

Gold jewellery and the marketing mix



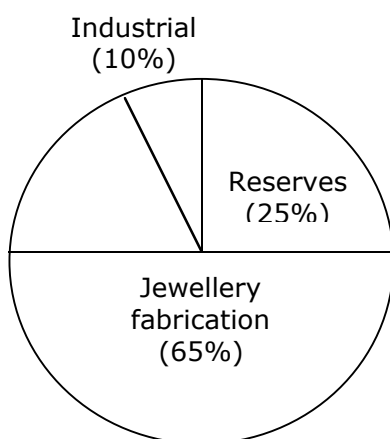
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1. Introduction

Gold is a precious metal that has been used and appreciated by cultures for many thousands of years. It is valued for its beauty, strength, resilience and durability. Gold's primary use is in jewellery fabrication, that is, in the manufacture of products worn by individuals as adornments. In many places it is a basic form of savings and it is also held by nations in the form of gold reserves. Gold has many industrial uses, for example, in the fields of electronics and communications, lasers and optics, medicine and health, industry and aviation (The Gold Institute 1996). Although gold has been used to a lesser extent for these purposes than for others, it is highly valued for its properties of electrical conductivity, malleability and resistance to corrosion so its use in industrial and medical applications is likely to increase. The chart below indicates the relative amounts of gold used for various purposes between 1976 and 1996.

The Uses of Gold



Notes: 1.Total gold production
1976 -1996 = 1126.6mil.tr.oz.

Figure 1: Gold used for various purposes between 1976 and 1996

It is clear from this chart why the mining industry would be concerned by a downturn in the fortunes of the jewellery trade. Jewellery fabrication absorbs a high percentage of the gold available to the market. The continuing success of the mining industry is 'inextricably linked' with the fortunes of the jewellery trade (World Gold Council 1997)

Therefore it is not surprising that the industry would be shaken by surveys such as the one undertaken by the merchant bank Credit Suisse First Boston showing that gold is losing its appeal among young people in some markets. According to this survey, gold jewellery is perceived by people

under 34 as old-fashioned and diamonds and travel are much more highly valued by this age segment (Treadgold 2000).

If this survey is accurate, gold jewellery is clearly a product whose marketing mix is in need of some renovation. Our aim in writing this report is to recommend some marketing mix strategies that might address the decline in the overall demand for gold jewellery and reassert its fashionability, particularly among younger consumers. We will do this by reviewing each element of the existing marketing mix and then proposing some new strategies for those elements.

2. Selected Markets

This report looks at the wider contexts of gold jewellery marketing, rather than local ones. It proposes broad strategies for markets that may be experiencing a downturn in demand, in the expectation that some of the strategies relevant for wider contexts might inform strategic planning in local markets in a useful way. This is very much in line with the World Gold Council's *think global/act local* strategy (World Gold Council 2000b).

2.1 Existing Markets

Gold jewellery has many markets. Traditional markets for gold jewellery have been in countries where gold jewellery plays a significant social and economic role in the lives of individuals and families. In places such as India and Indonesia the gold jewellery market embraces almost all levels of society. In these countries gold jewellery is not only used for adornment but also as a measure of people's wealth. In these and other places people have historically bought gold and gold products such as jewellery as a hedge against hard times. All over the world people who can afford it turn to gold when they feel anxious or concerned about the future. In 1999, for example, with fears of Y2K disruption, overall investment in gold was exceptionally strong (World Gold Council 2000a).

However all markets go up and down and the market for gold jewellery goes through periods of depression even in the traditionally strong sectors. Sales can be affected by local factors and by the volatility of the gold price. More importantly, there is concern that gold is losing its appeal among young people and that markets for gold jewellery are shrinking in countries where the traditional social and economic uses of gold are not entrenched. All these factors cause reduced demand. Another situation causing concern is the oversupply of gold from mines and stockpile sales by banks (Treadgold 2000). Faced with an oversupply of gold and a possible reduced demand for jewellery, the industry has an urgent need to create new markets for gold overall and jewellery in particular.

An interesting development has been the move by AngloGold, the world's biggest gold-mining company, to become involved in the marketing of gold

jewellery. It has bought a 25% stake in OroAfrica, a jewellery design and manufacturing business and plans to create a range of branded gold products to attract the youth market. AngloGold wants to modernise the way gold is sold and to dispel its old-fashioned image. It plans to achieve this by developing brands for gold products and by expanding distribution beyond the traditional jeweller's shop (Treadgold 2000).

In November 2000 Ms Haruko Fukuda CEO of the World Gold Council endorsed moves by the industry to become involved in the marketing and promotion of gold. Concerned that the overall demand for gold was not keeping pace with economic growth, she said: "I consequently applaud the producer's acknowledgement of the crucial need for increased marketing, about which there is growing consensus" (World Gold Council 2000a).

2.2 Target Markets

The team examined international and local contexts before deciding on possible target markets. It has responded to international moves to open up the market to young people and has also identified potential markets within its own social context, which of course is an Australian one. The ideas relevant to the local context might be viable in other places but their appropriateness to other cultural and economic contexts would first need assessed.

2.2.1 We propose two market segments based on age: the first is a younger group, aged in their 20s and 30s. This age group has been identified as a potentially viable market segment, primarily because people in this age group have discretionary income and they are likely to spend money on fashion accessories, particularly if they are marketed in conjunction with popular fashion brands. The second segment is the group aged 40s plus. They have different tastes to the younger group but are also different to their age group of a generation ago. This segment has two advantages. Its members have the discretionary income, in fact often more than the younger segment, to invest in their appearance and they also still perceive themselves as young enough to be interested in the latest fashion trends.

2.2.2 Another segment can be defined in terms of culture and ritual and would include those getting married or entering an equivalent relationship with their partner. This market segment could be developed in two ways, firstly by taking a new look at conventional marriage rituals and secondly by including people taking part in alternative ceremonies, for example, those wishing to celebrate de facto and homosexual relationships. People who get married or who commit themselves to each other in our culture usually exchange gold wedding rings. Demand could be created in this segment by encouraging people to include additional pieces of gold jewellery in the rituals surrounding these events.

3 Product Strategy

3.1 Existing Product Strategy

In some cultures gold has an integral role in social and economic life, notably in India, Indonesia, China and Thailand. In India between 20 and 200 grams of gold jewellery is worn by the bride in wedding ceremonies, depending on the family's wealth. The amount worn conveys the level of prosperity and consequently, status of the bride's family. Gold jewellery such as necklaces, bracelets, anklets, hair accessories and rings are the traditional as well as contemporary form of the product. In India the Gold Control Act in 1962 forbade individuals to possess gold in the form of bars and this may have been an added inducement to invest in jewellery. Similarly in Indonesia gold jewellery is bought and sold everyday by people of all classes and particularly, from lower socio-economic backgrounds. For these customers gold is an investment and a medium for their savings, as well as an adornment. In these cultural contexts, the stable and on-going market for gold means that there is little need for reviewing or renewing the product strategy.

However in some countries, including Australia, there is concern that the demand for gold jewellery is flagging and the industry recognises that a new product strategy is needed to reinvigorate demand. AngloGold, the largest gold mining company in the world, has already shown that it is serious about repositioning gold jewellery (Treadgold 2000). But if gold is to be effectively repositioned, attracting the youth market through a new look for gold jewellery may not be enough. What is needed is a strategy that encourages all potential market segments to think differently about gold and the role it has in their lives.

3.2 Proposed Product Strategy

- 3.2.1** A range of gold jewellery could be designed and developed under a new brand name or label. The range should be modern, stylish and distinctive. Innovative designs are needed which respond to the market segments we have identified.
- 3.2.2** The new product range could borrow from the social and cultural meanings of gold in other cultures. For example, as well as the customary engagement and wedding rings that are part of our wedding ritual, gold jewellery could take on an enhanced role, with new pieces such as bracelets, necklaces and chains being exchanged by the bride and groom during the ceremony.

4. Price Strategy

4.1 Existing Price Strategy

Gold is bought and sold every day around the world in the gold markets. In London the price of gold is fixed twice each business day, at 10.30am and 3.00pm. The fixing price is an important benchmark in the gold market as much of the daily trading volume in gold goes through at the fixed price. This affects the pricing of gold jewellery. In the past trading might have continued for some time at prices that might have varied from the fixed price but, with the advent of e-commerce, traders are now able to offer potential buyers real time pricing. Prices change daily according to the gold fixing. As soon as prices change, databases can update entire product lines so that buyers can always see the latest market prices.

4.2 Proposed Price Strategy

There is little room for discounting and manipulating prices in a market where prices are updated daily to reflect current gold price fixing. Another approach needs to be taken: the creation of different price structures for the different segments.

Possible strategies include:

- 4.2.1** As Anglogold has considered, it may be feasible to develop a range of gold jewellery priced between \$100-150 per piece for the segment aged in their 20s and 30s (Treadgold 2000). The key here would be to design an affordable product that is youthful in attitude and fresh and exciting in appearance.
- 4.2.2** Other pieces, more luxurious in size and design, could be developed for the 40's plus segment, and these of course would be more expensively priced.

5. Distribution Strategy

5.1 Existing Distribution Strategy

Distribution is about getting the right product to the right customer at the right time. Gold faces a number of distribution challenges. They relate mainly to type of outlets that sell gold, to the manner in which products are displayed in these outlets and to the techniques used in promoting and selling the product.

Traditionally gold has been distributed through specialist jewellery shops. It is these shops which are being blamed for the image of gold as old

fashioned. Jewellery shops do not usually evolve and remake themselves every season the way clothing stores and designer boutiques do. Alternative outlets may be the answer.

Another means of distribution is through e-commerce. The types of transactions occurring online include business-to-business (B2B), and business-to-consumer (B2C). The former appears to be growing at a faster rate and to have potential for more growth than the latter. Nonetheless, in Australia at least, the Bureau of Statistics has stated that the actual volume of business transactions occurring online is well below expected levels (Connors 2000). Despite this, many commentators in the business sector predict that e-commerce is destined to be a major avenue for the distribution of a wide range of goods and services. This medium also has potential for gold jewellery.

5.2 Proposed Distribution Strategy

5.2.1 The new gold jewellery label could be sold in outlets other than jewellery shops, for example, in smart boutiques and prestigious department stores. The ultimate goal would be to have exclusive boutiques for the product. Initially the concept could be tested and developed through other boutiques and stores.

5.2.2 Online distribution of gold jewellery has been developing worldwide and could possibly be expanded. For gold jewellery products, online distribution has numerous advantages. The targeted market segments may be reached not only in one country but also internationally. Secondly, gold jewellery as a product needs to be displayed visually in order to convey its beauty and sensuality. Potential buyers, both businesses and consumers, can comfortably enjoy electronic images of designs, brands and products on their own computer screens. They will get up to date pricing and will be able to place their orders online and lock in their orders to a particular market price.

6. Promotion Strategy

There are four ways of promoting a product: advertising, publicity, sales promotion and personal selling. We will review existing promotion strategies for gold jewellery and propose some revisions.

6.1 Existing Promotion Strategies

Jewellery has traditionally been promoted to the trade through jewellery magazines and to the public through advertising in fashion/lifestyle consumer magazines. However the gold industry is now undertaking a range of other sales promotion activities. Anglogold and the World Gold Council released *Gold Trends 2000* at the Vicenza Trade Fair in Italy (World Gold Council 2000e). This book of

design was intended to be a stylistic reference for gold jewellery all over the world. It identified the life trends of the new millennium and the implications of these trends for gold jewellery design. It also provided the inspiration for *The New Millennium Gold Collection* and the first-ever-international competition for jewellery design, *Gold Virtuosi*, which was held at the Vicenza Fairs and was intended to provide a global platform for local product initiatives (World Gold Council 2000d).

6.2 Proposed Promotion Strategies

- 6.2.1** One only has to take a moment to look at any single piece of gold jewellery to appreciate its seductive beauty and radiance. In terms of promotion, it is these qualities that most obviously should be highlighted.



Fig 2: The seductive beauty and radiance of gold

- 6.2.2** Much of the existing advertising for gold jewellery does very successfully visualise gold's beauty and sensuality. A new campaign should focus on the two market segments that have been identified, in distinctive ways. For the younger market segment, the focus could be on the seductiveness and cool appeal of gold. For the older segment, the focus could be on gold's purity and immutability.

The new product range could become identifiable with a brand or label, just as particular clothing ranges are, for example, the Mambo label. Hence a new name is needed, one that signifies something fresh, innovative and modern.

- 6.2.3** Sales personnel will need to be trained to promote the new range to buyers. This will be essential if the decision is made to use alternative outlets to jewellery stores. Personal selling could also be used to accompany online B2B promotion activities.

- 6.2.4** Smaller scale and well promoted competitions on the model of Gold Virtuosi involving local designers could be sponsored by local jewellery makers and traders or by national gold councils. Designers should respond to the design issues in *Gold Trends 2000* and to design products for the segments identified in this report.

7. Conclusion

Our report has shown that the marketing mix for gold is already well established in a number of ways. Firstly, in geographic terms, gold jewellery is used in most cultures throughout the world. Secondly, in terms of market sustainability, gold jewellery has been around for thousands of years and is unlikely to be superseded by another product. There is no other available metal that can compete with the qualities of gold. Nonetheless the gold industry is concerned about the future of gold jewellery and, as we have shown, the marketing mix for this product requires renovation.

In this report we have proposed a number of strategies to re-invigorate the marketing of gold jewellery. We have identified three potential market segments, including two distinct age groups, people in their 20s and 30s and another in the bracket of 40s plus. The third segment was people getting married or wishing to celebrate a commitment to each other. An exciting range of jewellery needs to be developed. Priority must be given to designs that will attract the youth market. Designers could draw inspiration from jewellery used on social occasions in other cultures and people need to be encouraged to think more widely about the role of jewellery in their lives. Gold jewellery is necessarily expensive and its pricing has to be responsive to the incomes of identified market segments. We endorse Anglogold's strategy of developing a range of products priced between \$100 to \$150 as an affordable luxury product. We have proposed that gold jewellery be distributed through more fashionable outlets than the traditional jewellery shops. Alternatives could be up-market boutiques and department stores and possibly new single product outlets. Online distribution of gold jewellery is already established and could be further developed. Finally, as the promotion of gold should invariably focus on the product's visual appeal and physical qualities, we have recommended that different qualities of gold be highlighted for the different market segments. We have also recommended that national exhibitions and awards be promoted and local jewellery designers be invited to respond through their own designs to the prevailing global industry statements about jewellery design for the new millennium.

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