

MANAGEMENT OUTLOOK

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THE JEWELLERY MARKET IN THE EU



Consumption

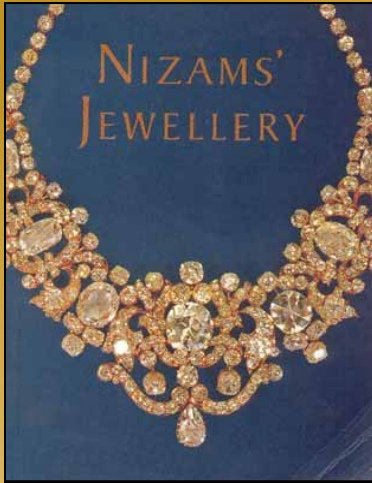
The EU is the second largest market for jewellery, after the USA, representing one fifth of the global market value. In 2008, EU consumption was € 23.3 billion with an average per capita expenditure of € 47.2, of which € 6.4 was costume jewellery. There are big differences between EU countries. Italian (€ 85.1) or Greek people (€ 96.9) spent more on precious jewellery, while in Eastern countries people spent an average of € 10.4 on jewellery per year. In 2008, Eastern EU countries represented 4% of EU jewellery market value.

The large EU markets made up a share of nearly 70% of the market value, with an estimated 200 million pieces sold in 2008. These markets were Italy (21.7%), France

(17.3%), UK (16.3%) and Germany (13.3%). The largest markets by volume were France, UK, as well as Spain, Germany, the Netherlands and the Eastern EU countries. Most pieces sold were costume and silver jewellery, particularly earrings and neckwear. Since 2004, sales in most EU countries rose steadily, as jewellery has become a fashion statement that women themselves buy as a part of a new outfit. Along with the economic growth, particularly in the Eastern EU countries, the number of working women and marriages rose steadily. There is more diversity in jewellery designs and more retail outlets sell jewellery, which has stimulated impulse buying. In the period between 2004 and 2006, EU jewellery sales increased from € 23.5 to 23.8 million.

Costume jewellery enjoyed substantial growth period with much cheap jewellery being imported from China and India.

*Other best-performing segments were jewellery for teens and pre-teens (metal, titanium or silver jewellery with beads or crystals, body jewellery) and accessible jewellery with coloured gemstones, diamonds and pearls for women and men. Since 2007, jewellery sales have weakened due to the global recession and to the enormous price rises of precious metals. Consumers turned away from *precious jewellery* (gold, platinum and diamond jewellery) towards silver and *costume jewellery*. Other consumers cut down their expenditure on jewellery, or were looking for personal pieces that they can use longer.*



Many consumers now regard good design and affordable price more important than the intrinsic value of a jewellery piece. In 2008, EU precious jewellery sales fell to € 20.2 billion, while EU costume jewellery sales rose further to € 3.1 billion in the same year. *Economic uncertainty* makes it difficult to predict the future growth trends.

But after a period of relative decline or stagnation, this market is expected to grow again from 2010. The future EU jewellery market is expected to grow, especially in the Eastern EU countries with an emerging middle class and a growing number of tourists. The total EU market will grade up in terms of original designs, statement jewellery, added value (ethical issues, craftsmanship), new production technology and new combinations of costume and precious jewellery.

Production

The EU has traditionally been an important supplier of high quality jewellery to the world market. The EU jewellery industry includes some 28,800 large and many smaller companies with 81,000 em-

ployees, which specialise either in a style of jewellery or in a stage of production. In 2008, these companies generated a total turnover of € 12.9 billion.

Italy is the main EU production centre, and represented 47% of this turnover which was mainly from precious jewellery in plain form or with stones, diamonds or pearls in a variety of styles. France, Spain, UK, Germany Poland and Scandinavian countries are other important producers of precious jewellery with the majority made of silver.

Precious jewellery. Around 90% of jewellery produced is precious jewellery. The value of precious jewellery production fell by an average of -0.1%, which was most evident in Italy, UK and Portugal because of falling exports resulting from increased export prices of gold jewellery. Even if China, India and Turkey are fast-growing new jewellery production centres, the EU still accounted in 2008 for more than 20% of global jewellery production. India is the biggest gold producer in terms of volume.

Costume jewellery production is mainly concentrated in Austria, Spain, Italy, France, and increasingly Poland (amber), Czech Republic (crystals) and Denmark (Trollbeads). Between 2004 and 2008, the EU production value rose by an average of 1.6% per year, from 1,159 to € 1,236 million. Except UK, Germany, Finland, Belgium and Hungary growth was experienced in all countries. This was due to more demand for medium-high quality pieces of base metal (titanium), combined with crystals, glass, beads or stones.

EU manufacturers are now realising they may have to outsource more of their production to keep their designer jewellery competitive and profitable. There are now more cooperation and joint promotions by Italian of German manufacturers on a global level. However, many small manufacturers resisted the option of transferring production to China or India. Another trend is that outsourcing increasingly takes place in nearby countries. Therefore, EU manufacturers are able to supply smaller quantities faster, reducing the risk



of unsold stock, especially since the prices of precious metals are high. Italy, Germany and Turkey have relocated some of their production of precious jewellery to Bulgaria, Romania, but also to North African countries.

Trade channels

The distribution of jewellery in the EU is mainly carried out by specialised (retail) traders. On average, they represented around 70% of jewellery retail sales in most countries in 2008

But there are differences:

□ For *precious jewellery*, jewellers, gold and silver smiths, boutiques and galleries supplied through wholesalers are the main channels. Most of them are independent with a growing number belonging to a chain store, franchise or buying/voluntary group.

□ For *costume jewellery*, there is a much wider distribution network. This varies from bijouterie shops, accessory chain stores, online jewellery sellers to a wide range of non-specialists such as department stores, clothing stores, gift shops, hypermarkets, perfumeries, market stalls, mail order or telesales companies.

There is more competition from online sellers, department stores, accessory chain stores, clothing stores and hypermarkets that are all expanding rapidly, especially in the new Member States. They offer accessible costume and silver jewellery and change their collections at least two times per year along with the seasonal fashion trends.

In all EU countries, jewellers have to cope with the recession, tough regulations in distribution, theft, higher costs, ethical issues and demanding consumers. In order to differentiate, they focus on quality

or on specific target groups such as older people. In this respect, jewelers may welcome new ideas from suppliers and designers to develop their own unique collections.

Imports

The EU is a leading importer of jewellery in the world. In 2008, EU jewellery imports were valued at € 14.8 billion and had increased by 5.0% since 2004. However, the volume fell by -1.6% from 127.3 to 119.5 tonnes in the same period. This was mainly apparent in *costume jewellery imports*, with volumes falling from 116.6 to 104.6 tonnes, whereas values rose from € 1.5 to 2.3 billion. This indicates an upward pressure on prices.

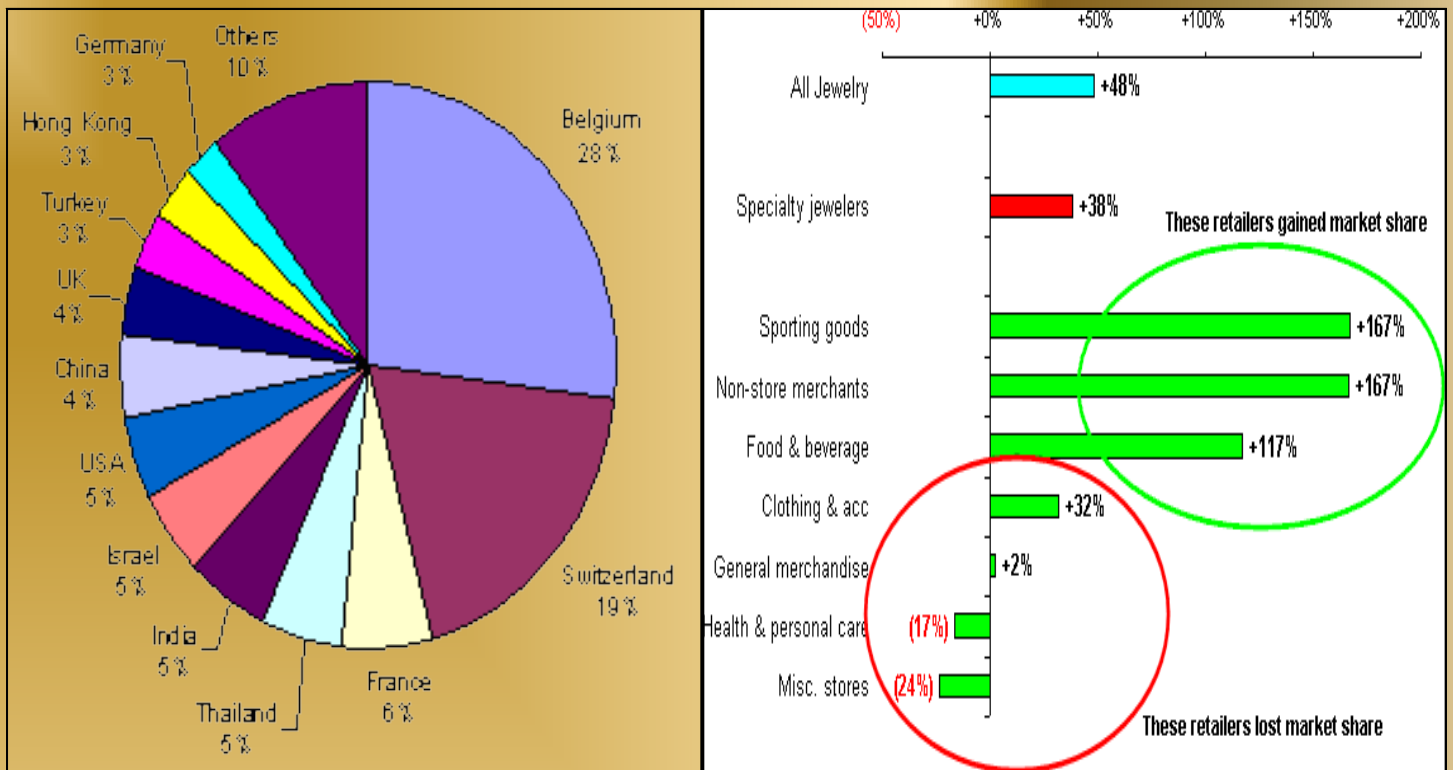
On the other hand, EU imports of *precious jewellery* showed a downward trend on prices. Between 2004 and 2008, the value of precious jewellery imports rose from € 10.7 to 12.5 billion, while volumes were increasing more, from 10.8 to 14.9 tonnes. This can be explained by more imports of lower value pieces, particularly of jewellery articles and stones. Large value increases were registered for Belgium, the biggest EU importer as it is the most important diamond trading country, as well as by France. Imports by Italy, the third biggest EU importer, fell from € 1.0 billion to 974 million. The UK is also a large importer of precious jewellery.

Imports into all the other EU countries rose, especially those into Austria, Poland, Slovenia and the Baltic States. Most imports (39%) came from developing countries. Switzerland,

USA, Hong Kong and Israel remain powerful extra-EU suppliers. *In terms of product groups*, precious jewellery is by value the most important sub-sector, with rises in the imports of diamonds, jewellery articles and stones, especially from developing countries. In terms of volume, there were rises in the imports of diamonds, jewellery articles and stones.

Imports from developing countries rose at a faster rate than total EU imports, with an average annual rate of 5.3%, from € 4.6 to 5.8 billion. The top four importers - Belgium, UK, Germany, and Italy - accounted for 76.1% (58.3% by volume) of all EU imports from developing countries. By value, around 80% of supplies came from China, India and Thailand in 2008. In the period between 2004 and 2008, the volume of Chinese jewellery supplies to the EU almost doubled, from 34.11 to 65.89 tonnes. China held a share of nearly 80% of DC jewellery supplies and was by far the main volume supplier to the EU. Most of China's supplies were costume jewellery, silver jewellery and hair accessories.

Other Asian countries with substantial exports to the EU included Vietnam, Philippines and Indonesia, and for stones, Sri Lanka, Myanmar, Pakistan, Malaysia and Nepal. In the past few years, other non-Asian supplying countries have become more important in the supply of jewellery, especially in silver and costume jewellery and gemstones. Brazil, Colombia, Mexico, Argentina, Peru and Ecuador were important suppliers to southern EU countries.



Exports

In 2008, EU jewellery exports totalled € 15.8 billion and approximately 55% went to extra-EU countries and 15% went to developing countries. Between 2004 and 2008, exports rose steadily by an annual average rate of 3.8%. In 2008, Belgium led the EU exports (31% of value). Italy was the second largest EU exporter of jewellery (29%) and the largest volume supplier (4.78 tonnes), followed by the UK (4.68 tonnes). The main extra-EU destinations for EU jewellery were Switzerland, USA, UA Emirates, Hong Kong, Israel, Japan, Russia, Qatar and Canada.

While exports increased to growing economies such as China, India, Turkey, Thailand, Mexico, Jordan, Panama and to former Russian countries such as Kazakhstan, Azerbaijan and Ukraine.

Opportunities for exporters from developing countries

Even if the future EU market is affected by the economic recession, future opportunities exist in:

- *Accessible jewellery* with an interesting design (ethnic, symbolic) that can be used over a longer period. Costume jewellery, silver jewellery or precious jewellery made of lighter metals and that are dressed up by coloured stones
- *Statement jewellery* expressing the wearer's personality. Examples are huge (cocktail) rings with an eye-catching stone, large teardrop earrings, multi-linked neck chains, shield-like pendants, large or layered bangles, big brooches or piercings.
- *Ethical jewellery*, particularly costume jewellery. It is important to stress the ecofriendliness and sustainability of jewellery collection. Opportunities also exist in precious jewellery with stones, as long as you can give the buyer some evidence to trace down the precious metal or stone to the mine/origin.
- *Eastern EU countries*, as the middle class is growing in all countries. There are opportunities for silver and costume jewellery with colourful stones. Please note the differences between these countries.
- *Outsourced production*. For exporters in Turkey and North African countries (Morocco, Tunisia and Egypt), Croatia or in former Russian countries, there are opportunities for outsourced production of jewellery pieces, for their assembly, or finishing processes. EU manufacturers increasingly look for outsourcing places in nearby countries.

SOURCE: CBI MARKET SURVEY