



The end of the pandemic and what's next with the jewellery industry?
Update on 'A market situation and consumer trends forecast analysis for 2021-2022'

The pandemic is dying out in many countries, restrictions are being dropped, and the world seems to be returning to normal life. However, over a year of drastic restrictions has permanently put a mark on our industry. What has changed since we published our report in February?

How our New Normality looks like?

Forecasts are encouraging, in 2019 jewellery sales revenue was \$280 billion, by 2025 it is expected to reach 340-360 billion. However, consumer needs and preferences have changed and the existing business model will not be successful.

Let's take a look at what is affecting these changes.





TRAVELS

Before the pandemic, 30% of all jewellery purchases were made during international trips which had a huge impact on the sales of jewellery in 2020. Despite the air traffic getting back on track, there is only a small interest in long-distance journeys. Travel should not be expected to return to pre-pandemic levels prior to 2024. The main reason for this is fear of unexpected lock down or quarantine. The demand for vacation trips has not decreased, however, more frequent choices are closer destinations that would allow a safe return home.

Many of the companies have learned to meet their business goals without having to travel, which leads to a smaller interest in business trips and helps to reduce costs.

On the other hand, half of Chinese people buying jewellery overseas by now, have bought it domestically and this is a general trend. In the opinion of experts, Chinese tourists are not likely will return to Europe soon, especially as the number of duty-free zones on domestic flights is increasing.

The switch to localized purchases enforced by the pandemic will continue, so markets will grow internally in the years ahead.

MAGIC OF THE INTERNET

The sale of fine jewellery and online sales are not a natural match. To buy jewellery is necessary to try it on, to touch it, to have a professional opinion, and to trust the salesperson.

That unique experience of buying in a stationary store is hard to convert to an online environment. That's why online jewellery sales generated in 2019 only 13% of revenue. However, the pandemic has forced consumers to trust online shopping and accustomed them to this form of jewellery purchasing.

According to a McKinsey&Company report from June this year, this trend will continue to grow and over the next 5 years the internet will generate another 9-12% of revenue, what by 2025 will make it to be about 20% of all jewellery sales.

In order to succeed online, companies will need to find the right combination of technology and humanity, and stationary stores need to become part of that world.





MAGIC OF THE INTERNET

When asked how to transfer the magic of the experience from the store to the internet, Cyrille Vigneron, president and CEO of Cartier, answers that the touch of the jewellery and the human contact is not replaceable, so this should not be seen in terms of how to transfer the experience, but how to make the digital experience as comfortable as possible.

In one of its stores in China (Pudong), Cartier has introduced interactive screens for newly-weds, recording their pulse, which can then be engraved on the ring.

There is also work in progress on a hand and neckline scanner in order to be able to make custom jewellery with reduced touch-ups.

HAVING FAITH IN THE BRAND

The sector of unbranded jewellery represents 80% of the market, but consumer habits will change, especially by the younger consumers.

Branded jewellery is currently holding about 20% of the market, but by 2025 it will take over some of the customers from the unbranded jewellery market, reaching 25-30% of global sales. This growth will be most significant in Asia.

The key players will be the existing well-established brands, manufacturers who are creating new and dynamic brands selling directly and luxury brands. Transparency and sustainability of companies will also have an impact on purchasing decisions.





HAVING FAITH IN THE BRAND

However, there is still an opportunity for smaller companies to create their own smaller but recognizable brand. Who has a chance?

Companies that have a strong identity, a distinctive product which will send a clear message of what the customer can expect. Customers have a need to identify with the brand, a desire for affiliation, and are looking for deeper meaning. So the sale is not just about the look of the product or an acceptable price, but about what the brand represents and whether the customer agrees with the values it represents.

So when creating a direct selling brand, the focus should be on clear communication of brand philosophy and transparency, justifying the price and positioning the brand on the market. Financial investments will also be necessary at least for the basic promotion on the Internet.

SUSTAINABILITY

Consumer interest in companies' impact on the environment, sustainability and business ethics, is significantly increasing. By 2025, it is expected that these factors will influence 20-30% of purchasing decisions, a 3-4 times higher than in 2019.

The world first became interested in business ethics and environmental impact in 1990 when the "bloody diamonds" scandal began. Then the world learned about the dark side of how they are extracted. While the fight against the illegal diamond trade is still ongoing, today, due to the Kimberley Process approach, the majority of diamonds do not come from areas of the conflict.

To be aware of the impact of the jewellery industry on the environment, we need to realize that for example 1 carat of mined diamond equals 250 tons of earth dug up by workers who are making \$3 per day. To take it a step further, the polishing of diamonds emits 160 kg of CO₂ for each carat.

The extraction of gold means destroyed forests in the Amazonia and Africa, and every 9 grams of gold generates 20 tons of trash.





SUSTAINABILITY

The cost of sustainable sourcing is nearly 20% higher than destructive sourcing, and for the most part, the cost falls on the producer. However, growing number of consumers claim that they are willing to pay more for jewellery made from sustainably sourced. While only 12% of Baby Boomers say they would pay more for ethically and environmentally sustainable products, that number triples for Generation Z. So this growing trend should not be underestimated, which can be an opportunity for companies building their brand, and is certainly a necessity for established ones.

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