



# China Jewelry Industry Report, 2012-2013

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## STUDY GOAL AND OBJECTIVES

This report provides the industry executives with strategically significant competitor information, analysis, insight and projection on the competitive pattern and key companies in the industry, crucial to the development and implementation of effective business, marketing and R&D programs.

## REPORT OBJECTIVES

- ◆ To establish a comprehensive, factual, annually updated and cost-effective information base on market size, competition patterns, market segments, goals and strategies of the leading players in the market, reviews and forecasts.
- ◆ To assist potential market entrants in evaluating prospective acquisition and joint venture candidates.
- ◆ To complement the organizations' internal competitor information gathering efforts with strategic analysis, data interpretation and insight.
- ◆ To suggest for concerned investors in line with the current development of this industry as well as the development tendency.
- ◆ To help company to succeed in a competitive market, and

## METHODOLOGY

Both primary and secondary research methodologies were used in preparing this study. Initially, a comprehensive and exhaustive search of the literature on this industry was conducted. These sources included related books and journals, trade literature, marketing literature, other product/promotional literature, annual reports, security analyst reports, and other publications.

Subsequently, telephone interviews or email correspondence was conducted with marketing executives etc. Other sources included related magazines, academics, and consulting companies.

## INFORMATION SOURCES

The primary information sources include Company Reports, and National Bureau of Statistics of China etc.

## Abstract

In 2012, affected by the European sovereign debt crisis and the sluggish economic development, the demand in the global jewelry industry grew slowly, and China jewelry industry was also influenced. In 2012, the sales volume of China jewelry industry only grew by 19% year on year, much lower than 40.7% in 2011. Specifically, the consumption growth of gold, silver, platinum and diamond jewelry was slowing down, even saw negative growth.

**Gold Jewelry.** In China, the gold jewelry consumption accounts for about 50% of the total jewelry consumption. The consumption of gold jewelry in China amounted to 502.75 tons in 2012, up 10.09% year on year, lower than 27.88% in 2011. Chinese consumers are interested in pure gold and solid gold, and also like K gold jewelry in recent years.

**Diamond Jewelry.** Diamond jewelry is mainly used in the wedding market, in which diamond rings account for 70% of the total diamond jewelry consumption. Due to the lack of resources, China relies on the import of diamond raw materials. However, the import value and volume fell by 6.36% and 2.03% respectively in 2012. Currently, the consumers of diamond jewelry in China are mainly in Beijing, Shanghai, Guangzhou and other first-tier cities, and the consumption is expected to extend to

second and third-tier cities gradually.

With the entering of overseas and Hong Kong brands, the competition in China jewelry industry has gradually intensified. In addition to brands and design styles, terminal sales networks have become the focus that jewelry retailers compete for. A growing number of jewelry companies are making use of expansion to control terminal marketing networks firmly, and then grasp the sales initiative in order to obtain higher profits.

Lao Feng Xiang is the largest jewelry retailer in Mainland China, established in 1848. Its channel network is at the leading level in the industry. It had owned 2,015 self-operated and wholesale outlets by the end of 2011, far more than other enterprises. In its sales channels, distributors and franchisees occupy the high proportions of 60% and 30% respectively. In the future, Lao Feng Xiang will accelerate the development pace of franchise stores. It plans to increase about 120 new franchise stores each year during 2013-2015. Meanwhile, Lao Feng Xiang is expanding overseas markets. Lao Feng Xiang opened its first overseas franchise store in Sydney in August 2012, and intends to explore the markets in Hong Kong, Macao, Europe and America in the future. Copyright 2012ResearchInChina

As a Hong Kong jewelry retailer, Chow Tai Fook was founded in 1929 and entered Mainland China in 1998. Now, it has surpassed Lao Feng Xiang to acquire the highest market share in Mainland China. In terms of sales channels, Chow Tai Fook mainly has self-operated stores and franchise stores. In H1 FY2013 (from Apr 1 to Sep 30, 2012), Chow Tai Fook opened 101 retail outlets in Mainland China. As for the expansion in Mainland China, it focuses on second, third and fourth-tier cities. In H1 FY2013, 40.6% of the new retail outlets were located in second-tier cities, 53.5% in third and fourth-tier cities.

### The report includes the following aspects:

- Overview, influencing factors and development trends of China jewelry industry;
- Raw material procurement, production, processing, market size, consumption structure, import and export as well as competition patterns of China jewelry industry;
- Raw material supply and demand, prices and consumption of gold, platinum, diamond, pearl and other types of jewelry in China;
- Development of the jewelry industry in major regions of China;
- Major jewelry sales channels in China;

➤ Revenue, profit, gross margin, network expansion and development strategies of major jewelry retailers in Hong Kong and Mainland China.

### Comparison between Store Networks of Major Jewelry Retailers in China

	Retailers	Number of Stores in Mainland China	Distribution
Foreign Brands	Tiffany	22	15 cities, mainly first and second-tier cities
	Cartier	37	22 cities, mainly first and second-tier cities
	VC&A	11	8 cities, mainly first and second-tier cities
	Bulgari	23	16 cities, mainly first and second-tier cities
Hong Kong Brands	Chow Tai Fook	1556 (2012.9.30)	80% in second and third-tier cities
	Luk Fook	934 (2012.9.30)	Mainly coastal cities
	Chow Sang Sang	249 (2012.6.30)	Mainly first and second-tier cities
	Emperor Watch & Jewellery	60 (2012.6.30)	Mainly first and second-tier cities
Mainland China Brands	Lao Feng Xiang	2015 (2011.12.31)	Mainly Yangtze River Delta, and gradually expand to third and fourth-tier cities
	Shanghai Yuyuan Tourist Mart	1533 (2012.6.30)	Mainly Shanghai
	Zhejiang Ming Jewelry	1099 (2012.12.31)	Mainly Jiangsu and Zhejiang
	Goldleaf Jewelry	567 (2012.6.30)	Mainly East and South China
	Guangdong CHJ Industry	523 (2012.12.31)	Mainly East China

Source: ResearchInChina *China Jewelry Industry Report, 2012-2013*

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