

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

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Abstract

Gold jewellery is ubiquitous in India and is a common form of adornment and savings in the country. Traditionally, gold jewellery has been priced on the basis of the quantity of gold present sold at the market price, with an additional price component termed “making charges.” Making charges is either a fixed amount in rupees per gram or a percent of the price of gold included in the jewellery. This research examines prevalent pricing practices in the gold jewellery industry and, in particular, the observation of jewellers competing on making charges and drawing customers through discounts on making charges. To this end, we conduct a preliminary study of news articles and other secondary sources, followed by a total of 18 semi-structured in-depth interviews of jewellers and gold jewellery customers. Our findings drive us to question the market validity, especially in the future, of jeweller practices related to making charges, as these practices a) do not convey the real value addition that occurs through the karigar’s (gold craftsman) labor, and b) become increasingly irrelevant when jewellery declines in attractiveness as an investment and is increasingly bought solely for adornment. We, thus, determine the desirability, and to some extent feasibility, of a novel strategy for pricing gold jewellery by changing consumer perception of making charges and emphasizing the value addition by skilled karigars. We provide implications for jewellers, jewellery associations, and policy makers.

Keywords: design, gold consumer, gold jewellery, gold policy, India, pricing

Gold jewellery is ubiquitous in India and is a common form of adornment and savings in the country. The demand for gold jewellery in India stood at 611 tonnes in 2021, which amounted to Rs. 2.6 lakh crore (Asokan 2022). The gems and jewellery industry, including exports, contributes about 7% of India's GDP (IBEF 2022). India is estimated to have about 500,000 jewellers, with around 86,000 jewellers registered for taxation purposes (Goldhub 2022). In recent times, the gold jewellery industry has witnessed a move from a highly fragmented and unorganized market towards consolidation: branded chain stores now constitute about 40% of the retail outlets in the country (Livemint 2022). Leading branded jewellers spend several crores on advertising, with leading players spending Rs. 100-200 crore (Goldhub 2022).

However, despite the differences among companies in terms of scale and strategy, gold jewellery retailers follow two main approaches while selling to customers, depending on the nature of the product: heavy and higher karat gold are sold primarily based on the quantity of gold contained in the product, expressed in grams. To the price of gold, an additional quantity known as "making charges", usually ranging between 6% and 25% of the price of gold in the product, is imposed (Motiani 2020). The purchase does take into consideration the design, but the stronger emphasis is on the amount of gold that changes hands. Unlike this, relatively lighter and lower karat jewellery, often fashion pieces, are sold at a fixed price decided by the retailer. In this case, the focus is only on design and aesthetics rather than the sheer quantity of gold involved.

An important observation in the retailing of gold jewellery, thus, is the role of the making charges which works as a premium on top of the price of gold. Across jewellers, there is a popular practice of providing discounts on the making charges as the amount of making charges is highly variable and is opaque to the consumer (Appendix A). In this way, variation in making charges is used for competitive differentiation and as a way of

encouraging sales (Kaur 2020). The discounting of making charges has been a longstanding method and seemingly works, although systematic evidence for the same does not exist.

In this research, we examine current practices related to making charges – jewellers competing on making charges and drawing customers through discounts on making charges – and propose a repositioning of making charges, and modifying consumer perception of making charges. We suggest that, for consumers who are more interested in the aesthetics of gold jewellery and intend to use it for adornment, it would be possible to present making charges as a “craft premium” which forms an indicator of the value addition carried out on the gold. This would make reasonably high making charges acceptable, without necessitating jeweller discounts on making charges and minimizing customer bargaining for discounts on making charges. For customers who buy gold jewellery as a financial asset, low making charges will continue to be attractive, but purchase of physical gold, particularly in the form of gold jewellery, for investment is likely to decline gradually as avenues for investment in paper assets linked to gold become more popular among the growing young population of the country (Dhawan 2022).

We adopt a multi-method approach by conducting three studies to understand current practices of gold jewellery pricing in detail and to test the feasibility of our proposed approach towards gold jewellery pricing. Given that this research is, to the best of our knowledge, the first systematic study of pricing practices in the gold jewellery industry, we first conduct secondary research in the form of a search and analysis of news articles and online material to understand the nuances of gold jewellery pricing (study 1). We then determine jeweller and consumer perceptions associated with gold, gold pricing, and making charges, both in terms of its necessity and in terms of possible changes to perception, through a series of interviews with both sets of stakeholders (study 2 and study 3). Our analysis reveals three stark observations with respect to the gold jewellery industry: a) considerable

differences in product perceptions, preferences, and usage behavior across younger and older women customers, which we refer to as the age divide in gold jewellery consumption; b) the continued tug of war in the consumer's mind between price in the form of making charges and aesthetics in the form of preferred designs; and c) mixed findings regarding consumer and jeweller attitudes towards making charges, implying the possibility, albeit small, of repositioning making charges as craft premium.

This research provides significant theoretical contributions and holds important managerial and policy implications. Theoretically, we contribute to literature on pricing strategy, particularly with respect to pricing of hedonic products (Choi, Madhavaram, and Park 2020), as well as the signaling impact of price cues on consumer choices (Dawar and Parker 1994). Price can act as a signal for product quality (Zhao 2000), and crafted products tend to command a price premium in several product categories. In extending this literature, we show that in an industry where a discretionary component of price is perceived as an added cost which is often subject to discounting, it is possible to reposition this component as a value addition through craft premium. Doing so communicates value better and enhances consumer willingness to pay. Our research has significant practical implications for jewellers and policy makers. We suggest that the gold jewellery industry in India can benefit through viewing making charges as value addition rather than merely a burden to be borne by the jeweller and/or consumer.

In the remainder of this paper, we first present the theoretical background to this research including a discussion of the context of gold jewellery marketing in India. We then derive a set of hypotheses on gold jewellery consumption and the gold jewellery industry. Next, we explain our methodology that consists of secondary research (study 1), interviews with jewellers (study 2), and interviews with customers (study 3). Following this, we present the findings from the three studies. Finally, we synthesize the findings to test our hypotheses,

arrive at observations on the gold jewellery industry, and discuss the implications for various actors in the gold jewellery ecosystem, particularly jewellers and policymakers.

THEORETICAL BACKGROUND

Pricing and product perception

Much research in pricing has shown a consistent price-quality relationship such that the higher the price, the greater is the quality of the product (Kardes et al. 2004). This would imply that price discounting could have a negative impact on perceived quality. At the same time, price discounts and price promotions play an important role in reducing the pain of paying (Prelec and Loewenstein 1998) and draw customers. Discounting is even more important in a highly competitive market where different market players follow the same strategy and have similar strengths.

However, in a scenario where discounting has become standard industry practice, as in the case of making charges in gold jewellery in India, it could become difficult for a particular company to avoid or reduce discounts. In order to tackle this issue, we consider a case where the perception of the price itself is changed, so that while the pain of payment continues to exist, the price is paid for a value addition rather than an unavoidable difficulty. When the feature for which the price is paid becomes hedonic rather than utilitarian, consumers revert to the price-quality relationship and are more willing to pay the full price (Choi et al. 2020). This leaves scope for brand-based competition that does not depend solely on price or customer habit, and provides scope for differentiators such as cause marketing (Andrews et al. 2014). Thus, nurturing a price-quality relationship in any product category,

without relying on discounting as a differentiator or a trigger to purchase, communicates value to the customer.

Gold jewellery marketing in India

The gold jewellery industry is highly product-focused and pricing is an important aspect of gold sales and purchase; the role of design and aesthetics in determining product choice is relatively low. The major dimension of competition among gold jewellers is price, of which making charges provides the only scope for variation as the remaining components are the price of gold per se and taxes. As a result, gold jewellers tend to offer discounts on making charges as a means to draw customers. Despite the well-known notion that discounts can erode the brand image, the practice of discounting continues since almost all jewellers engage in this practice. Appendix A shows examples of leading offline and online branded jewellers highlighting discounts on making charges. Together with discounting, making charges are usually opaque to the consumer and provide space for bargaining.

Besides the above, anecdotal observation of the gold jewellery market suggests two types of gold purchases for different purposes. Heavy and higher karat gold is bought and sold mainly based on the quantity of gold contained in the product, and is often considered an investment in addition to adornment. For such jewellery, making charges are levied on the price of gold, and this often ranges between 6% and 25% of the price of gold involved (Motiani 2020). A different purpose of gold jewellery is adornment per se, and such jewellery usually refers to relatively lighter and lower karat jewellery, bought mainly on aesthetics and design, where making charges are not very relevant. We expect to observe an overlapping classification of gold jewellery in terms of weight and karat based on adornment needs and investment needs, with the exception being bridal jewellery. Based on the above observations, we propose to test the following hypotheses:

H1: The two major **reasons** for gold jewellery purchase are adornment (focused on aesthetics) and investment (focused on the quantity) of gold.

H2: The two major **categories** of jewellery sold are low weight low karat jewellery for adornment but not for savings, and low/medium/high weight high karat jewellery for investment and often adornment.

H3: Younger **customers** tend to purchase low weight low karat gold jewellery for adornment whereas older customers tend to purchase low/medium/high weight high karat gold jewellery for adornment and savings.

H4a: The two purposes of gold jewellery purchase are distinct but tend to be intermingled with respect to **products**.

H4b: In the specific case of bridal jewellery, **both** adornment and investment needs become important.

Consumer and jeweller perspectives

Presenting making charges to the consumer as a “craft premium” could reduce the prevailing customer tendency to focus on prices while buying what can actually be considered a hedonic product, i.e., a product for enjoyment through adornment, bought based on design and aesthetics. (This is not to say that prices are unimportant: given that one gram of 22 karat gold is priced around Rs. 5,000 or more, gold is certainly costly.) This approach could be a step forward for the gold jewellery industry in moving the product towards a category that can command a premium rather than drive bargaining by the customer, a problem conceded by almost all the jewellers that we interviewed.

Additionally, an important aspect of the gold jewellery value chain is the role of karigars who generally work in poor quality settings and are critical to the working of the

gold jewellery industry, even as the presence of machines in the manufacturing of gold jewellery steadily increase (Varkkey, Jha, and Ansari 2022). Adopting the craft premium elevates the role of the karigars (gold karigars) who form the backbone of the gold jewellery industry but have traditionally worked in low quality settings, despite the advent of machines (Varkkey et al. 2022). Overall, if determined to be feasible and, hence, adopted by gold jewellers, the proposed approach has the potential to become a gamechanger for the industry by enabling greater creation and capture of value that other industries such as diamonds and luxury products have achieved, while raising the quality of life for karigars.

Thus, in addition to observations on gold jewellery products, we posit the following hypotheses with respect to making charges for gold jewellery based on preliminary observations from the market, anecdotal jeweller conversations and secondary research.

H5: Consumers value the **discount** on making charges such that the discount makes them shift the purchase occasion without shifting their jeweller of choice.

H6: Jewellers consider the discount on making charges as **inevitable** in the face of increasing competition.

H7: Consumers are **willing** to pay full making charges if they (are induced to) care about the quality of life of the karigars.

H8: Jewellers are **willing** to include full making charges on the price if doing so will not negatively impact sales.

METHODOLOGY

In this research, we adopt a multi-method approach: the first study involves collection and analysis of relevant news articles to help address a set of statements that we have collated from prior research and the current research. The second study consists of a set of interviews with jewellers to understand their perspectives on making charges and the scope for varying the same. The third study consists of a set of interviews with gold customers to understand their perspectives on making charges and the proposed craft premium. The first study helped build the researchers' understanding from secondary data before engaging in interviews.

Study 1. Gold jewellery pricing practices – secondary research

Based on the research objectives and hypotheses, we identified a set of topics relevant to the current research. Based on conversations with customers, anecdotal evidence, and the first author's research experience (for instance, a large-sample study of gold consumption in India, Narayanan et al. 2020), we prepared a set of statements that involved either common observations or hypothetical statements that could be tested. Table 1 lists the statements that we attempted to validate by finding supportive or counteracting evidence. The statements were classified into three categories:

1. Current practices with respect to making charges
2. (De)valuing the craftsmanship¹ of gold
3. Customer buying behaviour for investment vs. adornment

¹ Throughout this paper, we use the common term craftsmanship as a gender inclusive to the skill and design quality of the karigar's work.

Table 1. Study 1. Statements for validation through secondary research

1. Current practices with respect to making charges
Heavy and higher karat gold are sold primarily based on the quantity of gold contained in the product, expressed in grams. To the price of gold, an additional quantity known as “making charges” is imposed.
Making charges ranges between 6% and 25% of the price of gold in the product.
Making charges are highly variable, and the % imposed as making charges depends on type of jewellery i.e. earrings, bangle etc. and on the intricacy of the work involved.
Lighter and lower karat jewellery, often fashion pieces, are sold at a fixed price decided by the retailer, and does not involve separate making charges.
Making charges constitute most of the profit margin from jewellery sales.
Providing discount on making charges is a major way for jewellers to attract customers.
Making charges practices vary by online and offline channels, and would be more for offline.
Jeweller practices on making charges are opaque to the customer.
Customers are in a position to bargain on making charges at small jewellers but not at branded jewellers.
Percentage of making charges and discount on making charges is a way of competitive differentiation.
There is a trend towards selling gold jewellery on MRP without specifying making charges.
2. (De)valuing the craftsmanship of gold
The jewellery-making value chain involves several players such as jewellers, vendors, and karigar-teams, and a margin is added at each stage.
Different types of gold jewellery involve different levels of split between machine-made and artisan-made elements.
Making charges do not adequately value the craftsmanship that goes into gold jewellery.
Gold jewellery is priced on the quantity of gold and making charges. The industry association guide the pricing to some extent.
3. Customer buying behaviour for investment vs. adornment
Customers who buy for investment vs. adornment are different in terms of their buying behaviour, e.g., buying frequency and type of product bought.
Gold jewellery bought for investment vs. adornment differ in terms of type of ornament and its sovereigns.

Customers could be willing to pay for aesthetics beyond the weight of gold and making charges.

Despite the potentially obvious nature of some of the statements, we consider it important to document and qualify these observations in order to build a systematic understanding of the gold jewellery industry and further its development. To the best of our knowledge, this research is the first such effort to systematically understand pricing in the context of gold jewellery retailing in India. We intended to conduct a directed search for secondary data in the form of news articles, blog articles, industry magazines, and other online resources.

Study 2. Interviews with jewellers

We planned to conduct a set of interviews with owners or senior management of gold jewellery companies in order to understand various aspects related to marketing of gold jewellery and the role of making charges. Interview participants were expected to be contacted through other jewellers, conferences, and the researcher's own network. We planned to conduct 6-10 interviews given the similarities in pricing practices across most players in the gold jewellery industry and potential difficulties associated with arriving at large samples. The interviews were aimed at addressing the following topics related to the gold jewellery industry, making charges, and customer behavior.:

1. Value chain of the jewellery industry and the role of artisans and craftspeople
2. Role of making charges in marketing: discount on making charges, customer perception of this discount, competitive parity on making charges and discount
3. Role of the jewellery association in guiding gold jewellery pricing

4. Customer behavior with respect to gold jewellery, gold jewellery prices including components of price, bargaining behavior, type of jewellery, online versus offline channel differences, and so on.
5. Views of jewellers and jewellery industry bodies on proposed approach to pricing of gold jewellery

Study 3. Interviews with customers

We planned to conduct a set of 10-15 interviews of gold jewellery customers in order to understand their perspectives related to purchase of gold jewellery and perception of the novel approach. The interviews with customers aimed to address the following topics related to gold jewellery consumption:

1. Price perception, gold jewellery retailing, return of gold in terms of its components: price and quantity of gold, making charges and wastage, taxes
2. Impact of various retail and product elements on gold price perception: jeweller brand, salesperson interaction, product being purchased, purpose of purchase
3. For customers intending to buy gold as investment or savings: issues related to buyback of jewellery, losses incurred, etc.
4. For customers intending to buy gold for adornment: issues related to usage, importance of price, making charges, design, aesthetics, and others, in gold jewellery purchase
5. Extent of awareness and concern for gold jewellery, and other relevant consumer behavior such as accumulative purchase of gold, lack of willingness to sell or exchange the jewellery, role of gold among other assets, and so on.

We decided to interview women customers as they often have a major say in *choosing* gold jewellery, and at times in buying. As the wearers of these jewellery, women are also more involved in the design and aesthetics of gold jewellery. We selected women from two

age groups: 20 to 35 years and 45 to 65 years, as we expected gold jewellery consumption patterns to vary widely between younger and older women. Another major factor that could impact gold consumption preferences is location, and we selected participants from both Tier I (Metro) and Tier II cities across the country. This resulted in the sampling plan presented in table 2. We planned to interview a larger number of younger customers as the current research is oriented towards the future of the gold jewellery industry.

Table 2. Study 3. Sampling plan for customer interviews

Age Group	Metro City	Tier-II City
20-35 years	3	3
45-65 years	2	2

FINDINGS

Overview of research conducted

Study 1. Our directed search of online sources resulted in 41 articles that helped assess the statements provided in table 1. Of the articles, 15 were from online news outlets such as The Economic Times, Livemint (Mint), and BusinessLine; 8 were from websites of popular jewellers such as Caratlane and Melorra; 3 from jewellery industry magazines Retail Jeweller and Indian Jeweller; and the remainder are blog articles from sources such as Finaura, LinkedIn, Paisabazaar, and others. These articles provided a preliminary understanding of pricing in the gold jewellery industry, which we present in the following subsections.

Study 2. 9 interviews were conducted with jewellers (including an interview with a karigar, which was not part of the original research plan) in order to understand various

aspects related to marketing of gold jewellery and the role of making charges. Participants were contacted through jewellers, conferences, and the authors' personal network. The profiles of the interview participants, including designation, location, and description of the jewellery retailer is provided in table 3. All interviews were conducted over telephone. As observed from table 3, participants were selected from across India and a wide range of jewellery types including large branded retail chains and small local jewellers.

Table 3. Study 2. Profile of jeweller interview participants

Number	Designation	Experience ² in years	Location	Jeweller description
1	Founder and Managing Director	22	Kanpur	Traditional regional jeweller with three large retail outlets; also design, manufacturing, and export
2	Founder and Managing Director	30	Delhi	Traditional regional jeweller with two large retail outlets; also diamond and silver business
3	Managing Director	33	Delhi	Upscale traditional regional jeweller with one outlet focused on premium products
4	CEO	23	Mumbai	Upscale traditional regional jeweller with two outlets; also manufacturing and export

² Approximate years of experience that the company leader interviewed has in the gold jewellery industry.

5	Former Senior VP, Retail and Marketing	32	Bengaluru	Large modern jeweller with retail outlets across India; also international retail operations
6	CMO (Chief Marketing Officer)	8	Kozhikode	Large modern jeweller with retail outlets across India; also international retail operations
7	Owner	5	Indore	Small local jeweller (family business over 70 years), one outlet
8	Craftsman	5	Thrissur	50-member karigar group which supplied to jewellery vendors
9	Customer Service Manager / Owner	5	Varanasi	Family-owned wholesale business

Study 3. We interviewed 14 consumers of different age groups and from different parts of India to understand their perception of gold jewellery pricing and the making charges component. We reached out to consumers mainly through the researchers' contacts, and the sample that we obtained is provided in table 4. All participants regularly bought gold jewellery and wore these for various occasions.

Table 4. Study 3. Obtained sample for customer interviews

Age Group	Metro City	Tier-II City
20-35 years	4	5
45-65 years	3	2

Of the 14 customer interviews that we conducted, 4 were held over telephone and the rest were held over Zoom call. Again, of the 14 interviews, 7 were conducted in Hindi and others in English. The demographic profile and gold consumption characteristics of the participants that we interviewed are given in table 5. We then present the findings from the interviews.

Table 5. Study 3. Profile of customer interview participants

Participant Number	Name³	Age	City	Occupation	AHI⁴ (INR)	Gold ownership⁵ (grams)
1	Pinky	65	New Delhi	Retired Govt. Employee	3 lacs	800g
2	Palbha	64	Bhopal	Self Employed	5 lacs	350g
3	Neema	58	Indore	Teacher	8 lacs	300-350g
4	Bhavna	27	Chennai	Management Consultant	50 lacs	800g
5	Prema	30	Bangalore	Govt. Employee	20 lacs	200-250g
6	Shami	32	Mumbai	Housewife	15 lacs	200g
7	Jena	34	Bhopal	Govt. Employee	10 lacs	150g

³ All names are fictitious in order to preserve participant anonymity.

⁴ Annual Household Income, likely understated.

⁵ Approximate amount of gold owned by the family.

8	Neeti	33	Bhopal	Govt. Employee	10-20 lacs	640g
9	Sonu	32	Pune	Software Engineer	8 lacs	500g
10	Renu	30	Udaipur	Housewife	10 lacs	300-400g
11	Anu	26	Amravati	Student	8-10 lacs	500-600g
12	Shagun	47	New Delhi	Housewife	10 lacs	100g
13	Komal	25	Mumbai	Student	15 lacs	200-300g
14	Seema	54	Bangalore	Housewife	10-20 lacs	200g

FINDINGS

Findings from jeweller interviews (study 2)

Gold jewellery pricing

Jewellers make money in three main ways: increase in the spot price of gold, making charges, and during exchange of jewellery by customers. As a result, making charges becomes important, and gold is treated as a commodity. Large branded jewellers sometimes have a “fair price policy” due to which they do not provide discounts on making charges. However, most jewellers, especially large local jewellers, provide discounts on making changes in order to attract customers. Over the years, customers have come to expect

discount on making charges. As a result, when a customer likes a particular piece of jewellery, then tend to bargain over the making charges. At the same time, online jewellers often provide a combined price where the making charges is not separately specified. This is especially the case for imported jewellery such as Italian jewellery which is made of 18 karat, light, and relatively inexpensive. However, such sale contributes to 1% or less in the case of large local jewellers, and most jewellers find it difficult to follow this policy of a fixed price as customers prefer to be aware of the price breakup.

Making charges

Machine-made jewellery such as bangles of simple and sturdy design tend to have lower making charges, in the range of Rs. 400-500 per gram. However, jewellery that is handmade tends to be charged much higher making charges, around Rs. 800 per gram. For very intricate designs, making charges might even go up to Rs.1500 per gram of gold. Overall, customers are aware that better and more intricate designs involve higher making charges, going up to Rs. 500-1200 per gram of gold. Making charges also vary with respect to handmade and machine-made jewellery, so that if machine-made jewellery is tagged with making charges of 7-8%, similar jewellery has making charges of about 15% when made by karigars. The gold jewellery pricing process plays on the consumer psychology that when a customer is willing to pay Rs. 50,000 or more in a transaction, an addition of 10-15% on the transaction would not be a big problem. Customers are highly aware of gold jewellery prices and tend to bargain with the jeweller on making charges. Relatedly, they generally have an aversion towards paying a premium for design.

Jewellers' view of making charges

Given the customer focus on gold quantity and making charges, jewellers are not in a position to charge separately for design, services, store ambience, and so on. As a result,

jewellery margins are relatively low. However, in recent years, many jewellers have “upscaled” in terms of ambience and service, along with an attempt to strengthen the studded jewellery business. Low margins are a bigger problem for “family jewellers” or local jewellers who have been in the gold jewellery business for generations. Large local jewellers have been adapting to the advent of large branded jeweller chains. One of the jewellers pointed out that making charges tends to be relatively low in the case of small local jewellers in semi-urban and rural areas, sometimes in the range of 4-5%. Part of the reason for this observation is that small local jewellers do not have significant “corporate expenses” which refer to marketing and operational expenses. As a result, these jewellers do not practise discounting on making charges, nor do customers expect such discounts.

Customer behavior

Almost all participants pointed out that there were broadly two customer segments which were decided by the type of purchase: bridal jewellery that was heavy and typically made of plain gold formed a large majority of the gold jewellery market, in the range of 75-80%. In this category, the use of stones is considered to reduce the investment and future sale value, and the jewellery tends to be made of plain gold. The remainder of the market was constituted by jewellery for adornment, which tended to be lighter with more intricate designs and a greater quantity of stones. However, these were overlapping categories. In general, the former category of heavy, plain jewellery was meant to convey status and provide investment value for future needs. Unlike this, lightweight studded jewellery with an emphasis on design was usually bought for style and ornamentation. Most jewellers we interviewed concur that while the market for lightweight studded jewellery (along with that of diamonds and platinum jewellery) is growing, the heavy bridal jewellery market continues to be strong because it is driven by tradition. In rural areas, there is a greater preference for plain gold jewellery due to the importance of selling or pledging gold jewellery.

For bridal jewellery, an important observation on purchase behavior is that parents choose the jeweller, from whom they have been buying jewellery for several years, if not for the past one or two generations, and the bride chooses the jewellery. Those in the age group of 25-40 years care more for “wearable” jewellery rather than jewellery as an investment. This age group cares more for design of the jewellery. Akshaya Tritiya, Diwali, and other festivals provide opportunities for drawing customers to purchase. For large local jewellers, customers tend to be loyal due to the “comfort” experienced and the feeling of being “heard”.

Interestingly, very few customers actually sold their gold jewellery. One of the participants pointed out that buying gold jewellery for investment was similar to *buying land* in that customers tended to hold the asset rather than sell it, and gold was seen as a risk-free asset unlike equity. BJ provided a similar view that the jewellery buyback option was typically a form of assurance for customers as they rarely come back for exchange of jewellery. Yet, customers enquire of exchange and buyback for jewellery of “Rs. 5000 or Rs 5 lakh.” However, some gold jewellery was seen as “fungible” in the sense that exchange of owned gold jewellery in lieu of newer pieces was more common. The loss of making charges during exchange was largely seen to be acceptable to customers. For investment reasons, most customers today go for gold bars and coins which they do buy from jewellers.

Role of artisans

Gold jewellery is either fully or partially handmade. Intricate designs are made by hand whereas components tend to be machine-made. Some jewellers state that the extent of use of machines versus artisan’s labor does not impact the price of the jewellery. However, the karigar that we interviewed suggested that wastage and making charges tend to be more for handmade jewellery. Some large jewellers stated that the karigars are treated well as they are skilled in their craft. However, this seemed to be the case only in the case of large

branded jewellers who have their in-house group of karigars and very small jewellers who operate without middlemen, but not for small and medium jewellers who buy jewellery from vendors. Since making charges has to account for all expenses of the jeweller, the karigars are often not well-paid, and many times do not want to continue the profession.

Comparison with “design” industries

A jeweller we interviewed pointed out that well-known designers of clothing and non-gold jewellery were generally able to claim a premium for “bespoke and exclusive” products that bore the designer’s name, so that customers did not care about the material and there was “no logic to the pricing” of such products. However, none of the jewellery brands today focus on design as the major selling factor. Designers of apparel are often engaged in “selling the look” which is today not the case in gold jewellery. In gold, the quantity and purity was important to the customer. Other participants also opined that many products such as designer apparel tend to be sold at 4-5 times the cost of production, merely due to the presence of a designer label, which consumers *accept* as the price of the product.

Similarly, customers also accept the single price tag of an iPhone without component-wise split. Brands such as Tiffany are able to drive customer aspiration. European jewellers also focus on a single price, which is made possible by selling small pieces of jewellery. In jewellery, expectation of discount and tendency to bargain are common across customers, so is a need to clearly identify the amount of gold, stones, and making charges. Such behavior is partly driven by the “buyback mindset” or the *intention to sell* the jewellery in future (although the intention is often not supported by future behavior).

The “craft premium” approach

The skill of the karigar is often reflected in the looks of the jewellery. Handmade jewellery that involves significant work by the karigar tends to be unique and in some cases

might not even be replicable. However, such jewellery also takes more time to make, and could even be less sturdy compared to machine-made jewellery. Moreover, customers are more concerned about the “looks” of the jewellery and the making charges rather than whether it was handmade or machine-made.

One participant pointed out that given the focus on gold as a commodity, the beauty of handmade designs is not of any importance in pricing. Along with this, the work of artisans is not valued in the marketing approach and they are considered as “cheap labor.” One jeweller expressed the view that there is a possibility of commanding a premium for the karigar’s labor in special cases of heavyweight and expensive jewellery. However, the average customer tends to bargain with the expectation of discounts.

Role of the jewellery association

Any change with regard to pricing requires consensus among jewellers. GJI (Gems and Jewellery Association of India) could play an important role in this. Typically, the nation jewellery association does not play a significant role in standardization of gold prices. Local associations play a part in guiding gold jewellery pricing. Even otherwise, most jewellers “anyway come to know” competitor pricing practices. Many times, there could be a situation of price war due to deep discounting by certain players.

Findings from consumer interviews (study 3)

Price perception

Participants considered gold jewellery to be special for Indian women, and referred to gold jewellery purchase as “an expensive affair” and “once in a blue moon thing.”

Participants were also well-aware of the components included in the final price of jewellery: they knew that they had to pay for the weight of gold as per the current price and additional

payment for GST and making charges, and that making charges varied by the type and design of jewellery.

The willingness to pay higher making charges, as indicated by the jeweller, for better designs varied among consumers. The perceived value addition offered by higher making charges is the level of intricate design, and willingness to pay higher making charges also increases with greater importance to brand value and brand trust. Participants consistently mentioned Tanishq as a brand that had higher making charges, but also perceived that this higher charge had a basis in the stylish design and brand value. However, in some cases, making charges is also perceived as a potential loss and hence a cause for concern when reselling jewellery. Participants narrated instances of such losses that made a strong mark on their memories. Other customers at times refrain from buying preferred types of jewellery such as *meenakari* work as the jewellery might break and then give lower return value in future. Customers also find the making charges unnecessary yet unavoidable. Shagun, aged 47, who is not a very frequent buyer, mentioned that for her daughter's marriage, she wishes she could make the jewelry purchase from Dubai, where she believes the making charges are not as high.

Jeweller preferences and trust

Participants stated that they buy their jewellery from large regional retailers such as Punjab Jewels, DP Jewellers, GRT, and Bhima or large national retailers like Tanishq, besides smaller local jewellers. Renu, who is 30, and her family “always” buy from DP Jewellers (a well-known brand in Central India) as they are assured of their gold purity. An older participant informed us that her favorite local jeweller enjoys the trust of three generations of her family. Tanishq attracts older customers because of consumers' trust in the quality of the product and the transparent return and exchange process. Younger customers

who have relocated to big cities away from their hometowns prefer Tanishq because they do not have to worry much about purity of gold (which would otherwise be inferred from trust in the local jeweller) and can get the trendy designs.

Location is not the only factor but how many years one has spent in the location also matters. As with Komal, who belongs to a Gujarati family settled in Mumbai for last 25 years, told that her family has been purchasing their gold only from the few local Gujarati jewellers that they have developed bonds of trust over the years, and the chances that they would ever switch to the branded retailers in future are very thin.

Gold as investment

While it is a common practice to buy gold for brides during marriage and at other occasions, our participants highlighted the idea of financial security for women. Especially for women, gold is considered a safe and accessible investment option. According to Seema, gold purchases are “saving for the rainy day”. Prema told us that she wanted to secure her daughter’s future (both education and marriage) and her preferred investment option was gold as it was familiar and less risky. She pointed out that other investment options such as insurance policies and stocks require more knowledge and awareness. A similar account has been given by Komal whose mother has been purchasing gold coins for poojas or auspicious occasions like Dhanteras, and wishes to convert those coins into jewellery at the time of Komal’s marriage. Gold for investment purposes is usually purchased in the form of 23-24 karat bars or coins as these have minimal making charges and give good resale value. However, the proportion of gold earmarked for investment out of total gold assets owned by a household is quite low. Bhavna’s family, for example, has around only 200g, a quarter of their gold assets as coins and remainder is in the form of jewellery. Interestingly, while this jewellery is intended for adornment, it also acts as a form of investment.

Gold for adornment

Participants preferred wearing different kinds of jewellery on a regular basis vs. special occasions like marriage, functions, or festivals. For regular wear, younger customer prefer lightweight and studded jewellery with trendy designs, with design being a key factor, whereas older customers prefer jewellery with a comparatively greater quantity of gold. Lightweight jewellery is important to younger customers as these are also work-wear, with consumers liking simple and elegant designs by Tanishq Mia and Caratlane. Older customers like Palbha do not care much about trendy designs or stones. Sturdiness is also important when buying jewellery for regular wear, especially since exchanging a broken piece of jewellery entails loss of making charges. Thus, both design and sturdiness impact jewellery purchases. If these criteria are met, price does not matter much.

Younger customers are willing to pay higher making charges for specific reasons: Renu, who likes rose gold jewellery, knows that making charges for rose gold is higher (10-11% for rose gold and 5-6% for yellow gold), but prefers buying rose gold because the designs look better. There is also a cultural association with jewellery preferences. For example, Neema, who is a Maharashtrian, likes designs of WHP jewellers who are specialized in Marathi designs. Similarly, Neeti's preferences of the color of gold and designs are specific to Kerala.

Role of craft and karigars

Regular wear jewellery like gold chains, rings, and simple bangles are usually machine-made whereas more design-oriented jewellery like necklaces and more intricate bangles requires craftsmanship. Participants noted that depending on 'fashion' of modern designs and 'authenticity' of traditional designs, such as Kerala's traditional *Nagapadam mala* and *Palakka mala*, making charges are higher. The reason is that these special jewellery

designs involve more effort of karigars. Some jewellers also include a karigar or a team of karigars in their shops to meet dynamic requirements of the customers. Jewellers usually have a “goldsmith’s corner” to manage customized orders and for evaluating the purity and resale value of gold jewellery brought for return/exchange.

Perceptions of gold purity

Older participants informed that purity was important for them but they trusted the local jeweller who was their favorite for several years, and possibly with their parents as well. As a result, these customers did not care much for karatmeter or hallmarking, although they were aware of the latter. Other participants tended to rely on hallmarking to determine purity of the gold while purchasing, with some role played by trust in the jeweller. Younger customers are aware of the karatmeter that is often present in large national jewellery chains. Additionally, participants from South India use color or sheen of the gold to assess purity; according to these customers, the type and extent of mixing metals can be inferred from the color of the shining gold. Neeti pointed out that gold of reddish tint, which arises from mixing of copper, was more common in South India. She does not prefer the pale yellow gold, due to silver being mixed, which is sold in North India as she does not consider it to be pure. Importantly, the actual level of purity is sometimes revealed only at the time of jewellery exchange, which at times results in disappointment as there could be additional losses besides the loss of making charges. Mrs Seema tells us that when the old jewelry is tested on a karatmeter during exchange, sometimes results are not as expected.

Gold exchange/resale

The process of returning jewellery is almost the same across retailers. The actual gold weight and purity level is determined by the jeweller, typically through the goldsmith at the store, and then the monetary value of gold as per current rates is given to the customers, with

additional deductions in some cases. In most cases, returns happen when customers exchange either broken jewellery or old jewellery items which they think are no longer fashionable. Exchanging or selling old jewellery is seen as a loss-making activity by most of our participants. Neeti from Bhopal, who buys jewellery mostly from her hometown in Kerala, described the losses that she incurred while selling her jewellery (around four percent of the price of purchase) and took a clear decision to never sell jewellery and only use it as collateral for gold loans. This way, she could get her jewellery back without suffering losses. Jena's experience with returning her broken necklace, when she did not get the desired worth, stayed with her and has impacted her future purchase decisions: she is now more conscious of the making charges component and looks for jewellery designs which give better resale value.

Online purchase

Online purchase of gold jewellery is not considered as an acceptable option by most Indian customers, particularly due to perceptions of risk and lack of safety. Younger customers do follow online portals of Caratlane, Mia, and Tanishq, but purchases are always conducted through retail stores. Typically, the final price is provided in the bill and the making charges component is not featured separately, and customers are comfortable with this form of pricing if they like the jewellery design.

DISCUSSION

The age divide in gold jewellery consumption

The findings of the three studies largely validate our hypotheses. Interviews with customers clarify the purposes of purchasing gold. In making an investment of any form,

older customers consider it “easier” to buy gold, as compared to other financial assets, as it does not require any specialized knowledge. For older customers, gold jewellery is the only form of gold purchase, and acts as both investment and sentiment. For younger customers, investment implies gold bars (and, at times, heavy jewellery owned by their parents that is rarely used). Thus, gold jewellery obtains the dual purposes of adornment and investment, supporting H1 and H3. Moreover, older customers point out that jewellery bought for investment is heavy and plain, with emphasis on sturdiness and limited importance to aesthetics. Unlike this, where jewellery is mainly bought for adornment, design is a key factor, especially among younger customers, further supporting H1 and H3.

Moreover, an interesting revelation from our later interviews is that the exclusivity of jewelry design also matters to the younger customers when making buying decisions. Anu, a 26-year-old, has recently purchased a diamond-studded rose gold ring from Caratlane with her first salary. While she appreciates the designs offered by Caratlane, she feels disappointed realizing that the same designs are sold to other customers. The prospect of encountering someone at a wedding/ gathering, wearing the same piece of jewelry as hers, makes her wonder if customized jewelry from her mother’s go-to local shop would be a better option in such case. Overall, in addition to the relatively well-known difference between gold jewellery for investment and adornment – gold jewellery mainly meant for investment is typically heavy and plain whereas gold jewellery for adornment is lighter and studded – we find an *age divide* in terms of the stated purpose of gold jewellery. The age divide refers to the observation that older customers tend to consider gold jewellery as an investment (in addition to possibly using it for adornment) but younger customers consider gold jewellery as largely for adornment. The latter might have expressed their preferences keeping in consideration the ownership of adequate quantities of investment-oriented gold jewellery by their parents, the observation is nevertheless interesting.

Part of the reason for this age divide in gold jewellery consumption is that older customers tend to consider the possibility for future resale and pledging of their jewellery in times of need. As a result, their gold jewellery purchase decisions are driven by the quantity of gold and its potential as a financial asset. Unlike this, the younger generation is less concerned with future use of the jewellery as a financial asset. Instead, their focus during purchase is the aesthetics and uniqueness of the jewellery. This behavioral difference between older and younger customers also ties in with a) the purpose, and b) the frequency of wearing the jewellery. Older customers use their gold jewellery (which is also relatively heavier and usually plain) to convey status and gravity, particularly during weddings and family functions.

Younger customers use their gold jewellery (which is lighter and sometimes studded) to look good and feel gold, during regular occasions such as with office wear and casual outings. As a result, younger customers wear much of their gold jewellery more often whereas older customers only wear a very small subset of their jewellery. This behavior is also reflected in the extent of variety and designs that younger customers stated that they look for; it could also mean that they have a larger collection of similar jewellery in order to vary while using as a fashion accessory, unlike their older counterparts. Accordingly, younger customers are more willing to buy rose gold and lower karat forms of gold jewellery as the investment perspective is absent during purchase. Taken together, we find support for H2, in addition to finding age as a factor that drives the posited differences, i.e., H3. We also found some support for H4a and H4b as older women and jewellers suggested that bridal jewellery is meant for both investment and adornment. Other research such as Narayanan et al. (2020) also find evidence that supports H4a and H4b.

The price-design tug of war

Our research highlights an interesting finding with respect to the customer mindset: women in a jewellery store are constantly conflicted between beauty (jewellery design) and price (making charges). On one hand, she wants to purchase a piece of jewellery that her heart likes and she would look beautiful in. On the other hand, she reminds herself or her shopping partner reminds her that gold jewellery is a) expensive, and b) an investment that might resold in future. Expensive implies that she has to be mindful of the overall price, i.e., the quantity of gold and the making charges, despite the attractiveness of designs. Investment implies that she has to be mindful of the making charges, again, as making charges turn out to be a loss during resale or return (which, in fact, might not happen at all). Thus, the choice of gold jewellery – plain vs. studded, smaller vs. larger quantity of gold, less vs. more intricate designs – involves a conflict of emotions.

Currently, we find that in terms of willingness to pay a premium for design, there are two kinds of customers: the first category cares more about design and less about price, and are comfortable paying higher making charges for the piece of their liking. The second category care for design, but do not intend to pay a premium and switch to other designs with lower making charges. It must be noted that both categories of customers are relatively young. Among older customers, while design is important, lower making charges and discounts on making charges are important, possibly because older customers tend to buy heavier and plain gold jewellery. This observation parallels the age divide in gold jewellery consumption observed earlier in our discussion.

In sum, there exists a palpable tension between investment vs. adornment as the dual purposes of gold jewellery (also discussed in Narayanan et al. 2020), which parallels the tension between the older and newer generation of customers as well as between *ownership*

and *usage* as the dual purposes of gold jewellery. Mere value from ownership (and potential resale in times of need) is a critical factor for older customers but not for younger customers.

Making charges reframed

With respect to making charges, customers are comfortable with the making charges that are typically observed. Given the tendency of customers to bargain for discounts, both customers and jewellers acknowledge that discounts on making charges are important for the sale to close. Customers state that they wait for occasions such as festivals when most jewellers, including customers' favorite jewellers, offer discounts on making charges, supporting H5.

Across jewellers, discounting on making charges is a popular practice that customers have come to expect. As a result of the popularity of discounting on making charges, and making charges being the only aspect of price that is within the jeweller's control to vary as they wish, almost all jewellers provide discounts on making charges, supporting H6. The only exception is the case of very small local jewellers who charge relatively low making charges as they do not involve middlemen vendors or corporate/marketing expenses. Some large branded jewellers are attempting to change this practice. Jewellers have greater freedom over discounting fashionable gold jewellery sold at a fixed price as making charges are not specified and customers are less price-conscious. Overall, we find support for H8, but the industry norm of discounting prevents most jewellers from charging full prices.

The issue of making charges matters because a gram of 22-karat gold costs over INR 5,000, so that making charges calculated at 5% for a piece of jewellery using four sovereigns (32 grams) gold becomes over INR 8,000 for gold worth over INR 1,60,000. Thus, even the smallest of gold jewellery items result in substantial exchange of money as making charges. Understandably, most customers do not like to pay a larger amount than is absolutely

necessary, and discounts on making charges enable them to save at least a small amount. It is, however, puzzling, that a customer who is willing to spend INR 1.6 lakhs is uncomfortable paying an additional INR 8,000, or a total of INR 1.68 lakhs. Part of the reason for this behavior is the industry norm of presenting gold jewellery prices in a partitioned manner, i.e., making charges separated from the price of gold.

In designer apparel and art, higher levels of price acceptance are observed but in jewellery bargaining is often the norm. However, newer brands and newer customers engage in less of bargaining. Older customers are inclined to bargain at their favorite local jewellers but they are aware that they cannot bargain at large branded stores, particularly because no strong relationship exists with the jeweller. Younger customers, in turn, do not care to bargain. However, our evidence. Evidence suggests that customers are largely ignorant of karigars and their contribution to gold jewellery. Customers also tend to be indifferent towards the situation of karigars, possibly due to their lack of awareness. Thus, H7 remains speculative and we do not find sufficient support. However, large branded gold jewellers have attempted to highlight the role of karigars through advertising and media messages.

Partitioned pricing and discounts both make the customer price-conscious and drive bargaining behavior. Further, these aspects of gold jewellery pricing drive the customer into a loss frame of mind, whereby their aim is to minimize losses while buying jewellery. If future sale were in the form of jewellery itself (as in the case of designer jewellery and fashion apparel) making charges would be a value addition, but the moment gold is sold, it is considered raw material and the artisan's labor becomes meaningless. Part of the reason for this is that gold is endlessly recyclable and melting down of gold is essential to determine its purity. Purity is critical due to the inherent value of the metal. As a result, repositioning making charges as craft premium is likely to indicate that making charges is really a valuation of the artisan's effort. This, in turn, will allow for more "correct" i.e. realistic

valuation of artisan work, and improve quality of life of artisans. This approach will also reduce the prevailing customer tendency to focus on prices while buying a product that is at least in part meant for adornment and is based on design and aesthetics.

IMPLICATIONS FOR INDUSTRY

Towards craft premium

Repositioning making charges as craft premium provides several benefits to jewellers. First, the age divide in gold jewellery consumption suggests that there are two parallel customer segments – a large but declining segment of older customers who buy heavy, plain jewellery for occasional use, ostensibly for adornment but primarily for investment; and a smaller but rapidly growing segment of younger customers who value lightweight design with gemstones for regular varied use, for the sole purpose of adornment. As a result, jewellers have to decide how to target each segment separately, as each customer segment has distinct needs and product preferences.

Marketers could implement the pricing approach of “craft premium” in different ways. One way could be to separate the karigar’s payment, which then becomes the “craft premium” component, from other costs and overheads. The costs incurred, not including the karigar’s charges, can be decided by jewellers based on their scale of operations and can be subject to discounts as jewellers decide. Arrangements with jewellery vendors might need to be considered accordingly. Modifying the craft premium, then, could not only bring transparency to the current pricing system but also can act as a differentiator that a) shows the jewellers’ concern for the karigar community, and b) differentiates jewellery designs according to quality and artisanship.

Most importantly, repositioning making charges as craft premium connects price with customer perceived value – value that can be attributed to design – and can go a long way towards alleviating the price-design tug of war in the customer’s mind. The price premium of design will be conveyed directly and does not have to be compensated through greater quantity of gold. Such customer satisfaction during the jewellery purchase is important in driving value in monetary terms without commensurately increasing the amount of gold transacted. Craft premium will also result in better pay and better standard of living for karigars as the artisan’s design effort is valued as such. Projecting the role of the karigar can provide a further competitive advantage to jewellers.

Marketing effort

One of the ways to target customers is to more deliberately and explicitly charge a premium for design in the case of lower karat lightweight jewellery. However, such a strategy needs to be accompanied by positioning and communication efforts that highlight the role of design, designers, karigars, and aesthetics while downplaying the importance of quantity of gold. The marketing efforts of this category of gold is initially likely to be higher but will pay off as the margins can be pushed upwards through genuine value communication and value capture as in the case of other design based industries. In the jewellery industry, non-gold jewellery is currently being sold on the platform of design, sustainability, and other aspects which do not pertain to the material value of the product. In gold jewellery, one approach could be the use of sub-brands, which is an increasingly common practice among jewellers.

Rethinking resale intentions

Much jewellery that is sold on the premise of design might not have resale value, and this might seem like a major concern in the current industry. However, our research suggests that while all customers do believe that they might resell their gold jewellery at some (vague

and unidentified) point in future for some (vague and unidentified) reason, it is only the older customers who hold this belief *strongly*. Such a strong belief is a major factor that affects price acceptance, bargaining behavior, expectation of discounts and high importance attached to discounts, and so on. Unlike this, younger customers, despite stating and believing in resale, are not strongly concerned with this aspect. Younger customers, our research suggests, are willing to buy lightweight jewellery for design and aesthetics by compromising on scope for resale.

As a result, consumer and jeweller concerns related to gold jewellery are absent in the segment of younger customers who explicitly aim for design and adornment. There is scope to drive volume through variety in this segment as adornment goes in tandem with variety and fashion. This is a growth segment with low value but high volume potential, which can be driven towards high value without impeding growth by shifting the perception of making charges to craft premium.

Beyond discounts

Repositioning making charges as craft premium provides jewellers the ability to avoid emphasizing discounts on making charges as a way of competing, since differentiation can now be conveyed through design and associated pricing. This implication originates from an interesting observation, or more correctly, absence of an expected observation, from primary research: we did not find strong evidence from customer interviews in support of seasonal discounts enhancing customers' tendency to switch their jeweller preferences. The presence of discounts merely accelerates purchase within the same jeweller, and a large part of these purchases would have taken place even in the absence of discounts. Most customers, especially older customers, buy from a particular jeweller and engage in bargaining for discounts even when store discounts are not present. Some of the customers also believe that

“discounts are namesake”. They have their own set of preferred jewellery shops and only factors like budget, design preferences, purity assurance and not discounts, play a role in their buying decisions.

IMPLICATIONS FOR POLICY

Needless to mention, the above considerations are subject to feasibility considerations and are likely to require alignment among industry players, facilitated by relevant policy. Besides the recent regulations aimed at ensuring purity of gold used in the jewellery (Bureau of Indian Standards (Hallmarking) Regulations, 2018) and at driving gold monetization (Gold Monetization Scheme, 2015), policy attention towards pricing practices in the gold jewellery could guide the industry in a direction that is both sustainable and win-win for all parties. In this light, our analysis leads to a range of implications and related recommendations for policy makers.

Consequences of current practices

Current industry practices with respect to making charges, when viewed through the lens of price as a signal about the nature of the underlying product, highlight that gold jewellery is a commodity. Without question, gold metal is a commodity. However, the practice of making charges suggests that design has very little value and should – to the rational mind – be considered as a waste, notwithstanding the fact that future resale of gold might not take place. Such a pricing practice was historically suitable when karigars procured, designed, crafted and sold jewellery, all on their own, to the customer’s satisfaction. But today, with the gold jewellery industry being increasingly organized and populated by several intermediaries, the system of making charges (and discounts on making

charges) results in a focus on *minimization* of costs which prevents karigars from obtaining their fair share of remuneration for the value addition they perform. Instead, an alternative form of pricing such as craft premium would enable increasing quality in terms of aesthetics and value for artisans.

As a result of discounts on making charges, the already low margins on gold jewellery dwindle further, which requires large volumes for gold jewellery retailing to succeed. This could sooner or later result in consolidation of the gold jewellery industry as highly ambitious large regional players acquire smaller regional players even as large national branded players expand their geographical presence through greater number of outlets. This trend might not augur well for the future of the industry, particularly customers.

Commodification of gold jewellery

A second and perhaps more important consequence of the commoditization of gold jewellery is the ubiquitous tendency to consider gold in jewellery form as investment. Gold jewellery as investment drives practices such as hoarding, ostentatious display, dowry in the form of gold jewellery, and related practices that are economically and socially not highly desirable. Further, large quantities of gold changing hands between the jeweller and the customer also encourages other undesirable practices such as money laundering and smuggling. The repealed Gold Control Act of 1968 suggests that attempts to directly control the ownership of gold could be futile and might not be in the interests of consumers.

Overall, commodification of gold jewellery furthers the use of physical gold as investment, higher current account deficit due to large imports of gold, limited interest in paper asset such as sovereign gold bonds, near absence of interest in gold monetization, and so on. Ideally, policy should be aimed against the use of gold jewellery as store of value, as the Gold Monetization Scheme, 2015 has attempted to. Jewellers could be incentivized for

sale of jewellery of low karat levels, pricing at non-partitioned price, products with lower grammage of gold, and conveying making charges in the form of craft premium.

Disincentives for transfer of plain gold with low making charges, which constitutes bulk purchase for investment and counters attempts at demonetization, could be considered.

CONCLUSION

We conduct three studies – secondary research using news articles and other sources, interviews with gold jewellers, and interviews with gold jewellery customers – in order to understand current pricing practices of gold jewellery as well as the feasibility and benefits of a novel pricing strategy for gold jewellery. The proposed pricing strategy aims to reposition making charges associated with gold jewellery as craft premium that conveys the extent of design and craftsmanship in the jewellery. This research is a first step towards examining a much-needed shift in the gold jewellery industry in India, whereby quality (design) becomes the object of prime focus of buyers and sellers, and quantity (grams) becomes secondary. While our research adopts a multi-method approach in an attempt to garner perspectives from various sources, both primary and secondary, the research does involve certain limitations and we hope that future research would address these shortcomings. To this end, future research could consider perspectives from karigars who form the backbone of gold jewellery production. The role of mechanization in gold jewellery manufacturing could also be studied to arrive at the details of the craft premium such as the amount and types of jewellery suitable for craft premium.

Pricing innovation has been undertaken by various companies across industries for various reasons such as providing greater transparency to the customer, reducing customer

hassle, or communicating better value. The proposed pricing approach for gold jewellery differentiates between various types of gold jewellery products and helps realize the full value of gold jewellery beyond the quantity of gold metal present in the product. Moreover, it tends to encourage the customer towards buying gold jewellery for adornment and not for investment. This tendency in the buying behavior of customers is one that the Indian government has also attempted to encourage by offering gold monetization and gold bonds as avenues for investment so that jewellery becomes an avenue solely for adornment. While there might arise concerns on reduction in demand when discounts on making charges are limited, the proposed initiative will enable jewellers to convey better the value they offer so that customers become willing to pay the craft premium.

Within gold jewellery, the dichotomy of adornment vs. investment parallels that of retailing using fixed vs. partitioned price presentation. Craft premium rather than making charges will enable greater creation and capture of value that other industries such as diamonds and luxury products have achieved. Overall, this approach will drive premiumization and real value creation in the gold jewellery industry, by shifting the current perception of one component of gold jewellery price (making charges) as an added cost that triggers jeweller discounts towards an indication of value addition through the artisan's labor (craft premium). Implementing this approach would require dialog and action across all stakeholders of the gold jewellery industry. Overall, this paper finds evidence to advocate a simple change of positioning of making charges that can nudge consumers to consider buying lower amounts of gold while valuing the work of the artisan, thus boosting an existing trend in the industry.

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Appendix A: Jeweller communication emphasizing discount on making charges

- a) Store sales of Tanishq: print advertisement highlighting upto 25% discount on making charges

The advertisement features a woman in a green and pink saree wearing elaborate gold jewelry. The text on the right side of the ad reads: 'TANISHQ PRESENTS THE BEST COMBO OFFER EVER'. Below this, it states 'UP TO 25% OFF* ON MAKING CHARGES OF GOLD JEWELLERY & DIAMOND JEWELLERY VALUE + 100%** EXCHANGE VALUE ON OLD GOLD JEWELLERY'. At the bottom, there is a list of store locations across various cities in India, including Mumbai, Pune, and Bangalore. The Tanishq logo is at the top right, and the website 'www.tanishq.co.in' is also present.

Source: advertgallery.com

- b) Online jewellery sales of Melorra: webpage highlighting upto 50% discount on making charges

The screenshot shows the Melorra website homepage. The navigation bar includes 'MELORRA', a search bar, and icons for Offers, Find a Store, Blog, Contact Us, Profile, Wishlist, Cart, and India. Below the navigation bar, there are categories like 'New arrivals', 'Rings', 'Earrings', 'Pendants', 'Chains', 'Solitaires', 'All Jewellery', 'Gold coins', 'Second Ear-Piercing', and 'Fast Delivery'. The main banner features a woman in a green dress wearing jewelry. The text on the banner reads: 'Upto 50% OFF on Making Charges of Gold Jewellery' and 'Flat 40% OFF on Diamond & Gemstone Prices'. There is a 'SHOP NOW' button and a note about 'Extra 5% cashback on ICICI Bank Credit Cards*'. A 'Help?' button is in the bottom right corner. The URL 'https://www.melorra.com' is visible at the bottom left.

Source: <https://www.melorra.com/>