

# Out of the Lockers and Into the Limelight!

**The three things that will impact the Diamond and Jewellery Industry in India, on the road to 2010**

A little over a decade ago, no one would have even dreamt that in 2007 a jewellery company would be the chief associate sponsor of a mainstream fashion and lifestyle event like the Lakme Fashion Week.

At that time, jewellery purchases were all about buying gold (and occasionally some diamonds), for weddings, festivals, and perhaps most importantly, for investment. While all of these continue to remain significant purchase drivers, the reinventing of jewellery as a fashion and lifestyle statement, which has already happened to some extent, is perhaps going to be the most significant influence on the industry in the countdown to 2010.

That the framework of the diamond and jewellery industry has changed so dramatically in the short span of a little over a decade, is perhaps a tribute to the foresight and vision of some of the leading players in the industry.

The radical changes that have been seen in this last decade, are merely a precursor of far more dramatic things to come. Innovative ideas and out of the box thinking is what will lead to a huge acceleration in the pace of change. Companies like ours, which have now reached a critical mass in terms of size, will revolutionise the entire industry in a few years from now.

Drawing lessons from our early experiences as a diamantaire, I recall that it was the relentless drive by the industry to build a huge export base dealing with the most demanding of international customers that had helped turn India into a powerhouse for diamonds. Today, our operations in the branded segment and the retail end of the pipeline are based on the same approach. In a few years from now, the jewellery industry too will be led by those companies who span various operations across the supply chain, and whose size allows them to meet the demands of modern retailing.

Size, though a necessary ingredient of success, is however not all that is required. The willingness to think differently and innovate too, will be of vital importance. A few years ago, not many would have imagined that we would have Wal Mart-sized retail chains spanning the length and breadth of India. Or that high-end international luxury lifestyle brands would be queuing up to sell their wares to Indian consumers? But we were among those who saw it coming, built up an extensive network, a portfolio of brands, and through an array of marketing strategies, have positioned ourselves to move with and even influence these changes.

It is as a result of such efforts that the concept of jewellery has begun to take on an entirely new meaning for an entire segment of a once tradition-bound society. Jewellery is now being sold in departmental stores, malls, even in theatre foyers, and a young cash rich, fashion conscious consumer is in search of trendy and with-it ornaments. By 2010, the size and purchasing power of this young middle class consumer is expected to get even bigger.

Naturally, the jewellery industry too will need to change to cater to these new demands and tastes of the purchasing classes. It is estimated that the Indian jewellery market is worth between Rs. 50,000 to 60,000 crores, of which diamond jewellery accounts for roughly Rs 9,000 to 10,000 crore with the branded sector representing approximately 2 per cent of this.

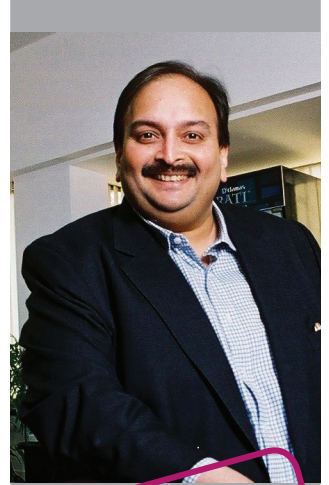
A study by McKinsey and Co believes that by 2010, branded jewellery, which was unheard of in India a little over a decade ago, will have clocked a growth rate of 40 per cent and be a Rs 10,000 crore business.

A shift in preference from plain gold to diamonds, especially among the young urban middle class, is now being clearly witnessed; and this trend is expected to grow significantly in the next three years. The economy has seen sustained growth and there is greater income and purchasing power in the hands of the youth. Thanks to the efforts of the DTC and other branded manufacturers, diamond jewellery has already developed as an aspirational, rather than investment driven purchase. In the next few years, I see this conversion of the affluent middle classes from gold to diamonds, which has already taken roots in the larger cities spreading to the smaller cities and towns as well.

None of this will however happen unless it is led by a organized, corporatized, professionally run and managed leadership. I believe that a set-up which brings about a proper mix and match of the benefits of the family-run jeweller model, with those of a full fledged, publicly owned corporate machinery, will be a key factor in the next stage of growth. It will be essential if we have to successfully manage the forward and backward integration that will take place between players at different stages in the pipeline, and will also be crucial to progress up the value chain, and provide consumers with proper value for their money.

But that's not all. If you look at the new peaks that remain to be conquered, I'd say that the parameters we work within are in the process of being revised quite dramatically. Especially if you consider the changing norms with regard to foreign businesses entering India, the revolutionary transformation in retail which will take a huge leap forward when the mega chains fully open up; and a much more de-regulated environment for trade and industry to operate in.

And that does not even begin to consider what will happen once the SEZ policy is fully in place, and India also becomes a huge hub for global players to locate their manufacturing units as well.



**MEHUL CHOKSI**  
CHAIRMAN & MD  
GITANJALI GROUP

**I believe that a set-up which brings about a proper mix and match of the benefits of the family-run jeweller model, with those of a full fledged, publicly owned corporate machinery, will be a key factor in the next stage of growth.**