
- Jewellery Review <http://www.brilliant-art.com.hk/>

Other useful addresses

- Hong Kong Trade Development Council (HKTDC) - <http://www.hktcdc.com/>
- Hong Kong Convention and Exhibition Centre <http://www.hkcec.com>
- Hong Kong General Chamber of Commerce <http://www.chamber.org.hk>

See Annex 6 for an example on the group work done to enter the Hong Kong market.





6. Silver Jewellery in Japan

Brief Overview

Population

127 million; - 0.1% growth rate (2013)
Japanese 98.5%, Koreans 0.5%, other 1%
- 0-14 years: 13.4%
- 15-24 years: 9.7%
- 25-54 years: 38.3%
- 55-64 years: 13.8%
- 65 years and over: 24.8%

Economy

GDP: €28,782 per capita
Unemployment rate: 4.6% (2013)
Retail sales: €474 billion (2012)

Social

Women in labour force: 42.1%
Marriage rate: 5.8 per 1,000
Tourists to Nepal in 2012: 28,642

6.1 The Japanese Market

6.1.1 Jewellery retail sales

- **In 2013, the total jewellery retail sales** in Japan were estimated to be worth €6,872 million, based on retail sales. Japan is the second largest world market and represented 8.6% of global jewellery retail sales (compared to a US share of 32.2% and Germany 4.9%).
- **The jewellery market in Japan is very competitive**, particularly as Japanese people regard appearance as quite important, are highly interested in fashion, and expect regular changes in collections. Japanese people generally are brand focused, and brands are intensively promoted. However, the geographic environment with regular,

Table 24 Japan: Jewellery retail sales, 2008–2013, value in € million / volume in million items

	VALUE					VOLUME				
	2008	2012	2013 ^e	2012/13	per capita*	2008	2012	2013 ^e	2012/13	per capita*
Total jewellery	7,897	6,723	6,872	+2.2%	€54	121.2	108.7	114.2	+5.0%	0.90
Precious jewellery, of which: Silver jewellery	7,394	6,197	6,334	+2.2%	€50	62.1	54.8	57.0	+4.0%	0.45
	1,336	1,274	1,293	+2.1%	€10	38.6	31.0	32.5	+4.8%	0.26
Costume jewellery	503	526	538	+2.1%	€4	59.1	53.9	57.2	+6.1%	0.45

e = estimate *per capita in 2013 Source: Euromonitor, Bain & Co, Trade estimates (2013)

often large, earthquakes does not provide a sense of security and this has an impact on consumer behaviour, with Japanese people taking buying decisions fast, looking for instant gratification.

- **The Japanese are less diverse in outfits/styles than Europeans or Americans** and their choice in style/outfit is often influenced by celebrities, friends, fashion blogs, etc. However, once people have chosen a specific outfit/style, they look for the right jewellery items to complement it. Fine detail and finishing are important in order to perfectly match this style.
- **Japanese consumers spent €54 per capita on all jewellery per year**, with around €10 on silver jewellery, which is lower than in the USA (€17), Germany (€11) and France (€12).
- The precious jewellery share took up a large part of the Japanese market and was 91% (€6,334 million) during the period under review. Gold and platinum are the most popular metals in Japan.
- **Japan suffered from an ongoing recession** that followed the booming economy of the 1990s. Despite a short revival period between 2005 and 2007, the country was affected again by the global recession and, more dramatically, by the Great East Japanese Earthquake and Tsunami in 2011. **However, market growth has picked up since 2012**, with a rise (+2.2%) in precious metal jewellery, which can be primarily explained by a rising number of marriages. After the disaster many people realised the importance of the special people in their lives and decided to marry. This meant an increase in the number of rings, most of which were of platinum.
- For other jewellery items, consumers postponed jewellery purchases or traded down to lower grades of gold or to silver or palladium.

- **Silver jewellery still accounted for 19% of the total jewellery sales** in 2013, with silver jewellery sales in Japan valued at €1,293 million, a growth of +2.1% since 2012. By volume, silver jewellery took up 28% of sales (32.5 million units) of the market in the same year, being lower than costume jewellery (57.2 million units).

6.1.2 Future potential

Expected jewellery sales in Japan

- According to the World Bank, the Japanese population is ageing and is expected to decline to 125.7 million by 2016. The proportions by age groups will be similar to those in the 'Brief Overview' at the beginning of this section. In the future, the age groups between 40 and 50 years and 65 plus are expected to grow faster than the other age groups. Life expectancy is long, and some of the oldest people in the world live in Japan.
- **According to the Nepal Tourism Board, the number of Japanese visitors** rose from 23,383 to 28,642 between 2008 and 2012. Around 69% were for 'holidays for pleasure' and 13% for 'trekking'. Even if this is a fraction of the Japanese population (127 million), this contributes to a growing awareness among Japanese people about Nepal.
- **The prospects for economic growth are better although insecurity remains.** Nevertheless, the total jewellery market in Japan is expected to grow by an average rate (CAGR) of +2.1% per year, reaching a value of €7,462 million in 2016 (See table 25).
- **Japanese people are expected to invest again in precious jewellery** as pieces that can be passed on to future generations are seen as an investment.

Table 25 Japan: Jewellery retail sales forecast, 2013–2016, value in € million / volume in million items

	VALUE					VOLUME				
	2008	2012	2013 ^e	2012/13	per capita*	2008	2012	2013 ^e	2012/13	per capita*
Total jewellery	6,872	7,043	7,242	7,462	+2.1%	114.2	116.1	118.3	119.1	+1.1%
Precious jewellery, of which: Silver jewellery	6,334	6,492	6,674	6,875	+2.0%	57.0	58.6	58.9	59.1	+0.9%
	1,293	1,321	1,363	1,403	+2.1%	32.5	33.8	33.9	34.5	+1.5%
Costume jewellery	538	551	568	587	+2.2%	57.2	57.5	59.4	60.0	+1.2%

* Compound Annual Growth Rate Source: Euromonitor, trade estimates (2013)

- **Jewellery sales remains strongly linked to seasonal celebrations** such as Christmas, Valentine's Day, White Day (March 14), Hanami (cherry blossom celebrations in the spring) and graduations.
- **Silver jewellery retail sales in Japan are expected to grow steadily** (+2.1%), reaching €1,403 million in 2016, remaining a larger market than costume jewellery. However, the growing trend towards fashion jewellery using a variety of metals with other materials will blur the distinction between silver and costume jewellery.

Kong, 33% to Taiwan, 7% to Korea, 6% to the USA and 19% to other destinations.

6.2.2 Imports of jewellery

In 2012, Japan imported jewellery valued at €1,636 million (4,907 tons), being sub-divided into:

- **Precious jewellery:** €1,341 million (155 tons), of which:
 - Gold jewellery: €1,173 million (26 tons)
 - Silver jewellery: €166 million (128 tons)
 - Jewellery of base metal, plated with precious metal: €2 million (1 ton).
- **Costume jewellery:** €295 million (4,752 tons), of which:
 - Imitation jewellery: €233 million (2,325 tons)
 - Hair accessories €62 million (2,427 tons)
- **Silver jewellery** represented 10.1% of the total value of Japanese jewellery imports, and 2.6% by volume, which can be mainly attributed to the high volume share of hair accessories within the costume jewellery group.
- Japan is a sizeable silver jewellery importer and in 2012 accounted for 3.7% of the world silver jewellery imports (€5,466 million). Between 2008 and 2012, Japanese silver jewellery imports rose by an average annual rate (CAGR) of 7%, from €159 to €166 million. Volume remained at 128 tons between 2008 and 2012, with a dip in 2010 to 114 tonnes.
- **The USA was the largest supplying country to Japan** and accounted for 36% (€59 million) of Japanese silver jewellery imports in 2012, followed by Thailand (21%, €32 million). Italy (13%,

6.2 Market Structure

6.2.1 Jewellery manufacturing

- **The Japanese jewellery industry generated a sales turnover** of approximately €1,500 million on precious jewellery and €200 million on costume jewellery in 2011.
- The industry had difficulty in keeping the price of jewellery low as, until 2013, metal prices continued to rise. Japanese jewellery manufacturers rely on imports for almost all precious metals and stones. However, Japan remains an important manufacturer of cultured pearls. Japanese manufacturers are also increasingly targeting international markets.
- **Some companies started to focus on younger consumers** by offering items in lower carats of gold (10 or 14 carat), e.g. Kuwayama or Hosaka Jewellery. Other companies outsourced their production in low cost Asian countries in order to face the growing price competition during the recession and growing imports of jewellery from Thailand, Vietnam and India.
- **Silver jewellery exports from Japan** were valued at €6 million in 2012, of which 35% went to Hong

€21 million) remains an important supplying country, as does Spain, while Japanese imports from other European countries have dropped, partly due to a weak yen and more imports from other Asian countries.

- **Up-and-coming Asian countries**, during the review period, were Vietnam (€6 million, +31%), India (€4 million, +7%) and Hong Kong (€4, +7%). On the other hand, supplies by China, The Philippines and Korea decreased (see figure 3).
- **The small Asian supplying countries** supplied €0.8 million of silver jewellery in 2012 and accounted for 0.5% of Japanese imports. Nepal supplied one-third of this (36%), being €0.29 million. Between 2008 and 2012, imports from Nepal rose by +4% from €0.21 million in 2008.
- **The average price of silver jewellery** from Nepal to the Japanese market increased between 2008 and 2012 from €0.25 to 0.29 per tonne, which can be partly attributed to increased silver prices.
- Nepal was ranked 17th in Japanese silver jewellery imports. Supplies by Sri Lanka were valued at €0.20 million in 2012 and decreased by -9%, as did those from Taiwan (€0.1 million, -5%).

See tables 11 and 12 in Annex 2 for more detailed statistics, including volume supplies.

6.3 Prices and Margins

6.3.1 Price development

The development in gold and silver prices is covered in Section 1.4.1 and is shown in Section 7.8.2.

Based on the total Japanese retail sales in value and volume, the average price (€41.09) of a silver jewellery item rose in the period under review by a CAGR of 4.3%. This was in contrast with the 1.3% decrease of the average price of total jewellery. The falling prices of all jewellery can be partly attributed to higher volumes of costume jewellery imported from lower cost countries.

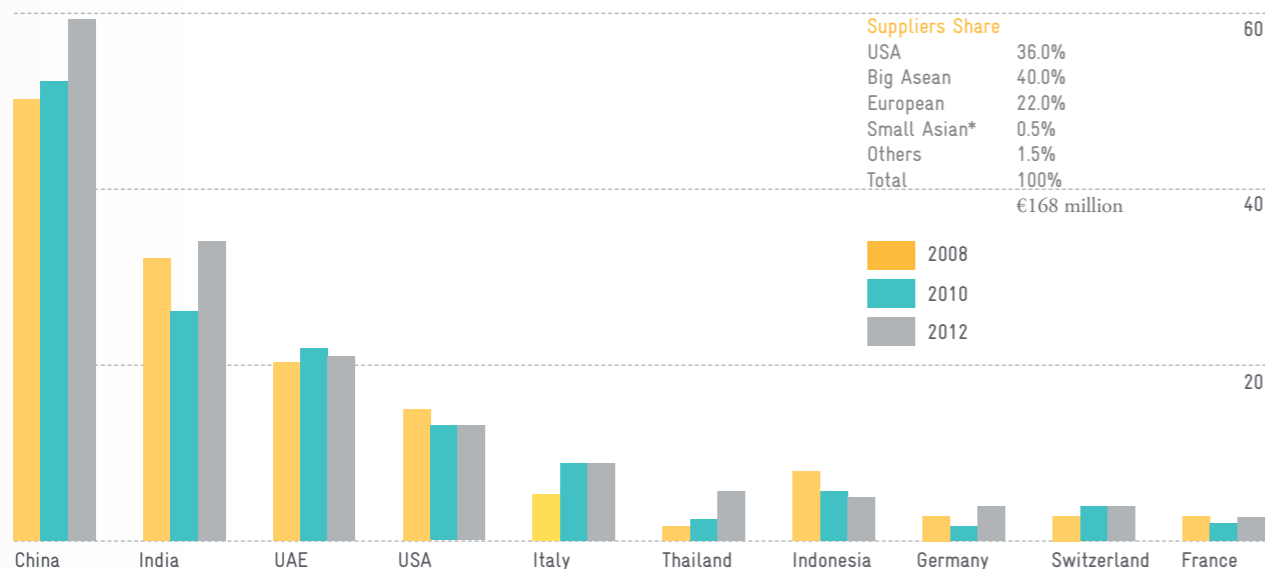
Table 26 Japan: Average jewellery prices per item (€)

	2008	2012
Total jewellery	65.16	61.85
Silver jewellery	34.61	41.09

Source: Trade estimates (2014)

Retail prices of silver jewellery vary considerably and could start from €200 for, e.g. an exclusive item of plain sterling silver, while the most common/accessible price range for a sterling silver neck chain would range between €25 and €200.

Figure 15 Japan: Silver jewellery imports and main supplying countries value in € million, 2008–2012



* Small Asian countries which supplied less than €0.8 million
Nepal: €0.29 million (0.2%) in 2012. See also Table 12 in Annex 2

Source: ITC Trademaps (2013)

Value for money

Consumers still want more visible signs of the value of jewellery pieces and are very keen on the quality, details and finishing. They want to feel that they are getting value for their money. A growing number of single working women are more critical about the design, material content and craftsmanship. Nepali exporters able to offer a collection of original designs, using original materials, or clever combinations of silver and other material and can offer a personal touch, will have a better chance for success in these markets.

Margins

The margins for each distribution channel in Japan are similar to the USA with a multiple of the CIF price versus consumer price between 2.7 and 4.0, depending on the distribution structure. Using the multi-layered conventional structure, the retail price will be high as there are many intermediaries. An insight into the price structure, from cost price and f.o.b. price to consumer price (CIF), with the most common margins, is given in table 4 of Section 1.4.2.

6.4 Access Requirements for the Japanese Market

6.4.1 Legislative requirements

There are no particular legal restrictions on the imports of jewellery and accessories. However, the following jewellery items may be restricted or prohibited:

- Items that use certain species of wild fauna and flora (such as ivory or coral) that fall under the terms of the Washington Convention (Convention on International Trade in Endangered Species of Wild Fauna and Flora, CITES);
- Counterfeit coins, and
- Products that infringe upon trademarks or design rights.

The use of lead in jewellery is subject to the Food Sanitation Law. Its use in children's jewellery must be mentioned in a safety warning. In 2006, Japan's Ministry of International Trade and Industry (METI) and the Ministry of Health, Labour and Welfare (MHLW) distributed a warning notice to manufacturers, distributors and retailers through various trade associations, notifying them of the possible risks to young children of poisoning should

lead in jewellery products be swallowed. An outline of the March 31, 2008 revision of the Preschool Children Toy Regulations based on the Food Sanitation Law of Japan can be found in English at: <http://www.mhlw.go.jp/english/>

Other industry warnings: The Japan Jewellery Association (JJA) distributed industry warnings for:

- Radioactive Morganite: <http://www.gia.edu/gg-general-search?q=morganite>
- Lead Glass Filled Rubies: <http://www.gia.edu/gg-generalsearch?q=lead+glass+filled+rubies>

Labelling

Since April 1, 2012, accurate labelling is required and pure gold, platinum and silver must be labelled 999 and Pt1000 (for platinum 1000).

Hallmark by the Japan Mint

The Japan Mint conducts quality tests under the precious metal product grading verification system upon requests for metal product manufacturers and distributors. A certification code, referred to as 'Hallmark', is stamped on products that pass the test, indicating the purity level of its metal. Although this is voluntary, hallmarking of jewellery in Japan has become a standard practice.

See <http://www.mint.go.jp/category/eng>.

Voluntary requirements

Voluntary requirements are important in Japan, and buyers expect jewellery to be free from nickel, cadmium or lead. Other voluntary requirements are similar to the USA (see Section 1.5.2).

Warning displays by the Japan Jewellery Association

In Japan, the Product Liability (PL) Act has been enacted in order to stipulate liability for compensation from manufacturers, etc. in the case of damage to human life, body or properties caused by defects in manufactured goods. Importers shall be liable for compensating damage caused by imported products. In the jewellery industry, potential risks include skin allergies caused by metallic accessories. Thus, importers need to take careful measures in preparing instruction manuals and warning indications. The JJA has prepared 'warning cards' to draw attention to allergies as a counter measure for the PL Act.

Example of a warning

Depending on your health condition, you may experience itchiness or rashes. If you find any skin abnormality, please stop using the product and contact a medical specialist.

- Please take off your jewellery when engaging in physical labour, active sports, or when sleeping. Take particular care with infants as the contents of this product may cause harm to the human body.
- Please do not wear jewellery such as earrings in places with a high temperature such as a sauna, or at extremely low temperatures such as at a ski resort, since it may cause a burn injury or frostbite.

Quality marking system

This system guarantees the quality, such as content of precious metal, of jewellery and handicrafts made of precious metals (gold, platinum and silver). Under this system, items must be stamped with the registered trademark of the JJA and a labeller identification mark.

Voluntary standards on appraisals

The Association of Gemmological Laboratories Japan (AGL) and the JJA have established 'Rules for definition and naming method for gemstones and materials used for fashion accessories'. According to written statements based on an appraisal by a gemmologist regarding the mineral name, material and gemstone, a 'disclosure comment' with regard to qualities other than cutting or polishing can be detailed out to consumers in a 'letter of guarantee'. However, to obtain this statement you must be a member of the JJA.

More information can be found through this association or at the Association of Gemmological Laboratories Japan at <http://www.agl.jp>

Ethical guidelines

Ethical and environmental issues in jewellery have gained importance in Japan. The Japan Jewellery Association has ethical guidelines regarding transactions in the industry. (See Section 1.5.2.)

Tariffs and duties

Nepal enjoys preferential tariffs under the GSP Scheme of Japan, which means that the import duty is zero. Japanese trade partners, whether importer or agent, should submit a certificate of preferential country of origin issued by the customs or other issuing agency in the exporting country (not required if the total taxable value of the article is less than

¥200,000). For more details, you can contact the Customs and Tariff Bureau, Ministry of Finance at <http://www.customs.go.jp/english/index.htm>

6.5 Consumer Preferences

The main consumer segments, market niches, market trends and product trends are covered in detail in Section 1.6. Specific trends for Japanese consumers, who generally like much glitter and glamour in jewellery items, are covered below.

Main market trends

- **Japanese women are gradually becoming more emancipated.** Traditionally women worked in an office until their 30s, and after marriage they stayed at home. Now new agencies have been established where married and single women can continue to work independently or on a part-time basis. This implies more affluence among Japanese women (Generations X and Y) with a higher disposable income to spend on their looks, including jewellery, as to reward themselves for working hard.
- **Exclusive designer jewellery is gaining importance,** as women are attracted to luxury brands from the big international fashion houses. However, recently several of these brands have moved towards affordable luxury brands and lost their exclusivity and credibility. Therefore, a growing number of single women increasingly look for exclusive designer jewellery corresponding better to their personality. For them the artistry, creativity and the origin of an item have become more important than the brand name.
- **Younger people are also more attracted to unique fashion jewellery** with a distinctive design. The overall look is more important as long as jewellery items are affordable in price.
- **Interest in non-sterling silver items,** i.e. in more upmarket fashion jewellery, crystals, semi-precious gemstones, zirconium and non-sterling silver are preferred. In cheaper fashion jewellery, titanium, metal, brass, rhinestones, glass or artificial beads are more common.
- **Men's jewellery is becoming more popular,** according to the US Commercial Service, the estimated size of the men's jewellery market in Japan in 2012 was 400 million yen (about €3.8 million), up 4.2% from 2011. Middle-aged men, 40–50 years old, called 'Choiwaru Oyaji', became more trendy in 2005, when they moved from casual wear

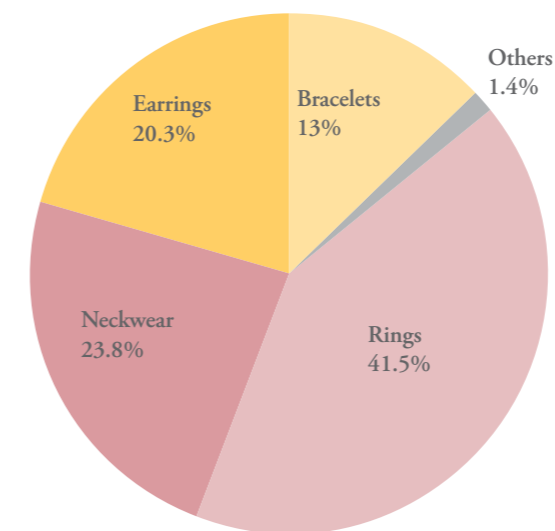
to more cool, fashionable wear, which included silver jewellery (neckwear, bracelets, cuff links, etc.) in unique designs.

- **Growing concern about sustainability,** particularly as nature is an important issue to many Japanese people. There is a growing concern about how jewellery items are made and their impact on the environment. Middle-aged and older people especially feel a sense of responsibility to society and are willing to pay more for sustainable products from companies whose environmental claims are believable.

Main product trends

Rings are the leading product type within the

Figure 16 Japan: Breakdown of silver jewellery by type as percent of retail styles in 2012



- includes gold, silver, and other precious metals

Source: Ecostat (2014)

precious jewellery market, with an estimated value in 2013 of €2,629 million, i.e. 41.5% of Japanese precious jewellery retail sales of €6,334 million. This includes rings of platinum, gold, silver and palladium.

Neckwear was the second most popular type of product and represented an estimated value of €1,507 million (23.8%) in 2013. **Earrings** represented 20.3% (€1,285 million). The share of bracelets at 13.0% (€823 million) increased because of the growing popularity of friendship, lucky charm bracelets and multi-chains.

Seasonal fashion trends for 2015—see Annex 3.

Opportunities

- With similarities between the Japanese and Nepali cultures, symbolic jewellery featuring religion (Buddhism) or nature (mountains, hot springs), adventure (trekking), etc. is an area of opportunity.
- Lucky charms with natural/romantic motifs (flowers, leaves, butterflies, hearts, etc.) could be bracelets, pendants, neckwear, earrings, and charms, including on handbags or on mobile phones.
- Charms or bracelets appealing to a sense of love and peace to emphasise the strong relationship between family members, partners and friends, especially since the tsunami. This includes unisex jewellery.
- Pink is a favourite colour among young women, as are soft pastel colours.
- Limited series items, which gives an 'exclusivity' to the item and therefore boosts its exclusivity.
- Many opportunities covered in Section 1.6.4 also apply to the Japanese market.
- Please note that most Japanese regard detail and finishing as very important.

6.6 Distribution Channels and Main Players

Jewellery distribution channels in Japan are highly segmented and differentiated by the type of product, such as finished jewellery products or raw materials (cut or uncut stones, or base metals), and by price category. The distribution system is multi-layered, with importers, distributors (primary and secondary) and regional wholesalers.

An idea can be obtained from the overview of the distribution structure in Section 1.7.1.

Most jewellery in Japan is sold through three types of retailers:

1. **Department stores** accounted for 50.8% of jewellery sales in 2013 and have dominated the market as they offer a large variety of products, organise special events, are open on Sundays and can be found on the high street (e.g. Daimaru, Isetan, Mitsukoshi, Takashimaya), near railway stations (e.g. Hankyu, Seibu), in suburbs (Sogo) and in rural areas—also see the end of this section

Table 27 Retail distribution share (by value) in Japan in 2008–2013

Outlet type	2008	2010	2013
Specialists distribution (retailers and small wholesalers)	35.4%	35.4%	35.2%
Non-specialist retailers	57.6%	57.4%	57.4%
Department stores	51.5%	51.0%	50.8%
Mass merchandisers	0.1%	0.2%	0.2%
Clothing stores	3.0%	3.2%	3.3%
Variety stores	1.4%	1.6%	1.7%
Direct selling	1.6%	1.4%	1.4%
Home direct	7.0%	7.2%	7.4%
Home shopping	4.1%	4.1%	4.1%
Online sellers	2.9%	3.1%	3.3%

Source: Euromonitor, Trade estimates (2013)

under ‘other sources’. Most department stores operate in the transport, travel, restaurant and business service sectors.

As department stores are visited by a large number of people, they are the first place to test new products from other countries, with some department stores such as Isetan being more focused on fashion. An overview of Japanese department stores can be found at http://en.wikipedia.org/wiki/Department_stores_in_Japan.

The development of new shopping malls (‘Ekinaka’) attached to major transit train/subway stations in metropolitan areas such as Tokyo’s Shibuya, and Shinjuku have given department stores more competition from independent jewellers, jewellery chain stores, and clothing stores/boutiques (3.3% of the market) that increasingly sell fashion jewellery.

2. Specialist distribution Small and medium sized wholesalers and retailers include many family-owned businesses that specialise in a particular area, target group or type of collection. Exporters used to sell via a multi-layered system resulting in multiples of four, making the retail prices for foreign product too high. Nowadays smaller jewellers buy direct from exporters and small wholesalers are operating their own jewellery outlets.

In the *exclusive end of the market*, the leading players are Cie Financière Richemont SA (8% market share) with the Cartier and Piaget luxury brands. The second player is Tiffany & Co (5.8%), being followed by the domestic companies Kuwayama Corp (precious and costume jewellery, 3.9%) and Tsutsumi (precious jewellery, 3.0%). Domestic players pick up trends faster than foreign players do,

for example, Hosaka Jewellery, which entered the market with costume jewellery incorporating quartz and semi precious stones.

In 2011 there was an estimated 23,000 retail stores/shops across Japan that sold jewellery, watches and eyewear. The so-called ‘select shops’ sell highly fashionable collections in limited quantities under their own brands (50%), imported brands (20-30%) and Japanese fashion brands (10-30%). Select shops are very similar to boutiques. They sell clothing and fashion accessories and are setting trends. Successful products are likely to be sold in department stores afterwards.

Jewellery stores/shops

There are several jewellery retail chains that have a large share in suburban areas. The large number of small independent shops often do not have the financial resources and sell collections from wholesalers on consignment. Many small shops suffered from weak demand during the recession or closed as there was no one to continue the family business. Many shops need to differentiate in order to stay competitive.

Jewellery shops do not handle imports directly and do not stock quantities of inventory. It would be best to work with an importer, wholesaler or agent who has a targeted sales channel. In many cases, these trade partners will seek ‘exclusive rights’ to compensate for the risks they take in bringing a product to market.

As a rule, Japanese consumers expect high quality workmanship. This is true even of the small details such as stone settings. Small retail stores compete by providing repairs, resizing, and cleaning, often

free, as part of their sales promotion. Good after-sales service and deliveries on time are extremely important in Japan.

3. Home direct As the Internet connectivity is very well developed in Japan, young people especially are very used to online shopping. Many jewellers have their online selling sites and some offer online customised ring order service for weddings. Between 2008 and 2013, the share of online sales grew from 2.9 to 3.3%. Online selling and home shopping (catalogue sales, mail order, TV selling) is expected to grow further. Higher-priced jewellery has also started to appear on TV shopping channels, and the growing number of older people are likely to make purchases through this medium.

Which channel and finding partners

Recommended for trade channel selection

- **For smaller volume supplies**, Nepali exporters could work with an agent. They are knowledgeable of local trade structure/practices and local consumer tastes.
- **For any volume supplies** covering different areas, a wholesaler or importer is the most suitable partner. In the changing structure of the trade, they often have to compete by more specialisation, and thus welcome new products. Another advantage is that an importer or wholesaler is knowledgeable of the local trade structure and consumers as well. They often have strong relationships with local retailers.
- **For higher value items with a low turnover rate**, Nepali exporters could try to sell direct to retailers.

See Section 7.8.3 for further information.

Finding a trading partner in Japan

The first place to look would be to contact the main trade association (s), followed by trade fairs, which tend to feature a list of exhibitors, many of which may be potential partners. The following organisations may be worth looking at:

Trade Associations

Japan Jewellery Association (JJA)
<http://www.jja.ne.jp/english/index.html>

Platinum Guild International
<http://www.preciousplatinum.com/output/>

[page12.asp](#)

Trade Shows

International Jewellery Tokyo (January 22-25, 2014, Tokyo Big Sight)
<http://www.ijt.jp/en/>

Japan Jewellery Festival Tokyo (August 27-29, 2013, Tokyo Big Sight)
<http://www.japanjewelleryfair.com/en/index.php>

Trade Press

New Media - SNS: Women’s fashion magazines have been playing a critical role in introducing the hottest trends and new brand items to female consumers. However, with increasing numbers of consumers using computers and mobile phones, many collect product information online through Social Network Services (SNS) such as Facebook, Twitter, Mixi, etc. The top 30 jewellery brands in Japan have begun market promotions through these services.

Other sources

Ministry of Economy, Trade and Industry, Economic and Industrial Policy Bureau (METI):
<http://www.meti.go.jp/english/index.html>

Customs and Tariff Bureau/Ministry of Finance
<http://www.customs.go.jp/english>

Ministry of Health, Labour and Welfare (MHLW)
<http://www.mhlw.go.jp/english>





7. Global Access Strategy for Silver Jewellery

7.1 Current Situation and SWOT Analysis

7.1.1 The jewellery sector in Nepal

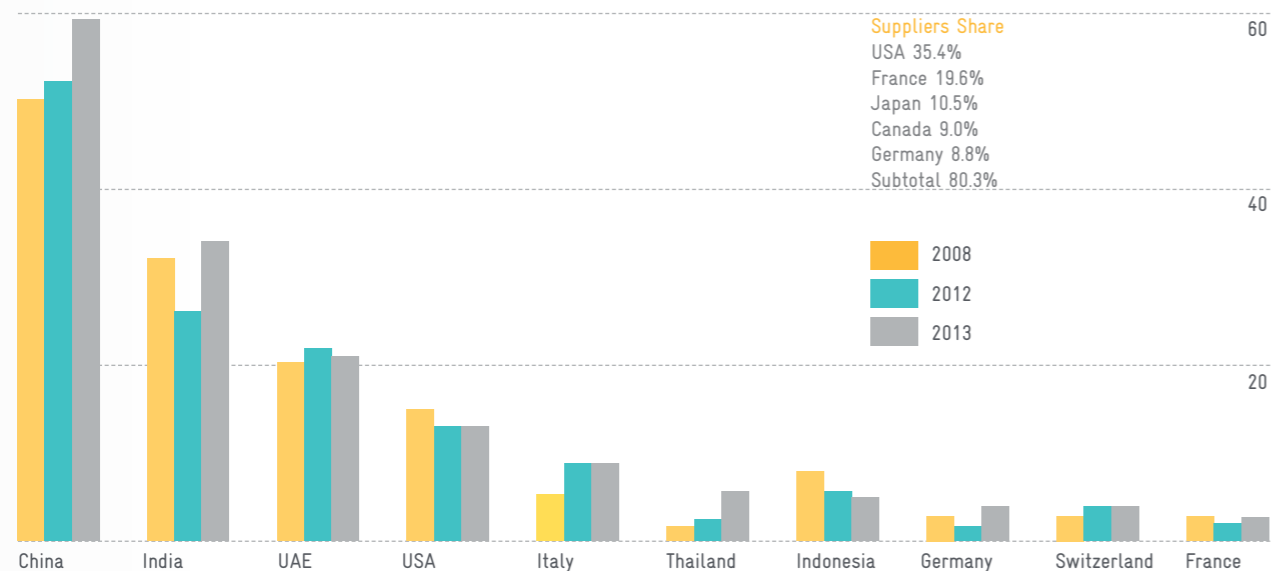
Nepal is well known for its long tradition in unique jewellery artistry, handmade by an estimated 10,000 skilled craftsmen in 2,500 companies (2005). According to the Federation of Handicraft Associations (FHAN), 527 companies were involved in jewellery production and exports. However, over the past five years, the silver jewellery sector in Nepal has suffered from declining exports. The main decreases have taken place since 2010 and have almost halved the export figure to €2.3 million in 2012.

Exports from Nepal to the largest markets of the USA, France, Japan and Canada continued to fall, with Nepali silver jewellery exports stood at €1.3 million in 2013, despite the fact Nepal's export countries still imported silver jewellery from other Asian supplying countries. On the other hand, the Nepali exports of costume jewellery have remained around €2.6 million in the past five years.

The main reasons for the declining silver jewellery exports are mentioned in the GIZ publication 'Nepal Trade' Issue 2 (2012). The most significant reasons are:

- **Intensified competition** In the international race, the Nepali jewellery sector has difficulty competing with the big Asian countries

Figure 17 Nepal: Exports of Silver Jewellery (711311), main export markets, 2008–2012



* Small Asian countries which supplied less than €0.8 million Nepal: €0.29 million (0.2%) in 2012. See also Table 12 in Annex 2

Source: ITC Trademaps (2013)

of Thailand, India, China and Indonesia, as they also make handcrafted jewellery. This jewellery is designed and partly manufactured with the latest technology and sold at low and affordable prices.

- **Low recognition** Although many people are aware of Nepal as a country, they are unaware of Nepal as a jewellery producer. In addition, they do not clearly recognise the difference between silver jewellery from Nepal and that from India or Pakistan, which is also handmade with filigree work.
- **Copying** Some competing countries imitate or copy Nepali designs such as engravings of *Om mani padme hum*, and use the designs in mass-produced base metal bracelets, selling them at extremely low prices. This harms the image of real handcrafted items from Nepal.
- **Contemporary designs** Consumers in export markets look for new and different designs and require a wide choice. The big challenge for Nepali manufacturers is to come up with contemporary, modern designs with a twist rather than the traditional Tibetan/Buddhist/Asian styles.
- **High costs** The price of silver rose enormously between 2008 and 2012, which had a negative impact on some large exporting jewellery manufacturers in Kathmandu. While some manufacturers cut back on expense and hired

cheaper but unskilled workers, many of whom come from West Bengal, others preferred to wait for the price level of raw silver to come down.

- **Poor quality control** With raw silver being purchases from India and China, there is no guarantee of the quality. This combined with a lack of skilled Nepali craftsmen poses another challenge.
- **Cadmium mixed** with silver reduces costs but it is harmful to the wearer. In the past few years there were a few cases of jewellery being returned to Nepal as it contained extremely high levels of cadmium, up to 60%. With the maximum cadmium rate being 0.01% in European markets this damaged the image of Nepali jewellery.
- **Fusions**, especially in fashion jewellery, handmade or otherwise, reduce costs because less silver is used. Costume jewellery items are combined with other materials such as mesh, textiles, terracotta, leather, colourful gemstones, etc. The overall look of these items is more important than the intrinsic value, and the growing popularity of fusions or mixed jewellery items has been at the disadvantage of real silver jewellery.
- Other constraints in Nepali exports of silver jewellery can be attributed to the prevailing inflation in the Nepalese economy and the depreciation of the Nepali rupee.

7.1.2 Challenges for the jewellery sector

The Nepali jewellery sector needs to become more competitive. The main challenges for the sector are to:

- **Expand sales in current export markets and enter new emerging markets.**
- **Modernise the sector** in tune with international standards and quality assurance. Currently the gems and jewellery industries are primarily an unorganised sector, but modernisation will be accelerated when more organised players enter the scene.
- **Offer innovative jewellery collections** with more elegant/sophisticated designs that are more in accordance with the needs of today's consumers. This can be done through obtaining a better understanding of consumer segments and selecting and focusing on the right target markets in different export countries. This can also be done by **positioning 'handmade silver jewellery designed in Nepal' correctly**. Compared to India or Thailand, Nepal's export capacity remains small-scale and silver jewellery collections should be promoted as being exclusive.
- **Collaborate more in the value chain** and stimulate a common drive towards high quality handmade silver jewellery items. This can be achieved through better education of skilled craftsmen, communication, quality control and clever purchasing and sourcing of raw materials in Nepal.
- **Support from stakeholders such as government, banks, etc.** Modernisation of the sector will need the support from the Nepal Government in the role of Public Private Partnership (PPP) with an aim to achieve more sustainability in the Nepali jewellery sector and alleviate poverty. Through training and assistance to the jewellery industry, young artisans and companies will be encouraged to jointly work towards a positive image of handcrafted jewellery from Nepal. This and continuous innovations will keep Nepali manufacturers ahead of the competition.



7.1.3 SWOT analysis

Strengths

- Jewellery items completely handmade according to traditional processes.
- The large diversity in the Nepali population of 101 ethnic groups can be reflected in the diversity of designs.
- A long established history in traditional (Tibetan) designs and religious patterns.
- A strong cultural heritage in jewellery making by the Shakya and Sunar castes, as well as the Pariyaars. Their habits and history are a good source of storytelling, which is becoming important in ethical jewellery.
- Long experience in making jewellery according to customers' designs.
- Strong sense of solidarity in the industry.
- Affordable price level.
- Presence of mines in Nepal with colourful gemstones.

Weaknesses

- The increase in the price of silver since 2010 has had a strong negative impact.
- Difficulty in sourcing good quality silver from reliable suppliers in India and China.
- A decreasing number of skilled craftsmen in Nepal.
- There are problems in creating designer collections that can be clearly recognised as from Nepal.
- Little global awareness of Nepali jewellery and no clear recognition of the differences between Nepali, Indian and Pakistani jewellery.
- Struggling to implement modern technology and to combine this with traditional techniques.
- Limited production capacity, although this is also an advantage for making 'exclusive' items.
- Some companies depend on just a few large foreign customers.
- Difficulty in creating a marketing strategy focused on a selected target group.
- Expensive to change collections when following seasonal fashion trends (2-3 times/year).

Opportunities

- Silver jewellery remains a popular gift, being an affordable precious jewellery item.
- Handcrafted jewellery corresponds well to the need for personalised items and to the growing cultural diversity in export markets.
- Communicate the health aspects of silver such as its anti-cancer and polio prevention properties, and the power of gemstones.
- Potential to join forces and to sell under a common brand identity.
- Symbolism in Nepali culture and religion corresponds well to the demand for spiritual jewellery (e.g. pendants), Yoga jewellery and statement jewellery.
- Offer collectible jewellery with Nepali charms and innovative convertible jewellery.
- Untapped potential in emerging markets (Russia, UAE, Brazil, etc.) with a fast growing middle class population and a rising number of tourists.
- The growing concern about sustainability creates more demand for ethical jewellery using silver combined with local, recycled material.
- Jewellery that is made by craftsmen/women/handicapped people or refugees in rural areas also corresponds to the concern about sustainability.
- Encourage the re-use of items of higher grade silver in Nepali jewellery.
- Link jewellery collections with fashion accessories such as Pashmina and Cashmere shawls, popular in 2014 among women and men.

Threats

- Silver jewellery is increasingly offered as an accessory by clothing producing companies.
- Big Asian countries continue to copy Nepali designs, which will further harm the image of Nepali jewellery.
- Growing competition from Latin American countries exporting to the USA and from Eastern Europe.
- The image of Nepal might be further damaged if mixing of silver with cadmium or lead continues.
- Growing availability of mass-produced handcrafted look-alike jewellery items offered by Internet sellers.

- Recycling of jewellery and second-hand jewellery in export markets threatens new silver jewellery items.

7.2 Choosing your Export Markets

Current export markets

- **In 2013, the six focus markets** covered in this report represented 46% of the global silver jewellery sales, which was estimated at €19,950 million. The USA, Japan and Germany were the largest markets—both in value and in volume—with good prospects for growth up to 2016 (see table 28).
- The per capita expenditures on silver jewellery were relatively high in the USA (€17 per person per year) and Canada (€13) than in the two European countries. This can be attributed to a large share of costume jewellery in the market, especially in France.
- The USA, Canada, Japan, France and Germany are mature markets. However, silver jewellery sales are still expected to grow in the USA, Canada and Japan, and there will be a growing interest in handcrafted and customised jewellery in these markets where jewellers need to differentiate themselves from the dominant mass merchandisers and growing Internet sellers. This also applies to the German market where people aged 55 plus, known as Baby Boomers, are an important growth segment.
- This implies opportunities for Nepali exporters, especially for those exporters who are already selling in these markets. However, in the US market there will be more competition from nearby suppliers (Latin America). In Canada, there will be more competition for silver jewellery by upgraded costume jewellery. The key trends of each country can be found in Chapters 1–6.

- **Hong Kong is a new market for Nepali jewellery.** The high per capita figure in silver jewellery sales in Hong Kong is mainly due to large purchases by tourists who are not included in the Hong Kong population of 7 million. Nevertheless, the growth prospect for the coming years is good and more shopping tourism from China is expected. Although there is still a danger of Hong Kong manufacturers copying Nepali designs.

Potential in new emerging markets

- **The four big emerging markets** accounted for 17.5% of global silver jewellery sales. The value

Table 28: Silver jewellery retail sales in the six focus markets in 2013 and in 2016^e Value in € million / volume in million items

	VALUE				VOLUME		
	2013	per capita	2016 ^e	2013/16	2013	per capita	2016
USA	5,328	€17	5,658	+1.5%	134.0	0.42	143.0
Canada	481	€13	556	+3.7%	15.2	0.41	17.6
Germany	872	€11	901	+0.8%	22.9	0.27	24.5
France	718	€12	721	+0.1%	18.6	0.29	18.9
Hong Kong	386	€48	448	+3.8%	12.3	1.73	13.5
Japan	1,298	€10	1,403	+2.1%	32.5	0.24	34.5
Global silver jewellery	19,950						

^e = estimate Source estimates (2014)

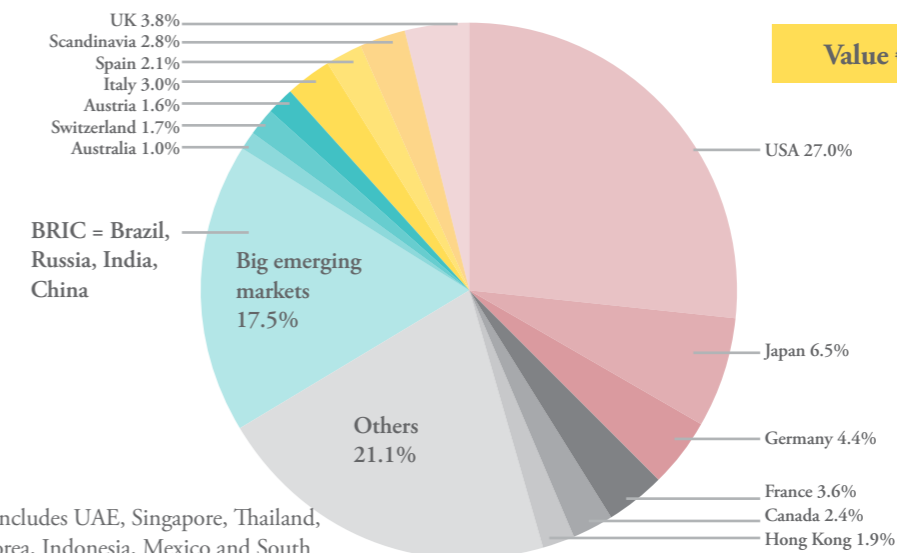
sales of silver jewellery in China, Russia, India and Brazil together was estimated at €3,500 million, which is still less than the US retail sales (€5,328 million) (see figure 18). However, these markets are taking up the biggest share in terms of volume as they represent almost half of the world population (3 billion people) and consumers in these markets usually wear more jewellery than in Western countries, even if it is gold or cheap costume jewellery. With a growing middle class and a growing interest among younger people of western fashion, the sales of silver jewellery is likely to grow very fast in these countries, implying good opportunities for Nepali exporters.

- **European markets (excluding France and Germany)** together account for 15% of global sales (€2,993 million), and are led by the UK, Italy, Spain and Scandinavia. Consumer confidence rose in the UK in the second half of 2013 and there are signs of a slight economic recovery in Spain. Switzerland and the Netherlands are other markets

that import jewellery from Nepal.

- **Within the 'other group'** the UAE, Singapore, Taiwan and emerging markets such as Indonesia, Mexico and South Africa are included. The fast economic growth in these countries implies a large untapped potential for Nepali exporters.
- **The former Eastern European countries** are also included in the 'others' group. In 2013, these 11 countries together accounted for 2.1% (€419 million) of global silver jewellery sales, being the equivalent to the size of the Spanish jewellery market. They are slowly catching up with other European countries and after joining the EU, there has been a strong expansion of hypermarkets and shopping centres near the main cities. However, developments slowed down due to the recession in the past few years. Poland is an important producing country of silver jewellery with amber and the Czech Republic is well known for its garnet and 14-carat gold jewellery

Figure 18: Global silver jewellery consumption by main markets based on estimated retail sales (millions) in 2013



* 'Others' includes UAE, Singapore, Thailand, Taiwan, Korea, Indonesia, Mexico and South Africa

Source: Source estimates (2013)

7.3 Which Consumer Segment?

The main market segments and their preferred jewellery items are shown below. There are differences between the groups in tastes, search methods and the retailers they use.

Note: the information below is a guide to the 'norm', but there are exceptions to personal behaviour and tastes.

	Baby Boomers 55 years and over retired/retiring	Generation X 35–55 year at the top of career		Generation Y 20–35 years making career	Generation Z 5–24 years live with parents
Preference	Exclusive handmade jewellery with a personal/intrinsic value.	Mass produced jewellery preferred by housewives.	Quality jewellery (handmade) preferred by singles and couples without children.	Mass produced and handmade jewellery and jewellery parts (charms) for DIY jewellery.	Mass produced (branded) jewellery.
Interests	Lower interest in fashion, curiosity about society and environment. Mainly attracted by traditional designed Nepali jewellery.	Some people follow fashion trends (urban areas), others regard personality more important.	Well aware of fashion and environment. Original designs in jewellery are important (urban areas). Traditional Nepali jewellery with a modern twist.	Knowledgeable about fashion and like to look good at work or when going out. Jewellery complements their up-to-date outfit. Depending on the event, they create their own look, and like to show this to others. Modern Nepali jewellery with an authentic twist incorporating the latest fashion colours.	Very high interest in luxury and the fashion world. They are quickly bored and expect fast changes in collections, being used to entertainment and 'zapping' behaviour.
Searching	Time to travel and time to search.	Looking for the best value for money.	Looking for the best compromise of fashion and their personality.	Looking for the best compromise of fashion and their personality. Use social networks and are active fashion bloggers.	Stay connected, stay curious and share the latest thrills via their social network, YouTube, etc.
Buying	More at jewellery specialists.	Any retail outlet and the Internet.	Jewellery specialists, boutiques, department stores and the Internet.	Department stores, clothing stores, gift stores, jewellery shops, boutiques and Internet.	Fashion accessory chains, clothing stores, department stores, etc.
Price	Willing to pay a fair price for jewellery with a high artisanal content.	The price should be affordable.	The price should reflect the high quality and originality. If too low the item will lose its sophistication value.	The price should be balanced by its emotional/intrinsic value, its craftsmanship and its interesting story.	The price should be affordable.

What's relevant for Nepali manufacturers ?

The most interesting segments for handmade silver jewellery from Nepal are Generation X (singles and couples without children), Baby Boomers, a growing segment, among which some are already familiar/aware of Nepali handcrafted jewellery, and Generation Y.

- Some in these three segments have a specific knowledge about the craftsmanship or working situation of artisans because they have travelled in the country where the jewellery items are made.
- Other people within these segments appreciate the purity and human skills involved, which is absent in mass-made items.
- Some people buy a handmade item because they want to keep craft skills alive.
- Whereas other people buy a handcrafted item because of its beauty or its emotional/spiritual value.

Based on the characteristics of these three segments, Nepali jewellery could offer the following

USPs (Unique Selling Points):

- Stress the traditional design to Baby Boomers.
- Stress traditional design and spirituality in an original way, for example with a modern twist, to Generation X.
- Stress modern designed Nepali collections with an authentic twist to Generation Y.

In Nepal manufacturers could try to find out more about the tourists visiting their company or shop, and make a very simple

record about customers which would give a first rough impression about the market:

- What is their nationality?
- How old do you think they are?
- Why do they like to come to Nepal?
- What attracts them to particular jewellery pieces?
- Have they ever seen Nepali jewellery before?

The following are statistics from the Nepal Tourist Board:

- **USA** - 48,985 visitors in 2012, of which: 54% visit Nepal for pleasure, 17% for trekking and 29% other purposes.
- **Canada** - 13,507 visitors in 2012, of which: 51% visit Nepal for pleasure, 24% for trekking and 25% other purposes.
- **Germany** - 30,409 visitors in 2012, of which: 45% visit Nepal for pleasure, 34% for trekking and 21% other purposes.
- **France** - 28,805 visitors in 2012, of which: 47% visit Nepal for pleasure, 36% for trekking and 17% other purposes.
- **China** - 71,861 visitors in 2012, of which: 74% visit Nepal for pleasure, 4% for trekking and 22% other purposes.
- **Japan** - 28,642 visitors in 2012, of which: 69% visit Nepal for pleasure, 13% for trekking and 18% other purposes.

Generally, people from Germany and France come to Nepal for a more active holiday and to see more of the country. They are likely to be of the younger generations.



7.4 Improvements in the Value Chain

Within the jewellery value chain, Nepali manufacturers could make the following choices for improvement:

Design

- **Continue to work to customers' design.** The customer provides the idea on paper, and afterwards these designs are validated with the customer, samples are made, re-validated with the customer and once the design is finalised the jewellery item is made.
- **Invest in new technologies** such as rapid prototyping (RP) and Computer Aided Designing (CAD), which saves much time if aiming to produce higher volumes of silver jewellery items.
- **Design own collection.** It would be more interesting and challenging for manufacturers to design jewellery items themselves that reflect, for example, the identity of the artist's or company's vision or philosophy.
- **Work with western designers/design companies** and aim for sustainable designed jewellery. To reduce the impact on the environment, **sustainable designed** jewellery is made of recycled raw material, made of material that does not harm the biodiversity, or are designed for multi-purpose use. These should be well designed, beautiful and comply with sustainability.

More details can be found in Section 7.8.1 and in Annex 4.

Manufacturing and Assembly

Sourcing of silver

Raw silver is brought from India. The quality is not guaranteed and purity checks are not always done

correctly, or the sellers are cheating with regard to the alloys, saying, for example it is 925 when it is really 922. This also happens if the silver is bought from Chinese companies or traders who are linked to the Chinese new silver mines in Tibet.

Nepali banks can guarantee the purity of silver but due to a ban on silver imports their stock is limited. As silver must be purchased in large quantities, and the administration and costs involved are high (see Annex 6), a possible solution might be to purchase raw silver jointly with other manufacturers and have it hallmarked in Nepal afterwards. Silver can also be bought from Thailand, Indonesia or from Germany.

Modern production techniques

In jewellery manufacturing, modern techniques are increasingly used with gemstones often integrated in jewellery items. This makes them look like small beautiful 'pieces of art' - even if they are mass-produced. Nowadays, skilled craftsmanship is often combined with new production processes and techniques in order to increase efficiency.

The importance of skilled craftsmen

With the growing demand for skilled personnel, technical support training and skills training are becoming popular all over the world. These training includes jewellery designing, training in manufacturing and new technologies, and cutting and polishing of diamonds and other gemstones. The Negosita training centre has been established in Kathmandu.

New or traditional techniques?

The majority of companies in Nepal work with simple instruments for melting, casting, sizing, rolling, carving, cutting, heating, cleaning, conventional soldering, refining and shining, all of which are simple and make each item different.

- *The right balance* Depending on the volume of the order and the company's goals, manufacturers

need to find the right balance between using new techniques and traditional handicraft. Consumers definitely look for authentic and unique jewellery and some of them can recognise whether an item is really authentic or if it is made by machine. Manufacturers can still use new techniques and have jewellery parts or special filigree work done by hand in the workshop, or by artists/women in the villages.

- *Stay with traditional techniques* On the other hand, if a manufacturer prefers to stay with their usual techniques, emphasis can be placed on some specific details in the jewellery making or they can choose to differentiate or specialise.

Encouraging and exchanging

- *Improvements in sustainability among female entrepreneurs* can be achieved by the introduction of specific measures for entrepreneurs (training, access to finance, etc.). This will encourage them to design and make their own jewellery collections with a focus on export markets. See Annex 4.
- *An exchange platform with entrepreneurs in Nepal* can be developed with more linkages to international markets, to establish partnerships with other value chain operators and to network with persons in related industries.

Innovation and added value

To strengthen their position in the fragmented jewellery market, importers and wholesalers continue to look for innovative collections whether or not modern techniques are used. Jewellery from Thailand and China is standardised and consumers want more choice. Recent buzzwords in jewellery production are: *innovation* and *added value*. In order to retain an important position in export markets, Nepali manufacturers need to:

- *Innovate* more by using precious metals efficiently and make clever combinations by using less expensive recycled material, metals and colourful stones or beads.
- Offer *added value* by knowledge, fast lead times and good after-sales service.

Sourcing of gemstones—a key to sustainability

- A further exploitation of gemstones such as tourmaline, garnet, kyanite, crystal, ruby, aquamarine, topaz, quartz, sapphire, turquoise and coral will have to be developed in Nepal.
- The sourcing in mines and processing of gemstones in Nepal, instead of Jaipur or China, will provide

jobs to rural populations. If the labour conditions are respected and transparency can be shown in the value chain, manufacturers can apply for Fair Trade/ Fair Mined certification for Nepal silver jewellery with stones. This can be applied for alone or with other companies. See Annex 5.

- In the more remote rural areas, workers can be trained in jewellery production. There are challenges in transportation and, more importantly, the use of domestically mined and processed gems must be liberalised. However, this will lead to more sustainable development as by sourcing gems locally there will be an improvement of human skills and education, and improved standard of living, leading to sustainable development in these areas.

7.5 How to Comply with Access Requirements

Reach

Manufacturers' trade partners, importers, wholesalers, etc. are responsible to verify if the collection contains cadmium, nickel, azo dyes, lead or other substances that are dangerous for consumer health. However, the partner will need to refer to the manufacturer in case of problems. Therefore, Nepali manufacturers should ensure their jewellery collection does not contain any of these substances, especially cadmium and nickel. This can be confirmed through an analysis in Nepal at the Nepal Bureau of Standards and Metrology. However, these testing facilities are limited; so, it would be wise to also verify the contents of the silver with the raw silver suppliers and with suppliers of findings/parts.

If there are substances in the Nepali jewellery, manufacturers should discuss this with their trade partner or buyer. As the partner/buyer will do the registration procedure for dangerous substances in jewellery at the European Chemicals Agency (ECHA), the partner/buyer will require clarification from the Nepali manufacturer such as details about the substances' name, characteristics, exported quantity/year, origin and final destination.

Details of substances and uses which are exempt from registration under REACH can be found on the website of the European Chemicals Agency (<http://echa.europa.eu/>).

Table 29: The role of technology in high volume jewellery design and manufacturing

Consumer need	Challenge for the manufacturer	Solution provided by technology
Innovative designs according to the latest trends	Maintain cost of manufacturing and minimise waste	• CAD/CAM design and computer integrated machinery
Superior quality and finish	Provide the latest designs with a quick turnaround time	• Wax casting machinery
Desirable items at reasonable prices	Maintain adequate levels of quality and finish as well as consistency	• Laser production technology for metal cutting, rapid prototyping, etc. • Hing and fine intricate jewellery • Hollow tube processing machines

Source: KMPG Research (2008)

Hallmarking

- **The USA and Germany do not require to have jewellery hallmarked by an Assay Office.** However, a buyer still wants proof of purity. For example, if the silver item is hallmarked in Nepal, the buyer or trade partner will stamp the item after he has double-checked its purity. Nepali manufacturers are encouraged to discuss the best ways of hallmarking their products with the buyer or partner. Another possibility is that the trade partner (importer, wholesaler, etc.) does the hallmarking themselves after checking the alloy. A third possibility is that Nepali manufacturers send the items themselves to an Assay Office in Europe from Nepal for hallmarking. There may be risk of damage or theft during transportation if choosing the third option. No hallmarking is needed for items where the amount of metal in the piece weighs less than 7.78 grams.
- **Silver jewellery must be hallmarked in most European countries,** to ensure the correct materials and alloys are used. It is particularly important to ensure the exact alloys, for example items labelled 925 sterling silver must not be 922. Should the alloy be misrepresented, the buyer will be held responsible and fined and the jewellery collection will be destroyed. Nepali manufacturers who are unsure of the alloy content are encouraged to use 930 or 940. Most buyers would like the manufacturers hallmark on products with the master sign as well as the alloy indication. Buyers can provide more details and details of packaging silver items for hallmarking.
- **Hallmarks for other countries.** The Assay Office in the Netherlands provides hallmarks that are legally accepted in the Netherlands as well as in the UK, France, Ireland, Poland, Slovenia, Czech Republic, Slovakia, Portugal, and Hungary without further testing. Prices for hallmarking silver jewellery range from €1.00 to €1.20 per item, excluding postage and handling, depending on weight and quantity. More information can be found at <http://www.hallmarking.com/>
- **CCM mark** In 1975, the Vienna Convention on the Control and Marking of 'articles of precious metals' introduced a *Common Control Mark* (CCM). This was meant to harmonise the standards for fineness. Ten EU countries have reached an agreement to use the CCM mark *by their Assay Offices*. This is interesting if you want to export to more EU countries.

The fixed standards for silver jewellery are 925 ppt, 830 ppt, 800 ppt and 999 ppt. Current CCM member countries are Austria, Czech Republic, Denmark, Finland, Ireland, The Netherlands, France, Norway, Portugal, Sweden, Switzerland and the UK. In The Netherlands, the cost for a CCM, or responsibility mark, is €150.

Fixed Standards

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The most common quality demands

In the jewellery industry, the most common demands are:

- The fittings, locks and clasps must be of a good quality. Consumers do not accept items that fall apart in a few weeks and will ask for their money back, leading to a complaint to the importer. For example, the clips of earrings must open and close easily, fastenings of neckwear and bracelets must be solid and of good quality.
- The finishing of jewellery is of growing importance for both consumers and buyers.
- Neckwear should not be too tight and bracelets and dangling earrings should not be too rigid. Buyers' instructions on sizes and colours (indicated in Pantone colours), should be followed exactly by the exporter. A minor discrepancy could damage the perceived product quality.
- The quality of the sample should be repeated in the order. Inferior items are likely to be refused, so to help avoid this, counter samples should be offered as samples to importers to indicate the quality which can be produced.

Sterling silver can tarnish due to a reaction of the metal with sulphur containing oxygen particles in the air or because the item has been in contact with chlorine. This contact forms toxic substances such as silver salt. Certain medications can also cause changes in skin acidity and may cause sterling silver jewellery to tarnish. More tarnish-resistant sterling silver is

offered at many jewellery stores these days and much silver jewellery is now rhodium plated to avoid this problem. However, if Nepali manufacturers are not able to provide rhodium-plated or tarnish-resistant jewellery, consumers should be advised to:

- **Wear the item as much as possible.**
- **Light tarnish can be removed with warm water and a mild soap,** rinsing well and drying thoroughly with a soft cloth.
- **Take the item off before applying moisturisers and other skin creams,** sun screen, dyes, hairsprays and perfumes.

Rhodium plating

Rhodium is used in jewellery and in decorations. Solid, pure, rhodium jewellery is very rare, because the metal has a high melting point and a poor malleability making an item very hard to fabricate. Its high cost assures that most of its use for jewellery is in the form of tiny amounts of powder (commonly called rhodium sponge) being dissolved into electroplating solutions. *Rhodium plating has the following advantages:*

- On white gold, platinum, and recently silver, it gives a reflective white surface, which makes the item very bright and shiny. This technique is known as rhodium flashing. Much silver jewellery is increasingly rhodium plated, which is popular among younger people.
- Rhodium plating is also used in coating sterling silver to protect the item against tarnish, which is silver sulphide (Ag₂S) produced from the atmospheric hydrogen sulphide (H₂S).

In order to prevent possible allergic reactions rhodium plating can be used. But if this is too costly, manufacturers can consider using double finishing or extra fixations for colour protection, or copper coating, (e.g. on the inside of a ring.)

Aged oxidized silver

Oxidized silver is also used in jewellery making. This term is used to describe sterling silver jewellery that has been treated to give it an aged look. The silver then has a dark patina that consists of a thin layer of silver oxide. The darkness of oxidized silver can be controlled during the process, and can range from light gray to solid black. An appealing feature of oxidized silver is that when you polish it, the raised surfaces become shiny while the recessed surfaces stay

dark, creating a multicoloured effect. Some people prefer the smoky colour of oxidized silver over its original shiny colour.

Sustainability and FTFM

As a growing number of consumers look for sustainability in their purchases, Nepali jewellery manufacturers should show their contribution to sustainability, show transparency and compliance with the Fair Trade/Fair Mined (FTFM) standards. Please see Annex 5 for a detailed explanation.

7.6 Dealing with Competitors

7.6.1. Main competitors

The big Asian competitors are Thailand, India and China, and competition has intensified in the past decades. The largest competitors for Nepal are the big Asian suppliers, which took up 55% of all silver jewellery exports in the world in 2012/13. Silver jewellery exports from India rose by eight times between 2008 and 2012 (from €90.1 to €718.4 million), most of which went to Hong Kong, USA and UAE. The three big Asian countries all have mines and the main part of their jewellery industries are mass-produced items for Asian, the Middle East and Western importers, fashion brands and retailers. Products range from high exclusive jewellery to fashion jewellery. Jewellery is made in large volumes at the lowest costs and is delivered according to a tight planning.

Although these countries also have handcrafted jewellery, some of which is partly industrially made, Nepal should compete by being different, especially with regard to India. Nepali jewellery should be unique items that are linked to typical/original designs that appeal to a selected target group (or niche market) and that are sold through specialised retailers.

Indonesia is another important competitor for Nepal. Over the past few years, Indonesia has become a fast growing emerging country and an important manufacturer of handcrafted silver jewellery in many different styles ranging from classic to modern, ethnic, tribal, and with filigree work. Silver items are plain, with gemstones or with glass beads. In addition the country is an important supplier of silver piercing jewellery. Designs have synergy of East meets West because of the presence of expat and foreign designers, mainly on Java and Bali, and natural materials are widely available, such as seashells,

bamboo, seeds, wood and horn. Part of the brand ‘Buddha to Buddha’ is made here.

Indonesia has its own mines such as Sumatra Copper & Gold plc (SUM), which is an emerging gold and silver producer on the Indonesian island of Sumatra.

The Philippines makes trendy silver jewellery collections <http://www.unisilver.net/jewelry/home.php> and fusions with costume jewellery http://www.agsam.com/Ethnic_rings_jewelry_ac_124.html, as well as elegantly designed handmade items from natural materials. Jewellery with seashells and mixed with costume jewellery using carabao horn, bone, wood, fossilised stones, glass beads, resin, and natural fibres (abaca, maguey, raffia, buri and pandan) are also produced.

Vietnam has many artisans in small communities making decorative textiles, home accessories, rugs, carpets and other handicrafts, including jewellery.

Pakistan offers handmade jewellery made by skilled workers via the lost-wax casting process, which implies that the jewellery cannot be made in large volumes and the waste is high. The majority of production is generated by small workshops located around Karachi and employing two to four people making bridal jewellery for the domestic market. The creativity is limited being partly due to the restrictions in the Muslim culture. The Middle East and Europe are important export markets for silver jewellery, while uncut gemstones are exported all over the world.

Taiwan has repositioned itself from a mass producer to a country showing more of its own creativity combined with influences of its cultural heritage. Young designers show a new diverse Taiwanese society with innovative products that are made with modern techniques. This trend is also found in the new jewellery collections aimed at the domestic market, China and other Asian countries. Taiwanese designers are joining forces and present themselves as ‘Taiwan’s cultural creativity’ and ‘Fresh Taiwan—see

the difference’. However, the ‘differences’ in many products are more or less standardised and jewellery is manufactured in large quantities.

Vietnam has both gold and silver mines, which sparked interest both domestically and internationally. A rising number of Vietnamese farmers are turning to mining. Often mines are operated under unhealthy labour conditions. The government has been trying to improve the situation, with little luck, and Canada is now giving support to make the mining sector more sustainable.

Vietnam has many artisans in small communities making decorative textiles, home accessories, rugs, carpets and other handicrafts, including jewellery. These handicrafts are produced at household level, whereas the product finishing, packaging and trading is mostly done by SMEs. There are several hundreds of crafts exporters with large producer networks throughout the country, providing employment for 1.35 million people in 2,000 crafts villages. The sector has created millions of jobs for local workers, elevating their living standards while helping to preserve ancient traditions. Vietnam is gradually expanding its product range to the international markets, and has become an important second source mass-producer for Western brand importers and retailers in footwear, leather goods, and sports goods.

Other important competitive countries include: Sri Lanka with several large semi-precious gemstone mines and a stone-cutting industry, Korea, Cambodia, Malaysia and Myanmar.

7.6.2 Dealing with unfair competition

There are threats from immediate competitors, and small Nepali exporters have difficulty in patenting their original designed jewellery items— the so-called ‘models’ that they have developed.

Most of these designs are copied by and mass-produced in competing countries such as China, India, Thailand, etc. These countries benefit from advanced design and finishing technologies and can produce the items in large quantities at low cost, many of which are in base metal, not silver.

Copying and Copyright

In the USA, there is a copyright law, which does not protect concepts or ideas for jewellery, but it does protect specific jewellery designs as works of visual art. A jewellery item is protected as soon as it is made,

even if it is never formally registered. However, by registering designs, Nepali jewellery manufacturers can prove they created the jewellery in case it is copied by someone else and the copier can be taken to court.

Copyright registration can be carried out to protect manufacturers’ designs, as follows:

1. Determine whether the jewellery has been published. Although we do not normally think of jewellery being ‘published’, the copyright laws use this term to refer to public distribution. If the jewellery has been offered for sale to the public, or even given away, it has been ‘published’ for purposes of the copyright law.
2. Decide whether to register multiple pieces at once. If there are multiple jewellery designs to register, and all of them are unpublished, manufacturers can generally register them together as a collection unless they have different designers. This saves time and money by allowing them to all be registered on one form and with one fee.
3. Start an online registration. Go to ‘electronic copyright office’ on the U.S. Copyright Office website <http://www.copyright.gov/> and follow the instructions to sign in and begin a new registration. When asked what type of work is being registering, choose ‘Work of the Visual Arts’.
4. Fill out the application form. Enter the requested information about the company and the jewellery. If registering multiple pieces, a title needs to be added for the collection as the ‘title of work being registered’ and then add a title for each piece as a ‘contents title’. Nepali manufacturers should consider contacting a copyright attorney or an online legal document service if there is difficulty in completing the form or process.
5. Pay the filing fee. The website will prompt for a credit or debit card payment. The current fees on the Copyright Office website starts from US\$114 for a copyright service and an additional US\$35 as a filing fee.
6. Upload identifying material. This can be one or more drawings or photos that show every part of the jewellery. If you are registering multiple pieces, make sure to send identifying material for all of them; if you do not send material, it will not be registered. Once the Copyright Office receives your material they will process your application, probably for several months, and then send you a certificate of registration.

In Europe, for example in Germany, contact any notary and request them to certify the pictures or photocopies of the jewellery models. A certification stamp of the tax authorities is required, as well as that of the office of the notary. The cost starts from US\$100 per year depending on the number of models. Should copies of the registered models appear in Germany, this process provides the manufacturer with the way to get these imitation products off the market. The same notary office will assist in the procedure if it is necessary to do this. There will be costs involved.

A few hints:

- Make items ‘collector’s item’ in limited editions and register this item.
- If there is only a single piece of jewellery based on a design (or if this is produced in ‘numbered limited editions’) the law may protect the ‘moral rights’ as an artist. These include the right to be identified with the work and the right not to have it modified or destroyed.
- Jewellery copyright can be registered by mail, although it is generally slower and more expensive than registering online. To do so, fill out a copy of Form VA from the Copyright Office website.
- A registration gives more rights and can impress or frighten off the offender as the collection is registered and an attorney will be contacted should the offender imitate the pieces.
- In Europe jewellery can be registered at the European Patent Office - <http://www.epo.org>
- Try to stay ahead of imitators by innovative, unique blended designs (East meets West), storytelling and mixing silver with unique materials from Nepal.

7.6.3 Joining forces with other Nepali companies

For many exporters managing partnerships has been essential to successfully entering export markets. Individual jewellery makers and exporters often lack the economies of scale to sell items directly to retailers in export markets. Competing with well-established companies who have already large networks in these markets then becomes almost impossible. However, if Nepali exporters join hands with colleague exporters, via the Handicraft Associations, other Nepali organisations, GIZ or via larger shops in Thamel,

etc., there are many advantages.

The main advantages of joining forces are:

- To improve potential transaction size.
- To improve bargaining power.
- To extend product range.
- To minimise risk and improve service.
- To reduce costs for shipping, storage, quality control, presence in foreign markets via shared endeavours.
- To benefit from shared promotion, product development and other innovations.
- To share knowledge on issues such as hallmarking or on special legislation.

7.7 Positioning of Handcrafted Silver Jewellery from Nepal



Market segmentation according to quality/price ratio

Figure 19 provides an indication of the quality/price segment for silver jewellery in terms of exclusive, accessible and cheap jewellery.

Exclusive silver jewellery

The jewellery in this segment refers to unique pieces, made by a well-known jewellery or fashion house designer. Items are perfectly finished and branded, e.g. Cartier, Tiffany, Marni, or brands of fashion houses such as Gucci, Yves St Laurent, Armani or Hermes. The silver is of a high purity and quality (Argentium) and is decorated with precious stones or diamonds. Exclusive jewellery is mainly worn on special occasions or when going out to a party. It is sold at jewellery specialists, jewellery galleries, bijouterie shops, artist workshops, fashion boutiques or dutyfree gift shops. Due to the recession, many luxury brands gradually traded down by introducing lower cost collections that were accessible to the mainstream markets.

Accessible silver jewellery

This jewellery takes the largest part of the market as it is accessible to more consumer groups, with retail prices range between €25 and €200. Most jewellery items are made in larger quantities than exclusive jewellery and are often bought along with clothing outfits or as a gift. The jewellery is mainly sterling silver items, sometimes in higher grades. This

segment also includes handcrafted jewellery, and conscious consumers in this segment are prepared to pay for a specially designed jewellery item, and will usually wear it for longer.

Mainstream brands in this segment include Pilgrim, Dyrberg Kern, Thomas Sabo, Daniel Hechter, Ti Sento, Pandora and Buddha to Buddha. Well-known fashion brands include Guess, Diesel, Replay, Esprit, Elle and Miss Sixty. Accessible silver jewellery is sold by many different retailers, and Generation Y consumers regard brands very important.

In the future, the accessible jewellery segment will be smaller as exclusive silver jewellery is trading down to reach more consumers and consumers currently buying cheap silver are trading up.

Cheap silver jewellery

The cheap silver jewellery segment is dominated by mass-produced silver jewellery that is mainly imported from Thailand, China and India, mainly sterling silver or silver of a lower quality, and not hallmarked. Retail prices are lower than €25. Designs are influenced by hypes, street or fast fashion or by imitations of exclusive jewellery. Demand is instant and inexpensive pieces are often bought impulsively at accessory chains, clothing chains, hypermarkets, gift stores, drug stores, street markets and from discount online jewellery sellers.

Positioning Nepali handcrafted jewellery

At the moment, there are still many consumers who cannot clearly distinguish Nepali jewellery from others, for example, Indian or Indonesian handcrafted jewellery. To boost the image of Nepali jewellery, which has been damaged by imitations and cadmium previously found in jewellery items, Nepali manufacturers could consider:

- **Making Nepali jewellery more visible**—to be successful in export markets, a clear positioning showing the 'faces of Nepali jewellery' to the accessible market segment can be recommended. Despite the prediction this segment will become smaller, it still represents the largest number of consumers in the three export market segments of Baby Boomers, Generation X and Generation Y.
- **Showing the diversity in jewellery making** from other ethnic groups. In addition to the traditions from Tibet, or from the Shakya and Sunar castes, elements from other cultures can be demonstrated in jewellery designs. For example elements from the Gurung, Sherpa, Tamang or Rai cultures can

be incorporated. There are 101 ethnic groups in Nepal and 92 languages and this fact is unknown by consumers unless they have visited Nepal.

- **More quality, true skills and the new side of Nepal** To differentiate from competitors, a *clean image of Nepali jewellery* should express its improved quality by demonstrating the true skills in handmade jewellery and presenting beautiful jewellery, with or without stones. The jewellery should be in good quality hallmarked silver, rich in varieties from the traditional, to the contemporary and natural designs. Competitors are not able to imitate this improved quality because most of them do not know the details of Nepali culture. Instead they imitate designs from Tibet, whose culture they do know more about. See Hong Kong section for further details.

What's relevant for Nepali manufacturers?

- **Aiming for the higher end** of the market means that Nepali manufacturers will have to offer a **more sophisticated** or chic jewellery collections.
- The high quality of each material used, the more creativity the design and a special touch on the finishing details should make the jewellery item unique and desirable.
- Women are able to buy silver jewellery themselves or receive it as a special gift with a special, often spiritual message.
- Good designs should give women confidence, style and pride when wearing it.

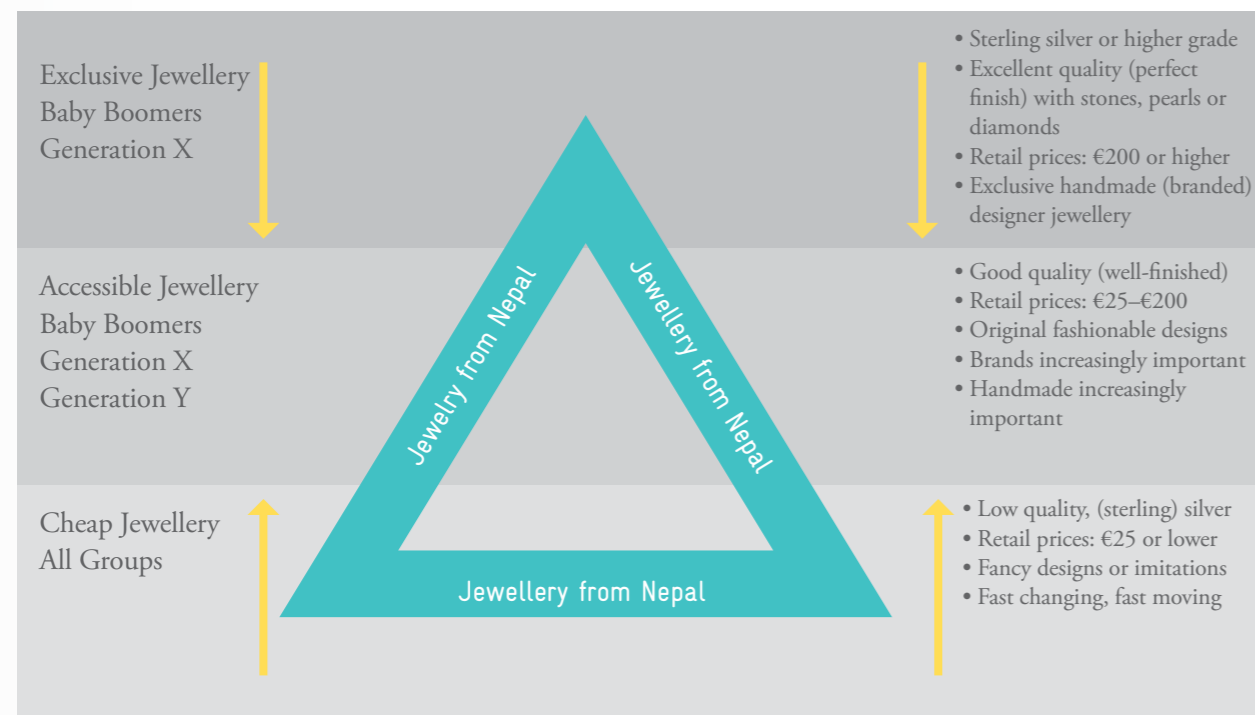
Positioning and emphasising craft

To emphasise the handcraft element in jewellery making, integrate some of the perceptions and expectations that consumers have about crafted products. These perceptions differ in relation to design products, luxury brands and art products. In 2010, a survey was done among 400 adults in the UK by the Craft Council. The respondents were asked to attribute 29 different words to products in four categories: craft, design, luxury brands and art.

As is shown in figure 2, the result was that 'craft' was mainly associated with:

- Handmade
- Workmanship
- Genuine

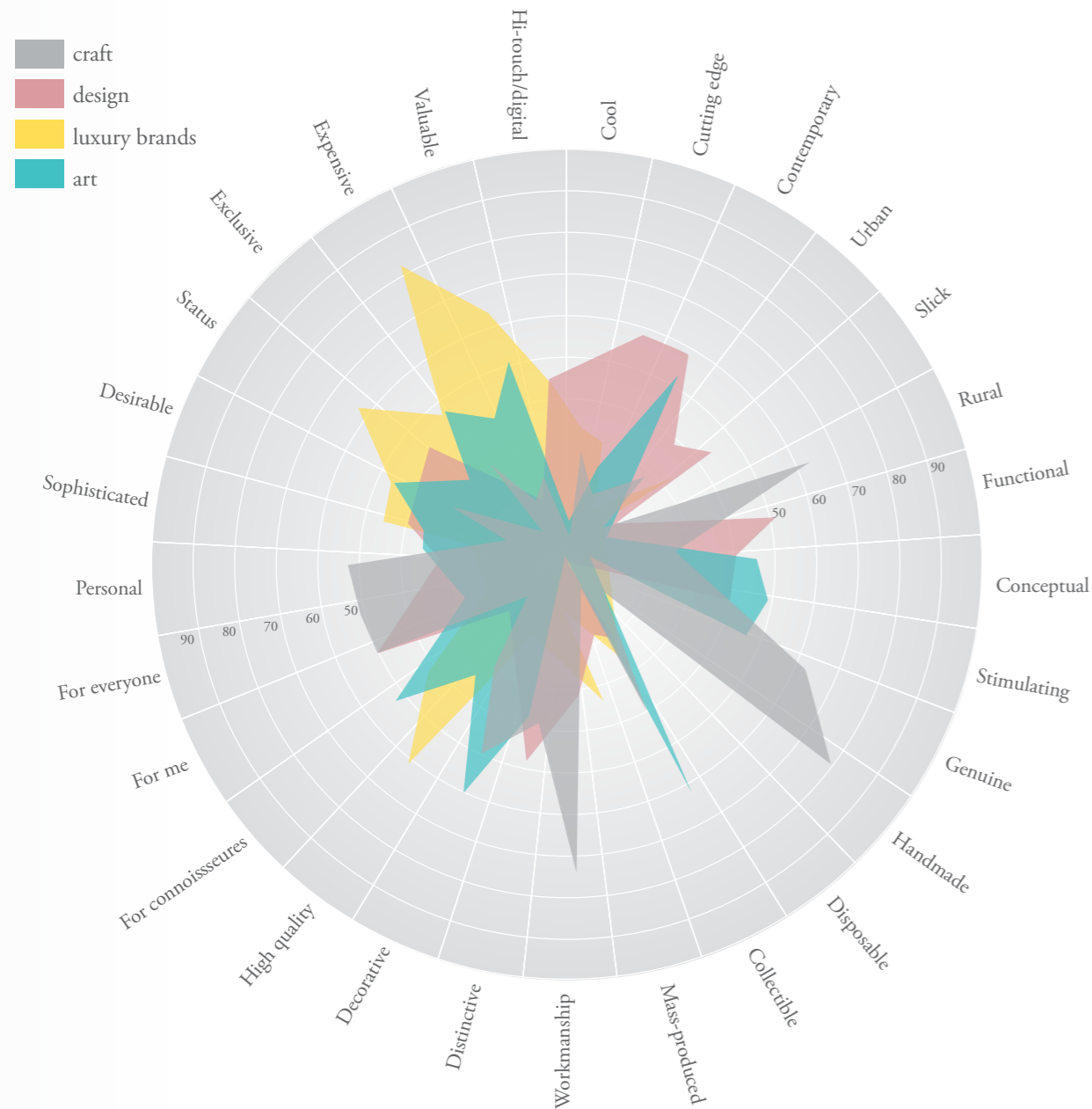
Figure 19: Segmentation and polarisation of the silver jewellery market by quality and price level, 2013



Source: Searse estimates (2013)

Figure 20 Segmentation and polarisation of the silver jewellery market by quality and price level, 2013

Which of these words do you associate with craft/design/luxury brands/art?



Source: UK Crafts Council (2010)

- Rural
- For everyone
- Personal

Whereas the categories 'design' and 'luxury brands' were mainly associated with 'hi tech/digital', 'status', 'mass produced', 'for connoisseurs' and 'expensive'. The associations related to the category 'art' were mainly 'collectible', 'decorative' (souvenir), 'for connoisseurs', 'contemporary', 'valuable', and

'stimulating'.

The figure below may help Nepali manufacturers with their positioning with regard to consumers' tastes and in making a choice to stay fully connected to the roots of their craftsmanship, or find new connections through, for example, design.

7.8 Developing a Marketing Mix

The export market strategy should meet the key objectives in the Trade Policy 2009 to support economic development and poverty alleviation initiatives in Nepal. The Nepal Trade Integration Strategy (NTIS) 2010 aims to benefit from favourable market access opportunities and improve the trade capacity and trade performance of Nepal.

One of the key objectives can be expressed in a potential silver jewellery export ratio of 0.04% to be achieved in 2016. This translates into a projected export potential of €2.6 million, and is based on the following assumptions:

- The global retail sales of silver jewellery were €19,950 million in 2013.
- The Nepali global retail sales of silver jewellery can be estimated at €6.2 million. This figure is based on an expected export of €2 million in 2013 and is multiplied by the CIF—consumer price ratio of 3.1.
- The calculated share for Nepal in the global retail sales would be 0.031%.
- Assuming a growth rate of +1.5% of global retail sales up to 2016, the global retail sales of silver jewellery is expected to reach at least €20,250 million.
- If Nepal succeeds in increasing its share to 0.04% by 2016, a potential retail sales can be achieved of €8.1 million. Based on the same multiplier, this means an export potential of €2.6 million. This figure is still lower than the Nepali silver jewellery exports of €4.3 million in 2008.

This marketing objective can be achieved by:

1. Choosing the right export markets—the USA, Japan and Germany offer especially good chances.
2. Focus on market segments.
3. Improving the value chain.
4. Differentiate and stay ahead of competitors.
5. The clear positioning of handmade jewellery from Nepal.
6. Responding better to general trends. If a focus on segments proves to be difficult or too risky, Nepali manufacturers could try to build elements in their collections that correspond to international trends, for example:

- Growing insecurity about the future has resulted in people being more open to natural and spiritual jewellery.
- Globalisation with people being more exposed to cultures in other countries means they are open to products from those cultures. For example, people are especially concerned with the problems in Tibet and strongly sympathise with the Tibetan culture and believe that it should not disappear.
- Cheaper travel to Asian countries has led to a fast rising number of tourists, including to Nepal.
- People who like to dress differently and buy jewellery they 'fall in love with' on a more emotional and intuitive basis and wear it over a longer time.
- Show a clear creative signature Crafted jewellery made through the dedication of the artists who show their 'creative signature', talent or outspoken personality appeals more strongly to consumers' own personality than designer or luxury branded jewellery.

The next section provides suggestions and recommendations for Nepali manufacturers and exporters on the marketing mix instruments of:

- Product strategy
- Price strategy
- Distribution strategy
- Promotion strategy

7.8.1 Product strategy

New product development

With regard to product development, try to create your own collection instead of working to designs from customers. In this creative process try to combine your own identity and the demand for innovative jewellery in your chosen target market, such as Generation Y or Generation X. This is an ongoing creative process which will result in great products and buyers who are ever curious to learn about your new collection, which keeps the relationship alive.

Creating your own collection

Consumers are becoming more appreciative of good design in all aspects of their lives, and sophisticated and elegant designs are more accessible to them now. This trend has contributed in particular to the upgrading in jewellery. Therefore, manufacturers need to think carefully about the design of their collection. Here you can rely on the inspiration of your own designer, or co-create with designers or trainees from design schools in your target markets. Working with students who already have some experience or who have done their thesis will give the advantage that they are more aware of the local fashion trends, colours and appeal.

When designing your own collection, you could think about the following steps:

- **Step 1.** The first step in designing a jewellery collection is to look at what materials are available in your area. In addition to silver, think of semi-precious stones and other material, such as enamel, wood, glass, recycled fabrics, grains, etc. Also, consider materials such as findings or clasps, which you may need to buy from another company either locally or abroad. Suppliers for these can be found in trade magazines.
 - **You could express your ethnic origin/identity** by using worked silver patterns from the different Nepali cultures. Alternatively, you could engrave characters in silver, which tell a story from the past or bring luck to the wearer.
 - **You could think of combinations or crossroads of senses/symbols** with opposite powers that attract each other, or you can improvise on the Buddhist colours of the aura (blue, yellow, white, red and orange) or the five elements of air, fire, water, earth and ether.
 - **In statement jewellery designs**, silver charms and pendants could be alternated to change the look depending on the wearer's mood, or be decorated with bright coloured stones for an eye catching effect. Bold rings also usually express a fashion statement. The important thing is to create a jewellery piece with 'a look'.
 - **The most common shapes** in jewellery designs include patterns or shapes based on animals, insects, butterflies, stars, flowers, orchids, hearts, crosses and zodiac signs. The patterns of charms are quite diverse and include familiar, every day things.

- **Step 2.** The next step is to develop a jewellery collection in a design that will be attractive to your consumer target group in your selected markets. For example, if Hong Kong is your target country, are Hong Kong women in Generation Y attracted by handmade jewellery with coral stones from Nepal? Or, is it better to approach Chinese tourists? Also, bear in mind that older Chinese consumers lag behind Japan or other South East Asian countries in terms of the adoption of innovations.
- **Step 3.** Under step 3 you will have to think of what jewellery pieces to include in your new collection. In addition to neckwear, bracelets, earrings and rings, silver jewellery can be also used for micro-sized rings, studs, clips and chains that are used on toes, ankles and in piercings. Recently chunky bangles with hammered surfaces, arm perspectives, multiple wrist wraps and unisex neckwear and bracelets were popular.
- **Step 4.** You will also have to think about finishing techniques (wax coatings for protection, distressed or shiny effects) and the types of engraving to be made on materials to achieve certain designs or visual effects.
- **Step 5.** Will it be a stand-alone jewellery collection, or will it be part of a range that includes other women's fashion accessories, such as shawls, belts, handbags, hats, make-up cases or footwear? Many retailers prefer collections or ranges rather than individual products. For example, you could think of earrings in combination with hats, or silver beaded necklaces in combination with belt buckles with the same beads.
- **Step 6.** Based on your positioning and consumer target group, you can allocate 'themes' to your collection and make several categories with 'mood boards' that give a total picture/mood to each theme. You can present your collection according to these themes at a trade fair, or to a buyer, or on your website.

More details on designing your own collection can be found in Annex 4.

You can also obtain some inspiration from the seasonal trends for 2015 in Annex 3.

Collective brand and brand identity

Here you need to think carefully about whether branding will help to sell your jewellery collection, and how. A collective brand will certainly give a contribution to the clear recognition of Nepal as a genuine jewellery making country with a long tradition and expertise in handcrafted jewellery.

What's relevant for you ?

If you choose to sell under a brand name, try to clarify what your identity is in the eyes of your target group. Your brand name and logo should, for example, clearly reflect:

- The culture of Nepal (e.g. Buddhist or Hindu images, the colours of Buddhism)
- The long tradition in handcraft, for example, 'Handcrafted from Nepal with love', or 'Especially for you', etc.
- The uniqueness of the materials or stones you use in your collection.
- The personality or character of your designers and/or of your company.
- The vision of sustainability of your jewellery collection.
- The richness in nature in Nepal (500 types of butterflies, 319 species of orchids, many kinds of birds, etc.).

The aim is to be different and more original than the other Asian countries and to identify yourself or your company by a clearly recognisable brand that consumers can remember easily.

The need for more quality in silver jewellery

As silver jewellery is expected to improve in quality in the future, you could try to offer:

- Upgraded silver alloys such as Argentium (93.5% and 96%).
- New finishing techniques and new technique to make the silver item more tarnish-resistant.
- New plating techniques to make silver brighter, e.g. with rhodium, if you target younger consumers. Alternatively, new techniques for oxidized silver that makes it look like it has undergone a more natural process, rather than being machine-made.
- Copper coating of, e.g. rings to ensure that no nickel residue is in contact with the skin.

More use of stones

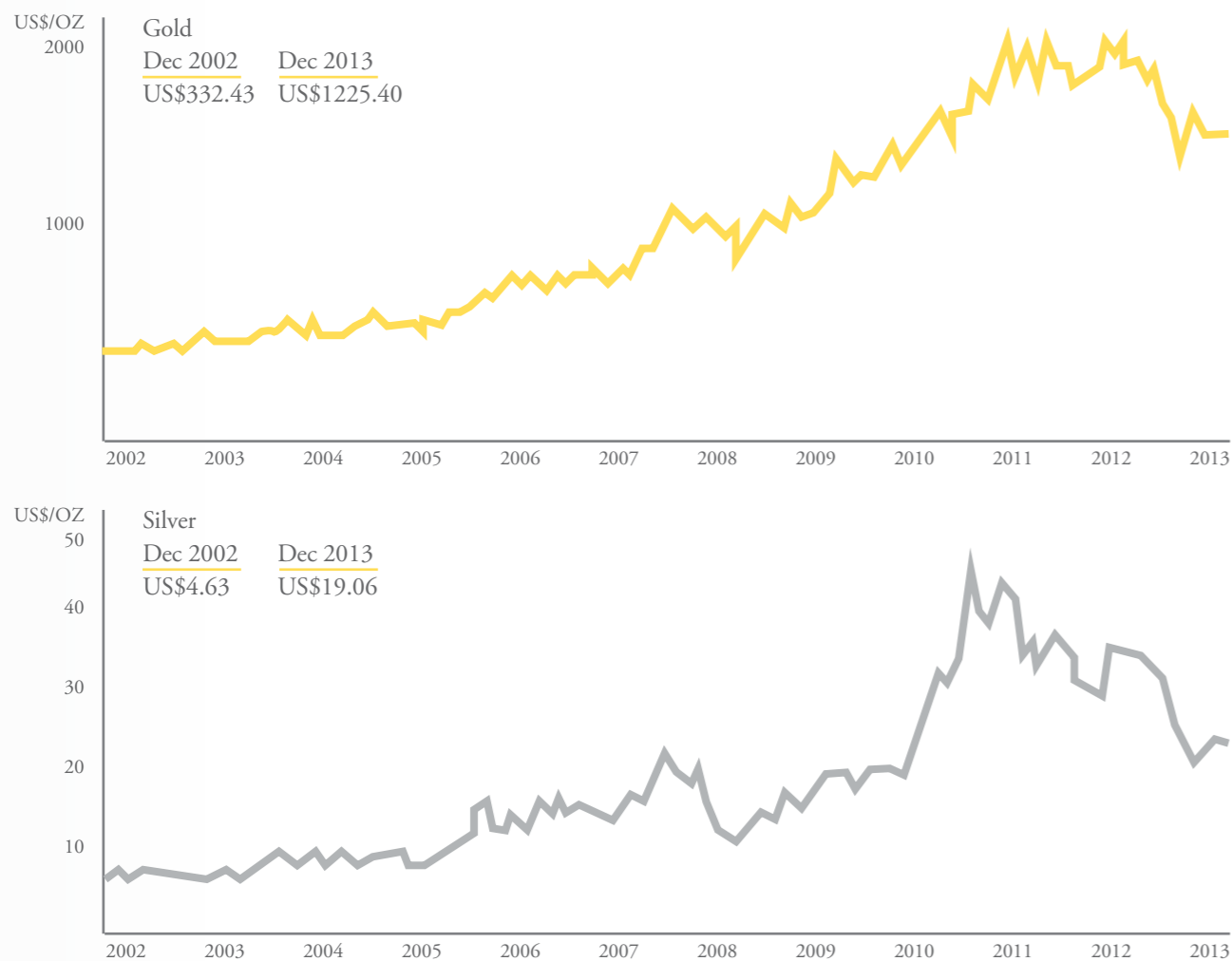
Along with the trend towards more colour in jewellery, stones have been popular, and there are many different sorts of stones you could use more frequently in your jewellery collections. Different cut and uncut stones found in 38 countries are available, with the majority coming from developing countries. Precious stones are becoming more widely used in wedding rings, necklaces, pendants and earrings for several reasons:

- **Variety in colours** There has been an explosion of colour in the gem set sector, with bolder and multi-coloured stones being popular. These are available at all different price ranges in the market.
- **Striking effects** Various sparkling stones in different colours or rough, uncut nuggets accompanied by polished stones or brilliants create an effect which is bold and striking.
- **More volume** Hollow precious metals are often combined with precious stones to create voluminous jewellery pieces, which, despite its lower precious metal content, should still express a 'value'. There is a trend towards larger stones such as citrines, quartz, amethysts, emeralds, garnets, tourmalines, turquoise and coral. Increasingly very rare stones are becoming attractive to consumers because of their exclusivity. Consumers need to show their personality, and stones can be used to achieve this.
- **Symbolic meaning** Although many people in the EU countries are not aware of the power of stones, they are open to such ideas, especially in times of uncertainty.

Include hair accessories in your collection

- Hair accessory sales usually come under costume jewellery sales, but as with all jewellery, hair accessories have become more diverse and can also be made of silver. This implies an opportunity by including a hair accessory in your jewellery collection.
- Teens are an important segment here and increasingly pre-teens and children wear hair accessories at a younger age, particularly in the USA.
- Hair accessory designs range from the simple to the more decorated patterns. For example, hairclips are decorated with flowers, butterflies, animals or with glittering rhinestones or crystals ('bling clips').
- There are also hair accessories for different occasions

Figure 21: Price developments of precious metals, London fix, 2002–2013 US\$ per ounce



Source: Kitco (2014)

such as glamorous barrettes with gemstones at balls or other formal events. Hairgrips in particular are more diverse, with items such as hairgrips with pearls, disco hairgrips, sparkle cluster grips and dragonfly grips, and all sorts of Alice hair bands.

Jewellery as a seasonal gift item

The most common reason for giving jewellery is as a gift at Christmas, Valentine's Day, Father's Day, Mother's Day, birthdays, marriages, first Communion, passing exams, or first day at school. In addition to design, consumers generally look for the emotional or personal value in a piece. In addition to timing, you could consider gift packaging in the design of your collection. The Nepali jewellery pouches are unique and can be used to store the jewellery items, which is a very strong point when consumers are considering gifts. In general, gift packaging has become more important, and is more luxurious and occasion-related.

7.8.2 Price strategy

Price developments

Silver still remains much lower in price than gold (US\$1,225/average per December 2013), platinum (US\$1,358/ounce) or palladium (US\$719/ounce) and retail prices of silver jewellery have remained strong at the top end of the jewellery market. However, in the accessible and cheaper silver jewellery segments, prices have come down due to an oversupply of cheap silver jewellery and growing sales by discounters and online sellers. This has been particularly tough for specialist jewellers. Since December 2013, the silver price rose again to US\$21.31 at the beginning of March 2014 and fell to US\$19.50 by the end of April. The gold price rose as well to US\$1,349.50 and fell to US\$1,300.20 by the end of April in 2014. For the actual developments see www.kitco.com.

Price setting

When setting your price, consider the following issues that influence its level:

- The *trade channels* with typical mark-ups of each channel and retail category. For example, if you sell via the Fair Trade channel the bargaining power of a buyer will be less aggressive than when selling via an online seller.
- Retail prices of *competitors'* products in your target markets.
- *Discount structure* and credit terms offered by local competitors.
- The production costs, *incoterms*, *import duties*, VAT level and other costs.
- *Listing fees* that can be up to €35,000 per year in department stores.
- *Additional costs* for product adaptation, packaging, marketing and promotion, etc.
- The most 'reasonable' or 'tactical' price level according to some of your local contacts in the field (agents, other exporters from your country, store managers).

Other important considerations are:

- *Affordability* If you find your profit margins are too low, try to reduce costs or adjust margins. If this is not possible, you may consider cancelling the export of jewellery pieces or focusing on other markets. Margins vary greatly, depending on the type of jewellery and retail channel. You might be shocked by the level of mark-ups charged by some retailers in EU countries. Although production costs have come down, other costs (sample shipments, packaging, etc.) in the chain have gone up. These costs might account for a larger part of the selling price than the bought-in production cost.
- *Try to always work with a fixed price list.* Also, try to negotiate a price for a fixed period, for example one year. Of course, most buyers will try to bargain. You could offer quantity discounts as larger volumes reduce the cost price unless you make a limited range of high value silver jewellery pieces. When negotiating you could consider a discount on the value of the order, e.g. 5% on €5,000 or 10% on €10,000. Be sure to add this amount to your prices first!

Calculating your own ex-works price

If you are new to exporting, or if you are exporting a new collection, the most common form of price setting is to benchmark your price against established prices in the jewellery sector that your competitors charge. Therefore, try to find out the approximate price of jewellery pieces similar to your own, for example on sites of online sellers in your export market or online retailers' sites. With these prices, you can work back through the distribution chain to calculate the price that you need to be charging to cover your own costs. Also, consider a small margin for unsold jewellery pieces.

Example

You make sterling silver rings with colourful tourmaline stones from Nepal. You have chosen to target the middle end of the market as you consider this product can be positioned as a value-for-money product.

You decide to sell to an importer who sells to jewellers in France. Your online search may tell you that the average retail selling price of similar products is approximately €40. You have also recognised that if you charge above this price, it would probably be unacceptable for both customers and retailers, particularly as you are currently an untested new supplier.

In order to find out your own price, you will have to calculate back from the retail selling price and apply profit margins of the different intermediaries:

- To start with, remove VAT from the price (20% in France) by dividing €40 by 1.2. This gives you €33.33.
- Next, you deduct the retail margin of say 90% of €33.33. You do this by dividing €33.33 by 1.9. This will bring you to a figure of €17.54, which is the retailer's bought-in price.
- Then, take the importers' margin into consideration of say 30%, as well as other handling costs and insurance charges of say 7%. So, divide €17.54 by 1.37, which gives you €13.09.
- As there is the GSP system, no import duty is levied.

- From the €13.09, you will also have to subtract overhead costs, as well as shipping costs from Kathmandu. This depends on the conditions you have made with your buyer.
- You will most likely arrive at a figure of around €10 that is the ex-works price, from which you will have to find the cost of the material, machinery, labour and other overheads, as well as your own profit margin. The profit figure will be small, but at least try to leave some room for risk or unforeseen changes or currency fluctuations.

7.8.3 Distribution strategy

7.8.3.1 Selecting your best channel

Indirect or Direct?

The first decision you have to make is whether to approach your new market directly or indirectly.

- **Indirect** An indirect approach means all export activities are taken care of by a dedicated importer, wholesaler or agent. For fine silver jewellery, the distribution is still via agents and importers and on to specialised retailers or department stores. Whereas for mainstream silver jewellery, the distribution channels are quite diverse.
- **Direct** If you decide to enter the market directly, be aware of the fact that you will have to take care of in-market stock, in-market promotion, in-market distribution and in-market sales. It may be very difficult to keep your investments in proportion to expected gains. Because of the recession, jewellery distribution is more often direct to retailers, via the Internet, or direct to consumers.

You could ask yourself

- Which channel corresponds best to your jewellery collection and your target group? For example, fashion accessory chains stores are mainly targeting teens and young women, while department stores address a much wider target audience.
- What is their buying policy, sales philosophy (e.g.

Fair Trade) and do they operate in different EU countries?

- Do you have the required sales staff (relation management), logistical (stock keeping, fast delivery) and human resources (order control, customer service) to deal directly?
- What are the costs (margins involved, listing fees) of each channel?
- What are the risks, such as losing control, when dealing with your selected channel?
- Is a multi-channel approach possible?

Since jewellery retailers have become more concerned with the unpredictability of consumer demand and the fact they have to hold more stock if offering many styles, they demand faster deliveries when needed so that they do not hold large amounts of stock.

Choosing the best channel

The increasingly globalised market is resulting in an increasing number of companies within each channel (retailers, online sellers, etc.) wishing to trade directly with manufacturers to minimize the number of middlemen and thus increasing their profit margin.

- **Always carefully consider the advantages and disadvantages** of working with each channel. For example, a department store which sells to all consumer segments might demand large volumes that exceed your capacity. On the other hand, you could work together with your colleague companies in order to meet their request. Buyers from department stores usually look for longer term business relationships, and they might also provide you with a chance to get exposure in a 'Nepali handmade jewellery corner' during special seasons.
- A small jewellery shop selling to Baby Boomers, for example, seems a much more interesting channel. They might ask you to supply them direct from Nepal. However, as the recession has still not fully ended and the competition from large retail chains and online sellers continues, you do not have any



The following table can help you in deciding the most suitable market entry channel for your company.

	Importer/Wholesaler	Retailer	Home direct
Advantages	<ul style="list-style-type: none"> • Are trustworthy and familiar with local markets and can supply considerable information, assistance and guidance. • Have strong relationships with suppliers and buyers all over the world. • It is easier for an importer to introduce a new handmade collection to the market than it would be for the Nepali manufacturer. • Additional promotion for your collection is gained by presenting your collection at 'cash and carry showrooms' (permanent exhibitions), especially in Europe. • Collaboration with design department of importers. • Your collection is part of their extensive jewellery/product ranges with different collections and brands. • Enables you to access the market while reducing trade-related risks. 	<ul style="list-style-type: none"> • There is a variety of specialised and non-specialised retail channels available through which you can enter the market. • Your own margin is higher as you save the 30-50% commission that you otherwise would have paid to an importer or wholesaler. • Larger orders from larger national jewellers or department stores give you an increased volume of sales, although at lower prices. • You still have the possibility of offering small volumes and keeping collections exclusive, for example through limited series, through small jewellery shops, or gift shops. • Payments are more secure, because of letter of credit or similar methods. 	<ul style="list-style-type: none"> • The volumes are usually of manageable quantities. • Jewellery items can be sold at a higher price than to importers. • Your own margin is higher as you save wholesalers' (30-50%) and retailers' (90-120%) commission. • Additional promotion for your collection is gained by featuring in an online catalogue. • Online sellers usually expose a very broad jewellery range. • They can very quickly adapt their prices and have special price promotions. • When selling direct via the Internet, you can track your visitors. • Enables you to access different international markets without making commitments with importers or agents, etc.
Disadvantages	<ul style="list-style-type: none"> • You may lose marketing control. • They often demand a long period of exclusivity. So, it will take time to find the right importer or wholesaler. You need to be sure that you choose one that has experience with selling handcrafted jewellery from Nepal or other developing countries. You also have to make sure that they are selling to your consumer target group. • You should first make sure how 'exclusive' your handmade jewellery is compared to the collection from other Asian countries such as India and Pakistan. • Wholesalers usually sell to anyone. You should try to check what kind of retailers they sell to via their website and see how they present themselves. • Try to find out if they are still holding ground in the growing competitive environment with large retailers. • You receive a smaller margin of the consumer price. 	<ul style="list-style-type: none"> • High upfront investment (listing fees) and ongoing support costs when dealing with large retailers. • Dealing direct with retailers usually takes more time and you will have to visit them regularly. • You need to offer at least two season's collections per year for retailers who target younger/middle-aged consumers. • Retailers increasingly require extreme fast delivery as they want to minimize their stock. Can you meet their planning requirements? • Some retailers insist on returning unsold items. • Difficult to establish a relationship with buyers as they often change in the organisation, or they suddenly go into business with your competitor. • Special conditions are required in labelling or gift packaging 	<ul style="list-style-type: none"> • Home direct selling companies often require exclusivity in the sale of your collection. • They often order jewellery pieces instead of a collection. • Consumers lack additional explanation by experts and cannot try the item. • Many consumers still prefer to use a trusted source such as the Internet site of a well-known retailer or manufacturer. • You are required to keep ordered pieces in stock at your own risk. • Following their success, now online sellers are struggling to position themselves, which may negatively affect the positioning of your own handmade collection. • There is a rising amount of counterfeit jewellery offered, which harms the image of online sales.

security should the small jewellery shop business fail, nor do you know if they can pay you under such circumstances.

Importer or wholesaler?

Most importers are much more consumer oriented and sell branded jewellery from well known international brands (or fashion brands) or under their own brand names. Larger importers design their own jewellery and have it produced in Thailand, India, China, Indonesia or any other low cost country. Importers prefer to buy product concepts or ranges, rather than a single piece.

Wholesalers usually buy jewellery in larger quantities in order to benefit from volume discounts. They are more like 'traders' and sell to retailers at, for example, permanent trade shows or at wholesale centres. This is called 'cash and carry' sales. Retailers visit these centres and buy new merchandise for their shops on a regular basis. They put the jewellery items in a basket, pay immediately and take them away. This system allows retailers to buy small quantities frequently. However, there are usually minimum order requirements.

The choice to work with a wholesaler and importer depends on the sort of jewellery you offer and your target group. For example:

- If you offer silver bangles engraved with ancient labyrinth patterns from Nepal, you could try to find wholesalers who already import from Nepal or from other developing countries. The chance is high that he also sells silver jewellery from India.
- You may find importers who target middle-aged or older people with an interest in Asia because, for example, they have travelled there. They could be interesting if you are targeting Baby Boomers.
- If you offer silver jewellery parts, such as charms, beads and studs, you could look for importers who design and assemble their own branded collections for affluent young women. Alternatively, you could look for importers who supply Do it Yourself (DIY) jewellery targeting young girls. You even could try to look for importers who design or make fashion accessories, leather goods, belts or eyewear.
- Wholesalers prefer to work with countries with no or low customs duty. Their margins have traditionally been between 20 and 30%; however, margins are under pressure, as they have to compete with large retailers and online jewellery sellers offering silver jewellery at low prices.

Fair Trade organisations

- Wholesalers in this sector are 'marketing companies' who have their own sales staff selling to retailers or selling through agents. The jewellery items are made according to Fair Trade (Fair Mined) principles. See Annex 5 for more information.

Danusha project in Nepal

- In the UK, the NGO Danusha encourages Nepali women in small villages affected by leprosy to make silver and costume jewellery with local material. The jewellery is sold in Fair Trade shops in the UK.
- Danusha works in partnership with Nepal Leprosy Trust providing training in jewellery making, enabling women to learn new skills, and raising their status within their communities. Both a fair wage and decent working conditions are offered
- There is a small micro-credit scheme attached to the project. Danusha workers use this to build up savings and for short-term financial support. Loans have been used to buy goats, to set up a snack stall, and to buy medicine for chickens. See further at <http://danusha.org/>

Agents

- A big advantage to work with agents is that they know the market very well and they can provide information on competitors, trends in silver handmade jewellery and fashion trends. They are small and, therefore, flexible and they can communicate with retailers in their own language and identify new niches in your target market. You could visit new clients and trade shows with the agent.
- Please note that when, after the first order, you send and invoice subsequent jewellery deliveries direct to retailers, you still need to pay the agreed commission to your agent for each delivery.
- Always consider carefully the advantages and disadvantages of working with agents. Agents, as opposed to importers, are very well protected by law. Once you are engaged with them, it would be very hard to bypass them and to deal directly with their clients.

You can find an agent by advertising in local trade magazines or on bulletin boards at trade shows. Or, if you exhibit yourself, you can put up an announcement that you are looking for an agent. It

also happens that agents may come to you when you are exhibiting at trade shows. If you are in contact with an agent, check their background carefully, and their knowledge about handcrafted jewellery and ask them for some references/testimonials. If an agent performs well and communication is good, the agent will be a good start to enter new markets.

Online sales

The online sales channel continues to grow in importance. There are the following options for you:

- *Create your own website with a possibility of selling online.* Jewellery buyers increasingly look first at the website of a new supplier before talking to them.
- *You could take part in a site for international creative people who would like to expose and sell their product.* A well-known online 'marketplace for handmade products' is www.etsy.com.
- *If you do not have time, you could sell your collection to an online seller* who is looking for new products—some interesting online sellers are given in the distribution channel sections of the countries cover in this report.

More details on creating your website can be found in Section 7.8.4.

Exclusivity

Never cheat on buyers, especially regarding exclusivity. On average, it takes less than a day in any country in Europe before a buyer finds out that the same product has been to another company who serves the same market. Exclusivity arrangements, however, have a beginning and an end, unless there is a commitment from the buyer.

7.8.3.2 Identifying possible trade partners

Find trade partners via trade fairs (catalogues), local trade organisations, Chambers of Commerce, trade directories (Internet or in business libraries) or online telephone directories (yellow pages).

Check on interesting trade partners by checking their company's website for details of the organisation, type of products/jewellery, target groups, areas, to whom they sell and financial stability, etc. This can be done via www.dnb.com.

Create interest and build the relationship - tell the interested trade partners that you are studying their market and currently are working on a specific collection for your target group. Also you can:

- **Contact them** and tell that you will visit them shortly and would like to show your new collection which is more focused on their market.
- **Try to get an appointment to visit.** Often you need to contact them several times.
- **Communicate with them.** It is important that you communicate well with the buyer. Are you both speaking a mutual language? English is often spoken in the six selected markets, although French is still preferred in France and Quebec, Canada.
- **Follow up with them after the first contact** personally or in writing, and keep the relation 'switched on' by keeping them informed about your business and new product development.

A few hints:

- As retailers are always busy, let them know the period you are visiting their country and just drop in. However, if you are already doing business with that particular retailer, it is better to fix an appointment with them.
- Minimize the risk of theft or robbery by carrying your samples discreetly.
- Be careful not to disclose too much to partners, especially fashion boutiques/fashion houses, who may not be seriously interested. They may copy your ideas!
- Make notes about your visit and send a confirmation of any agreed issues to your trade partner.
- When receiving orders try to be as clear as possible about delivery dates, methods of payment and returns, and all other related details, and mention this on the order form.
- Large retailers have complex procurement procedure which outline the quantities, pricing,

discounts, delivery timing throughout the year, agree specifications, code of conduct, etc. Their procedures are very demanding and time-consuming, especially for the first order.

7.8.3.3 Terms of payment and delivery

In the jewellery trade, the payment method for larger quantities depends on negotiations.

- The agreed price depends on the Incoterms (e.g. f.o.b. or CIF), the terms of payment, credit terms and currency risk, quantities and the means of transport. Exchange rates fluctuate, and because of this, most buyers cover themselves in advance.
- For first time shipments a letter of credit (L/C) could be negotiated. However, trade partners in the EU usually pay on 'open account', i.e. bank transfer after receipt of the invoice. L/Cs are usually used when the buyer and seller are not familiar with each other as it provides a guarantee that the payment has been made. However, additional costs are involved in this method.
- Many retailers insist on only paying after delivery has been made (usually 30 days after delivery), but terms can be negotiated in relation to the extent of up-front costs you may be involved with. Sometimes retailers try to negotiate a sale or return, where they can return unsold stock. You should negotiate to your best advantage.

Payment and starting production

Do not start production until you receive the L/C. Do check the conditions stated in the L/C against what is on the order sheet, for instance the requested delivery time, and only after this proceed with the order.

Samples

- Some buyers want you to send samples before giving the order. Sample shipments are very expensive. Try to judge from the buyers' explanation why he needs these samples first and if it is really worth the manufacturer's investment. However, if you promise to send a sample, try to do it quickly. This creates trust with your buyer. Internet sellers or TV companies will always ask you to send samples long before the delivery of the order, as they have to put photos taken by a professional photographer on their site before the actual sales starts. In this case, make sure you have already received their order.

Transport of jewellery

Traditionally jewellery items were transported by the manufacturers' own network of trusted individuals. The jewellery industry is getting more organised, the use of air couriers is increasing. And insurances are being used to take care of losses. Storage security technology has improved. For example there are password protected secure storage safes, hidden cameras to detect people's movement,

jewellery identification, etc. If in any situation, the jewellery items have to be transported by road, the car is secured with locks, fitted with satellite vehicle movement trackers and high definition camera imagery. Nevertheless, there are still cases of occasional theft and pilferage.

Increasing awareness of handcrafted jewellery made in Nepal can be done through a recognisable collective brand. This will upgrade the image of Nepali jewellery and word of its uniqueness and craftsmanship will travel through all consumer groups.

7.8.4 Promotion strategy

In the jewellery industry, retailing has become more organised, especially in the USA, Germany and France, and is combined with intensive advertising and continuous marketing activities to attract customers.

So far little promotion has been done by Nepali companies, and people are not aware about jewellery from Nepal. As previously mentioned, they cannot recognise the difference between silver jewellery from Nepal or other Asian countries and are not aware of the differences between real handcrafted jewellery items and cheap copies. Increasing awareness of handcrafted jewellery made in Nepal can be done through a recognisable collective brand. This will upgrade the image of Nepali jewellery and word of its uniqueness and craftsmanship will travel through all consumer groups.

The following are cost-effective promotional tools:

Trade shows

These are one of the most important tools if you start exporting. In this sector, trade fairs are often the place where new jewellery trends are introduced for the coming season. Here fashion shows often take place and while not every key buyer will attend a trade

show, there are many that do.

Important benefits include:

- *Personal relationships and face-to-face communication*, which are very important in this sector, particularly due to the tactile and visual nature of the products.
- *Concentration of buyers and sellers in one location*. All participants have made a conscious decision to attend, so they will be receptive to new possibilities.
- *Direct feedback and ability to gain a rapid insight into the market*. Current issues in the industry are discussed at seminars, etc. that take place during the trade shows.
- *Ability to test your own performance* against competitors and learn firsthand how to improve your chances for success by, for example, looking at large companies or companies similar to your own to discover what their marketing mix is, etc.

You will have to consider the attractiveness of a trade fair in reaching potential new customers against the relative expense of participation. However, with proper planning, or perhaps working in conjunction with colleague companies, you can share the costs.

When participating, think about:

- *The design of your stand*, ensuring that it is visitor friendly and presents your jewellery collection in the best way possible.
- *Communication, advertising, advertorials and invitations* - start these at least one month before the show starts in order to ensure that your key target customers will visit your stand.
- *Having the proper materials in English* to hand out and enough information at the stand to answer all potential questions.
- *Whether you are organised to follow-up all questions* and possible interest by having the business cards of all the people who visited your stand.

If you cannot afford/justify having a stand at a trade fair, you may find that it is a valuable experience just to attend a trade fair as a visitor. Although you will not have an opportunity to sell anything, you will meet other trade personnel in the jewellery industry. You will often find that representatives from the leading jewellery trade press are exhibitors at trade fairs, and they can be a very useful source of information.

An overview of the main jewellery trade shows can be found at <http://www.biztradeshows.com> Select 'Top 100 events' and 'gems and jewelry'.

Catalogue or brochure

It is essential that you are able to show a good clear photograph of your jewellery collection or each of your jewellery pieces, together with their key descriptions. You will send this to customers, perhaps in a mailing campaign, or show them in a presentation. Find out how your competitors have produced their brochure in order to make yours competitive.

Price promotion

Competition in terms of promotion is likely to intensify in order to 'seduce' consumers by regular sales periods and promotion on lifestyle by the media. Especially during the recession, a rising number of consumers, especially the young and less affluent, preferred to wait for special offers to buy outfits, including jewellery. The implication for you is to appreciate the constant price pressures facing retailers and make sure that your own pricing base is sound.

Website

Going online is fundamental in this sector, especially when taking into account that trust and credibility are major challenges for exporters. Your website could conquer these challenges to some extent. A website showing a well-presented range, competitive advantages (e.g. USP, quality, cost reduction and delivery reliability) and a list of other customers helps create a trustworthy environment. Here are some options:

- *Create your own website with a possibility to sell online*. Jewellery buyers increasingly look first at the website of a new supplier before talking to them. Some examples of Nepali companies are: <http://www.ekshacreations.com/> <http://www.himalayansilvercrafts.com/page/view/About-Us.html> <http://www.nepalartshop.com/nepalsilverjewellery.php>
- *Create a simple 'shop window' to present your company online*. There are several special sites with tutorials to create your own site free or at very low costs. For example, www.joomla.org which have 'templates' with a structure of a standardised website. However, to make it professional looking and user friendly, it takes time. It will take even more time if you want to sell online.
- Ask a freelance web developer in Nepal or in your export market to help. Some jewellery trade magazines offer standardised 'shop windows' for jewellery makers (costs are around €3,000 in Germany). They also offer expensive hosting packages. You can present

your company via online trading platforms, e.g. <http://www.goldpool24.com> in Germany or www.wrcobonline.com in the USA.

- *The use of pictures* is very important to show the jewellery item both as a product and (the same item) worn on a women's neck, ear, wrist, or finger so that people can see its size. The best would be pictures on a similar background in the same format and the same size. Online photo editing programmes such as <https://pixlr.com/editor/> can reduce the file size for fast viewing by the visitor of your site.
- *Before making a site*, try to check examples of online sellers or sites of small jewellery designers. It is crucial to present yourself in a consumer focused, as well as in a modest, original and professional way.

Some good examples are:

<http://www.amrapalijewels.com>

<http://www.dexigner.com/directory/cat/Jewelry-Design/Designers.html>

<http://www.lecorner.fr/designers>

<http://www.jessicaflinn.co.uk/>

<http://www.pamelalovenyc.com/>

Role of online blogs and social networks

Fashion trends, including jewellery, are finding new ways to be exposed through online blogs. This is in fact a form of online word of mouth. New fashion trends are also spread around the globe by online videos such as www.Youtube.com and on different social networks such as Facebook, Twitter, Google+, Myspace, Flickr and many others. These networks can certainly create a rumour or buzz about manufacturing companies or jewellery, which can be positive, or negative!

The celebrity influence

Marketing in the jewellery sector is moving from pure product promotion towards more lifestyle promotion. Despite the recession, celebrities continue to set trends in jewellery. Silver has a young image and fits well into many styles. Music styles such as Latin, punk, hip-hop, club and rap have their specific dress codes, with jewellery being an important accessory. For example large silver neck chains, pendants, large rings, nose studs, lip studs, piercings, teeth or skin jewellery. Young people especially want to dress like their favourite celebrity or it-girl (opinion leading girl). Other celebrities draw attention to jewellery for charity purposes, and this could be helpful to boost the awareness of handmade Nepali jewellery. See <http://jewelryfromthestars.com>.

Advertising

While the Internet is now used extensively, and cross-media advertising is increasingly common, many buyers continue to read the trade press, or the online equivalent, in order to keep ahead and well-informed of industry news, trends and developments. With advertisements, the advertiser is in control of the content, although they can be expensive to produce and require repetition to be effective. However, there are less expensive ways to feature in the trade press, such as through a press release or advertorial but there is less control over the final content. Advertisements can also be placed in trade magazines in order to find trade partners.

The right timing

Intergrate promotions into multiple social channels, such as across social media, etc. for National Promotion Campaigns by the JA (Jewellers of America) and other jewellers in the beginning of December (Christmas) and in February (Valentine's Day). See <http://tips.jewelers.org/branding/> or <http://tips.jewelers.org/promotions/> for more information.

Other promotion tools

In store promotion Consumers are increasingly looking for more from their shopping experience. In order to compete with the online sellers, retail chains

do everything to capture the attention of consumers with store and shopping mall refurbishments, new store openings such as pop-up stores, and, especially for Generations Y and Z, doing more in-store entertainment, for example by special launches of new collections with models, or parties with DJs, and by VIP nights.

Promotion to stakeholders such as governments, associations and NGOs is also needed to enhance the image of the Nepali jewellery industry in order to show more transparency and make the industry more visible as one that is traditional but moving towards more professionalism and sustainability.

Jewellery parties These parties are an informal get-togethers of a few friends and other interested people to look at jewellery collections from, for example, a special designer or silversmiths. The items can be bought direct from them. The parties are regional and small-scale with demonstrations from craftsmen and are held at someone's home or at interesting locations.

Joint promotion in Nepal More exposure can be given by a one-stop showroom for exportable items from Nepal. This could be in Kathmandu, or at permanent exhibitions in the export market under the control of a trusted trade.





ANNEX1 PRODUCT COVERAGE AND STATISTICAL CODES

Fine silver jewellery is mainly made of sterling silver with an alloy of 92.5% silver and copper or brass, or higher silver alloys, and is targeted at the upper-end market. Silver jewellery (CN code 711311) falls under the category of precious jewellery, which is characterised by its exclusive use of precious metals, high price level, and by the method of manufacture, which is mostly by gold or silversmiths. Silver jewellery items can be plain, or with semi-precious stones such as aquamarine, onyx, ruby, sapphires, beryl, topaz, turquoise, coral or others.

The total jewellery market consists of precious jewellery made of gold, platinum, palladium and silver, as well as costume jewellery using a variety of material. Costume jewellery is usually subdivided into imitation jewellery and hair accessories. The designs and colours are highly influenced by seasonal fashion trends, which also affect the designs of silver jewellery.

The primary focus in this report is on fine silver jewellery. In trade statistics, sometimes reference is made to the total jewellery market developments in order to indicate the significance of silver jewellery. In this report, the total jewellery market is defined by the following product groups:

	CN codes	Description
Precious Jewellery	711311	- Articles of jewellery and parts of silver, whether plated or clad or not.
	711319	- Articles of jewellery and parts other than silver, whether plated or not or clad (gold, platinum and palladium)
	711320	- Articles of jewellery and parts, of base metal, plated with precious metal
Costume Jewellery	71171910/ 71171991/ 71171999	- Imitation jewellery, of base metal, whether or not clad with precious metal
	711711	- Cuff links and studs, of base metal, whether or not clad
	711790	- Imitation jewellery, not exactly specified, of other material
Hair accessories	961511/ 961519/ 961590	- Combs, hair slides, hairpins, etc.

Diamond jewellery, which takes up a large part of the precious jewellery market, is excluded here.

Interpretation of trade statistics

In the case of intra-EU trade, statistical reporting is only compulsory for exporting and importing firms whose trade exceeds around €100,000 annually. This means that jewellery trade within the EU is generally underestimated. On the other hand, figures for trade between the EU and the rest of the world are more accurately represented. Trade figures given in this report are useful when comparing developments in the different countries; however, they must be interpreted and used with extreme caution.

Also, note that it is unclear if and how unofficial transactions of jewellery trade between Nepal and other countries are taking place.

ANNEX 2 DETAILED IMPORT STATISTICS

Table 1 USA: Jewellery imports by product groups, 2008–2012, value in € million/volume in tons

	2008		2010		2012		value share (2012)	CAGR**	volume share (2012)
	value	volume	value	volume	value	volume			
Total jewellery	5,895	33,002	6,525	35,064	7,325	37,846	100%	+5%	100%
Precious jewellery	4,706	1,923	4,901	2,233	5,453	2,208	74.4%	+4%	5.8%
Silver jewellery	956	1,625	1,522	2,044	1,647	2,032	22.5%	+15%	5.4%
Gold, platinum, etc.	3,727	297	3,350	188	3,774	175	51.5%	+0.3%	0.4%
Base metal, plated	23	1	29	1	32	1	0.4%	+9%	
Costume jewellery	1,189	31,079	1,624	32,831	1,872	35,638	25.6%	+12%	94.2%
Imitation jewellery*	1,028	11,985	1,403	9,944	1,636	9,612	22.4%	+12%	25.4%
Hair accessories	161	19,094	221	22,887	236	26,026	3.2%	+10%	68.8%

* Including made of base metal, other material and cuff links

** Compound Annual Growth Rate of the US import value 2008–2012

Source: ITC Trademaps (2013)

Table 2 USA: Imports of silver jewellery and main supplying countries, 2008–2012, value in € million/volume in tons

	2008		2010		2012		value share (2012)	CAGR**	volume share (2012)
	value	volume	value	volume	value	volume			
Silver jewellery	956	1,625	1,522	2,044	1,647	2,032	100%	+15%	100%
Top 15 suppliers	920	1,582	1,477	1,973	1,599	1,927	97.1%	+15%	94.8%
Thailand	259	492	465	559	575	555	34.9%	+22%	27.3%
China	282	221	388	220	369	325	22.4%	+7%	15.9%
India	110	168	221	192	269	184	16.3%	+25%	9.1%
Italy	104	167	155	175	142	173	8.6%	+8%	8.5%
Indonesia	38	38	45	56	48	18	2.9%	+6%	0.9%
Mexico	32	67	36	69	33	23	2.0%	+1%	1.1%
Dominican Republic	17	138	38	230	27	210	1.6%	+12%	10.3%
Hong Kong	12	205	25	158	26	165	1.6%	+21%	8.1%
Turkey	10	7	22	12	25	9	1.5%	+26%	0.4%
Spain	16	13	26	27	25	44	1.5%	+12%	2.2%
Israel	21	32	16	63	17	27	1.0%	-5%	1.3%
Canada	7	15	15	31	16	28	1.0%	+23%	1.4%
Costa Rica	2	0	9	162	14	149	0.8%	+63%	7.3%
Peru	3	13	7	13	7	15	0.4%	+24%	0.7%
Bolivia	7	6	9	6	6	2	0.4%	-4%	0.1%
Small Asian suppliers, of which:	7.3	15	10.4	13	11.2	14	0.7%	+11%	0.9%
Philippines	2.4	3	3.5	2	2.7	3	0.16%	+3%	0.1%
Vietnam	0.4	1	0.8	5	2.5	5	0.15%	+58%	0.2%
South Korea	1.2	7	1.8	2	1.7	2	0.07%	+9%	0.1%
Taiwan	0.4	1	1.1	2	1.1	1	0.07%	+29%	0.05%

	2008		2010		2012		value share (2012)	CAGR**	volume share (2012)
	value	volume	value	volume	value	volume			
Nepal	1.8	2	2.0	1	0.8	1	0.05%	-18%	0.2%
Malaysia	0.2	0	0.3	0	0.7	0	0v.04%	+37%	
Sri Lanka	0.3	1	0.3	0	0.6	1	0.04%	+19%	0.05%
Japan	0.5	0	0.4	0	0.4	0	0.04%	-5%	
Cambodia	0		0.01		0.4		0.02%		
Pakistan	0.05	0	0.1	0	0.2	0		+34%	
Singapore	0.01	0	0.1	1	0.08	1			0.05%
Macao, China	0.03		0.0		0.05				

* Compound Annual Growth Rate 2008–2012

Source: ITC Trademaps (2013)

Table 3 Canada: Jewellery imports by product groups, 2008–2012, value in € million/volume in tons

	2008		2010		2012		value share (2012)	CAGR**	volume share (2012)
	value	volume	value	volume	value	volume			
Total jewellery	697	3,665	797	3,392	990	3,981	100%	+9%	100%
Precious jewellery	515	150	4611	191	769	225	77.7%	+11%	5.7%
Silver	67	115	122	164	178	200	18.0%	+28%	5.0%
Gold, platinum, etc.	445	35	487	27	586	25	59.2%	+7%	0.7%
Base metal, plated	3	0	2	0	5	0	0.5%	+14%	
Costume jewellery	182	3,515	186	3,201	221	3,756	22.3%	+5%	94.3%
Imitation jewellery*	163	1,169	165	1,294	196	1,456	19.8%	+5%	36.5%
Hair accessories	19	1,846	21	1,907	25	2,301	2.5%	+7%	57.8%

* Including made of base metal, other material and cuff links

** Compound Annual Growth Rate of the Canadian import value 2008–2012

Source: ITC Trademaps (2013)

Table 4 Canada - Imports of silver jewellery and main supplying countries, 2008–2012, Value in € million/volume in tons

	2008		2010		2012		value share (2012)	CAGR**	volume share (2012)
	value	volume	value	volume	value	volume			
Silver jewellery	67	115	122	164	178	200	100%	+28%	100%
Top 15 suppliers	65	112	118	157	176	192	97.6%	+28%	96.0%
Thailand	16	14	41	22	76	29	42.5%	+49%	14.5%
China	13	4	21	7	34	6	17.9%	+27%	3%
USA	14	51	18	97	25	119	14.0%	+16%	59.5%
India	4	18	11	9	14	13	7.7%	+38%	6.5%
Italy	7	9	11	10	12	9	6.8%	+14%	4.5%
Indonesia	3	4	4	0	3	4	1.9%	0%	2.0%
Israel	2	5	4	4	3	3	1.9%	+11%	1.5%
Hong Kong	0.5	4	1	4	2	6	1.1%	+41%	3.0%
Mexico	1.7	2	1.7	1	1.4	1	0.8%	-4%	0.5%
Spain	0.9	1	1.2	1	1.3	1	0.7%	+9%	0.5%
Germany	1.4	1	0.8	1	1.1	1	0.6%	-5%	0.5%
Turkey	0.3	0	0.8	1	0.9	0	0.5%	+32%	
Greece	0	0	0.5	0	0.8	0	0.5%		
France	0.5	0	1.0	0	0.7	0	0.4%	+9%	
Poland	0.7	1	0.8	0	0.5	0	0.3%	-8%	
Small Asian suppliers, of which:	1.0	1	1.2	2	0.6	0	0.5%	-11%	0.0%
Nepal	0.6	1	0.7	2	0.3	0	0.2%	-15%	
Philippines	0.01	0	0.2	0	0.2	0	0.1%	+24%	
Malaysia	0	0	0	0	0.01	0	0.1%		
Taiwan	0	0	0.01	0	0.01	0	0.1%		
Japan	0.006	0	0.001	0	0.007	0		+2%	
Vietnam	0.002	0	0.2	0	0.007	0		+27%	
South Korea	0.004	0	0.3	0	0.004	0			
Pakistan	0	0	0.0006	0	0.001	0			

* Compound Annual Growth Rate 2008–2012

Source: ITC Trademaps (2013)

Table 5 Germany: Jewellery imports by product groups, 2008–2012, value in € million/volume in tons

	2008		2010		2012		value share (2012)	CAGR**	volume share (2012)
	value	volume	value	volume	value	volume			
Total jewellery	1,203	13,333	1,455	15,203	1,674	13,312	100%	+8%	100%
Precious jewellery	831	424	981	368	1,169	328	69.8%	+9%	2.5%
Silver	244	397	291	338	429	298	25.6%	+15%	2.2%
Gold, platinum, etc.	586	21	688	17	737	19	44.0%	+6%	0.3%
Base metal, plated	1	6	2	13	3	11	0.2%	+32%	
Costume jewellery	372	12,909	474	14,835	505	12,984	30.2%	+8%	97.5%
Imitation jewellery*	336	9,642	431	11,514	464	10,441	27.7%	+8%	78.4%
Hair accessories	36	3,267	43	3,321	41	2,543	2.5%	+3%	19.1%

* Including made of base metal, other material and cuff links

** Compound Annual Growth Rate of the German import value 2008–2012

Source: ITC Trademaps (2013)

Table 6 Germany: Imports of silver jewellery and main supplying countries, 2008–2012, value in € million/volume in tons

	2008		2010		2012		value share (2012)	CAGR**	volume share (2012)
	value	volume	value	volume	value	volume			
Silver jewellery	244	397	291	338	429	298	100%	+15%	100%
Top 15 suppliers	241	272	285	242	424	278	98.3%	+15%	93.2%
Thailand	74	118	108	101	258	146	60.3%	+36%	48.9%
China	71	20	82	22	85	13	19.9%	+5%	4.3%
Italy	12	18	18	28	20	58	4.7%	+13%	19.5%
India	14	2	17	2	19	6	4.4%	+8%	2.0%
USA	6	4	6	2	7	2	1.6%	+4%	0.6%
Hong Kong	16	79	11	51	7	24	1.5%	-18%	8.0%
Turkey	7	6	9	7	6	5	1.3%	-4%	1.7%
Denmark	20	6	7	3	4	5	0.9%	-33%	1.7%
Indonesia	4	11	4	6	4	2	0.9%	0%	0.7%
South Korea	1	0	1	0	4	0	0.8%	+41%	
Switzerland	3	4	2	6	3	5	0.6%	0%	1.7%
Austria	8	0	7	3	2	2	0.4%	-29%	0.7%
France	3	1	10	5	2	1	0.4%	-9%	0.3%
Sri Lanka	1.6	2	1.5	2	1.4	6	0.3%	-3%	2.0%
Vietnam	0.4	1	1.1	4	1.2	3	0.3%	+32%	1.0%
Small Asian suppliers, of which:	0.7	1	1.1	1	0.7	0.5	0.4%	0.0%	0.0%
Malaysia	0.1	0	0.2	0	0.2	0	0.04%	+19%	
Philippines	0.2	0	0.2	0	0.2	0	0.04%	0%	
Nepal	0.17	0.3	0.17	0.3	0.19	0.2	0.04%	+3%	0.07%

	2008		2010		2012		value share (2012)	CAGR**	volume share (2012)
	value	volume	value	volume	value	volume			
Taiwan	0.1	0	0.1	0	0.06	0		-11%	
Japan	0.08	0	0.4	0	0.01	0		-40%	
Mongolia	0	0	0	0	0.001	0			
Pakistan	0	0	0	0	0.001	0			
Kazakhstan	0.01	0	0	0	0.001	0			
Macao, China	0	0	0	0	0.001	0			

* Compound Annual Growth Rate 2008–2012

Source: ITC Trademaps (2013)

Table 7 France: Jewellery imports by product groups, 2008–2012, value in € million/volume in tons

	2008		2010		2012		value share (2012)	CAGR**	volume share (2012)
	value	volume	value	volume	value	volume			
Total jewellery	1,448	14,841	1,736	10,757	1,871	10,091	100%	+7%	100%
Precious jewellery	1,094	368	1,343	303	1,463	276	78.2%	+8%	2.7%
Silver	126	176	163	214	162	218	8.7%	+7%	2.2%
Gold, platinum, etc.	944	33	1,162	24	1,282	22	68.5%	+8%	0.2%
Base metal, plated	24	159	18	65	19	36	1.0%	-6%	0.3%
Costume jewellery	354	14,473	393	10,454	408	9,815	21.8%	+4%	97.3%
Imitation jewellery*	330	12,125	366	8,093	376	7,436	20.0%	+3%	73.7%
Hair accessories	24	2,348	27	2,361	32	2,379	1.8%	+7%	23.6%

* Including made of base metal, other material and cuff links

** Compound Annual Growth Rate of the French import value 2008–2012

Source: ITC Trademaps, Ecostat, Trade estimates (2013)

Table 8 France: Imports of silver jewellery and main supplying countries, 2008–2012 value in € million/volume in tons

	2008		2010		2012		value share (2012)	CAGR**	volume share (2012)
	value	volume	value	volume	value	volume			
Silver jewellery	126	176	163	214	162	218	100%	+7%	100%
Top 15 suppliers	105	171	144	181	154	191	98.3%	+10%	87.6%
Thailand	30	56	35	59	40	67	24.7%	+7%	30.7%
Italy	26	29	40	33	39	29	23.9%	+11%	13.3%
China	11	4	19	4	24	7	14.7%	+22%	3.2%
Hong Kong	5	25	8	21	12	19	7.6%	+24%	8.7%
Germany	13	4	20	5	9	8	5.8%	-8%	3.7%
USA	3	3	3	6	6	4	3.7%	-25%	1.8%
India	3	9	5	8	4	7	2.6%	+7%	3.2%

	2008		2010		2012		value share (2012)	CAGR**	volume share (2012)
	value	volume	value	volume	value	volume			
Vietnam	3	9	4	9	4	9	2.5%	+7%	4.2%
Morocco	2	5	2	3	3	3	1.9%	+11%	1.4%
United Kingdom	1	17	1	19	3	21	1.6%	+31%	9.6%
Belgium	0.3	0	1	1	2	0	1.0%	-60%	
Spain	4.7	6	2	10	2	15	1.0%	-19%	6.9%
Poland	1.0	2	2.4	1	1.5	1	0.9%	+10%	0.5%
Switzerland	0.5	1	0.9	1	1.4	1	0.9%	+29%	0.5%
Denmark	0.7	1	4.4	5	1.2	0	0.2%	+14%	
Small Asian suppliers, of which:	3.0	5	2.1	4	2.6	2	1.6%	0.0%	0.9%
Indonesia	0.9	1	0.7	2	0.8	1	0.5%	0%	0.5%
Philippines	1.0	2	0.5	0	0.7	0	0.5%	-8%	
Nepal	0.58	1.1	0.45	0.5	0.41	0.5	0.3%	-8%	0.2%
South Korea	0.1	0	0.2	0	0.2	0	0.1%	+19%	
Taiwan	0.03	0	0	0	0.2	0	0.1%	+61%	
Singapore	0.1	0	0	1	0.2	0	0.1%		
Japan	0.08	0	0.06	0	0.04	0			
Sri Lanka	0.01	0	0.02	0	0.02	0			
Macao, China	0.04	0	0.3	0	0.001	0			
Myanmar	0	0	0	0	0.001	0			

* Compound Annual Growth Rate 2008–2012

Source: ITC Trademaps (2013)

Table 9 Hong Kong: Jewellery imports by product groups, 2008–2012, value in € million/volume in tons

	2008		2010		2012		value share (2012)	CAGR**	volume share (2012)
	value	volume	value	volume	value	volume			
Total jewellery	3,409	40,620	4,854	32,991	9,606	32,105	100%	+30%	100%
Precious jewellery	3,141	456	4,562	515	9,267	656	96.5%	+31%	2.0%
Silver	279	363	463	427	795	531	8.3%	+30%	1.6%
Gold, platinum, etc.	2,859	91	4,097	87	8,465	120	88.1%	+31%	0.4%
Base metal, plated	3	2	2	1	7	5	0.1%	+24%	
Costume jewellery	268	40,165	292	32,476	339	31,449	3.5%	+6%	98.0%
Imitation jewellery*	230	24,064	257	19,316	303	15,823	3.2%	+7%	49.7%
Hair accessories	38	16,101	35	13,160	36	15,626	0.3%	-1%	48.3%

* Including made of base metal, other material and cuff links

** Compound Annual Growth Rate of the Hong Kong import value 2008–2012

Source: ITC Trademaps (2013)

Table 10 Hong Kong: Imports of silver jewellery and main supplying countries, 2008–2012, value in € million/volume in tons

	2008		2010		2012		value share (2012)	CAGR**	volume share (2012)
	value	volume	value	volume	value	volume			
Silver jewellery	279	363	463	427	795	531	100%	+30%	100%
Top 15 suppliers	261	339	444	181	749	519	30.3%	+30%	97.7%
China	151	188	289	152	307	281	39.5%	+19%	52.9%
India	16	42	47	88	181	128	26.2%	+83%	24.1%
UAE	0.8	0	2	0	108	3	13.5%	+222%	0.6%
USA	29	28	42	33	67	37	8.4%	+23%	6.9%
Italy	17	43	29	51	27	29	3.4%	+12%	5.5%
Thailand	13	11	12	63	27	26	3.4%	+20%	4.9%
Indonesia	10	11	5	9	13	5	1.6%	+7%	0.9%
Germany	8	7	6	4	4	4	0.5%	-16%	0.8%
Switzerland	3	1	4	0	4	1	0.5%	+7%	0.2%
France	3	0	3	2	3	0	0.4%	0%	0%
Philippines	0.1	0	2	1	2	1	0.3%	+112%	0.2%
Taiwan	0.4	0	0.2	1	2	0	0.3%	+50%	0%
United Kingdom	2.3	6	2.2	9	2	5	0.3%	-4%	0.9%
Russian Federation	6.8	0	0.02	0	1.3	1	0.2%	-34%	0.2%
Greece	0.8	2	0.2	0	1.2	1	0.2%	+11%	0.2%
Small Asian suppliers, of which:	3.5	5	5.5	4	4.0	2	0.5%	0.0%	0.4%
Japan	1.2	1	3.0	0	1.2	1	0.2%	0%	0.2%
Vietnam	0.5	1	0.5	2	1.1	1	0.1%	+22%	0.2%
South Korea	0.6	2	0.4	1	1.0	0	0.1%	+14%	
Singapore	0.5	0	1.2	0	0.4	0	0.05%	-6%	
Macao, China	0.02	0	0.08	0	0.2	0		+78%	
Malaysia	0.1	0	0.09	0	0.09	0		-3%	
Sri Lanka	0.2	0	0.2	0	0.09	0		-8%	
Cambodia	0.008		0		0				
Brunei Darussalam	0.007		0		0				
Nepal	0	0	0.2	1.7	0	0			

* Compound Annual Growth Rate 2008–2012

Source: ITC Trademaps (2013)

Table 11 Japan: Jewellery imports by product groups, 2008–2012, Value in € million/volume in tons

	2008		2010		2012		value share (2012)	CAGR**	volume share (2012)
	value	volume	value	volume	value	volume			
Total jewellery	1,247	5,394	1,218	4,833	1,636	4,907	100%	+7%	100%
Precious jewellery	1,040	156	981	141	1,341	155	81.9%	+7%	3.2%

Silver	159	128	149	114	166	128	10.1%	+1%	2.6%
Gold, platinum, etc.	881	27	831	26	1,173	26	71.7%	+7%	0.6%
Base metal, plated	0.5	1	1	1	2	1	0.1%	+41%	
Costume jewellery	207	5,238	237	4,692	295	4,752	18.1%	+9%	96.8%
Imitation jewellery*	165	2,240	186	2,076	233	2,325	14.2%	+9%	47.8%
Hair accessories	42	2,998	51	2,616	62	2,427	3.9%	+10%	49.0%

* Including made of base metal, other material and cuff links

** Compound Annual Growth Rate of the Hong Kong import value 2008–2012

Source: ITC Trademaps (2013)

Table 12 Japan: Imports of silver jewellery and main supplying countries, 2008–2012, value in € million/ volume in tons

	2008		2010		2012		value share (2012)	CAGR**	volume share (2012)
	value	volume	value	volume	value	volume			
Silver jewellery	159	128	149	114	166	128	100%	+1.1%	100%
Top 15 suppliers	154	119	145	106	164	97	98.8%	+2%	90.7%
USA	50	36	52	34	59	44	35.6%	+4%	41.1%
Thailand	32	38	26	40	34	32	20.5%	+2%	29.9%
Italy	20	4	22	2	21	3	12.5%	+1%	2.3%
China	15	7	13	4	13	7	7.9%	-4%	5.5%
Spain	5	1	9	2	8	4	4.9%	+12%	3.1%
Vietnam	2	6	3	3	6	8	3.5%	+31%	6.3%
France	8	1	6	1	5	1	3.3%	-11%	0.8%
India	3	7	2	4	4	8	2.3%	+7%	6.3%
Hong Kong	3	7	4	7	4	6	2.2%	+7%	4.7%
Philippines	3	3	2	2	3	2	1.6%	+0%	1.6%
South Korea	4	0	3	1	2	0	1.2%	-9%	0%
Denmark	4	0	1	0	2	1	1.2%	-15%	0.8%
United Kingdom	2.5	2	1.5	2	1.5	1	0.9%	-10%	0.8%
Indonesia	1.4	7	1.0	4	0.9	1	0.5%	-10%	0.8%
Germany	2.3	0	1.0	0	0.7	0	0.4%	-25%	0%
Small Asian suppliers, of which:	0.8	5	0.8	4	0.8	2	0.5%	0.0%	1.6%
Nepal	0.25	1	0.21	2	0.29	1	0.2%	+4%	0.8%
Sri Lanka	0.3	0	0.2	1	0.2	0	0.2%	-9%	
Taiwan	0.2	0	0.3	0	0.1	0	0.1%	-5%	
Singapore	0	1	0.04	0	0.06	0	0.05%		
Malaysia	0	0	0.05	0	0.01	0			
Lao People's Democratic Republic	0	0	0.002		0	0			
Myanmar	0.002	0	0	0	0	0			

* Compound Annual Growth Rate 2008–2012

Source: ITC Trademaps (2013)

ANNEX 3 TRENDS IN FUTURE JEWELLERY DESIGN

This annex contains information taken from the Trendbook Forecast by Trendvision, which gives you an idea of jewellery designs for 2015. You could integrate some elements of these ideas and features in your own jewellery collection.

ABSTRACT MINIMALISM *Rebalancing between extremes*
Substyles - fragmented vision, deco-structure, interlocking
 • Desire to replace material excesses with values of simplicity and efficiency
 • Abstract language of minimalist geometric motifs and traditional craftsmanship
 • To concentrate on essential values in stead of superficiality and uselessness
 • Quality, modesty and functionality

WHOLESOME EXISTENCE

CUSTOMIZED LUXURY

BACK TO THE ROOTS

REDISCOVERING THE ESSENTIALS

TIMELESSNESS

THEMES
 MINIMALISM
 SIMPLICITY
 REALITY
 AUTHENTICITY
 CRAFTSMANSHIP
 ASYMMETRICAL
 GRAPHICAL
 TECHNICAL
 DIGITAL

MOTIFS
 LINEAR LINES
 SHARP PATTERNS
 UNEVEN SURFACES
 REFINED SHAPES
 PRECISION
 CUBES
 HEXAGONS
 OCTAGONS

Source: Trendvision (2014)

AVANT-GARDE EXOTISM curiosity has no frontiers

Substyles - ancient gold, mosaic stories, far horizons

An attraction by the diversity of cultures, the melting-pot of East & West

- A nostalgia for a past tradition with products of true origin, folkloric aspects and exotic references
- An eclectic mix, a cross-pollination of ancient & modern styles
- Extravagance = modern exoticism



(Shashi Anon by Annapuli)

THEMES

- BYZANTINE
- HERITAGE
- FUTURIST
- CONTEMPORARY
- GLOBALISATION
- ETHNIC
- EXOTIC
- ECCLECTIC
- INTERNET
- LUXURY
- ELEGANCE
- FLAMBOYANT
- AMUSING
- HANDMADE



antique & contemporary

decorative arts & crafts

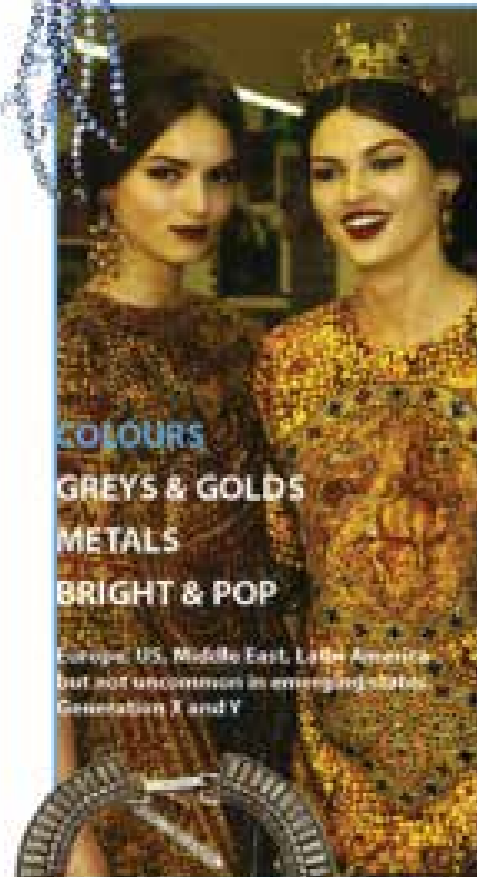
exotic luxury

multicultural influences

global citizen

MOTIFS

- ROUGH TEXTURES
- BOLD SILHOUETTES
- ORNAMENTAL DESIGNS
- STONE INSETS
- HAMMERED METALS
- ELABORATE FILIGREE
- MACRAMÉ
- MICRO MOSAICS
- PIXELS
- ROUGH STONES



COLOURS
GREYS & GOLDS
METALS
BRIGHT & POP

Europe, US, Middle East, Latin America
but not uncommon in emerging states
Generation X and Y



Source: Trendvision (2014)

DIGITAL CITY trip to the moon

Substyles - sci-fi lux, cosmic, futurometry

Futuristic technical concepts and science-fiction

- New materials and technologies influence the future
- Connectivity and convergence, a world of social media, online video and digital imagery
- An artificial environment and futuristic exploration

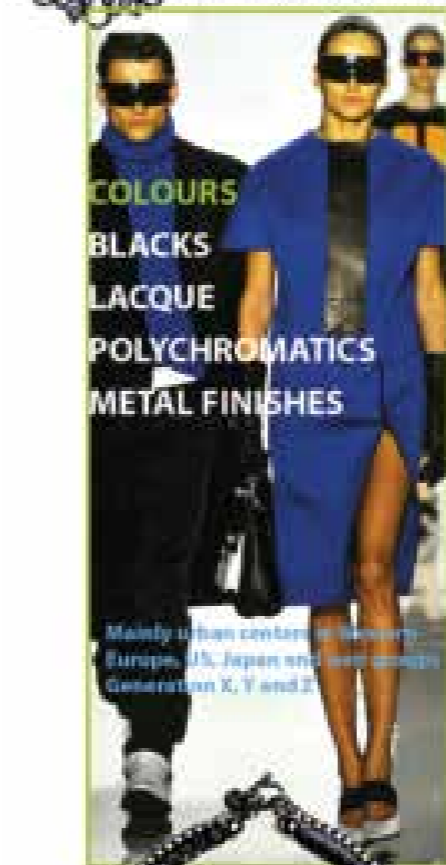


THEMES

- SPATIAL
- CYBER
- PLANETARY
- MOON
- GALACTIC
- COSMIC
- CONSTELLATIONS
- ELESTRIAL

MOTIFS

- HOLOGRAM
- CALEIDOSCOPE
- AIRBRUSH
- GLASSY
- LACQUE
- DAZZLING
- GLITTER & GLOW
- OPALESCENT
- REFLECTIONS
- IRREGULAR FACETING
- GRANULAR TEXTURES



COLOURS
BLACKS
LACQUE
POLYCHROMATICS
METAL FINISHES

Mainly urban centers in America
Europe, US, Japan and some Asian
Generation X, Y and Z

PSYCHEDELIC GLAMOUR

BIOMORPHIC SHAPES

LUSTROUS CHARM

GLAMOROUS METROPOLIS

INTERGALACTIC CHIC



Source: Trendvision (2014)

ELECTRO GOTH rebellious chic

Substyles - punkish, royal decadence, ethereal opulence

Decadence with a contemporary elegance

- The importance of the individual echoes in a revival of fairytale romantic tastes
- A fascination for the previous century as an antidote in times of crises
- Rebellion against restrictions because of the individual, the unique, the eccentric!

prevalent in Europe, US, Korea and Japan
generation X, Y and Z

COLOURS

BLACK & WHITE

SILVER

PASTELS

TONE-ON-TONE

ARISTOCRATIC HISTORY

CULTIVATED FANCINESS

SPIKY SOPHISTICATION

RELIGIOUS ICONOGRAPHY

MISMATCHED ELEGANCE

THEMES

ROMANTIC

PURITY

LUXURY

SUMPTUOUS

POETIC

FRAGILE

ORNAMENTAL

DRAMATIC

MYSTIC

REBELLION

SUBCULTURES

DARK SYMBOLISM

MOTIFS

LIGHT & AIRY

FILIGREE

LASER CUT-OUT

ROUGH & REFINED

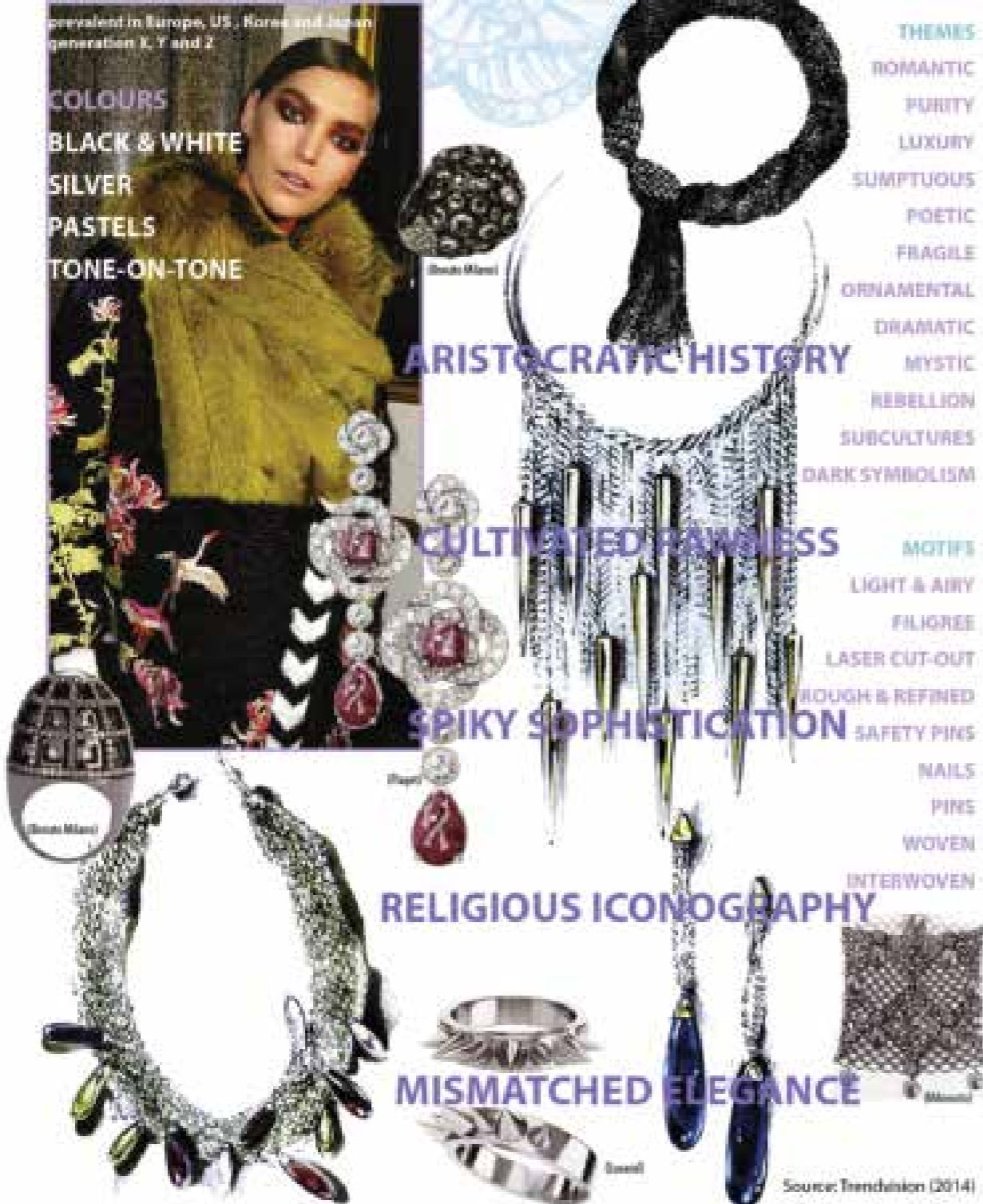
SAFETY PINS

NAILS

PINE

WOVEN

INTERWOVEN



Source: TrendUnion (2014)

ANNEX 4 DESIGNING YOUR OWN COLLECTION

When designing your own collection you will have to create a theme for your jewellery. Here, your artists may have their own strong views/ideas. If not, you could try find inspiration in typical themes from Nepal, the so-called starting point, and combine this with some of the opportunities and trends in your export market. The best would be to combine them with the needs/interests of your selected market segment, i.e. your target market. For example:

• Need for protection by Baby Boomers

- Theme = Spiritual (amulet, pendants, bracelets, etc.)

• Need to show things to others by Generation Y

- Theme = Statement (big stone, hearts expressing love, or doves expressing peace, lion expressing power, etc.)

• To preserve nature by Generation X

- Theme = Nature (pendants with shape of a leaf, charms in shape of a bird, etc.)

• Visualise the themes with 'mood boards'

Common themes are: tradition, fashion, cosmopolitan, chic, ethnic, elegant, sensual, natural, spiritual, etc.

• Within each theme make sets of collections, for example within 'Spiritual' there could be friendship, festivals, Buddhism, zodiac signs, etc.

When designing jewellery yourself, keep the following in mind:

- The taste or style of your target group - what do they usually wear? You can find out by checking some magazines, TV soaps and music programmes in your export markets, if possible, or websites. Generation Y people are more outspoken about having an elegant and original style in their look/outfits than, say, Baby Boomers.
- The occasion that they will wear the item (daily, formal occasions, going out, etc.). Generation X people, especially the mature single, are more likely to wear jewellery daily and at work. The jewellery items should be comfortable to wear, not too big or too long and easy to put on and off.
- Knowledge about Nepal and their general perceptions about the country, i.e. cultural, roof of the world, Buddhism/Hinduism, Tibetan, good spirits, eternal life, etc. Baby Boomers might know more about Nepal as they may have visited the country already.
- The reaction to fashion trends of your target group. You can check the current trends and the forecast for 2015 and more, where a distinction is given for each generation. See also Annex 3.
- *Please note that fashion forecasts are often overstated.* However, the use of colours is very important. Fashion conscious people look whether an item, perhaps with a coloured stone, matches with the new colours for clothing. The seasonal trend colours are described according to the Pantone colour coding system. See the example below for the US market.
- *The size and type of stones* and what sort of design will best compliment them, what metals to use so as to bring out the stone colour more prominently, etc.
- *The level of comfort* while wearing the item; it should not be too heavy and should be easy to put on.
- *The link with other products* such as Pashmina or Cashmere shawls, hats, sweaters, clothing, belts, etc.



Work with western designers on sustainable designed jewellery

Sustainable design companies There are companies that collaborate with established and new designers to create 'inspiring products'. These products are well-designed, beautiful and comply to sustainability.

To reduce the impact on the environment, they are made of recycled raw material, made of material that does not harm the biodiversity, or they are designed for multi-purpose use or to be used for a second life.

- **A collaboration between Western designers and Nepali designers** creates a fusion of new ideas and a sense of making shared work to be exposed to other cultures (East and West) across the world. The products are made by small artisan communities in Nepal who are part of this 'shared work' but without losing their traditional handcraft techniques. See Section 7.7.1.
- **Not losing indigenous skills because of large-scale exports.** With the increasing globalisation of trade, village artisans have become the outcasts of their traditional markets, insulating them from the potential demand for their craft. The challenge will be to develop a competitive product that will encourage the survival of indigenous skills while managing to avoid the 'mechanisation of the artisan' and the devaluing of the artisan's work.
- **Promotion can be done direct by the design company** or in cooperation with NGOs such as Aid to Artisans. The designers help the artisans find their place in the international market and a marketing company in the target market takes care of the logistics, sales and the promotion, as well as the art direction.
- **An example in France** is Muskhane who are designing and selling products throughout the world from Nepal (felted wool, rugs, shawls, etc.). They work with Nepali families in and around Kathmandu.

Although they are not selling jewellery, they are well recognised and have been successful. Muskhane works together with NGOs in social education programmes to develop rural areas in Nepal. (<http://www.muskhane.com/esprit-muskhane.htm>).



ANNEX 5 BUILDING UP YOUR ETHICAL CREDENTIALS AND FAIR TRADE FROM FAIR MINES

Showing your contribution for sustainability and your transparency

The issue of sustainability is much in the news and is gaining ground in the world. There is a growing reluctance to buy mass-produced products that are made under unhealthy and inhuman labour conditions in China or in developing countries. If you are a large supplier and are able to offer to track each individual product across the whole supply chain, this will open up innovative, personalised, and novel opportunities in the marketing of your jewellery collection.

Buyers in large importing companies, retailers and online sellers increasingly want to know more about how an item is made, under which type of working environment and where the raw materials are coming from. See the example of Wal-Mart in Section 1.5.

As there is no international sustainability label yet, importers and large retailers currently have their own internal requirements. This is known as a company's Code of Conduct (CoC). These CoCs usually cover the social accountability labels (ISO 26000, SA 8000 and OHSAS 18000), as well as environmental and ILO standards. However, the CoCs also cover social requirements and rules for the suppliers' transparency. Note that these CoCs are mainly used in large companies.

If a buyer asks you to improve your ethical credentials, you could demonstrate this by:

- **Registering your company with a 'trusted suppliers' scheme**, for example at the Eco Index <http://ecoindexbeta.org> to prove that you are taking the protection of the environment in your production seriously.
- **Participate in an in-house track and trace system** that are increasingly put in place. There are independent organisations who offer such systems that cover the process flow in the whole value chain (from raw material to the retailer) to their members.
- **Researching the relevant certifications by yourself** as buyers often lack the time to do this and commit yourself to have your factory audited on a regular basis for inspections on working environment and labour conditions.

If you show that you are aware of sustainable issues and if you are compliant with these standards, and can prove it, this will offer an advantage when dealing with potential buyers. They may offer you better buying conditions, a higher margin and a long-term business relation and more interaction with your final consumers.

Note that compliance requires investments into production facilities and employees, certifications are expensive, and buyer audits are compulsory, demanding, and quite time-consuming.

These procedures are probably financially not viable for you. However, if you choose to make serious commitments on the above ethical credentials, you may qualify to apply for loans with favourable repayment conditions, such as from Shared Interest for Fairtrade certified suppliers, or various banks in Germany or in other export markets.

Fair Trade gold and silver from Fair Mines (FTFM)

Fairtrade Standard for certified silver jewellery, aims to pay better/fair prices to miners of silver. According to this standard, certified miners must use safe and responsible practices for management of toxic chemicals in silver recovery. These chemicals have to be reduced to the minimum and if possible eliminated over the years. After the *launch of the Fairtrade/Fairminded Gold Standard* in September 2010 and its subsequent start up in all Fair Trade member countries, ethical and environment-friendly jewellery has been increasingly in the focus of consumers.

Since 2012, there is a fair trade standard for ethical silver jewellery being sold at Fair Trade shops, jewellers and on the Internet (<http://www.piajewellery.com>). These organisations work closely with their production team and suppliers. If you are able to comply with the fair trade rules and be able to show or improve the transparency in your value chain, such as how and where the silver is mined, this implies a good opportunity to apply for a Fair Trade membership, which will improve the image of your jewellery collection. See <http://www.fairtrade.net> and search for 'mining' or 'silver jewellery'.

What's relevant for you ?

It is an advantage if you can comply with the Fair Trade Standards. If this is really difficult, you could show your buyers that your jewellery collection is made with a social dimension. For example by women or artisans in villages (not by children), to whom you pay a fair price. Demonstrate how their earnings enable them to improve their lives and education.

You could include an explanation into your company's philosophy or packaging. You could also try to reduce the impact on the environment and work as much as possible with recycled material, or locally collected material/stones. This gives you, your company and employees more added value.

You can also highlight your vision when in price negotiations with buyers. They can pass on this 'story' or 'vision' to their own sales promotion.

- Solidaridad is an NGO based in the Netherlands and in developing countries, who has joined forces with Fairtrade and the Alliance for Responsible Buying. Solidaridad works together with companies both in the industrial and in small-scale mining supply chains, testing new and better ways of mining. More importantly, they promote awareness to jewellers and consumers on current mining practices which often harm the environment, create conflicts, use child labour and are dangerous for the workers' health by using mercury.
- The main focus is on the mining and sales of gold jewellery; however, recently silver jeweller is also being looked at. One measure of progress lies in the number of buyers licensed to buy Fair Trade Fair Mined (FTFM) gold. In 2012, the number of Dutch buyers of FTFM gold rose from 0 to 9. Together with the UK and Denmark, there are now 60 licensed buyers in Europe.
- In the Netherlands, Fair Gold was promoted to consumers on TV and with the help of a national celebrity. This has proved to be successful.
- In Africa (Ghana, Kenya, Tanzania and Uganda)

and in Latin America (Peru, Bolivia and Colombia), capacity training was provided to 5,000 miners and 32,000 community members to become qualified for FTFM certification. The African programmes are in the first phase—the analysis of current practices and alerting miners on how they can improve their working conditions. In future years, the focus will not only be on efficiency, but also on helping mining associations achieve legality under national legislation. In future Nicaragua and Argentina are expected to participate in this programme.

Solidaridad has offices in 20 developing countries, including offices in:

India (<http://www.solidaridadnetwork.org/ssea>)

China (<http://www.solidaridadnetwork.org/china>).



ANNEX 6 INTERVENTION AREAS AND RESULTS OF WORKSHOPS (8 MAY 2014)

Workshops

The objective of the workshops was to develop a cluster or country-wise market entry strategy by the participating exporters. Export markets were divided into **Cluster 1:** USA and/or Canada; **Cluster 2:** Germany and/or France; **Cluster 3:** Hong Kong and/or Japan. For each market, information on Market and Access Requirements, Trends and Opportunities and Distribution was given. Three groups were formed to discuss the questions below for each market:

Areas	USA and Canada	Hong Kong*	France and Germany
Why?	<ul style="list-style-type: none"> • Big market • Purchasing power • Easy and convenient • Quick secision 	<ul style="list-style-type: none"> • Chinese tourists • Open market • Free port • Tourist from all over the world visit Hong Kong 	<ul style="list-style-type: none"> • Fashionable: France is the home of fashion • High demand for Nepali design: French designs match Nepali designs • Cultural/religious: Nepali designs and culture are more loved there • Large market: huge potential
Market Segments	<ul style="list-style-type: none"> • Generations X (because they are already settled, have a job and are ready to spend money. They also have a curiosity in jewellery) 	<ul style="list-style-type: none"> • Generations X and Y • Baby Boomers 	<ul style="list-style-type: none"> • Baby Boomers: they have money in their pocket and can buy easily • Generation Y: they can request the Baby Boomers for money
USP	<ul style="list-style-type: none"> • Fusion of traditional and modern culture (e.g. <i>Tilabari</i> with stones and silver) • Traditional handicraft 	<ul style="list-style-type: none"> • Filigree • Traditional, spiritual design 	<ul style="list-style-type: none"> • Traditional culture • Well-renowned
Themes	<ul style="list-style-type: none"> • Natural • Spiritual • Traditional 	<ul style="list-style-type: none"> • Religious and ethnic (e.g. Zodiac signs) • Popular celebrities 	<ul style="list-style-type: none"> • Land of peace • Diversified ethnic groups • Great Himalaya
Jewellery Items	<ul style="list-style-type: none"> • Earrings • Pendants • Rings 	<ul style="list-style-type: none"> • Bracelets • Earrings • Rings 	<ul style="list-style-type: none"> • Earrings • Pendants • Ring
Distribution Channels	<ul style="list-style-type: none"> • Importer • Wholesaler 	<ul style="list-style-type: none"> • Agents • Importers • Small retailers 	<ul style="list-style-type: none"> • Importer • Wholesaler • Agent • Online retailer/seller
Challenges	<ul style="list-style-type: none"> • Labour (only old people are left to work on silver jewellery, as young have migrated for better jobs in neighbouring countries) • Raw material and stones. (difficult to find in different sizes) 	<ul style="list-style-type: none"> • Prevent copying (China, Hong Kong) • High silver price and other metals • Difficult to meet demand 	<ul style="list-style-type: none"> • Timely production • Quality needs improving • Large country - big manpower needed • Nepal is landlocked country; delivery only by air (expensive)

Recommendations and Challenges

1. **Make the jewellery sector more export-oriented** based on future growth prospects for handmade jewellery. Modernise the sector in tune with international standards (no cadmium, nickel, lead), offering silver of a good quality. The ability of companies to offer silver of the right purity (minimum 925), of a good quality, and to offer jewellery items that are made in a sustainable way, for example which do not harm workers' and consumers' health, will be crucial when deciding whether to export or not and to which export markets.
2. Since younger Nepali quality workers/artists are more difficult to find, **new techniques would make the silver jewellery sector less labour-intensive**. More use of new techniques will result in efficient production, precision work and a better finish to Nepali jewellery. The government could give support through loans, micro-finance, and tax advantages to encourage small companies to invest in new technology. On the other hand, it is still important that the largest part of production is handmade, for even if its production capacity is limited, it makes Nepali jewellery exclusive.
3. **Increase the availability of silver for small companies**. The government should consider lifting the restriction on imports of gold and silver which have been in force since 2010. They should also simplify documentation required, reduce the administration fee and allow companies to buy silver in small quantities. Because of the limited availability of silver (to be verified) and the bureaucracy, most Nepali companies buy silver from other, unreliable, sources.
4. **Nepali jewellery should be more visible in export markets**. A clear positioning for jewellery collections can be inspired by the different faces of Nepal; traditional, contemporary, modern and natural designs, There are still many unknown facts that are related to spirituality, for example, which are difficult to imitate by competitors. A collective logo 'Handmade silver jewellery from Nepal' will contribute to a better recognition.
5. **Nepali exporters should try to take a more consumer focused approach**. The accessible market segment (€25–€200 retail price) can be recommended, covering Generation X, Generation Y and Baby Boomers, are a growing group, particularly in Germany and Japan. As the accessible market represents the largest part

of the silver jewellery market in the world, most competitors, whether designer jewellery or luxury brands, are selling to this segment.

6. The opportunities and niches for Nepali handmade jewellery should be better identified by Nepali exporters through a better understanding of consumers. By understanding how the trends in the market have an influence on each selected segment, exporters can create more consumer oriented collections using different themes that combine elements from Nepal and the needs and interests of the consumer. Exporters in competing countries and most Western importers are already successfully using this approach.
7. **Show diversity in jewellery making**. Exporters can capitalise on Tibetan jewellery in markets that have a history with Tibet such as Chinese tourists visiting Hong Kong. This is a good opportunity to enter this fast growing market. For other export markets, besides the Tibetan, Shakya and Sunar castes, elements from other cultures can be demonstrated in jewellery designs, for example from the Tamang, Lama, Gurung families. The example of craft villages in Vietnam or Indonesia where production is by local artists and sales by SMEs, can be considered. This also fulfils the consumers' needs for sustainability, such as keeping traditions alive and exclusivity. This responds well to sustainability and making each item exclusive.
8. **Offer own jewellery collections, possibly in co-design** with artists/schools in export markets; this will create fusions between cultures. Fusions can be also created by using silver and other metals such as gold plating, or with silver combined with costume jewellery. This will be a way to develop innovative collections. More use of other metals could help to overcome the strict silver regulations in export markets.
9. **Identify the right trade partners**. Most Nepali exporter are recommended to sell via the indirect trade channel, such as via importers or agents. Agents are very familiar with the situation in export markets and can keep jewellery items in stock. In addition they can assist/advise on how to deal with strict access requirements, copying issues, adaptation of collections, and sales and marketing issues. Agents have also a good knowledge of the local market and know who are looking for new products to specialise in so that they can compete with the big players and online sellers.
10. Selling jewellery direct to retailers (jewellery

shops) can be also done by Nepali exporters, but it will take a lot of time to deal with them. For larger exporters direct sales to national jewellers, chain stores, department stores and online sellers can be considered. Sales to online sellers must be considered carefully because, as the competition between online sellers in Western markets grows, they may ask for exclusivity and can suddenly make changes to the agreement in order to get more discount. The high air freight cost and the risk of the item being copied should be considered as well.

11. **The best price strategy depends on** the volume, exclusivity of the item, the cost price and the trade channel, whether direct or indirect. Before quoting prices, check the average retail prices for handmade silver jewellery. Average prices for silver jewellery are given in the study for the USA

and Germany (see country sections), or can be found via websites of retailers. See main body of this report for websites.

12. **Join forces** with companies and other stakeholders (government and banks) and organise **joint promotion at trade fairs**. China, Thailand, India, Taiwan, Vietnam and Indonesia have been successful in this respect. Proposals for a collective logo for the whole Nepali silver jewellery sector, as a joint promotion tool, have already been made. This logo can be used at trade fairs, etc. On the other hand, companies still can continue to sell under their own brand/logo.
13. **Improve visibility on the Internet** through the exporters' own site or by a collective site which acts as a shop window for jewellery products.





