



INDIA
GOLD POLICY
CENTRE



Gold Jewellery: Thoughts on Pricing

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Jewellery Market in India

❖ Gold Market:-

- Size: 2.7 Lakh Crore
- Structure: 70% Organized, 30% Unorganized
- Sales: 80% Gold, 20% Diamond
- Growth (CAGR) over past five years: Industry 5-7%, Organized players 35%
- Consumption: 29% of global jewellery consumption

❖ Demand:-

- Indian gold demand is embedded in cultural & religious traditions (Stridhan)
- Buying Behaviour is different for different regions.
- 55-60% sales from wedding purchases, 40-45% from other occasions
- Festive season contributes 13-15% to annual sales numbers

Organized Vs. Unorganized Jewellery Market (%)

Year	Organized	Unorganized
2016	23.2	76.8
2017	24.3	75.7
2018	29.2	70.8
2019E	30.9	69.1
2020E	33.0	67.0
2021E	35.6	64.4
2022E	38.5	61.5

Source: HDFC Securities Report



Sourcing & Pricing

❖ Sourcing of Gold:-

- Spot Buying
- Nominated Agencies Banks
- Exchange Programs
- Unorganized jewellers also have the fourth channel i.e. smuggling

❖ Pricing:-

- Gold price varies across geographies
- Discounts offered on making charges
- Price charged from customers: Price of Gold + Making Charges (Wastage) + GST

GOLD Sourcing in India

- ❖ Spot Buying Agencies
 - National Spot Exchange Limited (NSEL)
 - National Commodity & Derivatives Exchange (NCDEX)
 - Reliance Spot Exchange

- ❖ Nominated Agencies
 - Metals & Minerals Trading Corporation Ltd
 - The Handicraft & Handloom Corporation of India
 - Project & Equipment Corporation of India ltd.

- ❖ Banks
 - IndusInd Bank
 - SBI
 - Standard Chartered Bank
 - HDFC Bank limited

Variation Across Geographies

❖ Pricing

- Gold rates in South are low but making charges are high
- Customers in Chennai are more cost conscious whereas in Ahmedabad they are more quality conscious

❖ Demand

- 40% South, 20% North, 25% West and 15% East
- Peak Days vary across regions: Dussehra, Pushya Nakshatra, Dhanteras and Akshay Tritiya
- Gujarati customer visits 4 jewellers on an average before buying gold whereas in other regions customers visit 2 jewellers.

❖ Designs

- In south customers don't prefer stones in the jewellery whereas in East and West stones are preferred

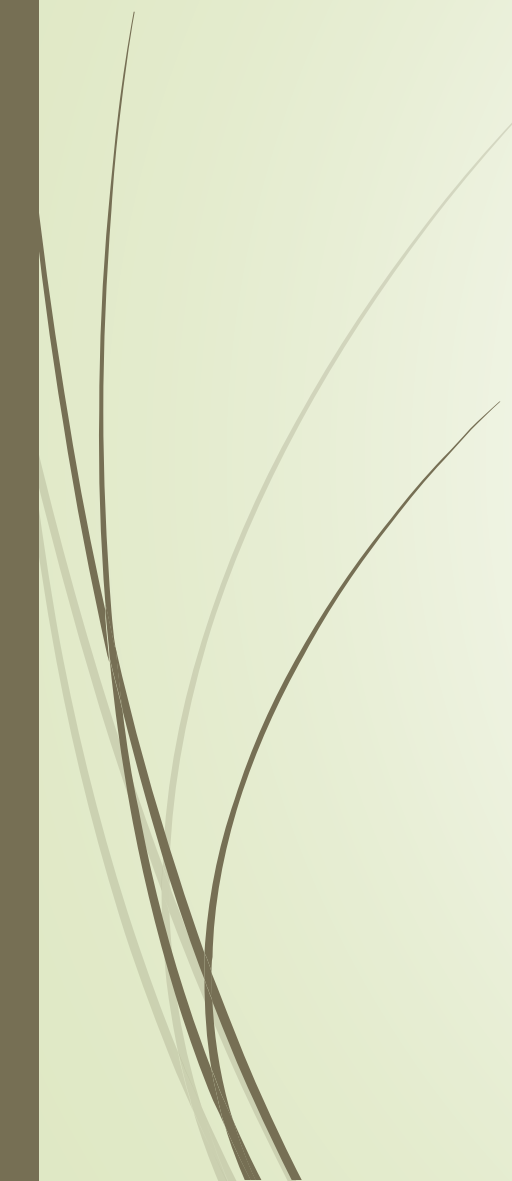




Tanishq- A Tata Product



Tanishq

- ❖ Revenue: Rs. 15656 Crore
 - ❖ Presence: 275 Stores in 140 cities
 - ❖ Inventory Turnover: 4 compared to 1.5-3 of local jewellers
 - ❖ Brand Ambassador: Deepika Padukone
 - ❖ Core Competencies: Retailing, Marketing and Merchandising
 - ❖ Gold Sourcing: 41% on Lease, 40% Exchange Programmes, 19% Spot buying
- 

Competitive positioning of key jewellers

	GRT	Joyalukkas	Kalyan	Malabar Gold	PN Gadgil	PCJ (Dom Biz)	Tanishq	TBZ	Thangamayil
Design Portfolio									
Tonnage									
Expansion strategy									
Margins									
Working capital efficiency									
Balance Sheet strength									
Return Profile									
Presence									
Gold sourcing strategy									
Wedding share									
Geographic revenue split	South - 100%	South - 90% ROI - 10%	South - 45% ROI - 55%	South - 90% ROI - 10%	West - ~98% South - ~2%		NA		South - 100%
Geographic Store split	South - 100%	South - 80% North - 10% West - 10% East - Nil	South - 67% North - 15% West - 13% East - 5%	South - 87% North - 5% West - 7% East - 1%	West - 96% South - 4%	South - 4% North - 70% West - 14% East - 12%	South - 28% North - 31% West - 25% East - 17%	South - 11% North - 3% West - 70% East - 16%	South - 100%
No. of stores (#)	46	78	90	99	25	93	253	37	32

Source: HDFC Securities Report



Schemes & Discounts

- ❖ Golden Harvest Scheme
 - Success of festive season ascribed to GHS enrolments of last year
 - Contributes 50% for top stores and 25-30% for other stores (Festive Sales)

- ❖ Same Scheme offered across the country
 - Discounts offered in slabs

- ❖ Every festive season a collection is launched.
 - Meeting aspirations of the customers
 - Utsava in 2018



Challenges

- ❖ Customer Adoption
 - Influence of local retailers
- ❖ To maintain margin in a commodity driven market
 - Creating the perception that Tanishq is not expensive
 - Proportion of Discounts
- ❖ Inventory Management
 - Right mix of SKU's
 - Movement of inventory from regions of low demand to high demand

Margin Calculation

Tanishq

- ❖ Current Gold Rate = Rs. 34,360* per 10 g (1 tola) of 24 carat gold
- ❖ Making charges= 10%

For a 10 g of gold jewellery (22K):

- ❖ Cost of Gold (A)= $1 \times 31,496 = 31,496$
- ❖ Making charges @ 10% (B)= $.1 \times 31,496 = 3,150$
- ❖ Discount on making charges 10% (if any) (C)= 315
- ❖ Stone charges (D)= 10,000
- ❖ Cost (A+B+D-C) = 44,331
- ❖ GST @ 3% = 1,330
- ❖ **Total Cost= 45,661**



Sources of Margin

❖ For Unorganized Player:-

- Selling 22 K gold with the price of 24 K gold
- 6-10% on buying jewellery
- Weight of stones included in gold while selling and excluded while buying
- Making Charges double for customized designs
- Commission on Exchange of Old Jewellery

❖ For Organized Player:-

- Making Charges
- Fluctuations on Gold prices
- Stone Charges

Tanishq: Pricing Mechanism

80-90 Markets

Primary Competitor	Wedding Competitor
Zaveri	AB Jewels

125-130 Complexities

Product Group	Category	Workmanship	Enhancement	Classification
Plain/Stone	Bangles/Chains	Machine / Hand	None/ Rhodium	E/L/M/H

1 Lakh SKUs

Variant Code	Costs	Price Incl. Markup
5118812EOABAP3	X%	A%



Brand Initiatives & Challenges

- ❖ Educating the Customer:-
 - Karatage
 - Gross Weight and Net weight
 - Factory Visits

- ❖ Transparent Exchange Process:-
 - Melting of gold in front of customer
 - Same buying and selling rate for Tanishq Jewellery

- **Changing Retail Behavior Patterns**
 - **Buying Behavior of the Younger Generation**



Thank You