CBI MARKET SURVEY

THE JEWELLERY MARKET IN THE EU

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This survey was compiled for CBI by ***Searce***

Report summary

This survey profiles the EU market for precious jewellery and costume jewellery. The *precious jewellery market* includes jewellery pieces made of gold, platinum or silver all of which can be in plain form or with (semi-) precious gemstones, diamonds or pearls. The *costume jewellery market* includes imitation jewellery pieces of base metal plain or with semi-precious stones, glass, beads or crystals. It also includes imitation jewellery of any other material, cuff links and hair accessories. This survey excludes second-hand jewellery and luxury goods such as gold and silver smith's ware (tableware, toilet ware, smokers' requisites etc.) and watches.

Consumption

Being the second largest jewellery market after the USA, the EU represented 20% of the world jewellery market in 2007. EU consumers spent € 23,955 million with Italy, UK, France and Germany making up the lion's share (70%). In 2007, the average per capita expenditure in the in EU on jewellery was € 48.3. There are big differences between EU countries as e.g. Italian or Greek people spend much on precious jewellery (€ 98), while people in the Eastern EU member states spent an average of € 10 on jewellery per year.

In the period between 2003 and 2007, the EU jewellery market has benefited from an economic growth, more working women, more marriages, the fashion influence and much more diversity in jewellery designs. People now tend to wear jewellery more frequently and buy them impulsively along with clothing or buy them as a present. In this period, EU jewellery sales increased by an average annual rate of 0.9%, from € 23,122 to 23,955 million with a higher increase for precious jewellery, which can be partly explained by price inflation. However, in the second half of 2007, jewellery sales have weakened due to the global recession and to enormous price increases of precious metals. Consumers have been cautious when buying *precious jewellery* (gold, platinum and diamond jewellery) and moved to cheaper silver and *costume jewellery.* Nowadays, consumers regard good design and affordable price more important than the intrinsic value of a jewellery piece. Volume sales of silver and costume jewellery showed the biggest growth in all EU countries. In 2007, EU precious jewellery sales valued € 19,308 million (81% of total market), while costume jewellery sales was € 4,647 million, which includes hair accessories (€ 128 million). Due to the economic recession, a slowdown in precious jewellery sales and a modest increase in costume jewellery sales is expected for the coming years. The future EU jewellery market will be driven by:

- The importance of appearance and fashion, being apparent in a wider age bracket.
- Demand for (silver) jewellery with gemstones in unusual shapes and a variety of colours.
- Improvements in design, with combinations of affordable precious and better quality costume jewellery.
- New markets for men, older people, pre-teens, children and tourists (Russia and China).
- The expansion of accessory chains in the Eastern EU states with a growing middle class.
- More integration of jewellery into fashion accessories, eyewear and electronic gadgets.

Production

The EU jewellery industry includes some 27,850 large and many smaller companies with 114,000 employees, which specialise either in a style of jewellery or in a stage of production. In 2007, these companies generated a total turnover of € 11,366 million. 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.

The value of *precious jewellery* produced in the EU fell by an average of -1.9%, which was most evident in Italy because of falling exports and the high gold price. However, by volume, production rose between 2003 and 2007. Even if China, India and Turkey are fast-growing new jewellery production centres, the EU still accounted in 2007 for roughly 25% of global jewellery production. India is the biggest gold producer in terms of volume.
The production of *costume jewellery* is mainly concentrated in Austria, Spain, Italy and

France, and increasingly Poland (amber) and Czech Republic (crystals). Between 2003 and 2007, EU production value rose an average of 1.0% per year, to € 1,135 million. Except UK and Germany, 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 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 is 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. But as they still want to expand, on a smaller level, they may well be interested in forming partnerships with developing country exporters.

Trade channels
The distribution of jewellery in the EU is mainly carried out by specialised (retail) traders. On average this accounted for around 70% in most countries in 2007. 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, franchise or buying/voluntary group.
- For *costume jewellery*, there is a much wider distribution network. This varies from department stores, accessory chain stores, bijouterie shops, clothing stores, gift shops, hypermarkets, perfumeries, mail order, telesales, online sellers and street markets.

There is more competition from online sellers, department stores, fashion accessory stores, clothing stores and hypermarkets, which are expanding in Eastern EU states. They can offer fashionable jewellery at low to medium prices and change their collections regularly.
In all EU countries, jewellers have to cope with competition from non-specialists, tougher regulations in distribution, higher costs and demanding consumers. In order to differentiate they focus on quality or on a specific target group. Therefore, jewellers are
now more open to new ideas from suppliers and designers to develop their own collections.

Imports
The EU ranks among the leading importers of jewellery in the world. In 2007, EU jewellery imports were valued at € 15,775 million and had increased by 9.2% since 2003. Volume rose from 66,031 to 109,023 tonnes in the same period, showing a larger, 13.4% increase. This indicates a downward pressure on prices, especially for costume jewellery. These large increases were registered for the two biggest EU importers, Belgium and the UK. Belgium, the most important diamond trading country, and the UK imported much diamonds (for re-exports and for the home-market). The UK is also a large consumer of precious jewellery. Imports into all the other EU countries rose, especially those into Austria, Poland, Czech Republic, Slovakia and the Baltic States. Most imports (38.5%) came from developing countries. Switzerland, USA, Hong Kong and Israel remained significant traditional extra-EU suppliers.

Imports from developing countries rose at a faster rate than total EU imports, with an average annual rate of 11.6%, from € 3,916 to 6,074 million. The top four importers - Belgium, UK, Germany, and Italy - accounted for 79.5% (57.0% by volume) of all EU imports from developing countries. By value, around 80% of supplies came from China, India and Thailand in 2007.
In the period under review, the volume of Chinese jewellery supplies to the EU more than doubled from 29,812 to 61,357 tonnes. China held a share of 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.
EU manufacturers also contract to foreign manufacturers in nearby countries such as Turkey, which has ambitions to eventually join the EU, Azerbaijan, Croatia and in Africa. The EU

has also imported more jewellery from Tunisia, Morocco, Egypt and Libya. While Brazil, Colombia, Argentina, Mexico and Ecuador were important suppliers to southern EU countries.

Exports
In 2007, EU jewellery exports totalled € 16,861 million and approximately 75% went to extra-EU countries. Between 2003 and 2007, exports rose steadily by an annual average rate of 6.9%. In 2007, Belgium led the EU exports (33% of value). Italy was the second largest EU exporter of jewellery (28%) and the second largest volume supplier (4,664 tonnes), after the UK (4,766 tonnes). The main extra-EU destinations for EU jewellery were Switzerland, Hong Kong, Israel, Japan, Russia, Canada, Qatar and Australia. While exports increased to the emerging economies such as China, India, Turkey, Thailand, Mexico, Jordan and Lebanon and Ukraine.

Opportunities for exporters from developing countries
The future EU market will be affected by the economic recession. Therefore, opportunities exist in affordable priced jewellery with an interesting design (ethnic, symbolic) that can be used over a longer period. Costume jewellery, silver jewellery or precious jewellery featuring lighter metals and dressed up by coloured stones provide the best opportunities.
Interesting jewellery pieces could be pendants with charms, long multi use neckwear, brooches transformable into pendants, cocktail rings, earrings or piercings.

Other opportunities can be found in new target groups, such as men, pre-teens, children, babies, 'empty nesters' and even pets. Especially for younger target groups it is important to get to know their celebrity heroes. Another interesting target group are Russian and Chinese tourists, expatriates and ethnic groups.
Along with growing costume and silver jewellery market, there are also opportunities for 'fashion jewellery accessories' such as jewellery boxes and ring holders. These accessories could be of wood, porcelain, celluloid, crystal, silver plastic or other metals.

Even if China dominates developing country volume supply in many product groups, there are still opportunities for new suppliers of unusual types of jewellery, as opposed to the mass produced items made in China. With the increasing specialisation of the fragmented EU market, manufacturers and wholesalers have a growing interest in co-operating with others. They are also constantly looking for different types of jewellery from new countries with new designs and a link to their own culture.

Introduction

This CBI market survey profiles the jewellery market in the EU. This survey puts emphasis on products which are of importance to developing country suppliers. The potential roles of and opportunities for developing countries are highlighted.

This market survey discusses the following product groups:

- Precious jewellery, which is sub-divided into:
  - Pearls
  - Diamonds
  - Precious and semi-precious stones
  - Jewellery articles such as necklaces, bracelets etc. made of silver
  - Jewellery articles such as necklaces, bracelets etc. made of gold, platinum or other precious metal than silver, such as palladium.
  - Jewellery articles of (clad) base metal
  - Necklaces, bracelets of stones
  - Articles of precious or semi-precious stones.

- Costume jewellery, which is sub-divided into:
  - Imitation jewellery such as necklaces, bracelets etc. made of base metal, with parts of glass.
  - Imitation jewellery such as necklaces, bracelets etc. made of base metal, whether or not clad, referred to as 'imitation jewellery base metal (clad)'.
  - Imitation jewellery such as necklaces, bracelets etc. made of base metal.
  - Imitation jewellery such as necklaces, bracelets etc. made of other material, such as stainless steel, titanium, leather, shells etc.
  - Cuff links and studs
  - Hair accessories.

For detailed information on the selected product groups please consult Appendix A. More information about the EU can be found in Appendix B.

CBI market surveys covering the market in specific EU member states, specific product (group)-s or documents on market access requirements can be downloaded from the CBI website. For information on how to make optimal use of the CBI market surveys and other CBI market information, please consult 'From survey to success - export guidelines'. All information can be downloaded from http://www.cbi.eu/marketinfo Go to 'Search CBI database' and select your market sector and the EU.

1 Consumption

1.1 Market size

Worldwide jewellery sales is still on the rise and were estimated at € 119 billion in 2007. The main markets were USA (€ 36.0 billion), EU (€ 23.9 billion), Middle East (€ 11.4 billion) and, since 2005, China (€ 10.4 billion) and India (€ 9.7 billion). Together these markets accounted for nearly 75% of global jewellery consumption. Since 2003, worldwide sales have increased by an average annual rate of 3.9%, because of a rapid growth of the Chinese and Indian markets. According to a survey of KPMG, it is expected that Chinese and Indian jewellery markets together will be the equivalent of the USA market by 2015.
In 2007, gold and diamond jewellery accounted for 80% of worldwide jewellery value sales. While by volume, costume and silver jewellery form the largest part. Jewellery sales is expected to grow further driven by a growing middle and upper class, particularly in Asian countries.

EU consumers have become more affluent and fashion conscious, especially in the new member states. Even if the growth was not as robust as in Asia, the EU was the second largest world jewellery market and accounted for 20% of world jewellery sales in 2007.

Table 1.1 EU consumption of jewellery 2003 – 2007, € million

	2003		2005		2007		Average annual % change in value	
	precious	costume	precious	costume	precious	costume	precious	costume
Total EU	**18,220**	**4,902**	**19,419**	**4,496**	**19,308**	**4,647**	**1.4**	**-1.3**
Italy	4,936	343	5,016	372	4,817	419	-0.6	5.1
UK	3,464	564	3,592	585	3,519	670	0.4	4.4
France	3,229	899	3,305	801	3,373	802	1.0	-2.8
Germany	3,064	367	3,084	312	2,917	278	-1.2	-6.7
Spain	920	206	1,023	262	1,006	306	2.3	10.4
Netherlands	688	136	737	149	790	162	3.5	4.5
Greece	890	76	993	81	1,002	94	3.0	5.5
Belgium	437	87	429	90	429	95	-0.4	2.2
Sweden	346	49	379	67	399	74	3.6	10.9
Austria	371	47	384	52	383	69	0.8	10.1
Portugal	295	61	320	66	306	72	0.9	4.2
Poland	279	62	305	64	317	71	3.2	3.4
Denmark	219	41	246	48	262	50	4.6	5.1
Ireland	179	28	197	32	212	39	4.3	8.6
Finland	177	23	194	31	208	33	4.1	9.4
Czech Rep	83	35	92	40	99	45	4.5	6.5
Romania	66	16	74	18	87	21	7.2	7.0
Cyprus	78	6	88	6	92	7	4.2	3.9
Luxembourg	65	10	68	11	72	11	2.6	2.4
Hungary	65	15	54	21	57	23	-3.3	11.3
Slovakia	25	21	28	22	32	25	6.4	4.4
Slovenia	31	6	35	7	39	8	5.9	7.5
Bulgaria	28	6	34	7	39	9	8.6	10.7
Malta	30	3	34	3	38	3.1	6.1	0.8
Lithuania	19	10	22	11	25	14	7.1	8.8
Latvia	11	5	12	6	15	7	8.0	8.8
Estonia	5.5	3.5	6.8	4.2	8.7	5.3	12.1	10.9

Source: Euromonitor, National Trade Associations, Trade Estimates (2008)

In 2007, EU consumers spent € 23.9 billion. With a population of 496 million, the consumption per capita in the EU averaged around € 48.3. This was much higher in Luxembourg, Cyprus, Greece, Malta and Italy due to a high share of precious jewellery sales. Except Slovenia, the 10 new member states had a much lower per capita consumption (between € 5.0 to 13.9), which illustrates the large differences between EU countries. The EU jewellery market is dominated by four countries, which accounted for nearly 70% of total EU consumption by value in 2007. These markets were Italy (21.9%), UK (17.5%), France (17.4%) and Germany (13.3%), while the new EU member states together represented just 4.5% of the total EU market.

The UK, Ireland, Spain, Greece, the Netherlands, Scandinavia and the new EU member states, experienced the largest increases between 2003 and 2007. This was mainly due to a growing middle class, more women at work, having more money to spend, and to more variety in jewellery. There is now more design in jewellery items and colours match better to the fashion colours.

Wearing jewellery is not only linked anymore to special occasions. Jewellery is worn every day and women have started to buy precious jewellery items that go well with their outfits. Stimulated by retailers' promotion, people also tend to buy jewellery as a gift and tend to do this more impulsively than before.

These developments have been the main drivers of EU jewellery sales, which increased by an average annual rate of 0.9%, from € 23,122 to 23,955 million, between 2003 and 2007. The growth in precious jewellery sales and the substantial growth figures in some of the Baltic States can be partly explained by price inflation. Nevertheless, this does not diminish the importance of market growth in new member States. Especially here, consumer confidence has increased. Between 2003 and 2007, jewellery value sales of the new member states rose by an annual average of 4.6%, from € 909 to 1,087 million.

However, most other EU countries, especially Italy, Germany, UK and Spain, were affected by the global credit crisis, as well as a slump in consumer demand. People in the low-medium segment reduced their spending on jewellery due to price increases on fuel and other basic commodities. The recession of 2007/2008 and the high price of precious metals have weakened sales of gold, platinum and diamond jewellery in these segments.
Fashion conscious consumers have now moved to designer jewellery and will be more conscious on price and less on material content. Here costume or silver jewellery offer good alternatives and palladium will be an alternative as a cheaper precious metal for white gold or platinum.

For the EU market, estimates of the value of sales indicate a slowdown in precious jewellery sales until 2010 in the large EU markets and some modest increases in the Eastern EU states. While for costume jewellery some increases are expected between 2007 and 2011.
The future EU jewellery market will be mainly driven by:

- A grading up of costume jewellery instead of the mass produced budget pieces from Asia.
- There will be also more demand for jewellery with fusions of (precious) material and combinations with gemstones in different shapes or colours.
- Older (working) women being fashion aware over a longer period of time.
- More design features in jewellery using less expensive (lightweight, hollow or woven) precious metals dressed up by coloured stones.
- More personalised jewellery in terms of (unique) design, charms or unusual shapes.
- Opposite to the short life cycles of jewellery, people now prefer to look for quality pieces at an affordable price that they can use longer. This trend was most apparent in Germany, France and the Scandinavian countries.
- New retail outlets, particularly by luxury goods manufacturers, continue to open in the new member states. This will also drive the market further in these countries.
- More integration of jewellery into other fashion accessories (handbags, belts, footwear), eyewear and into electronics (ear buds, clever tag pendants)

1.2 Market segmentation

Consumer markets can be segmented in many different ways. Each individual market lends itself to particular forms of segmentation. The photos on the next 2 pages show the different segments of jewellery in terms of products/material and consumers. They are ranged from precious to costume jewellery.

1. Long necklaces - coloured pearls and chains

2. Bangles - fine gold with dark garnets

3. Rings - silver of special design with enamel

4. Neck chain - light weight gold with pink sapphire

5. Bracelet - open structure with beaded neckwear

6. Hair accessories – flower patterns with crystals

7. Large pendant – enamel on beaded lace

8. Bracelet – decorated silver with Polish amber

9. Chunky neck and wristwear - of tropical wood

11. Children's jewellery – with charms (horses)

10. Pendant – Celtic silver with dark citrine

12. Neckwear – reflecting personality

For jewellery, one product-based and one consumer-based segmentation has been chosen:

Segmentation by material

- *Precious jewellery*

Precious jewellery accounted for 81% of all jewellery sold in the EU in 2007. Between 2003 and 2007, the value of sales has grown by an average 1.4%, from € 18,220 to 19,308 million. However, part of this value increase can be attributed to the higher prices of precious metals.

Gold jewellery
By value, plain gold jewellery and gold jewellery with gems together represented roughly 65% of the total EU jewellery market in 2007. With regards to caratage, 18, 9 and 14 carat are most popular in Europe, compared with 14 carat in the USA. Gold jewellery is most popular in Italy, UK, Greece and Spain. 9-carat is common in the UK and increasingly in some of the Eastern EU states, where most people now prefer 14-carat.
There is a move away from white gold, which is threatened by other precious metals and by a preference for new colours. Warmer tones such as yellow gold and rose gold combined with fresh coloured stones, match well with the latest fashion trends. There are also new combinations in gold alloys leading to various shades of red, rose, yellow, orange, green, grey and sand. Pink gold is favoured by many young people.

Consumption of gold jewellery in the EU was down in 2006 and 2007, which should be seen in the context of the value of gold increasing substantially. The rising gold price has led to more creativity in jewellery design by using less gold in elegant and finer shapes, or by lighter pieces using tube. Old techniques such as hammered gold, woven gold and strands of gold appear in new designs. Nowadays, jewellers put more emphasis on the design and affordable price of the gold jewellery piece, instead of its quality or weight.

The rising gold price has also affected precious jewellery sales in the rings segment. Especially in France, Italy, Spain, Scandinavia and most of the Eastern EU member states. Wedding rings of yellow gold still form around 25% of total EU jewellery value sales. However, the number of marriages decreased in many EU countries due to a growing proportion of non-married couples. However, Czech Republic, Estonia, Greece, Ireland, Latvia, Lithuania, Poland, Romania, Finland and Sweden were exceptions. Detailed breakdowns of consumption of gold jewellery are given in tables 1.2 of the CBI market surveys 'The jewellery market in the UK' and 'The jewellery market in France' which give you a rough indication of a breakdown for other EU countries.

Platinum jewellery
The unique elements of platinum, its purity, its white colour and durability, are appreciated by consumers. The German, UK and Scandinavian platinum wedding ring markets were growing until 2006. High familiarity and positive acceptance of platinum within the younger age group, has contributed to this success. Platinum has retained its significance with new designs creating special, extraordinary items of jewellery. However, also platinum jewellery has suffered from the higher price of platinum on the world market and the EU recession in 2007/2008. Here, palladium with similar characteristics but a lower price, could be an alternative.

Silver jewellery
Silver has a young image and fits well into many fashion styles but also covers the widest range of jewellery types. Apart from the lower price, there are more possibilities in the design of silver jewellery. There is more lightness, bolder shapes, dainty surfaces and openwork structures that give volume to the jewellery item. Fashionable pieces are combined with titanium or with stones.

Silver jewellery is moving upmarket and is benefiting from high gold prices. Silver is second only to gold in terms of numbers of articles sold, not only in Italy, UK, Germany, Spain the Netherlands, and Scandinavian countries, but also in the Eastern EU states. In terms of value, EU silver jewellery retail sales in 2007 were estimated at € 4,311 million of which Italy, Germany, UK, France, Spain, Scandinavian countries, Belgium and the Netherlands were the main markets. While in terms of volume consumption of silver jewellery increased in almost all EU countries. For example in France from 6.3 to 6.7 million pieces between 2006 and 2007. While in the UK, around 4.4 million silver pieces were hallmarked in 2007, an increase of 0.3 million over the previous year. Detailed breakdowns of consumption of silver jewellery are given in tables 1.2 of the CBI market surveys 'The jewellery market in the UK' and 'The jewellery market in France'.

Diamonds
In 2007, EU diamond jewellery retail sales were estimated to account for 26% of the world market (by value), with Italy being the largest market, followed by the UK and Germany. Sales have increased in most countries. In women's jewellery, diamond rings, neckwear and nose studs, have been key growth trends. For men, diamonds are found on rings and increasingly on cuff links, and earrings. The use of diamonds in jewellery articles has become more diverse in terms of cut and quality (real or artificial) and multi-diamonds. Branding and branded cuts of diamonds by top names such as Dior, Gucci, Escada and cK form a unique selling point in trade. In addition, diamond set jewellery is sold by more retailers.
Synthetic diamonds are still not accepted in the EU industry, even if they are produced for some years. One major reason is the low awareness among consumers, who still prefer 'the real thing' and their high price, being at around one third of the price of real diamonds.

Stones
This segment includes precious and semi-precious gemstones. There are many different sorts of stones. There are different cuts and uncut stones found in 38 different countries with the majority being developing countries. New stones are being discovered such as mutilated quartz, chalcedony, druzy, morganite, kunzite red spinel, tashmarine and cacholong. Precious stones are becoming more widely used in wedding rings, necklaces, pendants and earrings for several reasons. There is more variety in the colours of stones and stones give more volume to a jewellery piece using less precious metal and recently prices of stones have become more affordable. While the stones segment is very fashion-driven, it is very difficult to predict how these trends evolve. It would seem that the potential for coloured stones is strong. Stones can be used in conjunction with traditional gold and silver jewellery.

Pearls
There are also more designs and colours in pearls and they been available in a wider price bracket. In addition, pearls threaded onto steel cable for necklaces or bracelets, are often combined with cut diamonds, coloured stones or silver to give the 'classic pearl' a more urban feel. The most popular sizes of pearls are still 10-14mm. The diameter of freshwater cultured pearls has been larger and varies between 16 to 23 mm. Baroque pearls, being the heart of a collier, are now up to 18 mm.
Pearls in unusual colours (grey, blue, pink) are in demand. Next to the usual white champagne colour, other coloured pearls are in vogue, such as the black green Tahiti pearls, gold, purple, pink and peach coloured pearls. There are also cultivated pearls with blue or silver shades. Brown and grey pearls were very cool and conspicuous. White pearls are often matched with gold and platinum, especially in combination with diamonds.

- *Costume jewellery*

Costume jewellery represented 19% of total jewellery sold in 2007 in the EU. However, by volume, this segment accounts more than half of jewellery sales in the EU. Between 2003 and 2007, the EU costume jewellery market fell by an average of 1.3%, from € 4,902 to 4,647 million. By volume, increases were apparent in all EU markets, as a large proportion of most EU markets still comprises budget-priced pieces. Costume jewellery has been a good alternative to precious jewellery, especially in France, Italy, Spain, Belgium, the Netherlands and most of the Eastern EU member states.

The variety in costume jewellery has become enormous. The latest designs use different materials such as stainless steel (200, 300, 400 and 500 series), titanium, copper, leather, rubber, silicone, plexi and plastic in different thicknesses, from ultra fine to chunky. Pieces are decorated with crystals, glass, beads, rhinestones, (semi)-precious stones, shells, wood, bangles, charms or any other material. The most common shapes include animals, insects (butterfly), flowers (roses), stars, hearts, zodiac signs, hi-tech forms (robot, rocket) or personal forms related to particular events or individuals. Charms and pendants are shaped like shoes, bags and other everyday objects and attached to e.g. neckwear of stainless steel a leather string or a chain/cord/wire of any other material.

The growth of costume jewellery in the past few years has resulted in an oversupply of low-priced costume jewellery together with intense price competition. Nowadays, women are looking for higher quality and for unusual items. This has been taken up well by the trade with designer jewellery items looking 'real' and more expensive, but sold at affordable prices. This implies growing competition with lower priced precious metal pieces. The overall look is more important than the material, with precious and costume jewellery being mixed into a single article.

Hair accessories
As with all jewellery, hair accessories have become more diverse which has stimulated the EU hair accessory market. Hair accessories sales are usually included in costume jewellery sales. Based on Eurostat, the apparent consumption of hair accessories was estimated in 2007 at € 128 million or 18,879 tonnes. Nowadays, hair accessories are better designed, matching well with particular outfits and other jewellery. Hair accessory designs range from simple to more decorated patterns. For example, hairclips are decorated with flowers, butterflies, animals or with glittering rhinestones or crystals ('bling clips'). There are also hair accessories for different occasions such as glamorous barettes with gems, hair grips with pearls or disco hair grips. Hairgrips in particular are more diverse, with items such as sparkle cluster grips and dragonfly grips, and all sorts of Alice (hair) bands.
Teens are important segments and increasingly pre-teens and children, buying hair accessories at a younger age. A wider range of hairstyles has become more acceptable at work as well as socially. Women prefer to be able to create a particular look that they can maintain themselves, so they are willing to invest in hair accessories that help them to achieve the result they want quickly. The latest designs can be found in accessory chains, clothing stores, as well in hyper or supermarkets or perfumeries.

Piercings
Body piercing is one of the oldest forms of adornment stemming from Nostril piecing in Middle east 4000 years ago. In Western countries, piercing was introduced by the hippie and punk cultures and became more widespread among young people since the millennium. Influenced by Madonna, Cindy Crawford and other celebrities, piercings of the navel, nose, tongue and lips have been more common in society. Navel and nose piercing are sometimes combined with gemstones or diamonds. Other body parts for piercing include the eyebrows and the labret (just under the lower lip). The most common materials for body piercing jewellery are metal, titanium and sometimes silver.

Segmentation by user
Working women
Working women are the most important segment for jewellery and represented around 65% of EU jewellery value sales in 2007. As a result of more foreign investments in Eastern EU states and economic growth since 2005, the number of working women has grown steadily there. Between 2003 and 2007, the ratio of working women in the EU27 countries rose from 54.9% to 58.3% of all EU women, according to Eurostat. Increases were observed in all EU countries, particularly in Germany, Spain, Luxembourg as well as in Bulgaria, Poland, Slovenia and the Baltic States.
The Scandinavian countries and the Netherlands have high ratios of working women, while Malta, Italy and Greece had the lowest ratios. Women aged between 25 and 54 years were strongly represented, but the biggest growth was observed in the older age group (55 – 64 years), particularly in Sweden, Estonia and Denmark.

This development means higher levels of disposable income and the growing importance of women's appearance at work and in their social life. They buy costume and precious jewellery for themselves to complete their 'look'. There is a clear trend in most countries among *younger working women* to reward themselves for working hard. They buy something extra, which is more expensive as usual, which can be a well-designed jewellery item with precious metal or stones. Younger working women, who may not have the necessary resources to buy high quality or branded jewellery, choose unique or distinctive items according to the latest trends. Nowadays a jewellery piece adds an extra touch of elegance and personality to an outfit. The more classic icons of femininity (flowers, butterflies, charms, high heels, romantic inspiration) are played with by women of all ages. Especially in southern EU states, women tend to express their 'girl power' more than before, but without losing touch with the soft and sensual.

Housewives
Housewives buy a wide range of jewellery, from cheap to expensive *costume or precious* jewellery. Younger housewives tend to follow trends and prefer to buy their own jewellery. They do not object to buying copies of designer jewellery. Earrings and bracelets remain popular which could range from classic or modern geometric styled pieces.

Children
Children nowadays have more spending power as families are smaller. Girls now wear more fashionable jewellery at a younger age than previously. This is recognised by the accessory chains (Claire's accessories, Bijoux Brigitte) as the *'kids getting older younger' (KGOY)* trend. Glitter and bright colours are dominant themes for children's jewellery, and although the child may choose the item, their mother normally buys it.
Special jewellery collections for children are increasingly displayed by retailers and relate to films (Harry Potter, Micky Mouse) or video games heroes. Some clothing brands come with special collections for children. This sector is increasingly targeted, particularly as it shapes future jewellery purchasing.

Teens and pre-teens
Teens, aged between 13 and 19 years, definitely want to be up with the latest fashions and regularly visit the accessory chains in shopping centres. They are an important group for silver, costume jewellery and hair accessories. Depending on the EU country, teens have quite a lot of money to spend, as pocket money is high. Alternatively, teens earn their own money by having part-time jobs outside school hours, and in some jobs their outfit is important. Teens are attracted by adult accessories, including jewellery. They are influenced by the media, especially 'soaps', MTV and celebrities (music, movies, video games).
Teens tend to buy more impulsively rather than thinking beforehand of an outfit with matching jewellery.
Pre-teens are aged between 8 and 12 years old and are an important segment for costume jewellery in recent years. Girls are especially fashion-conscious and are influenced by media, video games and their friends.

For both teens and pre-teens, there are different kinds of jewellery, which can be categorised into styles (R&B or Gothic jewellery), moods/events (party/club jewellery), work (glamorous jewellery), cultures (ethnic or tribal jewellery) or countries (Italian, French, American etc.). For teens and younger women piercings remain popular. Also, DIY jewellery has gained popularity - see under 'Trends' in this section.

Men
Men's jewellery is becoming more common, especially among younger men in Spain, Italy, France, UK, Greece, Germany, the Netherlands, Belgium, Scandinavian countries and some of the Eastern EU member states. Men increasingly have the courage to wear jewellery without losing their masculine look. This is quite opposite to the older generation who finds that jewellery is more for women. The modern man wants to create his own look, just as women have done for ages. Since the millennium, urban man increasingly bought face

cream and beauty items. This development will be a main drive for the men's jewellery segment.
Young men were influenced by the popular surfing, beach and urban fashion trends or by celebrities such as Robbie Williams, Ian Thorpe or many 'rappers'. Wearing jewellery has become more accepted and young men have gradually become more daring in their choice. Popular items are silver, gold or beaded neck chains, pendants, bracelets, rings, earrings and belt buckles.
Older men either favour younger men's jewellery or choose traditional style jewellery such as tie clips, cuff links, belt buckles, bracelets, rings and chains made of silver or gold. This segment is much more evident in southern Europe.

Alongside stainless steel, silver is the material most being preferred by men. The shapes are usually clear and silver is often contrasted with black or with red gold. Functional elements give 'purpose' or convey personality, for example, jewellery items that can be used to measure angles, or rings with a spirit-level function or charm pendants in the shape of a sundial.
In 2007/2008, black was a favoured colour in men's jewellery collections being apparent in jewellery pieces with black enamel, leather, carbon fibre and black diamonds. Other hot items were tag pendants, rubber bracelets, chunky crosses and bold rectangular link chains of stainless steel or silver. Urban chic style jewellery featured neckwear and wrist wear with beads, diamonds and black and white enamel.

Older people
People of 60 years and older, sometimes referred to as 'empty nesters', are an important growing segment for precious jewellery. Older people are active and want to enjoy life, and they tend to spend more than young people do. Retailers are promoting jewellery as a gift for special occasions such as special birthdays and Christmas, or as a treat. Gold, silver, (semi-) precious stones, diamonds, pearls or natural materials (wood, shells, horn, bone or terracotta) are preferred in jewellery items. Designs can vary from classical to fashionable.

Ethnic groups
This group includes many different nationalities with distinctive styles and tastes. They form an interesting target group for exporters. According to a survey by HBD in 2006, foreign residents in the Netherlands usually buy at least 40% more jewellery than the native Dutch. In addition, foreign residents buy more jewellery articles at once and spend more money on jewellery items. Many Dutch jewellery retailers are gradually creating more ethnic designs and styles.
The Netherlands houses people mainly from Surinam, Indonesia, Turkey and Morocco. The UK is also home to people from the Indian sub-continent, parts of Africa and Hong Kong Chinese; France houses nationals from Central and West African countries; Germany has large minorities from Turkey and Morocco. In the coming years, this segment is expected to become more important in the jewellery market, as the number of (affluent) foreign residents continues to grow in the EU.

1.3 Trends

It is now about design in jewellery
Over the past few years, fashion trends have favoured jewellery wearing. Jewellery and other accessories have assumed a far higher profile in fashion shows and in magazines to promote sales. More generally, consumers are becoming more appreciative of good design in all aspects of their lives and, indeed, good design is becoming more accessible. This trend has contributed in particular to the upgrading in costume and silver jewellery.

Searching the unusual
Consumers now are more discriminating and discerning in matters of style and quality, and want to express their individuality through their personal choices, including clothing and jewellery. This trend is not only among young people, but also among older people who want to look younger, particularly people aged between 35 and 44 years old, single households,

and people between 50 and 60 years old - the 'baby boomers'. Clothing stores in particular took advantage by offering total outfits, including jewellery. Buyers now will look for the unusual neck chain, pendant, bracelet or cocktail ring. If it reflects their personality well, they are willing to pay for it.

Fashion and the media
Like other EU countries, the importance of image and appearance is increasing. Jewellery has benefited from this and has become an important part of the 'total look'. TV programmes such as 'What not to wear' or '10 years younger' in the UK and similar programmes in other western and southern EU countries influence people. These programmes suggest that people have lost touch with the current fashion, and have no style because they have lost confidence in themselves. These programmes supposedly 'educate' people, and particularly more mature women, about fashion and style by telling them what sort of accessories and jewellery to wear in order to 'feel good as a woman again'.

Celebrities and the media
Despite some protests against globalisation, global trends from the US music and film industry still influence the majority of young people in the EU. Celebrities are able to set trends in jewellery, stimulated by the media and by jewellery manufacturers such as De Beers. Celebrities wearing the latest jewellery creations are featured a lot more in fashion and glamour magazines. MTV shows Latin, hiphop, R&B and RAP music, encouraging young people to buy neckwear, pendants, large rings, nose studs, piercings, ear, teeth and eye jewellery.

Links with other sectors and smart jewellery
Jewellery is becoming increasingly linked with other sectors such as the optical sector, where luxury frames are sometimes adorned with precious stones. Especially in glamour or club wear jewellery is integrated in leather accessories (belts, gloves, make-up boxes), handbags, footwear (jewellery adorned sandals) and clothing (evening dresses), particularly in Spain, France, Italy and UK. Recently there are more links of costume or precious jewellery with watches, sunglasses and electronic gadgets. A further, development is the concept of *smart* jewellery, where technology is built into the jewellery piece. Examples are ear buds or tag pendants for mobile phones or ipods, made of silver and decorated with stones or crystals.

Less tourists from USA, but more from China and Russia
A lot of precious jewellery is bought by tourists, especially in Italy, France, UK, Spain, Greece, Cyprus, Malta, Belgium, Austria, the Netherlands, Czech Republic and Bulgaria.
The summer and winter (Christmas) are the peak seasons. The largest consumers are visitors from the EU, USA and Japan. However, the number of US and Japanese tourists declined in 2007/2008 due to the high Euro.
On the positive side, tourism is a growing industry for many of the new EU member states with opportunities to increase jewellery sales. In the coming years, there will be a rising number of tourists to the EU from countries with growing economic power such as China, India, Russia or Eastern EU states. Especially Italian and French jewellers increasingly focus on wealthy tourists, who are attracted by the international reputation of their brands.

DIY jewellery, workshops and take-away kits
Because many materials are available, there is a trend towards DIY (do-it-yourself) jewellery. Some people want to create their personal jewellery out of laces, strings, chokers in leather, silk, rubber, silicon and a variety of (glass) beads, charms, symbols, coins or stones. People try to match their jewellery with their own clothing or lifestyle.
A Swarovski store in London offers consumers to browse and buy from colour-coordinated walls and cabinets, choosing crystal elements, beads and jewellery stones as a basis for their own designs. With the help of in-store computer programs and knowledgeable staff, people can buy their own 'jewellery take away kits' and make the piece at home. The store also organises DIY workshops with professional jewellery designers. DIY jewellery may be a threat for exporters from developing countries. On the other hand, this trend creates more interest in jewellery and there might be a future demand for jewellery parts from developing countries.

Spiritualism and symbolic jewellery
Consumers today are frequently searching for a deeper meaning to life as a reaction to political or economical uncertainty or as an eye-opener from travelling to exotic countries. This deeper meaning could be eastern religions, astrology, tribalism or foreign cultures with each having its symbolic jewellery. This is reflected in the ongoing significance of body piercing and in the strong impact of different ethic African and Asian designs in recent jewellery fashion. Stones, symbols or charms that dangle on a chain or on a pendant are typically used in symbolic jewellery. Next to typical local patterns, crosses, stars, flowers, moon and other celestial motifs are frequent in jewellery designs.

Wearing one piece differently
To get the best out of their money, consumers tend to look for jewellery that can go with different outfit styles. For example, reversible bracelets, earrings that can change lengths, brooches transformable into pendants, or rings with changeable diamonds or stones. Other examples are long layered necklaces that can be also wrist wear, or rings that can be stacked or worn separately.

Loose styles and combinations
Boundaries between precious and costume jewellery and between different styles, have become much looser. Anything goes. Materials like metals, stones, glass, bones, shells and leather are now often combined or merged. In gold jewellery, there are combinations of ebony wood or cocobolo wood with yellow gold. A key style trend in for example Dutch jewellery is sophistication in simplicity. In the urban-look, multi-cultural and folkloristic elements are being reflected in jewellery by combinations of material (pearls, diamonds, gems) and colours.

Trends in jewellery design:
- *An abundance of colours*, particularly in stones. For example, in 2007/2008 bronze and brown warm colours, yellow, rose, pink, purple, green, black and white (resin enamel) were hot colours. Also orange and blue, very clear rock crystal, deep blood-red rubies and garnets and bright orange corals were popular.
- *Organic forms*. Classic forms remain top-class and pure, but the forms are softer and more flattering. Straight lines are more gentle and begin to curl. The more curled shapes can be also seen in platinum jewellery.
- *Setting techniques* with pools of pavé-set diamonds and kaleidoscopic stones being popular. A revival of flush setting. Stones and diamonds that are held in decorative frames.
- *Metals and materials*: Woven yellow gold chains, coloured resin enamel and amber, black rhodium plating with dark diamonds were novelties. In addition, exotic woods, horn, bones leather thong chains were popular materials.

Seasonal fashion trends and related jewellery for spring/winter 2008-2009 were:
- *Jaisalmer (decorative)*: Rich colour and dramatic style pieces expressed through coloured gem stones, enamel, long chain and diamond decorations.
- *Discovery (rustic):* Pieces with coins and cameos with scratch textures and distressed forms, giving the feel of ancient jewels discovered.
- *Concentricism (simple):* Pieces with circles, ovals, squares and asymmetric shapes that are repeated to give a strong combination of negative and positive shapes.
- *Pop Art (fun):* Jeweller with fun icons, primary through colours and graphic twists depicted in 'glass-looking' stones and though beautiful manufacturing techniques.
- *Giant (Rap style):* Massive jewellery with huge rings, colossal chains, shield-like pendants and dramatic earrings.
- *Macabre:* Skulls of all guises, skeletons and black crosses give an ironic reflection of life and death.

1.4 Opportunities and threats

+ More affluent consumers, in particular, are trading up from high street design to more individual designs. This also provides opportunities for exporters if they can make distinctive collections, which are exotic and can comply with the latest trends/colours in clothing.
+ The trends towards spiritual, unusual and personal jewellery offer good opportunities for jewellery with charms and symbols. Particularly pendants with charms, neck or wrist wear, bangles, earrings or piercings with an ethnic design will be popular. Note that it is important to give a good explanation of the symbolic value of charms.
+ 'Party jewellery' is an interesting niche for exporters, with a great variety of jewellery for teens and young women. This includes cocktail rings, piercings, hand jewellery, and belly chains influenced by designs from India (Bollywood) and other developing countries.
+ As the middle class is growing in all countries, especially the new member states, demand for luxury goods, including jewellery is set to grow.
+ New target groups, such as men, pre-teens, children and 'empty nesters' and even pets provide opportunities. Another interesting target group are the rising numbers of Russian and Chinese tourists, expatriates and ethnic groups. They all will bring more international tastes to the jewellery marketplace.

+ Along with growing costume and silver jewellery market, there are opportunities for 'fashion jewellery accessories' such as jewellery boxes, ring holders (to prevent them from falling during work). These accessories could be of wood, porcelain, celluloid, crystal, silver plastic or other metals. In Italy, France, UK and Spain fashion accessories are sold, while in most other EU countries sales is still very small. This offers opportunities for exporters from developing countries.
- It will be difficult to find opportunities in the top end or luxury part of this market, as leading luxury brands defend their position strongly. Many of the leading companies show no sympathy to those producers who try to gain advantage by producing counterfeit products. Even those products that 'look like' top brand names will not interest respectable retailers.
- There is a danger in becoming too reliant on a particular segment of the market. If you are not able to supply quickly and change production at the short-term whim of the fashion market, you could find yourself exposed to the dangers of over-trading.

1.5 Useful sources

See CBI market surveys covering the market in individual EU countries for contact details of important sources in each country.

- At an EU level, the CIBJO (the world jewellery confederation) is the main trade association for the jewellery industry (http://www.cibjo.org)
- On a global level the World Gold Council (http://www.gold.org) gives an overview of gold trends in the world
- The Silver Institute (http://www.silverinstitute.org) reviews the silver trends in the world.
- Information is available from commercial research companies such as Euromonitor (http://www.euromonitor.com), Mintel (http://www.mintel.co.uk) and Keynote (http://www.keynote.co.uk).
- Europastar is a (subscription based) regular information bulletin on the jewellery and watch industry worldwide, including the EU (http://www.europastar.com)
- The two main International Jewellery Fairs are the Inhorgenta in Germany (München), and the Baselshow (http://www.baselshow.com) in Switzerland. Especially the Inhorghenta (http://www.inhorghenta.com) tends to allow a greater proportion of overseas exhibitors than other more design-focused fairs in Paris or Milan.

2 Production

2.1 Size of production

The EU continues to be an important jewellery production centre in the world, but the industry has been shrinking. According to the GFMS (Gold Field Mineral Service), *demand for precious metals* for the manufacturing of jewellery increased between 2003 and 2007. Demand for *gold and silver* was still on the rise in India, China, Turkey and recently Russia, as more jewellery is being produced here. However, there was less demand for gold in the USA and in the EU due to higher prices of all precious metals and less exports by Italy. Despite the higher prices of precious metals, demand continued to rise in the Middle East and India, especially for gold.

With regards to *gold* production, three large mining companies were closed in 2007/2008 in South Africa, being a leading gold and platinum supplier. Due to a shortage of local electric power and to the unwillingness to comply with new South African labour conditions, these multinational companies now invest elsewhere. This will be mainly in other African countries and the company, Gold Fields considers to invest in platinum and gold mines in Finland.

Table 2.1 Global demand for precious metals for the production of jewellery, tonnes

	2003	**2007**		
	volume	volume	difference	Major demand from:
Gold (world)	**2,322**	**2,407**	**+3.6%**	
of which:				
India	502	624	+24%	
USA	368	364	-2%	
China	223	289	+29%	
Italy	320	286	-11%	
Turkey	171	188	+10%	
UK	67	62	-8%	
France	37	34	-8%	
Germany	27	24	-11%	
Silver	**5,573**	**5,083**	**-9%**	Thailand, China, Italy, USA, Russia and India.
Platinum	**84**	**49**	**-42%**	China, USA, Switzerland, Italy, UK, and Germany
Palladium	**11**	**23**	**+109%**	

Source: GMFS, World gold Council (2008)

Demand for *silver* in India fell, according to the GFMS, due to an increase in the rupee price and increasing concerns over silver purity. Demand for *platinum* fell due to the high price and to a growth of second hand platinum jewellery markets in China and Japan.
Between 2003 and 2007, demand for *palladium* rose enormously, but has weakened in 2007 as the industry in China was fully stocked, and the EU and US jewellery still slowly started to work with palladium.

There are no statistics available on the size of global jewellery production. Generally, the industry is led by Italy, China, USA, Switzerland, Israel, India and Thailand. China, Turkey and India are emerging jewellery industry centres, with India leading gemstones processing.

- Most *gemstones* come from India, China, Thailand, Namibia, Colombia, Sri Lanka, Pakistan, Brazil, Argentina, Madagascar, Mexico, Myanmar. Smaller supplying developing countries include Ethiopia, Tanzania, Mozambique, Nigeria, Zambia, Iran, Honduras and Peru.
- *Diamonds* mostly come from India, China, Thailand, Sri Lanka, South Africa, Namibia, Australia, Armenia, Vietnam, Botswana, Congo, Russia, Ukraine, Angola, Ghana and Brazil. The world's main cutting centres are Israel, USA, Belgium and, increasingly, India and China.
- Most *pearls* come from Japan, Australia, China, Philippines, French Polynesia and Mexico.
- *Costume jewellery* mainly comes from China, Thailand, India, USA, Austria, France, Germany as well as from many other countries (see chapter 4).

The EU industry includes some large and many smaller companies or workshops, which either specialise in a style of jewellery or in a stage of production, such as gem setting or making precious jewellery pieces. Most of the precious metals and stones come from abroad and the jewellery pieces are designed, made and finished in the EU countries. The main EU jewellery manufacturing centres are:

- *Italy* → Vicenza, Arezzo, Valenza, Marcianise, Campania, Milan. Italian jewellery ranges from classic to modern, fashionable styles (mainly precious).
- *Germany* → Pforzheim; Idar-Oberstein (stone cutting). Jewellery is simple in style.
- *France* → Paris area, Rhone Alpes, Alsace and Comté. A variety of styles.
- *UK* → London, Hatton Garden, Birmingham, Sheffield. Mainly silver jewellery.
- *Spain* → Cordoba, Valencia, Madrid, Barcelona, Galicia. A great variety of styles.
- *Others* → Austria (crystal jewellery) Poland (amber and silver), Denmark (silver), Finland (silver), Portugal and other smaller producing countries.

The EU jewellery industry has a long-standing reputation for its creative design, originality, artisanship, expertise and its internationally well-known manufacturers. In 2007, the EU jewellery industry consisted of 22,500 companies making precious jewellery, employing around 94,000 people and 5,350 companies making costume jewellery employing around 20,000 people.

In 2007, total EU jewellery production was valued € 11,366 million. Italy is the centre of EU precious jewellery production and accounted for 47% of all EU production. However, Italy continues to register annual average decreases. i.e. -1.7% between 2003 and 2007, which

Table 2.2 EU production of jewellery 2003 – 2007, € million

	2003		2005		2007		Average annual % change in value	
	precious	costume	precious	costume	precious	costume	precious	costume
Total EU	**10.995**	**1,093**	**10,436**	**1,086**	**10,201**	**1,135**	**-1.9**	**1.0**
Italy	5,492	228	5,416	197	5,152	211	-1.6	-1.9
France	1,397	169	1,202	190	1,249	189	-2.8	2.8
Spain	1,333	174	1,209	187	1,186	229	-2.9	7.1
UK	939	69	840	53	768	49	-4.9	-8.2
Germany	738	63	698	59	731	37	-0.3	-12.5
Austria	58	271	57	266	53	269	-2.2	-0.2
Portugal	185	8	182	8	176	6	-1.2	7.0
Poland	139	29	118	32	148	44	1.6	10.9
Denmark	115	19	113	19	129	24	2.9	6.0
Netherlands	124	29	121	30	122	31	-0.5	1.7
Finland	94	5	93	6	93	6	-0.3	4.7
Ireland	64	11	62	13	63	14	-0.4	6.2
Sweden	78	2	83	4	79	3	0.3	7.4
Czech Rep.	59	8	64	9	68	11	3.6	8.2
Greece	24	1.3	33	4	32	2	7.5	11.4
Slovenia	22	0	20	0	23	0	0.1	0
Belgium	19	2	21	2	20	1	1.3	-16.0
Malta	22	0	20	0	20	0	-2.4	0
Cyprus	29	0	19	0	17	0	-12.5	0
Hungary	17	3	16	3	15	2	-3.1	-9.7
Romania	13	1	12	2	14	3	1.9	31.6
Slovakia	11	0	12	0	13	0	4.3	0
Lithuania	8	0.5	7	1	9	2	2.9	41.4
Bulgaria	6	0.2	8	1	9	2	10.7	77.8
Estonia	6	0	6	0	7	0	3.9	0
Luxembourg	2.2	0	2.3	0	2.4	0	2.2	0
Latvia	1.2	0	2	0	2.2	0	16.4	0

Source: Eurostat, National Trade Associations, KPMG, Trade Estimates (2008)

was apparent both in costume and precious jewellery. This was due to the higher gold and platinum prices, decreased demand from the domestic and export markets and a growing competition from Asian manufacturers and stricter environmental legislation.
However, the Italians have been producing more costume jewellery (see table 2.2) since 2005. France, UK, Germany, Spain, Austria, Poland and the Scandinavian countries are other main centres for precious jewellery and for medium-high quality costume jewellery.

Between 2003 and 2007, there was a fluctuation in EU production of costume jewellery. In 2003, EU production was valued at € 1,093 million and fell to € 1,086 million in 2005, mainly due to Asian competition. However, between 2005 and 2007, EU costume jewellery production was on the rise again thanks to increases in production from the main costume jewellery producers Italy, France, Spain and Austria. Production was driven by more demand for higher quality costume jewellery pieces in domestic markets, in other EU countries and in overseas markets.

Among the new member states, Poland, Hungary, Czech Republic and increasingly Romania and Bulgaria are producers of silver and costume jewellery with amber and glass beads. Even though supplies to the Soviet area have dropped, the jewellery industry in these countries has benefited from the rising domestic demand for costume jewellery and from some out-sourcing by EU companies. In the coming years, the industry needs to restructure and focus more on better-designed jewellery with amber and gemstones in order to distinguish itself from overseas producers.

In general, the EU jewellery industry can be broadly sub-divided into four different sorts of companies:

- Manufacturers, which are led by the main players.
- Modern jewellery makers.
- Design makers with smaller workshops, which are the driving force in innovative designs.
- The international luxury brands (Cartier, Hermes, Dior, Chanel), who tend to act more as importers.

The main players and the modern jewellery makers have the most advanced processing technology. Some companies use a combination of electro-form and hand crafting to work more efficiently and to produce items in larger quantities. Many large companies use 3D computer-aided design and work with computerised manufacturing (CAD/CAM) systems. Other companies use computer-controlled (CNC) machine tools in their design and manufacturing process. Smaller workshop still focus on jewellery articles which are handmade, individual, stylish and of a high quality, which can easily be changed to suit fashion trends.

2.2 Trends

The EU now accounts for roughly 25% of global jewellery production but that figure is forecast to fall. China, India, Thailand and Turkey are expanding rapidly and are producing higher quality jewellery. However, within the EU market, the industry can grow along with the domestic demand. In order to retain an important position in the EU market, manufacturers need to innovate more, concentrate more on creating specific designs, or specialise further; and in all cases they must offer fast lead times and good after-sales service to customers.

Vertical integration versus fragmentation
As a reaction to the high fragmented jewellery industry, there is more vertical integration taking place, as the jewellery industry develops on a global level. In addition to the low labour costs in China, India and Thailand, these locations provide a foothold in potentially large new markets. Since prices of precious metal have increased and consumers have been more demanding, mining companies, jewellery manufacturers and jewellery retailers want more control in the global jewellery value chain and look for integration.

Some examples of vertical integration currently taking place are:

- Large jewellery chain stores or clothing chains stores doing their own manufacturing and produce jewellery in-house or they outsource to overseas manufacturers.
- Some mining companies take over jewellery manufacturers and jewellery retailers. While on the other hand, large jewellery retailers try to get more presence in mining companies.

Producing for a wider sales network

Modern jewellery and design makers aim to produce and distribute through a wider sales network such as hypermarkets and fashion retailers in their own country or in other EU countries. Compared to Asian suppliers, they have a competitive advantage by being closer to their clients, by being more responsive to fashion changes, and by being able to deliver fast.

Design and quality versus profitability

EU consumers now look for designer jewellery of a good quality and well-finished, but at an affordable price. Manufacturers try to develop this jewellery, but need to stay in control over their costs so that they still can generate a profit. However, margins of EU manufacturers have been under more pressure, since the competition from low cost producing countries has intensified and the EU jewellery market growth has slowed in 2007.

Joint promotions and cooperation

In order to compete on a global level and share some of their costs, smaller manufacturers have been joining with colleagues, designers and trade associations. This has proved to be much more powerful than working as individuals. A well thought-over promotion of jewellery collections can open up new (overseas) markets. This can be done by highlighting a particular theme, mood, target group, type of craftsmanship or origin. For example, the “Made in Italy” concept, set up by the Italian jewellery industry to promote itself at trade fairs, provides a chance for smaller manufacturers to reach new markets. There is a similar ‘made in Germany’ concept.

Expansion needs marketing

Marketing has become more crucial for smaller manufacturers and workshops. They either have to choose to remain artisans and specialise further, or to enlarge their business. If they choose to enlarge their business, the EU market for precious jewellery is unlikely to grow as much as the international markets in areas such as Asia. There are big opportunities for EU manufacturers overseas, but retailers in these markets want large suppliers and brand names. When going on the international market, EU manufacturers will need to clearly target particular consumer groups in terms of taste, occasion, mood or price and develop a jewellery collection accordingly.

Outsourcing in nearby countries

Outsourcing continues to takes place. Italy, Germany and Turkey have relocated some of their production of precious jewellery to Bulgaria or Romania. For the Romanian and Bulgarian jewellery industries this is a good opportunity to grade up and to stay competitive, as foreign partners provide the know-how to make designer jewellery.
The main EU players and modern jewellery makers also have parts of jewellery articles made at low cost in Asian or North African countries and then imported for assembly or finishing.

Another trend in outsourcing is that some of the Eastern EU member states, such as Czech Republic, increasingly transfer production of costume jewellery to neighbouring countries with a lower cost of living, such as Slovakia, Hungary or to the Baltic States, in order to compete with cheap jewellery imports from Asia.

2.3 Opportunities and threats

+ Outsourcing provides opportunities. For example, Italian manufacturers have had to adapt their systems to remain competitive. They have forged partnerships with domestic and overseas suppliers. They will particularly appreciate input from suppliers who can demonstrate design flair and innovation. Try to avoid competition on price, but offer something that is unique to your country in terms of design, material or craftsmanship.
+ Good opportunities can be found by forming partnerships with an EU company with a similar profile or market situation as yours, and one that operates in a niche market. They may give you a chance to demonstrate your value and distinctiveness.
+ To be in the best position to take advantage of these opportunities, you need to be flexible in your production, to be reliable and meet the demands of short lead times.
- With costume and silver jewellery, in particular, more collections are introduced during the year, so order sizes are smaller. In addition, retailers and importers tend to hold less stock, trying to let their suppliers do the stockholding. This means shorter runs of different styles and colours, which may cause increased production costs for you.
- The new member states with their own jewellery industries, especially Romania, Poland and Hungary, represent a threat to developing country exporters. These countries will wish to develop inroads into other EU markets.

2.4 Useful sources

See CBI market surveys covering the market in individual EU countries for specific production information by country and interesting players in each country. Other sources are:

- The World Jewellery Confederation (CIBJO) is the organisation that represents producers in Europe and in the world, for the website see chapter 1.4.
- There is information on the EU jewellery industry on the European Union website at http://ec.europa.eu/enterprise and on the sites of the World Gold Council, the Silver Institute and http://www.europastar.com
- Production data can be found on the European Union website. Go to http://epp.eurostat.ec.europa.eu and follow the links as outlined in chapter 4. You will see an option for production alongside external trade.
- Information about environmental legislation can be found at http://www.cbi.eu/marketinfo

3 Trade channels for market entry

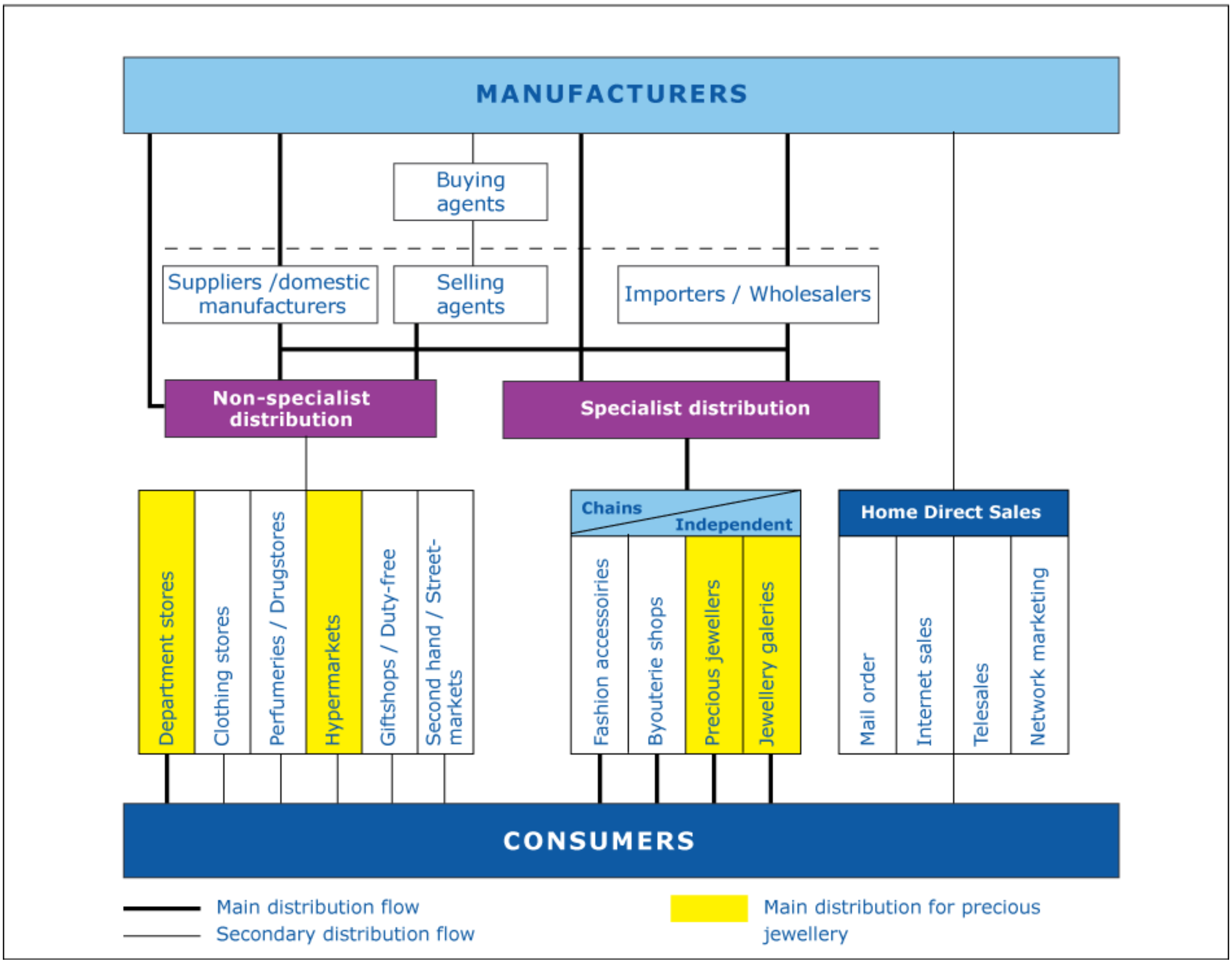
3.1 Trade channels

The route from manufacturers to consumers in the EU jewellery trade is varied. However, to an important extent, this is determined by whether it is precious or costume jewellery:

- ***For precious jewellery*** specialised jewellery retailers still dominate in most EU markets, with an increasing number of chain stores and non-specialist outlets. Security/ prevention against theft has an important bearing on how precious jewellery is merchandised and this in part accounts for the continued strength of specialist outlets.
- ***For costume jewellery (and silver jewellery to a lesser extent)*** the distribution channels are more diverse. Non-specialists such as department stores, mail order, direct selling and fashion boutiques are just a few of the different types of outlets where costume jewellery can now be purchased. Costume jewellery competes with other fashion accessories such as handbags, belts, scarves. Consequently, you will now find all of these products in similar types of outlet.

As is shown in figure 3.1, consumers can nowadays buy jewellery in many different ways, for example in a retail outlet (jewellery shop, chain store, fashion accessory store or hypermarket), at a market stall, via home-shopping TV channel or through the internet.

Figure 3.1 Typical distribution structure for jewellery in EU markets



This complexity in jewellery retailing has also affected the distribution structure. In most countries, the traditional route from manufacturer to importer/wholesaler to retailer still dominates, particularly in southern EU countries and the new member states that have many small jewellery shops. The importer or wholesaler keeps the jewellery products in stock. In the middle and northern EU countries some small retailers organise themselves by joining a buying group, which negotiates directly with (overseas) manufacturers and keep items in stock for their members. However, there are still buying groups that purchase from importers/wholesalers. Buying groups are not as important in the jewellery trade as in some other consumer markets.

In the larger EU countries such as France, Germany and United Kingdom, in addition to buying groups, the large retailers operate chain stores. Many jewellery companies have been seeking to gain control over their distribution networks by either extending their franchises or opening their own retail outlets. In these cases, the manufacturer becomes the importer, and the wholesale trade is by-passed.

Choosing the best trade channel

In practice, the options for exporters of jewellery from the developing world are somewhat restricted, and depend on the supplier's resources and scale of operation. Many larger jewellery buyers have either set up manufacturing facilities of their own in parts of the developing world, or have some form of exclusive relationship with certain suppliers for expensive (branded) jewellery collections. As a developing country exporter, you may find the middle and lower segments of the market more fruitful. You should try to contact first an importer who will be able to advice on different market conditions and requirements.

Importers

By buying on his own account, the importer effectively takes charge of the goods. He is then responsible for their onward sale and distribution in his country and/or in other EU markets. Those importers who are not exclusively tied to a particular manufacturer usually buy and sell the goods, take care of import/export procedures and hold items in stock. Many importers sell directly to specialist retailers, department stores, and fashion or clothing shops through permanent cash and carry showrooms or exhibition centres. Others have their own sales staff that visit retailers on a regular basis and take orders.

The importer has contacts in the local market, knows the trends, and can give considerable information and guidance to the overseas manufacturer. Many importers prefer to specialise in particular jewellery products or groups of products, but there is an increasing trend to deal in a wider range of products, or to purchase entire ranges rather than specific products within a range. The development of a successful working relationship between manufacturer and importer can lead to a high level of co-operation with regard to appropriate designs for the market, new trends, use of materials and quality requirements. Some importers also act as wholesalers and many now deal across national boundaries.

Wholesalers

They often supply independent jewellers and play a major role in the supply of costume jewellery. They either specialise or carry a wide variety of products or brands. The trend of bigger retailers and buying groups going outside the traditional distribution system, along with the development of brand imitations, has caused wholesalers to reconsider their position in the distribution structure. This has encouraged some wholesalers, who were losing parts of their business, to operate on a regional basis. Also, wholesalers sell directly to specialist retailers, department stores, fashion boutiques or clothing shops through permanent cash and carry showrooms.

Agents

In your own country there are *buying agents.* These are independent companies that negotiate and settle business on the instructions of their principals and act as intermediaries between buyer and seller. They do not buy or sell on their own account. They work on a commission basis and represent one or more larger manufacturers/suppliers/retailers, although competition is avoided. Often the buying agent has his office in the supplying country.

In the target country there are *selling agents*, who are also (specialised) independent companies. They work on a contract and commission basis for one or more manufacturers. Some of them sell from stock in order to meet their clients' short-term demand, which is on a consignment basis. If an agent builds up his own stock, he is in effect functioning as a wholesaler or distributor. In jewellery, a large number of exclusive brands are offered only through appointed agents, some of which can only be sold through selected retailers.

Buying groups
These groups act as purchasing agents for their individual members (retail shops) and promote themselves as an organisation with their own marketing and brand. They also act as financial intermediaries between manufacturers and retailers. They negotiate directly with (overseas) manufacturers and keep items in stock for their members. Buying groups are more common in Germany, The Netherlands, Belgium and the Scandinavian countries.

The objective of the buying group is to make it possible for its members to deal with the growing power of department stores and other non-specialist retailers. As a group, they also have the necessary buying power to obtain greater discounts from suppliers.

Local suppliers
Confronted with rapidly rising production costs, which have made their products uncompetitive, some local manufacturers are increasingly assuming the role of suppliers or importers. Like importers, they look for low-cost sources that produce jewellery items on a made-to-order basis. The main advantage for such suppliers is that the items are all made according to their own design, quality and colour specifications. There are also jewellery suppliers who operate their own retail outlets in their own and in other EU countries. In addition, clothing manufacturers such as H&M, Zara and Mango have added jewellery to their product ranges.

International jewellery suppliers
Most of the big brand suppliers have their headquarters in the USA or in the EU and act as suppliers/sales organisations of powerful international brands. These suppliers have their own design, product development, marketing and purchasing departments. They have buyers who operate all over the world and outsource their jewellery mainly outside the EU, especially in China, Vietnam, India or in other (developing) countries. Sales, marketing, order control, logistics and service are done by their exclusive importers in each EU country. See Chapter 3 of the CBI Export Guidelines for more information on the selection of the channel to best suit your own circumstances.

Retailers
The different types of retail channels can be broadly divided as follows:
- **Specialist retailers** usually only sell jewellery, and sometimes related accessories. The outlets range from precious jewellers, jewellery galleries, bijouterie shops and fashion accessory shops. Larger stores are often linked to a major chain or franchise. The majority of these outlets are small independent shops. This represents on average approximately 70% of EU jewellery sales.
- **Non-specialised retailers** tend to sell low-priced precious jewellery and costume jewellery. This category is led by department stores, clothing stores and gift shops.
- **Home direct sales** are traditionally important for jewellery. As well as mail order, they include TV shopping channels and network marketing. This channel has been further boosted by the internet.

Specialist retailers
These retailers dominate the trade in mainland Europe, particularly in Southern and Eastern EU member states. The main jewellery specialist retailers are:

Jewellers including gold and silver smiths mainly offer mainstream designed jewellery and watches, targeted at a broad consumer group. They concentrate on sales of gold, silver and platinum jewellery, watches, clocks, and fine metal giftware. Although the owner is not necessarily a qualified gold or silver smith, these jewellers often have a small workshop for repairs or service. There are also jewellers selling higher quality designer jewellery. However, some smaller jewellers, who know the latest trends in fashion, sell some higher quality costume jewellery and silver jewellery in order to attract younger people to their stores.

Most jewellers have to cope with issues such as more demanding consumers, competition from non-specialists, and tougher restrictions on distribution policy from branded suppliers. In order to differentiate, jewellers continually seek new sources to develop their own exclusive collections. They also offer finance facilities, refund policies and their own guarantees, as well as customisation of some jewellery items for added personalisation.

Jewellery galleries are gold and silver smiths who make their own jewellery collections, selling them at their own shops or galleries. Sometimes they also sell jewellery from other designers in order to broaden their range. They are strongly represented in France, Italy and Spain, but also represent a sizeable share of jewellery sales in the other EU markets.

Bijouteries are also referred to as specialist shops for 'bijoux' (the French word for costume jewellery). Typically, about 70% of their turnover is costume jewellery. These outlet types are mainly found in southern EU countries (France, Italy and Spain), and most of them are independently owned. However, the bijouterie chain stores such as Bijou Brigitte (Germany), Agatha (France) and Swarovski (Austria) are expanding their operations in EU countries, especially in Eastern EU states. The same is true for *fashion accessory shops.* In order to meet competition from these chain stores and from non-specialists, smaller independent bijouteries are joining buying groups, franchises or chain store operators.

Fashion accessory chain stores are specialist stores that are part of an (international) chain store operation. Most stores have standardised product ranges and are located on the high street or at out-of-town shopping centres, where women treat them like any other clothing store. Because of volume discounts from their suppliers, they can offer items at low prices, which often are purchased impulsively. Next to jewellery, they also sell hair and fashion accessories such as hats, belts, bags, scarves and sunglasses. Claire's Accessories or Accessorize are the most well known in this category. They are doing well in the UK, Germany and France, Spain, Austria and the Netherlands, and they are expanding their operations in Eastern EU states.

Non-specialist retailers

Many non-specialist retailers have considerable buying power and have also attracted customers with lower prices. Most chain store operations stock jewellery in their distribution centres. They are rapidly expanding in the new member states. There are a variety of other non-specialist shops and outlets – see Figure 3.1, some of which sell their own branded collections, all of which has enlarged the diversity in jewellery distribution.
In 2007, non-specialist retailers accounted for 30 - 40% of jewellery sales, and they take up the largest share for costume jewellery. Non-specialists were particularly well-represented in the UK (especially clothing stores and catalogue showroom), Germany (department stores), and Spain (clothing and department stores). The most important non-specialist retailers are:

Department stores

Jewellery sales through department stores have increased in recent years. They benefit from a high volume of consumer traffic and can offer a wide range of goods from fashion to high quality jewellery. In the UK, half of all costume jewellery is sold in department stores, compared to just 7% of precious jewellery. Nevertheless, department stores accounted for 13% of all UK jewellery sales.

Department stores are also well represented in Germany, The Netherlands and Spain. The German Karstadt (90 stores), Kaufhof (127) and the Spanish El Corte Inglés (69) in particular are leaders in the EU. They have jewellery departments and concessions (shop-in-shop) in their stores, including their own brand. Department stores in other countries include Galleries Lafayette (France), John Lewis (UK), Coin (Italy) and V&D, Bijenkorf (the Netherlands), as well as a large number of variety stores – see also the CBI market surveys covering the market in individual EU countries.

They increasingly sell branded jewellery, often related to clothing brands or well-known designers, alongside their own brands. Young working women like to shop around in a jewellery department stores without feeling any obligation to buy. This is not so easy in specialist jewellery shops.
Department stores usually buy jewellery directly from foreign suppliers in large quantities. They purchase specifically for a season or particular fashion, and then move on to new lines for the next sales season. They vary the amount of space given to different product categories at different times of year, subject to activity in other sectors within the store.

Clothing stores
International and national chains play a major role in selling costume, silver jewellery and some cheaper precious jewellery with gemstones. In France clothing stores account for around 9% of total jewellery sales, which is high compared to the other EU countries. These store groups usually have their own brand of fashion accessories in addition to seasonal collections from manufacturers. Young consumers tend to buy pieces of jewellery at the same time as new clothes as part of a 'look'. Others buy on impulse. Well-known chains include Miss Selfridge, Next, Caroll, Kookai, H&M, Zara, Guess, Promod, Esprit, Wallis, Oasis, Dorothy Perkins, Top Shop, Krizia, Cacharel, Cotarelli, Cortefiel or Mango.

Fashion boutiques
Most are independently owned and operate in the middle to upper segments of the market. As they do not have the purchasing power of bigger retailers, they work with higher margins. In these outlets, jewellery and clothing need to be fashionable and exclusive in order to differentiate from mainstream fashion. They tend to carry a limited range of jewellery that is chosen to complement their clothing collections (e.g. Versace, Kenzo, Moschino, Fiorucci). Importers and agents are their main source of supply.

Perfume and pharmacy outlets
Jewellery is sold to consumers through perfume and pharmacy outlets. Perfume shops sell some precious, costume and silver jewellery items, which are exclusive in terms of design, price and brand name. Supplies are purchased from importers. Pharmacies sell the more fashionable and lower priced jewellery and hair accessories. Jewellery is often sold as gift items, particularly during peak selling periods such as Christmas, Easter, Valentine's Day, Mothers' Day etc.

Gift and duty-free shops
Consumers also buy jewellery in gift shops, duty-free shops at airports and in some major cities, and in small shops attached to tourist locations such as museums and art galleries. This merchandise is purchased from specialist importers, whose product ranges include giftware as well as jewellery. These outlets represent a good opportunity for exporters, if items are sold in special gift packaging and with an explanatory leaflet.

Second-hand and street markets
Cashjoya, owned by Cash Jewellery International (USA), is a successful second-hand jewellery chain in Spain and other parts of southern Europe. Particularly in countries with a significant tourist industry, costume and silver jewellery can be widely found in street markets. The latest fashions are not usually found in these outlets and they are often used by some wholesalers as a means of offloading unsold stock from other retail channels.

Other shops
Jewellery is sold in many other types of stores e.g. hypermarkets, children's clothing outlets, toy shops, sports shops, optical shops, airlines' in-flight shops, shoe shops, cash-and-carry wholesalers with retail outlets, factory outlets and petrol stations. Many major supermarkets now also sell jewellery. Another interesting channel for developing country exporters is fair trade. Fair trade (usually costume) jewellery is now on sale in many EU markets.

Home direct sales
Mail order
Mail order catalogues usually concentrate on selling lower cost gold jewellery and some silver or costume jewellery. Once a brand is established, consumers are prepared to use mail order. Many retailers have mail order catalogues that offer the same or similar range of products to their shops. This is particularly the case in the UK where Argos has 475 retail catalogue showrooms, and has developed a hugely successful sub-brand called *Elizabeth Duke.* They offer value-for-money jewellery, and a large part of their success is due to the combination of their retail presence and telephone/internet ordering.

Well-known German and French companies are Otto, Neckermann, Trois Suisses, Camif, Maty (jewellery), Beaute Createurs, Damart Serviposte (clothing) and La Redoute. A higher proportion of sales are now being made online. However, this is not a shift from one medium to the other. Companies find that the two mediums are complementary. A consumer may view something online and then request a catalogue to take a closer look at the item in question. Alternatively, they may view an item in a catalogue, then make the actual purchase online.

Internet
Online shopping in the jewellery sector is increasing rapidly, particularly since fast speed broadband is now widely used in many EU homes. Consumer confidence in buying jewellery grows. Particularly the jewellery in the lower-medium price range or branded jewellery sells well online. However, few people would buy an expensive gold jewellery necklace with diamonds or their wedding ring on the internet.
There are also risks when sending the jewellery (theft) and risks of illegal imitations, which means that consumer receive a cheap imitation instead of the piece they ordered.
Because a number of online sellers exist without any supporting retail presence, there is a lack of after sales service. These hurdles have kept away EU consumers from Internet buying for example in France, UK, the Netherlands, UK and many of the Eastern EU states. There is also a growing competition from US companies' websites selling jewellery and from sites such as eBay.
Nevertheless, most jewellery specialist shops and chains such as *Accessorize, Claire's accessories* and *Bijoux Brigitte* sell online. Other examples of such companies are http://www.diamondgeezer.com, http://www.hattongardenonline.com and http://www.cooldiamonds.com. See also the CBI market surveys covering the market in individual EU countries.

TV shopping
Selling through television, which started in the USA, is now developing worldwide, with a number of operators in Europe. The biggest is QVC, known in the UK, Germany and Italy. Although this channel is still relatively insignificant in sales terms, it seems to be particularly effective for jewellery. However, the audience for this sort of shopping channel would make it more relevant to the lower end of the market. In the UK, approximately 50% of QVC's sales are estimated to be jewellery. Other companies involved in TV shopping in Europe are *Gems TV* (UK), *Les Trois Suisses* (French), *La Redoute* (French), *Standa* (Italian), *Quelle* (German), *TV Shop*, which has three European home shopping channels, and Tell Sell in (Dutch/Belgian).

Network or Multi-level marketing/Party plan/Pyramid sales
In these schemes, companies sell directly to consumers who receive a discount depending on the amount they order. These consumers then sell on the jewellery in the same way to their friends. Gradually a network of buyers/ sellers develops. The major advantage of the system is that people trust the judgement of friends much more than that of retailers. The major international operators are Cabochon, Avon and Caura International. However, many schemes have received bad publicity. Although people may trust the judgement of their friends, they sometimes feel obliged to buy because their friend has introduced them.

3.2 Price structure

Pricing is a key issue in your market entry strategy. In fact, pricing is the only area of the strategy that generates revenues for exporters. All other activities are costs.

Price is the first point of comparison in evaluating your product against the competition. Due to oversupply and competition, prices for costume jewellery and mainstream silver and 9 or14-carat gold have been under more pressure. For the jewellery trade this pressure was made worse by rising gold, platinum and silver prices. In addition, large retailers have put further pressure on prices and margins in trade channels by purchasing in substantial quantities and sell at low prices, especially during the sell-out seasons.

An exporter from a developing country would be better off by concentrating on the exclusiveness of his product, e.g. by introducing original styles of necklaces or bracelets that meet the design, size and comfort needs of a specific target group. In this case, price is less important than the appeal of the product and its *perceived* value. Try to avoid being regarded as another cheap supplier from a developing country. Although price is very important, you should also attach great importance to quality and service.

Key issues on price structure

There are a number of factors to take into account when setting your prices:

- *The trade channels* with typical mark-ups for each channel and retail category.
- *Retail prices* of competitors' products in your target markets.
- *Discount structure* and credit terms offered by local competitors.
- *Production costs, incoterms, import duties, VAT level* and other costs. Import duty for precious jewellery is 2.5% and for costume jewellery 4%.
- *Listing fees* that can be up to € 35,000 per year in department stores.
- *Additional costs* for product adaptation, packaging, marketing and promotion etc.
- *The most 'reasonable' or 'tactical' price level* according to your local contacts in the field (agents, other exporters from your country, store managers).

In the case of trial orders, which are delivered for the first time, sometimes a discount is given to buyers and freight is prepaid. As there is now greater transparency of prices between countries, as many of them use the same currency, it is important to avoid large differences between prices in each target market, so be careful when you negotiate and agree prices in the first place. You will not easily be able to change/increase them in future.

Margins

In the jewellery market, margin maintenance and cost control are vital. For retailers it is important not to erode the margin too much when making price promotions. In several EU countries (UK, Germany, France, Hungary), this has led to some stores being declared bankrupt. Successful retailers have the right balance between cost control, good retail margins and good buying.

Margins for *precious jewellery* are very much influenced by the price of gold (or other precious metals). As the gold price rose, retailers had to reduce their margins to maintain sales. Margins for *costume jewellery* are higher as their perceived value is usually much higher than their actual cost.

Margins at retail level

Margins of jewellery are higher compared to other consumer goods, justified in part by the high cost of holding stock and anti-theft insurance. However, due to the high prices of precious metals, the typical mark-ups for retailers have been reduced. They now range between 90 and 120%. This includes value-added tax (VAT), which ranges between 15 and 25% depending on the EU country.
Actual margins can vary widely around these averages depending on the exclusivity of the product, the level of demand and the handling involved. For example, some products such as titanium pendants are relatively low in price and require little attention in retail (display and selling), so a retailer will ask for a low margin e.g. 90%. On the other hand, margins for golden rings with diamonds, which need much personal attention and service from the sales staff, will most likely have a higher margin e.g. 120%.

Another factor is the location of the retailer. For example, high street chain stores are often in expensive places, carry a wide range and have many sales staff, which is all reflected in higher margins. On the other hand, margins of department stores or large retailers such as *Claire's Accessories* are lower, because they often buy direct from manufacturers and often have outlets at out-of-town shopping centres.

The other reason for higher margins is that retailers need to allow for the heavy discounting that takes place at least once, and usually more often, each year at sale times, particularly before summer and after Christmas. Prices regularly fall by up to 25% in these sales. This is particularly the case with jewellery since many consumers delay their purchasing and only buy when articles are on a special offer.

Margins at importer/wholesale level

Wholesalers and importers base their costing on a CIF base. This means that their landed cost is the FOB (Free on Board) plus transport to the warehouse, insurance and any import duty. The importer/wholesaler marks up by between 30 and 50% on average. Depending on the circumstances, there can be a wide variation in these averages. Basically, importers keep control over the recommended retail prices, but the higher prices of precious metals have seriously disturbed the situation.

Table 3.2 indicates the effect of low, medium and high margins on the final consumer price, based on a FOB price of € 92 for a golden bracelet leading to a CIF price of € 100. The final consumer prices can be compared with the price level of similar items of competitors.

Table 3.2 Calculation of final consumer price

	Low	*Medium*	*High*
Material cost (incl. 15% for unsold stock)	30	30	30
Direct labour cost (incl. design costs)	30	30	30
Other cost (e.g. packaging, promotion, sample shipments)	8	8	8
Cost price	***68***	***68***	***68***
Mark-up (overhead costs incl. own profit e.g. 35%)	24	24	24
Export price (FOB)	***92***	***92***	***92***
Import duties* (e.g. golden bracelet 2.5%)	2.3	2.3	2.3
Other costs (e.g. transport, insurance, handling, banking)	5.7	5.7	5.7
Landed cost or *CIF price*	***100***	***100***	***100***
Importer's/wholesalers mark up (low 30%, medium 40%, high 50%)	30	40	50
Importer's/wholesaler's selling price	***130***	***140***	***150***
Retailer's mark up (low 95%, medium 105%, high 120%)	123	147	180
Net selling price	253	287	330
VAT (e.g. 19% in The Netherlands)	48	55	63
Final consumer or retail price	**301**	**342**	**393**
Ratio Export price - Consumer price	***3.0***	***3.4***	***3.9***

** If the GSP tariff is applicable for your country, the import duty can be reduced to zero.*

In this example, an imaginary mark-up is set, covering overhead costs (such as housing, personnel, selling and general expenses, own profit), which is estimated at 35%. Also, the breakdown of the cost price by material, direct labour and other costs are just made up here.

If the bracelet is imported by a retailer who buys from an importer or wholesaler, the multiples vary between 3.0 up to 3.9 of the CIF price depending on the kind of importer or wholesaler or retailer taking different margins (low, medium, high) – see table 3.2. The final consumer prices can be compared with the price level of similar items from competitors.

So try to look carefully at your costing before making your quote to importers, especially if they supply the low end of the market e.g. hypermarkets, discounters etc. This may not be an interesting partner for you. Instead, you could try to find importers/wholesalers that operate in the medium to high range market, supplying to small jewellery shops, boutiques, department stores or perfumeries.

The typical average commission rate for an agent is usually 6 to 12% of sales. If the same golden bracelet is imported by a retailer who buys from a selling agent, the multiple will be 2.7, in case the agents' commission is 10% and the retailers' mark up is 105%.

See also the CBI market surveys covering the market in individual EU countries and Chapter 6.4 of part 2 of the CBI Export manual '*Your guide to market research'* for more general information on pricing.

3.3 Useful sources

It is useful to contact specific operators in each of the distribution channels. To get a good idea as to how they operate, or to find advice, it is recommended you talk to other people you know who have looked into exporting jewellery to the EU.

- There is an umbrella organisation called the World Jewellery Confederation (CIBJO) that represents the interests of jewellers. Its main objectives are to determine and defend the common interests of its members and to provide these members with general information about the market and laws of the sector. You can contact them by visiting their website at http://www.cibjo.org
- An Indian company called Exim Infotek publishes a directory of European importers of all types (http://www.eximinfo.com).
- Agents or trade representatives can be found through local trade associations, chambers of commerce, fashion centres and trade directories.
- Names and contact details for the major players in each of these distribution channels can be found in the CBI market surveys on individual countries.

4 Trade: imports and exports

Trade statistics in this Chapter are primarily taken from Eurostat. Eurostat bases its statistics on information supplied voluntarily by EU Customs Authorities and EU companies. However, not all transactions are registered, particularly trade between the smaller EU countries and their transactions with non-EU sources. Consequently, intra-EU trade tends to be understated. This point is particularly important for this market sector, as it contains many small items. On the other hand, figures for trade between the larger EU states and the rest of the world (extra-EU) are more accurately registered. Nevertheless, they must be treated with extreme caution and are only intended to give an indication of trade flows in the international jewellery market.

4.1 Total EU imports

The EU ranks among the leading importers of jewellery in the world. EU imports in 2007 were valued at € 15,775 million, or 109,023 tonnes. The 9.2% average annual increase in value between 2003 and 2007 accompanied a much larger 13.4% annual increase in volume. As well as demonstrating the increasing importance of imports in the overall market, this also indicates downward pressure on prices, especially for costume jewellery.

Table 4.1 EU Imports of jewellery 2003-2007, € million / tonnes

	2003		2005		2007		Average annual % change in value
	value	volume	value	volume	value	volume	
Total EU, of which from	**11,092**	**66,031**	**13,405**	**86,141**	**15,775**	**109,023**	**9.2**
Intra-EU	3,018	23,641	3,202	17,248	4,218	28,787	8.7
Extra-EU	8,074	42,390	10,203	68,893	11,557	80,236	9.4
Developing countries	3,916	35,829	5,212	61,495	6,074	73,740	11.6

Source: Eurostat (2008)

This growth-rate is mainly accounted for by large increases from Belgium and the UK, the biggest EU importers. Between 2003 and 2007, Belgian imports rose from € 3,661 to 4,733 million and those from the UK from € 2,779 to 3,816 million. Substantial (volume) increases were also registered in France, Italy, Spain and Greece - see the CBI market surveys covering individual countries. This increase can be explained by the rising popularity of precious jewellery, especially diamonds, stones and silver jewellery, as well as of imitation jewellery in most EU markets.

Some of the new member states, such as Poland, Slovenia and the Baltic States, also showed significant increases in imports of both costume and increasingly precious jewellery in the period under review.
The major source of increases in imports was from developing countries, which represented in 2007, 38.5% of total EU imports by value and more than two-third (67.6%) by volume. However, the role of traditional extra-EU suppliers such as Switzerland, USA, Hong Kong, and Israel, remains powerful. EU imports from these suppliers increased too, especially jewellery supplies from Hong Kong have doubled from € 535 to 1,054 million with a similar volume increase rate, from 1,710 to 3,365 tonnes. Intra-EU trade accounted for one quarter (26.7%) of the value of imports. But at current growth rates, developing countries, particularly China, India Thailand, Turkey continue to play a significant role in the supplies of jewellery in the next few years.

Increases in the value of EU imports could be partly explained by increased demand for jewellery in the domestic markets. However, the overall market sizes have been increasing at a lower rate than imports. The main reason for this is that a large part of the imports of precious metals, diamonds or stones by Belgium, UK, Italy, France, Germany and Austria were exported to other EU and overseas markets, after being assembled, styled or finished. Between 2003 and 2007, EU production of precious jewellery fell, and nowadays most production is taking place in Asia. The rise in the volume of EU jewellery imports can be explained by more demand for lower-priced imported costume jewellery in all EU countries.

4.2 EU imports by product group

Table 4.2 gives a breakdown of EU imports of precious and costume jewellery and the main product groups. In terms of value, precious jewellery is the most important sub-sector, with substantial rises in the imports of diamonds, jewellery articles and stones, especially from developing countries. However, less volumes were imported of diamonds and of jewellery articles made of gold, contrary to jewellery articles made of silver. This was mainly due to the substantial price increases of gold and of diamonds on the world market.

The volume rise in total EU jewellery imports can be largely attributed to more imports of imitation jewellery, which have more than doubled between 2003 and 2007 – see table 4.2. In addition, in the same period, the average annual increase in value of imported imitation jewellery (13.0%), stones (10.3%) and cuff links (16.5%) showed the highest change in all the sub-groups under review.

Table 4.2 EU Imports of jewellery by product group 2003-2007, € million / tonnes

	2003		2005		2007		Average annual % change in value
	value	volume	value	volume	value	volume	
Total EU, of which from	**11.092**	**66,031**	**13,405**	**86,141**	**15,775**	**109,023**	**9.2**
Developing countries	*3,916*	*35,829*	*5,212*	*61.495*	*6,074*	*73,740*	*11.6*
Precious jewellery	***9,657***	***9,080***	***11,451***	***14,236***	***13,474***	***11,746***	8.6
of which Dev. countries	*3,356*	*5,156*	*4,202*	*5,251*	*4,849*	*5,970*	*9.6*
- Diamonds	4,783	38	5.668	57	6,438	23	7.7
of which Dev. countries	*1,944*	*2*	*2,457*	*2*	*2,672*	*2*	*8.3*
- Jewellery articles	4,468	7,322	5,256	12,492	6,466	9,356	9.6
of which Dev. countries	*1,280*	*3,678*	*1,583*	*3,842*	*1,964*	*3,960*	*11.3*
- Stones	286	1,678	397	1,605	424	2,246	10.3
of which Dev. countries	*114*	*1,455*	*142*	*1,363*	*188*	*1,929*	*13.3*
- Pearls	119	42	129	82	146	121	5.2
of which Dev. countries	*18*	*21*	*19*	*44*	*26*	*80*	*9.6*
Costume jewellery	***1,445***	***56,951***	***1,953***	***71,905***	***2,301***	***97,277***	12.3
of which Dev. countries	*558*	*30,673*	*1,008*	*56,206*	*1,224*	*67,770*	*21.7*
- Imitation jewellery	1,239	37,596	1,711	45,943	2,018	70,072	13.0
of which Dev. countries	*449*	*17,395*	*883*	*41,481*	*1,076*	*50,186*	*24.4*
- Hair accessories	186	18,902	206	25,025	248	26,380	7.5
of which Dev. countries	*103*	*13,081*	*111*	*13,928*	*134*	*17,037*	*6.8*
- Cuff links	19	453	35	937	35	845	16.5
of which Dev. countries	*7*	*197*	*14*	*437*	*13*	*547*	*16.7*

Source: Eurostat (2008)

The main product groups for jewellery are shown in the next five tables. The imports per sub-sector and most important product groups by country are given in the CBI market surveys covering the market in the individual countries.

Jewellery articles

This product group under ***precious jewellery*** is diverse and includes the following sub-groups:

- *All jewellery articles made of gold (pure gold and gold alloys) and platinum, whether or not hallmarked*
- *Jewellery articles made of silver, whether or not hallmarked*
- *Jewellery articles of (plated) base metal*

- *Jewellery articles of (cultured) pearls*
- *Jewellery made of (semi) precious stones*
- *Necklaces, bracelets* and other articles of (semi) *precious stones*.

In 2007, *jewellery articles* was the largest ***precious jewellery*** product group, especially by volume (9,356 tonnes), as shown in table 4.2, and accounted for 40.1% of EU imports by value, closely followed by diamonds. The largest EU importers were the United Kingdom, France and Italy.

Total EU imports of *articles made of gold and platinum* were valued at € 5,312 million in 2007 and formed the largest sub-group, accounting for 82.2% of all imported jewellery articles in that year. EU imports were up from € 3,769 million in 2003, because of the increased popularity of higher qualities of gold, i.e. 14 carat and 18 carat, the rising popularity of platinum and, more importantly, the rising price of gold and platinum. Between 2003 and 2007, the average value of EU imports of this sub-group have nearly doubled, from € 1.86 to € 3.51 million per ton.

Jewellery articles made of silver formed the largest sub-group in terms of volume with 4,730 tonnes imported in 2007 and accounted for almost 50% of EU volume imports within the *jewellery articles* product group. Between 2003 and 2007, EU imports of silver jewellery rose by an annual 13.5% from € 5,541 to 9,207 million, due to its sustained popularity among younger people in most EU countries. In addition, silver jewellery was a good alternative to the expensive gold or platinum jewellery for all women and is most common in men's jewellery. The average value of EU silver imports slightly rose from € 0.16 to 0.19 million per ton in the period under review.

Imports of *articles of (plated) base metal* also grew by an annual 12.1% from € 46.8 to 74.0 million in 2007, also being lower priced alternative to gold or platinum jewellery.
EU imports of *articles of (cultured) pearls* increased per year by an average 8.0% between 2003 and 2007, from € 24.5 to 33.4 million. Imports of *necklaces, bracelets* and other articles of (semi) *precious stones* increased by an annual average of 2.1%, from € 29.6 to 32.2 million (1,207 tonnes) in 2007.

As is shown below, 34.4% of the EU imports of jewellery articles were supplied from within the EU. These have been increasing at a rate of 8.4% per annum over the period, which was considerably. However, this increase was still lower compared to 9.6% for the total EU imports from all sources, and 11.3% per annum for imports from developing countries. Italy, France and Germany were the biggest intra-EU suppliers, with a significant proportion for re-exports. Over the period, extra-EU supplies (excluding developing countries) have increased by 9.5% year on year, particularly those from the USA and Hong Kong.

Table 4.3 EU imports and leading suppliers for jewellery articles 2003 - 2007, share in % of value

	2003 € mln	2005 € mln	2007 € mln	Leading suppliers to EU in 2007 Share in %	Share (%)
Total EU, of which from	4,468	5,256	6,466		
Intra EU	1,608	1,578	2,227	Italy (14.4%), France (8.5%), Germany (3.8%), UK (2.5%), Spain (1.3%), Poland (1.0%)	34.4
Extra EU ex. DC*	1,580	2,095	2,275	Switzerland (11.2 %), Hong Kong (7.7%), USA (7.6%), Qatar (1.3%), Israel (0.7%)	35.2
DC*	1,280	1,583	1,964	Thailand (9.7%), China (6.1%), India (5.2%), Turkey (3.8%), Azerbaijan (1.0%), Kazakhstan (0.9%), Vietnam (0.8%), Indonesia (0.4%), Saudi Arabia (0.3%), Tunisia (0.2%), Mexico (0.2%), Philippines (0.2%), Brazil, Malaysia, Croatia, S Africa	30.4

Source: Eurostat (2008)
*Developing countries

By 2007, the share of developing countries by value had risen to 30.3% of EU imports, compared to 28.6 in 2003. This was partly due to the popularity of silver jewellery and of 9-carat gold jewellery. EU importers increasingly sourced this from lower-cost countries such as Thailand, China and India, which was at the expense of the large extra-EU suppliers, such as Switzerland and Israel.

Of the developing countries (DCs), Thailand was the largest supplier of jewellery articles, with supplies of € 631 million in 2007, (907 tonnes) up by an average 11.1% each year from € 414 million in 2003. By volume, China was the largest supplier in 2007. China supplied 1,660 tonnes, which was 42% of the DC volume supplies of 3,960 tonnes of jewellery articles to the EU. Although imports from China increased more importantly in volume from 1,304 in 2003, the value of its supplies just increased from € 349 to 397 million, indicating lower prices of this jewellery from China. Supplies from India increased from € 239 to 334 million over the period and supplies from Turkey doubled from € 115 to 251 million. Of the non-Asian suppliers, exports from Azerbaijan, Kazakhstan, Croatia, Saudi Arabia and Tunisia were on the increase, while the value of supplies from South Africa has been falling.

Diamonds
In 2007 diamonds accounted for almost half of all EU precious jewellery imports by value (€ 6,438 million) as shown in table 4.2. Between 2003 and 2007 more diamonds were imported by the largest importing country Belgium (from € 3,477 to 4,484 million), the United Kingdom (from € 596 to 766 million), France (from € 329 to 404 million), as well as by and Italy (from € 264 to 434 million) and Germany (from € 168 to 190 million). It should be noted here that the majority of Belgian imports are for re-export to other EU countries. In addition, the other EU countries imported more diamonds. Therefore, EU imports of diamonds showed an average annual increase (7.7%), from € 4,120 to 6,164 million between 2003 and 2007. The average value of EU diamond imports more than doubled from € 126 to 280 million per ton in the period under review.

The substantial increase in the price of diamonds, has resulted in a shift to lower-cost sources such as India, Sri Lanka, Ukraine, Armenia, Colombia, Brazil and Myanmar, which was at the expense of Belgium, the United Kingdom and South Africa. Intra-EU supplies fell between 2003 and 2007 from € 1,432 to 931 million. Over the same period, extra-EU supplies (excluding developing countries) have increased by 19.1% year on year.

Table 4.4 EU imports and leading suppliers for diamonds 2003 - 2007, share in % of value

	2003 € mln	2005 € mln	2007 € mln	Leading suppliers to EU in 2007 Share in %	Share (%)
Total EU, of which from	4,783	5,668	6,438		
Intra EU	1,432	869	931	Belgium (12.3 %), UK (1.9%), France (0.8%), Italy (0.5%), Germany (0.2%)	14.5
Extra EU ex. DC*	1,407	2,342	2,835	Israel (11.4%), USA (8.3%), Switzerland (7.6%), Hong Kong (6.3%), Russia (4.8%)	44.0
DC*	1,944	2,457	2,672	India (22.6%), China (8.9%), Thailand (2.8%), Sri Lanka (2.4%), S Africa (1.9%), Armenia (0.9%), Vietnam (0.5%), Lebanon (0.1%), Ukraine (0.1%), Colombia, Brazil, Myanmar	41.5

Source: Eurostat (2008)
*Developing countries

India is the largest DC supplier of diamonds, with supplies of € 1,460 million in 2007, up by the equivalent of 10.0% each year from € 996 million in 2003. China was the second largest supplier in 2007 (€ 576 million), followed by Thailand (€ 183 million). Supplies from all developing countries except Thailand, South Africa, Lebanon increased over the period. Of the non-Asian suppliers, exports from Ukraine, Armenia and Latin American supplying countries increased significantly.

Stones
Within precious jewellery, stones represented a small product group, but with nearly half of EU imports coming from developing countries. Between 2003 and 2007, EU imports rose by an average annual rate of 10.3% from € 286 to 424 million and by volume from 1,678 to 2,246 tonnes (+7.6%). By volume (semi) precious stones (1896 tonnes) formed the largest subgroup, while by value the sub-group rubies, sapphires and emeralds dominated (€ 247 million). More information on the imports of stones can be found in the CBI market surveys covering the market in the individual countries.

Pearls
Between 2003 and 2007, the value of EU imports of pearls increased substantially from € 119 to 146 million, whereas by volume the imports nearly trebled reaching 121 tonnes in 2007. The main reason is the availability of cheaper cultured pearls from China. In the period under review, the average value of EU pearl imports dropped by more than half, from € 2.83 to 1.20 million per ton. In addition, more innovative designs of jewellery with pearls, as well as more variety in the colours of pearls also stimulated the demand for pearls. Within the EU, Italy (€ 42 million), Germany (€ 37 million) and the UK (€ 25 million) were the largest importers of pearls in 2007.
In terms of value, the main suppliers of pearls to the EU were Japan (26.0% of total imports) and Hong Kong (19.8%) and China (15.1%). Other significant suppliers included Australia (12.6%), USA (5.1%), Switzerland (4.1%) and Germany (5.0%). Two-third of the volume supplies of pearls were from China (€ 21.7 million), with a huge increase – from 19 to 78 tonnes - between 2003 and 2007.

Other significant DC suppliers were Indonesia (€ 1.3 million in 2007), Philippines (€ 0.6 million), Thailand (€ 0.6 million), South Africa (€ 0.6 million), India (€ 0.3) million), Malaysia (€ 0.1 million) and Myanmar (€ 0.1 million).

Imitation jewellery
This product group under ***costume jewellery*** includes the following sub-groups:
- *Imitation jewellery of base metal*
- *Imitation jewellery of base metal (clad) with parts of glass*
- *Imitation jewellery of base metal whether or not clad*
- *Imitation jewellery of other material*

Imitation jewellery was the largest product group by volume (70,072 tonnes) in 2007. EU imports nearly doubled from 37,596 tonnes in 2003, as shown in table 4.2. In terms of value, the share of this product group in total EU jewellery imports was 12.8%. In the period under review, an annual average increase of 12.9% was registered. This increase can be largely attributed to more diversity of imitation jewellery, designs for women of different ages, teens and men. Imitation jewellery is a good alternative to the more expensive precious jewellery. Demand for imitation jewellery in the EU was also stimulated by the fact that costume jewellery has become more fashion led and collections have shorter lifecycles, especially the lower priced articles.

Within the EU, Germany (€ 324 million, 9688 tonnes), France (€ 298 million, 7753 tonnes) and Italy (€ 239 million, 7337 tonnes) were the largest importers in 2007. While by volume the UK (€ 327 million, 15,037 tonnes) was the largest EU importer of imitation jewellery.

Imitation jewellery of base metal was the largest sub-group and represented 33.0% (€ 666 million, 22,526 tonnes) of the imitation jewellery group. This sub-group includes all jewellery made of metal, soft metals (tin and lead), stainless steel, titanium, brass, copper or alpaca (alloy of copper, brass and zinc). Between 2003 and 2007, EU imports have doubled in value from € 347 million, as well as in volume from 9,488 tonnes in 2003. The average value of EU imports slightly fell from € 37 to 29 thousand per ton in this period.
Imitation jewellery of other material was the largest sub-group in terms of volume with 34,116 tonnes imported in 2007, which represented 46% of all imitation jewellery articles.

This sub-group includes imitation jewellery that is made of material other than metal that could be natural materials such as leather, wood, horn, rubber, bone, resin, coconut, shells. Other examples of 'other materials' are stones, beads, glass, terracotta, ceramics, plastic, nylon, raffia, amber and recycled material (bones, egg shells).

Along with growing diversity in designs and materials, this type of jewellery has been more in demand in all EU countries. Between 2003 and 2007, EU imports of this sub-group have more than doubled in value from € 244 to 549 million, as well as in volume from 14,855 to 34,116 tonnes. The average value of EU imports remained at around € 16 thousand per ton in the period under review.

A similar development took place at the EU imports of *imitation jewellery of base metal (clad) with parts of glass.* This sub-group includes jewellery made of metal, which is clad with silver, gold or platinum and which has parts of glass in a variety of colours that are closely linked to the colour trends in clothing. With a value of € 572 million, this sub-group represented 28.3% of all EU imitation jewellery imports in 2007, which was up from € 278 million in 2003. By volume, EU imports have more than doubled, from 3,967 to 10,896, however, imports slightly decreased since 2006.
Particularly noticeable with this sub-group is the fall in average value of EU imports from € 0.07 to 0.05 million per ton in this period, indicating more imports of lower cost items or falling prices of items imported, particularly those supplied by China and India.

Table 4.5 EU imports and leading suppliers for imitation jewellery 2003 - 2007, share in % of value

	2003 € mln	2005 € mln	2007 € mln	Leading suppliers to EU in 2007 Share in %	Share (%)
Total EU, of which from	1,239	1,711	2,018		
Intra EU	364	489	689	Austria (9.7%), Germany (8.0%), France (4.1%) Italy (3.9%), UK (2.6%), Netherlands (1.9%)	34.1
Extra EU ex. DC*	426	339	253	Hong Kong (4.0%), USA (1.6%), S Korea (1.6%), Switzerland (0.5%), Taiwan (0.4%)	12.5
DC*	449	883	1,076	China (40.8%), Thailand (6.0%), India (3.2%), Philippines (1.1%), Indonesia (0.5%),Turkey (0.3%), Brazil (0.2%), Morocco (0.1%), S Africa (0.1%), Tunisia (0.1%), Colombia, Vietnam	53.4

Source: Eurostat (2008)
*Developing countries

EU imports of *imitation jewellery of base metal whether or not clad* have increased between 2003 and 2007 both in value, from € 149 to 230 million, and in volume, from 3,977 to 6,564, however, EU imports have slightly decreased since 2006.

Around 34% of the EU imports of imitation jewellery were supplied from within the EU, although these have been increasing at a lower rate of 17.3% per annum over the period, compared to 29.6% for the supplies from all sources, and compared to 24.4% per annum for imports from developing countries. The main supplier of imitation jewellery to the EU was Austria, the home of Swarovski, a leading manufacturer of imitation jewellery with parts of glass and crystals. Other important intra-EU suppliers were Germany and France, see table 4.5. Large supplies from Germany and the Netherlands indicate the high proportion of re-exports of imitation jewellery to other EU countries, especially to the eastern EU member states.

China is by far the largest supplier of imitation jewellery, with supplies of € 824 million in 2007, up by the equivalent of 28.3% each year from € 304 million in 2003. By volume, China's supplies (42,259 tonnes) were three times the figure of 12,962 tonnes in 2003. The average value of EU imports from China fell from € 0.023 to 0.019 per ton in the period under review.
Other important DC suppliers were Thailand (€ 120 million in 2007), India (€ 65 million)

and Philippines (€ 22 million), all of which increased their supplies in the period. However, supplies from India (from € 85 to 65 million) and Philippines (from € 34 to 22 million) have dropped since 2006. Of the non-Asian suppliers, Turkey (€ 6 million), Brazil (€ 4 million), Morocco (€ 2.9 million) and Tunisia (€ 2.7 million) have increased both the value and volume of their supplies to the EU. Other growing competitive sources to the Asian suppliers were South Africa (€ 2.7 million in 2007), Colombia (€ 2.3 million), Jordan (€ 1.1 million), Mexico (€ 1.1 million), Albania (€ 1.1 million), Costa Rica (€ 1.0 million), Peru (€ 0.5 million), Ecuador (€ 0.5 million), Kenya (€ 0.5 million) and Chile (€ 0.3 million).

Hair accessories
Hair accessories formed the second largest product group by volume (26,380 tonnes) in 2007. Between 2003 and 2007, EU imports grew annually by 8.7% by volume from 18,902 tonnes in 2003. The growth in EU imports of hair accessories by value (see table 4.6) was annually 7.5%, which also considerable. The average value of EU imports fell from € 0.98 to 0.94 thousand per ton in the period, indicating more imports of lower priced articles, particularly from China.
Demand for hair accessories in the EU has continued to be strong since 2003, and there has been more variety of hairpins and clips being offered to teens and pre-teens at the accessory chains such as Claire's accessories and Accessorize, operating in most EU countries. The UK (€ 40 million, 4,870 tonnes), Germany (€ 42 million, 3,621 tonnes), France (€ 34 million, 3,747 tonnes, Spain (€ 12 million, 1,961 tonnes) and the Netherlands (€ 11 million, 1,240 tonnes) were the largest EU importers in 2007.

This product group includes a wide variety of items. However, trade statistics only divide them into the sub-groups *hairpins, curling pins and grips* and *combs, hair slides*, which is further divided into *made of rubber, plastics* or *made of other material* (wood, horn, bone, resin etc.). *Hairpins and curling pins* was the largest sub-group in terms of volume with 11,104 tonnes imported in 2007, which represented 44% of the hair accessories product group. Between 2003 and 2007, EU imports increased by an annual rate of 11.9% by volume, from 7,078 tonnes. In terms of value, there was an annual 9.5% rise from € 64 to 92 million.

A similar trend was observed with the EU imports of *combs and hair slides of hard rubber or plastic.* With a value of € 87 million (9,407 tonnes), this sub-group represented 35% of the EU hair accessories imports in 2007. By volume, imports rose annually by 6.6%, from 7,281 tonnes in 2003. EU imports of *combs and hair slides of other material* have increased between 2003 and 2007 both in value, from € 53 to 70 million, and particularly in volume by an annual 6.6%, from 4,544 to 5,868 tonnes.

Table 4.6 EU imports and leading suppliers for hair accessories 2003 - 2007, share in % of value

	2003 € mln	2005 € mln	2007 € mln	Leading suppliers to EU in 2007 Share in %	Share (%)
Total EU, of which from	186	206	248		
Intra EU	59	64	74	Germany (7.5%), Belgium (7.4%), France (5.9%), Italy (3.9%), UK (3.2%), Netherlands (3.0%), Spain (1.7%)	29.8
Extra EU ex. DC*	24	31	40	S Korea (2.8%), Taiwan (2.3%), Hong Kong (2.1%), USA (0.7%), Switzerland (0.2%)	16.1
DC*	103	111	134	China (51.4%), Thailand (0.6%), India (0.6%), Argentina (0.4%), Turkey (0.3%), Tunisia (0.2%), Colombia (0.1%), S Africa (0.1%), Vietnam, Indonesia, Philippines , Brazil	54.1

Source: Eurostat (2008)
*Developing countries

Around 30% of the EU imports of hair accessories were supplied from within the EU. Germany, Belgium and France were the largest intra-EU suppliers. It should be noted that significant proportions of imports into Belgium and the Netherlands were for re-export to other EU countries.

Between 2003 and 2007, intra-EU supplies increased at the rate of 5.8% per annum, which is lower than the 7.5% for the total EU imports from all sources (see table 4.6). This can be partly attributed to more imports from China, being the dominant supplier of hair accessories.

Imports from extra-EU sources (excluding developing countries) increased in value from € 24 to 40 million, which were led by Taiwan, South Korea and recently Hong Kong. Imports from developing countries rose by 6.8% per annum, from € 103 to 134 million and, more significantly, in volume by 6.8% from 13,081 to 17,037 tonnes. This also illustrates the ongoing shift in supplies from China, which in 2007 accounted for € 127 million (51.2% by value) and 14,007 tonnes (64.6% by volume) of supplies to the EU.

Other DC suppliers of hair accessories were Thailand (€ 1.7 million in 2007) and India (€ 1.6 million), whose supplies decreased in this period. Of the competitive suppliers, Argentina (€ 1.1 million in 2007), Turkey (€ 0.8 million), Tunisia (€ 0.4 million), Colombia (€ 0.3 million in 2007), South Africa (€ 0.2 million), Indonesia (€ 0.1 million), Brazil, Nepal Morocco and Mexico have increased both their value and volume supplies to the EU. Whereas less was imported from Vietnam (€ 0.4 million), Philippines (€ 0.1 million), Pakistan and Sri Lanka.

Cuff links and studs

EU imports of cuff links and studs, the smallest product group, almost doubled between 2003 and 2007, from € 19 to 35 million in value, and nearly trebled from 197 to 547 tonnes by volume. Cuff links and studs were particularly more in demand in the UK, the largest EU importer, (€ 16 million, 599 tonnes in 2007). Other large EU importing countries were Italy (€ 3.1 million, 31 tonnes), Spain (€ 2.6 million, 33 tonnes) and France (€ 3.2 million, 24 tonnes).

Table 4.7 EU imports and leading suppliers for cuff links and studs 2003 - 2007, share in % of value

	2003 € mln	2005 € mln	2007 € mln	Leading suppliers to EU in 2007 Share in %	Share (%)
Total EU, of which from	19	35	35		
Intra EU	7	12	15	UK (13.7%), Germany (12.3), Italy (7.7%), France (2.5%), Netherlands (1.1%)	42.8
Extra EU ex. DC*	5	9	7	Hong Kong (15.4%), USA (2.0%), S Korea (0.8%), Switzerland (0.7%), Taiwan (0.7%),	20.0
DC*	7	14	13	China (31.0 %), India (4.6%), Thailand (1.1%), Philippines (0.3%), Turkey (0.2%), Peru (0.08%), Indonesia, Nepal, Vietnam, Mexico, S Africa, Argentina, Sri Lanka	37.2

Source: Eurostat (2008)
*Developing countries

Around 43% of the EU imports of cuff links and studs were supplied from within the EU, and these have been increasing at a higher rate of 20.9% per annum over the period, compared to 16.5% for EU imports from all sources, and 16.7% per annum for imports from developing countries. The main suppliers to the EU were the UK, Germany and Italy, of which a high proportion were re-exports.

The main supplier of cuff links and studs to the EU was China, which supplied € 10.8 million (459 tonnes) in 2007. In that year, China accounted for 31.2% of the total value and 54% of the total volume of EU imports. Competitive DC suppliers were India (€ 1.6 million, 67 tonnes), Thailand (€ 0.4 million, 6 tonnes in 2007), Philippines (€ 0.1 million, 3.2 tonnes) and Turkey (€ 0.1 million, 7.4 tonnes). Competitive other suppliers included Indonesia (€ 0.03 million, 4.4 tonnes), Peru (€ 0.03 million, 0.1 tonnes), Nepal, Vietnam and Mexico. Except for Indonesia and Mexico, EU imports from all developing countries increased between 2003 and 2007.

4.3 The role of developing countries

The role of developing countries in supplying jewellery to the EU has become increasingly important. In 2003, 35.2% of all jewellery imports by value (54.3% by volume) to the EU came from developing countries. By 2007, 38.5% by value (64.6% by volume) of all EU imports came from developing countries. Note that imports by product group for individual member states can be found in the relevant CBI market surveys of individual countries.

China, Thailand and India dominate the supply of jewellery from developing countries. The jewellery industry in these countries is characterised by the presence of many small companies, competing in terms of price, product innovations and lead-times. In 2007, they together accounted for 80% by value (€ 4,889 million) of DC supplies of jewellery to the EU.

China
China dominates in terms of volume, exporting 61,357 tonnes, which accounted for around 83% of DC supplies of jewellery to the EU in 2007. Most of this was imitation jewellery and hair accessories. With domestic demand also growing, China is now a powerful player in the EU jewellery industry, and the strongest competitor for exporters from other developing countries. With rising incomes and a growing middle-class in the urban areas, demand for jewellery in the Chinese market is expected to rise. Affluent Chinese consumers will look for better-designed and higher quality jewellery pieces, which will reinforce their jewellery industry.

Asia
India and Thailand are leading suppliers of gold, silver and, increasingly, of diamonds, stones and jewellery articles. Silver jewellery from Thailand and India is widely known. Other Asian countries, such as Indonesia, Philippines and Vietnam have lowered their exports of costume jewellery to the EU, but are still recognised as interesting new precious jewellery suppliers, especially of gold, silver jewellery and stones. Growing Asian suppliers, particularly of stones to the EU, are Sri Lanka, Myanmar, Pakistan, North Korea, Malaysia and Nepal.

Latin America
Brazil and Mexico are the major suppliers from Latin America. These countries have their own jewellery designers, many of which are internationally well-known, such as Otazu of Brazil, with sales offices in the EU and USA, which stands for jewellery with an abundance of colourful stones. Exports from Latin American countries are more oriented towards the USA. The long distance involved and difficulty in communication with Latin American countries may be constraints to developing exports to the EU. However, Spain and Portugal import considerable quantities of jewellery from Latin American countries because of their historical links. Imports from Colombia, Mexico, Argentina, Peru, Costa Rica, Dominican Republic, Ecuador and Chile, especially by southern EU countries, have increased substantially.

Nearby non-Asian countries
In the past few years, other non-Asian supplying countries have become more important. EU manufacturers also contract to foreign manufacturers in nearby countries such as Turkey (which has ambitions to eventually join the EU), Azerbaijan, Croatia and northern African countries. Tunisia, Morocco, Egypt and Libya are growing suppliers of jewellery to the EU. Kenya, Madagascar, Egypt, Senegal, Ivory Coast, Tanzania, Benin, Cameroon, Ghana and Congo supply considerable quantities of jewellery. Nonetheless, most African countries either do not have large production capacities, or lack the required level of technology, or cannot guarantee constant deliveries. EU imports from South Africa have dropped substantially since 2006 (from € 261 to 137 million). This was the result of the three big South African mining companies, which started to move their operations to other countries such as USA, Australia, Ghana, Zambia, Tanzania and Zimbabwe. These countries have less stringent requirements on the environment (waste water treatment) and on labour conditions.

EU imports from developing countries
As shown in table 4.8, imports from developing countries to the EU increased by an annual average of 11.6% by value (19.7% by volume) to reach € 6,074 million in 2007. This average increase hides significant differences between countries.

The top four importers (Belgium, UK, Germany, Italy) accounted for 78.5% (57.0% by volume) of all EU imports from developing countries, down from 82.8% (61.8% by volume) in 2003. It should be noted here that Belgium, the UK and Germany have almost doubled their volume imports of jewellery, although much of this may be accounted for by re-exporting. Due to the popularity of diamonds in the past few years, Belgium remained the leading importer by value, as well as the main re-exporter of diamonds to other EU countries. However, the UK and Germany have been the leading volume importers from developing countries and the gap between the other EU countries has widened.

Table 4.8 Imports of jewellery from developing countries 2003-2007, € million / tonnes

	2003		2005		2007		Average annual % change in value
	value	volume	value	volume	value	volume	
Total EU	**3,916**	**35,829**	**5,212**	**61,495**	**6,074**	**73,740**	**11.6**
Belgium	1,891	1,548	2,379	2,863	2,552	3,783	7.8
United Kingdom	663	9,197	830	16,753	1,008	16,826	11.0
Germany	446	7,318	587	9,616	679	13,024	11.1
Italy	245	4,075	362	7,119	531	8,415	21.3
France	304	3,566	434	6,970	433	6,055	9.2
Spain	108	4,413	179	6,122	211	8,604	18.2
Austria	61	834	76	1,136	164	2,233	28.0
The Netherlands	79	2,435	91	3,557	110	4,234	8.6
Denmark	28	628	65	1,103	88	881	33.1
Poland	16	1,368	34	1,226	59	2,234	38.6
Sweden	34	386	47	946	48	1,147	9.0
Greece	29	869	34	1,705	36	1,742	5.5
Czech Republic	14	353	16	356	30	706	20.9
Ireland	9	128	13	325	18	450	18.9
Portugal	11	326	13	504	17	824	11.5
Latvia	3	27	6	31	16	112	51.9
Slovakia	4	173	4	185	15	523	21.3
Finland	6	87	11	129	13	153	21.0
Lithuania	4	51	6	65	12	86	31.6
Hungary	9.4	309	13	532	9.1	487	-0.9
Cyprus	4.6	94	5.4	136	7.3	121	12.2
Estonia	2.3	22	3.2	16	6.4	27	29.1
Bulgaria	0.2	126	3.5	417	4.1	362	112.7
Luxembourg	3.2	21	0.8	8	2.2	26	-9.1
Slovenia	1.2	54	1.5	72	2.1	257	15.0
Malta	1.8	0	1.4	20	1.7	53	-1.5
Romania	0.3	221	0.5	362	0.7	375	23.6

Source: Eurostat (2008)

Imports by the twelve newest member states were valued at € 163 million (5,343 tonnes) in 2007, which were 2.7% of the total by value and 7.3% by volume. This compares with € 61 million (2,798 tonnes) in 2003, 1.6% of the total by value and 7.8% by volume. Even though by volume the share of EU imports into these member states decreased in this period, the actual volume of imports from developing countries rose by an annual 2.8%. This rise must be seen in the context of these new member states rapidly expanding their trade with the original member states, rising incomes and their economies integrating into the EU as a whole.

The largest increases were experienced by Poland, Czech Republic, Slovakia and especially in the Baltic States as a result of a higher demand in the domestic market for luxury goods, including jewellery. As expected, there was also a large increase in the value and volume of DC imports into the newest member states, Bulgaria and Romania.

Within the EU15 member states, large increases were registered by Denmark, Austria, Italy, Ireland and Spain. Except Italy, these increases can be explained by more demand in their domestic markets, perhaps as a result of their economies performing generally better than other EU countries in this period.

4.4 Exports

In 2007, EU imports were 6.9% higher by value (but 3.5 times higher by volume) than EU exports. Compared to 2003, EU imports were 16.3% higher than exports in terms of value and imports were three times higher in terms of volume. This illustrates still a high demand in the domestic markets. The major explanation for increased jewellery exports within the EU is additional trade between EU member states because of EU enlargement. Between 2003 and 2007, the total EU exports rose annually by 6.9% by value and by 9.3 by volume.

Table 4.9 EU exports of jewellery 2003-2007, € million / tonnes

	2003		2005		2007		Average annual % change in value
	value	volume	value	volume	value	volume	
Total EU, of which:	**12,902**	**21,977**	**14,581**	**28,122**	**16,861**	**31,324**	**6.9**
Intra-EU	3,403	15,147	3,760	19,681	5,039	23,501	10.3
Extra-EU	9,499	6,830	10,635	8,441	11,822	7,823	5.6
Developing countries	1,261	2,059	1,549	2,907	2,296	3,156	16.2

Source: Eurostat (2008)

In addition, exports to developing countries steadily increased, particularly to the growing economies such as China, India, Turkey, Thailand, Mexico, Jordan, Lebanon, Panama, Kazakhstan, Azerbaijan, South Africa, and Ukraine. Exports to developing countries increased by an annual average of 16.2% in value, and by 11.3% in volume.

On the other hand, exports to extra-EU countries, the larger proportion of EU exports (by value), fell since 2005. This was partly due to the strong exchange rate of the Euro against the US dollar, making jewellery from EU countries more expensive, especially for the USA, the largest destination country that accounted for 14% of EU exports in 2007.
In 2003, extra-EU exports (excluding to developing countries) accounted for 73.6% of all exports by value (31.1% by volume). This had decreased in 2007 to account for 70.1% of all exports by value (24.9% by volume). Other main destinations included Switzerland, Hong Kong, Israel, Japan, Russia, Canada, Qatar and Australia.

Nevertheless, since 2003, the total exports of jewellery within the EU have shown substantial growth, particularly by volume from 21,977 to 31,324 tonnes. Most of this (66%) has been imitation jewellery. By value, Belgium (€ 5,638 million in 2007), Italy (€ 4,792 million), UK (€ 2,465 million) and France (€ 1,627 million) are the leading exporters. Here, jewellery articles and diamonds are the most important product groups exported.

4.5 Opportunities and threats

Imports of jewellery articles, stones and costume jewellery into the EU have been rising at a higher rate than the growth in individual EU countries’ domestic markets. What is more, imports from developing countries still increase. It is likely that more opportunities will be forthcoming in the future.

+ The most encouraging long-term trend for DC exporters is the relative decline in precious jewellery production in the EU and the transfer of production to low-wage economies. The issue for DC exporters is as much one of competing with other DC exporters, as one of finding new EU markets. The import figures show quite clearly how patterns of trade seem to shift between countries. For example, there seems to be a relationship between Tunisia and Morocco, where on occasion one country has increasing supplies to the EU while the other has falling supplies. Other examples of this are also apparent within Asia, with Indonesia or Vietnam sometimes appearing to lose out to the Philippines or Malaysia.
+ From a product perspective, the markets for jewellery articles (silver jewellery), stones and higher quality costume jewellery offer the best opportunities because of the forecast of continuing growth, driven by more working women, the self-purchase by women and by seasonal trends in jewellery fashion.
+ While China dominates DC volume supply in many product groups, there are still opportunities for new suppliers of different types of jewellery opposite to the mass produced items made in China. With the increasing specialisation of the fragmented EU market, manufacturers have a growing interest in co-operating with others. In addition, they are constantly looking for different types of jewellery from new countries with new designs and a link to their own culture. Nevertheless, modifications in designs are essential in order to meet EU market requirements.
+ Opportunities and threats can also be seen in the relative position of DCs in the newer member states. As expected, the newest, Bulgaria and Romania, have shown the greatest level of increases in imports from DCs. The Polish economy continues to grow and has been taking in many more DC imports to support growing domestic demand. Of the other new Eastern EU states the Czech Republic, Slovakia and the Baltic States also seem to offer good opportunities – see table 4.8. The other major positive sign is increases in imports again from Germany, the largest EU economy.
- Especially cheap costume jewellery, there is already potentially unsold stock accumulating. This may create problems with demand in the future. A lot of imitation jewellery and hair accessories may find their way onto market stalls. This is a sales outlet, but exporters need to take care that they can still make a profit if they are supplying this channel.

There will always be opportunities for those exporters who can demonstrate the ability to work to the standards demanded by EU importers, whether this is in the form of developing partnership or as an ad hoc supplier. Those suppliers who cannot meet increasingly high EU standards will lose out.

4.6 Useful sources

- EU Expanding Exports Helpdesk
  ➔ http://exporthelp.europa.eu
  ➔ go to: trade statistics
- Eurostat – official statistical office of the EU
  ➔ http://epp.eurostat.ec.europa.eu
  ➔ go to 'themes' on the left side of the home page
  ➔ go to 'external trade'
  ➔ go to 'data – full view'
  ➔ go to 'external trade - detailed data'
- Understanding eurostat: Quick guide to easy comext

➔ http://epp.eurostat.ec.europa.eu/newxtweb/assets/User_guide_Easy_Comext_20080117.pdf

5 Price developments

5.1 Price developments

Since 2004, the prices of all precious metals have increased significantly on the world market. This has affected the prices of precious jewellery which came under pressure at all levels in the supply chain, especially during the economic recession in 2004 and 2005. This has also resulted in the emerge of cheaper forms of precious jewellery, such as 9-carat gold, and improved techniques using fewer raw materials. This development made precious jewellery articles more affordable to a larger group of consumers, particularly to younger people.

With regards to costume jewellery there was less demand since 2004, which resulted in an oversupply. In many of the EU15 countries, cheap imported jewellery has intensified the competition between jewellery specialists and non-specialist retailers in the medium-lower end of the market. In addition, price discounts of (international) online jewellery sellers and super/hypermarkets exerted even more pressure on jewellery prices.

Gold price development
Between 2004 and 2008, the average gold price has almost doubled, from € 327 to € 601 per ounce (31.1 grams). Investors increasingly turned to gold mainly due to the falling exchange rate of the dollar against the strong Euro. Interest was high not only from institutional investors, funds and individuals in the USA, EU and in Asian countries, but also in the Middle East where there was an escalation of political tension. In addition, there was more demand by India, good for 17% of the world gold jewellery consumption. The Indian economy has grown fast in the past few years and gold has increasingly been regarded as a safe investment for Indian people.

The largest increase was in November 2006, when the price of gold exceeded its level of 1980. In 2007, the gold price went up reaching an unusual record of € 762 per ounce in March 2008. Since the EU economic growth has weakened and the dollar is expected to be stronger, the gold price fell since March 2008 and now fluctuates between € 558 and € 601.

Table 5.1 Average prices of gold (London Fix), 2004 - 2008

	High € per ounce	Low € per ounce	Average € per ounce
2004	363	300	327
2005	428	329	355
2006	580	419	482
2007	622	449	514
2008*	667	558	601
* until August			

Source: Kitco (2008)

Platinum price development
Gold was the main factor behind platinum's strong performance, which was triggered on 7 September 1999 by the IMF's decision to re-value its gold reserves. In late September 1999, the platinum price increased due to an agreement by the 15 European Central Banks to limit sales from their gold reserves over the five-year period.
The demand for platinum in jewellery has increased considerably in recent times mainly due to its increased use in car exhaust systems and to a growing demand from investors.
Between 2004 and 2008, the average platinum price has doubled (see Table 5.2).
However, since 2008 demand from the automotive industry has weakened due to falling car sales due to the recession, as well as to a stronger dollar. In addition, consumer demand for platinum jewellery has weakened since 2004 due to its high price. These developments have resulted in a drastic fall in the average platinum price in August 2008 from € 1,257 to € 1,002 per ounce.

Table 5.2 Average prices of platinum (London Fix), 2004 - 2008

	High € per ounce	Low € per ounce	Average € per ounce
2004	734	595	676
2005	809	675	717
2006	1,064	786	914
2007	1,143	827	964
2008*	1,501	871	1,257
* until August			

Source: Kitco (2008)

The average price of ***palladium*** also nearly doubled, from € 183 to € 284 per ounce, between 2004 and 2008. However, its price fell to an average € 217 in August 2008 for similar reasons as gold and platinum.

Silver price development

According to the Silver Institute, silver was more in demand by consumer markets, and particularly by industrial markets including China and India. In 2006, industrial demand for silver exceeded 50% of the total demand for silver. The average price of silver has more than doubled between 2004 and 2008 (see Table 5.3). Another reason for this increase was the growing demand for higher quality silver in jewellery.
However, due to concerns about global growth, the industrial demand has weakened and along with the falling prices of the other precious metals, the silver price fell from € 11.89 to € 10.09 per ounce in August 2008.

Table 5.3 Average prices of silver (London Fix), 2004 - 2008

	High € per ounce	Low € per ounce	Average € per ounce
2004	6.63	4.39	5.34
2005	7.38	5.11	5.86
2006	11.95	7.06	9.23
2007	11.71	8.64	9.90
2008*	13.81	8.46	11.42
* until August			

Source: Kitco (2008)

Jewellery retail prices

The jewellery industry had to deal with the issue of the high price of *precious metals.* As the prices have continued to rise, manufacturers/wholesalers have needed to decide to what extent the increase should be passed on to retailers, and what price increase consumers could accept.
Despite lower margins, retail prices of precious jewellery have increased in all EU countries. This has negatively influenced gold jewellery sales in Italy, France, Spain, Portugal, Scandinavian countries and the Eastern EU states. Nevertheless, in Germany, Austria, Greece, Cyprus, Malta and Luxembourg, many consumers (including tourists) simply buy jewellery at a price they can afford and are not necessarily aware of the price of gold; in particular 9-carat and the most common 18-carat gold consumers are less price sensitive.

Diamonds have a wider price range as there is more variety, including synthetic diamonds, which are currently one third of the price of a real diamond. Consumers still regard synthetic diamonds as expensive for what they are, but their quality is improving. Once consumers can no longer see the difference between a real and a synthetic diamond, there will be a serious competitor in the diamond segment, putting more pressure on the average diamond price.

Gemstones have also become available in greater varieties (precious and semi-precious), designs, sizes and cuts and in a wider price bracket.

With *costume jewellery*, there is a broad range of items, qualities, materials, designs and styles. Consumers are prepared to pay extremely high prices for unique items made by a well-known designer, or for branded jewellery, or for imitations of precious jewellery items that are worn by famous celebrities.

Lighter jewellery and more combinations
One result of the rising gold price has been that the latest jewellery designs use less gold, by focusing more on articles with gemstones or diamonds or making pieces lighter by using tube. Also, in combinations of precious and costume jewellery, design and craftsmanship is more important than the price. Jewellery using less precious materials seems to be accepted by consumers who are willing to pay for something unusual.

Affordable prices
Many consumers nowadays prefer higher quality costume jewellery to cheap imports. But there is also a great demand for affordable precious jewellery. Especially in the southern EU countries consumers can distinguish high quality jewellery in terms of its material content, weight and branding. Such discerning consumers often postpone their purchase of expensive articles and buy affordable ones instead.

Price sensitivity and value for money
In the past, consumers bought expensive jewellery, with little regard as to whether or not others would have any idea of its value. Nowadays, these consumers want more visible signs of the value of such articles. They want to feel that they are getting value for their money. They also want other people to recognise the quality and value of the item they are wearing.

Consumers, especially working women and teenagers, are more knowledgeable as they are exposed to wider ranges of jewellery sold at more retail outlets, by (international) on-line sellers, by telesales or mail order.

Intensified competition
Retailers, especially at the bottom end of the market, are sensitive to pricing competitively. In principle, importers maintain a close control over recommended retail prices, but over-supply of cheap jewellery continues to have an impact on prices. Increased demand, especially from teenagers, combined with a high degree of specialisation has resulted in a widening range of cheaper items coming on the market. In addition, large retailers, who benefit from large economies of scale and increased efficiency, are in a position to exert even more pressure on prices and margins. This means that price remains an important factor in the low-end market segment. The growth of non-retail channels, particularly the internet, is putting further pressure on specialist retailers to keep prices as low as possible.

Price differences in the EU
Due to the variety of items, raw material and designs, it is almost impossible to give typical prices. Jewellery prices are generally lower in most of the Eastern EU states, although they are starting to rise. Prices in Cyprus and Malta are similar to western European levels due to their proximity to Italy and Greece. Trade sources estimate that around 90% of all (sterling) silver jewellery is sold at retail prices of up to € 80, with an average price of € 30 per article in the major EU markets.

An example of retail prices of gold, silver and costume jewellery and their developments can be found in chapter 4 of the CBI market survey 'The jewellery market in France'.

Import prices of jewellery have been on a downward trend in recent years, especially of costume and silver jewellery. For precious jewellery prices have started to increase, particularly in the new EU member states. Developing country import prices are approximately one third of the value of total EU import prices and this differential appears to be widening. However, this varies from country to country. More details can be found in under the price development sections in the individual country surveys.

5.2 Useful sources

There are a number of ways to find out about EU prices for jewellery depending on whether you want to find out about wholesale or retail prices:

- You can find out about wholesale prices at one of the major trade fairs, at a permanent fair or, alternatively, by contacting a jewellery wholesaler at a cash and carry trade centre. They may not always be prepared to discuss prices openly, but looking at both sets of prices will also give you an idea of margins. However, you should always ensure that you are comparing the same thing. Some products may appear to be similar but there may well be very sound reasons for differences in price.
- A good link to wholesalers and wholesale prices in Italy are the directories http://www.italianmoda.com and http://www.forzieri.com
- You can find prices in mail order catalogues, but the main source now is the internet. There are also internet websites of hypermarkets or large department stores, for example http://www.elcorteingles.es providing retail prices for precious and costume jewellery in Spain or http://www.karstadt.de. Sites of other department stores can be found in the CBI market surveys covering the market in individual EU countries. The sites of the following mail order companies offer good references:
  - http://www.otto.de
  - http://www.wehkamp.nl
  - http://www.laredoute.fr
  - http://www.argos.co.uk
  - http://www.quelle.es
  - http://www.postalmarket.it

- To see how the same product compares across different EU countries, you may be best looking at websites of retailers (who are sometimes also manufacturers) that have a presence in a number of EU countries, and visiting the individual country sites. For example:
  - http://www.claires.co.uk allows you to access their specific sites in the UK, France, Belgium, Germany, Italy, Spain, the Netherlands, Austria, Portugal etc..
  - http://www.agatha.fr
  - http://www.bijou-brigitte.com
  - http://www.jewellers.net
  - http://www.carrefour.fr
- Window-shopping in any EU country is another good way of getting information about prices. At the same time, you can get an idea about fashion, colours, qualities and (in-store) promotion.
- Most prices you find are retail or consumer prices. In order to have an idea of the FOB price, you can divide the retail price by 3 or by 5, depending on the exclusivity of the retail outlet. For mail order houses, this factor is closer to 3 or lower, as they sell large quantities.

6 Market access requirements

As a manufacturer in a developing country preparing to access EU markets, you should be aware of the market access requirements of your trading partners and the EU governments. Requirements are set out in legislation and in labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns. You need to comply with EU legislation and have to be aware of the additional non-legislative requirements that your trading partners in the EU might request.

For information on legislative and non-legislative requirements, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select jewellery and the EU in the category search, click on the search button and click on market access requirements. See also chapter 1 of the CBI guidelines for this sector.

Hallmarks for precious metal jewellery
Hallmarks are a guarantee of the definition and fineness of precious metal objects and for gold and silver this dates back 700 years, making hallmarks one of the oldest forms of consumer protection. As they are soft metals, gold and silver are mostly used in alloys. In gold alloys palladium, silver, manganese, nickel, copper and tin are used, while copper is used in silver alloys. The fineness of precious metals is defined in parts per thousand (ppt). For example, in the UK the legal standards are:

- ***Gold*** → 916 *(22 carat),* 750 *(18 carat)*, 585 *(14 carat)* and 375 *(9 carat)* ppt. There are two higher categories of fineness rated at 990 and 999 ppt.
- ***Silver*** → 925 *(Sterling Silver),* 958 *(Britannia),* 800, and a higher fineness of 999 ppt. Silver jewellery with traces of nickel is prohibited in the EU. Therefore, the use of pure copper and zinc, which are cadmium and nickel free, are recommended.
- ***Platinum*** → 999, 950, 900 and 850 ppt. Each differently identified by Pt' or 'Plat' followed by the fineness in number and by the date letter and Assay office mark.

A tolerance is allowed on these standards of fineness of 3 ppt for gold and 5 ppt for silver. However, for platinum, no negative tolerance is accepted. For the higher standards of fineness, a special process of assaying and marking is applied as well as the determination of the usual legal standard of fineness. To find out which EU countries have a legislation on hallmarks see http://info.goldavenue.com/Info_site/in_jewe/in_je_hall.htm

In 1975, the Vienna Convention on the Control and Marking of 'articles of precious metals' introduced a *Common Control Mark (CCM)* indicating fineness. This mark was meant to overcome the problems in jewellery trade between EU countries with different systems. Based on this convention, there are 10 EU countries that allow CCM marked jewellery without further testing and marking, provided that this jewellery would normally qualify for a domestic hallmark. These Common Control Marks are provided by the assay offices in these 10 EU countries and apply the following standards for fineness:

- ***Gold***: 750, 585 and 375 parts per thousand (and shortly also 999 and 916 ppt).
- ***Silver:*** 925, 830 and 800 ppt (and shortly also 999 ppt).
- ***Platinum:*** 950 ppt (and soon also 999, 900 and 850 ppt).
- ***Palladium*** with standards of fineness of 999, 950, and 500 ppt will soon be incorporated into the Convention as a precious metal.

The diamond quality pyramid
Diamond is the hardest natural substance known to man and has the brightest lustre of all gemstones. In the trade, the quality pyramid of diamonds is expressed and measured by

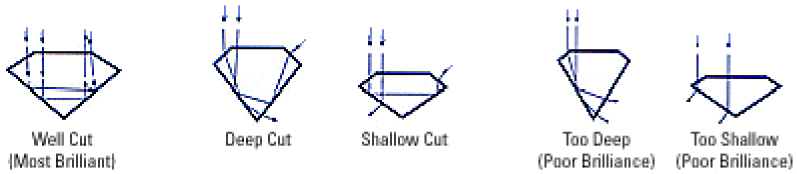
the 4 Cs - cut, clarity, carat weight and colour. The combination of the 4Cs determines the value of a particular diamond.

- ***Carat*****:** A diamond's size is measured in carat weight, and each carat is equal to 0.2 grams, divided in 100 points. A .75 carat diamond is the same as a 75-point diamond or a 3/4 carat stone. While larger diamonds are highly prized, diamonds of equal size vary widely in value, depending on the other Cs.

- ***Clarity*****:** With a loupe or microscope, naturally occurring imperfections, called inclusions, can be seen. Flawless stones, i.e. without inclusions, are at the peak of the Diamond Quality Pyramid. Diamonds with very small inclusions are graded as VVS1 or VVS2. Large inclusions mean a lower quality diamond. Inclusions that can be seen with the naked eye are graded I1 or I3.

- ***Colour*****:** diamonds are graded by colour, starting at D and continuing through the alphabet. Truly colourless stones, graded D, treasured for their rarity and value, are highest on the Diamond Quality Pyramid. While many diamonds appear colourless, they may actually have subtle yellow or brown tones and these colour grades include P and Q. Although still beautiful, they will be less rare and therefore less valuable.

- ***Cut*****:** Here the hand of a master artisan is necessary to release the fire, sparkle and beauty. When a diamond is cut to good proportions, light will reflect from one mirror-like facet to another and disperse through the top of the stone, resulting in a display of brilliance and 'fire'. Diamonds that are cut too deep or too shallow lose light that spills through the side or bottom. The classic Round Brilliant, Oval, Pear, Marquise, Princess, Heart and Emerald shapes are mentioned as being among the most beautiful and popular nowadays.



Diamond grading: there are two internationally recognised diamond grading systems: GIA and CIBJO. One of these systems should be used to describe diamond colour and clarity. Older systems such as ScanDN, or dealer-specific systems should no longer be used.

Diamond Agreement against conflict diamonds
In 2002, Antwerp's Federation of Diamond Dealers, Global Witness and the Association of Diamond Cutters and Miners (ICM) a signed agreement. The issue of conflict diamonds was brought under the attention to people through the film 'Blood Diamond' with Leonardo di Caprio in 2006 and through attention to this issue in the media. In relation to diamond trading, a conflict or blood diamond refers to a diamond mined in a war zone and which is sold to finance an insurgency or war operation, usually in Africa.
In addition to the four Cs (carat, color, clarity and cut), a fifth "C" stamp was added which should guarantee that the stone is not a conflict diamond or have been mined using child labour. More information can be found at http://www.globalwitness.org

Ethical jewellery
In 2005, Amnesty International and Global Witness made a guide for consumers, which explained what they needed to know when buying diamond jewellery to prevent them from unwittingly buying conflict diamonds. The leaflet 'Are you looking for the perfect diamond?' gives questions that consumers should ask retailers if they want to buy so-called ethical diamonds. Ethical issues especially with diamonds and stones are gradually becoming more important, especially among older consumers and among ethnic groups. The Council for Responsible Jewellery Practices (http://www.responsiblejewellery.com) has been recently

established in the USA, of which several French and UK wholesalers and retailers are members.

Quality of precious or gemstones

Disclosure of all gemstone treatments, independent certification of diamonds, and accurate description of all materials used in the making of jewellery is becoming the norm.

Weight and size: Like diamonds, gemstones are traditionally weighed in carats. One metric carat = 0.2 gram, being subdivided into 100 parts or points. Different types of gemstones will have different weights as they are made of different materials and have different densities. This is illustrated in the fact that a round 'brilliant cut' diamond weighing .15 ct. will have to be approximately .22 ct. in a sapphire or ruby to appear the same size.

Export packaging

It is essential that the outer packaging protects the goods during storage, transport and distribution, so that they arrive at their final destination in Europe in a condition suitable for sale. The main forms of damage likely to occur to jewellery are breaking, scratching, abrasion, printing (the transfer of markings from a packaging material to a polished finish), soiling and discoloration. Moisture, dehydration and temperature damage is also possible.

Additional information on packaging can be found at the website of ITC on export packaging: http://www.intracen.org/ep/packit.htm

Tariffs

Up-to-date information on import tariffs and an updated list of least developed countries can be obtained from the Customs Authorities in Rotterdam, The Netherlands, through their online system, known as the Integrated Tariff of the European Communities (TARIC), at (http://www.douane.nl). Click on 'Business' and on 'Imports' where you will have to mention the HS code of the jewellery item concerned - a detailed list of HS codes can be found in Appendix A.

Import duty for precious jewellery is 2.5% and for costume jewellery 4%.

More information on tariffs and quotas can be found at http://exporthelp.europa/eu. The website of the European Commission also has information on specific EU countries at http://www.europa.eu.int/comm/taxation_customs/index_en.htm.

7 Opportunity or threat ?

An overview of the general opportunities and threats are given at the end of the chapters 1, 2 and 4 in this EU survey. Specific opportunities in each EU market can be found in Chapters 1 and 3 of the CBI market surveys on individual countries. However, to make the opportunities more realistic, it is important to be familiar with long-term trends. Especially in the fashion industry, fads, cults or crazes change at a much faster rate than long-term trends. Once the trend is clear it is important to know which target group in which country is involved.

A given trend offers an opportunity to one company, but can be a threat to another. The jewellery market has its limitations, and growth in one segment may take sales from another segment. For example, development of imitation jewellery of base metal (clad) with glass may take sales from silver jewellery with (semi) – precious stones.
There is much information available on trends and you can find some of the main trends in this survey and seasonal trends in CBI fashion forecasts (http://www.cbi.nl/marketinfo).

Discovering opportunities
A good example would be the current trend for designer jewellery of silver with stones. To analyse its potential for yourself, you should find out whether this trend applies to all EU markets, or just to a selected number. With this information, you will then know whether the country markets are suitable for you as export markets. For example, you may have good contacts in the trade in Spain, but you find out that this trend is not so strong in that country. Conversely, you may discover that the best opportunities for this type of jewellery are in northern EU markets. You need to ask yourself if you have good contacts in for example Denmark, Sweden, Finland or the Baltic States. If not, are you confident that you can develop such contacts?
You also need to be confident that you can develop a silver jewellery collection with stones in a design that will be of interest to both the trade and consumers in these countries.
Are women open to silver jewellery from developing countries? Or, is it better to approach men, teens or children? Also, bear in mind that consumers in the Baltic States lag behind the Scandinavian countries in terms of the adoption of innovations.

Consider the implications of the opportunity
How will you design and produce your silver jewellery collection? You could start to look at what materials are available in your area such as (semi-) precious stones, which colours, which symbolic meaning/power, combinations with other material (enamel, shells, wood). Also, consider other material such as findings or metals, which you may need to buy from another company (own country or abroad). You can find these suppliers in trade magazines. Will you design this jewellery collection by yourself, with designer in your country or in collaboration with designers in Scandinavian countries? It is very important to select stones with the right colour related to future trends in fashion.

What jewellery pieces will you include in your new collection, for example necklace, pendants, wrist wear, earrings (long, short, hoops), wedding rings, single rings, cocktail rings, piercings or accessory jewellery? Will it be a standalone jewellery collection, or will they be part of a range that includes other ladies' accessories?

Will the production of this new jewellery collection line impact on your other production of other items? Have you properly costed the implications of pursuing this opportunity?
Which trade channel will you use to try to sell this collection? Do you know a suitable importer or wholesaler that you can trust? What time scale will you be working to in order to optimise the opportunity presented by this jewellery trend?

Does fashion changes rapidly in Scandinavian countries or in the Baltic States? If so, buyers are not always loyal to particular overseas suppliers, so you may lose out to another supplier from your own country or a neighbouring country. This is a major threat, especially when you already have made some initial investment.

Did you already develop a similarly designer jewellery collection in the past? Have you protected the design from copying by competitors?
The greater the opportunity, the more likely more of your competitors will also be looking at the same opportunity. How confident are you that you can match the quality, design and service specifications that your competitors will provide?

An opportunity can be a threat
In short, every listed opportunity becomes a threat for your company if you are not able to incorporate it in your product line and exploit it, because other companies will, thereby putting you at a disadvantage. It is therefore important not only to have a clear view of the market, but of your company's capabilities as well. You have to organise your company in such a way, that you can adapt to market preferences and produce attractive products at competitive prices. In interviews with successful DC exporters, a couple of things turned out to be crucial for sustainable success:

- Design quality
- Product quality
- Competitive pricing
- Continuous customer communication.

For more information on these, refer to CBI's Export guidelines for jewellery.

Appendix A Product characteristics

Product groups

The products covered in this survey are (hallmarked) precious jewellery and costume jewellery, including hair accessories. Jewellery repairs and second-hand (antique) jewellery are excluded and the major focus is on jewellery for personal use, worn on the body or on clothes. This implies that other luxury goods, such as gold and silver smith's ware (tableware, toilet ware, smokers requisites etc.), watches, sunglasses, scarves, belts, hats/caps or gloves, are not covered here.

Distinctions between precious and costume jewellery

Precious jewellery can be distinguished from costume jewellery by its material content. While in costume jewellery a variety of material is being used, precious jewellery is marked by its exclusive use of precious metal and stones.

Table 1 Jewellery by its material content

	Content
Precious jewellery	***Precious metals*** such as: *gold* (pure gold and gold alloys), *platinum*, *silver* (with or without hallmark), *sterling silver* (alloy of 92.5% silver and copper) and *palladium*. ***Base metal*** *clad with precious metals* and jewellery with *diamonds*, (real and synthetic), *precious stones* (sapphires, emeralds and rubies etc.), *pearls* (natural and cultured) and *semi-precious stones* (quartz, opal, topaz, amethyst, aqua marine, coral etc.).
Costume jewellery	***Base metals*** (plated with silver and/or gold) and a ***variety of other materials*** such as: brass, copper, stainless steel, titanium, soft metals (tin and lead), aluminium, alpaca (alloy of copper, brass and zinc), ceramics, glass, plastic, resin, wood, rubber, leather, nylon, terracotta, horn, raffia, coconut, shells, amber, imitation pearls, crystals, natural/ semi-precious stones, recycled material (bones, egg shells) and all sorts of beads (e.g. made of glass, metal, resin, terracotta).
Hair accessories	Plastic, rubber, horn, wood, leather, nylon, cotton, tin, copper and silver.

Precious jewellery also differs from costume jewellery in terms of where it is sold. Precious jewellery is usually sold in traditional jewellery shops, department stores, tax-free shops and high-class gift outlets. Costume jewellery can usually be found in specialised costume jewellery or accessory shops, department stores, clothing stores and in a variety of other outlets, such as footwear stores, drugstores, gift shops, mail order, catalogue showrooms, online sellers, super/hypermarkets, market stalls or petrol stations.

Jewellery: type of products and styles

The term jewellery in this survey covers all objects of personal adornment associated with a particular lifestyle, clothing, haircut or mood, of which the main are shown below:

Table 2 Jewellery by type of product and style

Type of product	**Style in jewellery / fashion**
• Necklaces	• Classic style
• Bracelets or wrist wear	• City style
• Rings	• Sporty style
• Earrings	• Romantic style
• Brooches, pendants	• Natural style
• Anklets, belly chains	• Colourful / Ethnic style
• Piercings	• Dance and club style
• Cuff links, studs, tie clips	• Vintage and Boho style
• Hair accessories (hair slides, pins, grips, tiaras)	
• Others: badges and body wear, including tattoos	

Costume jewellery collections in particular change quickly to accommodate the latest fashion trends. Costume jewellery is sometimes also referred to as fashion jewellery, imitation jewellery or bijoux. The terms 'fashion' and 'costume' are often used interchangeably by consumers, whereas the trade uses the terms 'costume' or 'bijoux'. In this survey, the term *'costume jewellery'* will be used.

The statistics for *hair accessories* include combs and hair slides, which are more functional rather than ornamental. This sub-group accounts for two-thirds of the total value of EU imports of hair accessories. In this survey, the focus will be, as much as possible, on decorative hair accessories such as hair slides, pins, grips etc., for which few statistics are available.

The following table gives the respective products included in this survey. The entire market is included, as it is considered that all categories can be of relevance to exporters from developing countries.

HS codes and Prodcom codes do not always directly relate to each other. There is not a Prodcom code for every HS code. Some Prodcom codes relate to a number of HS codes. In the following table (sub-divided into two main parts) read the comparative descriptions carefully to appreciate how the different classifications relate to each other.

Table 3 Jewellery product groups according to HS and Prodcom codes

	HS code	Description	Prodcom	Description
Precious jewellery				
Pearls	**710122**	Cultured pearls, worked, whether or not graded, not strung	36221110	Worked cultured pearls, excl strung, mounted or set
Diamonds	**710239**	Worked diamonds, but not mounted or set	36221130	Worked non-industrial diamonds (including polished, drilled or engraved, excl mounted or set
Precious/ semi-precious stones	**710391**	**Rubies, sapphires & emeralds**, worked but not strung	36221150	Precious stones (excl diamonds)
	710399	Precious & semi-precious stones, worked but not strung		
	710490	Precious & semi-precious stones, **synthetic,** worked but not strung	36221170	Synthetic precious stones
Jewellery articles	**711311**	Articles of jewellery & parts **of silver**, whether or not plated or clad	36221330	Articles of jewellery & parts of precious metal
	711319	Articles of jewellery & parts, **other than silver**, whether or not plated or clad		
	711320	Articles of jewellery & parts, **of base metal, whether or not plated or clad**		
	711610	Articles of natural or cultured pearls, N.E.S	36221450	Articles of natural or cultured pearls
	71162011 and:	**Necklaces, bracelets** & other articles, wholly of natural precious or semi-precious stone, simply strung		
	71162019	**Articles** made wholly of **precious or semi-precious stones** N.E.S		
	71162090	Articles made wholly of precious or semi-precious stones N.E.S		

Costume jewellery				
Cuff links	**711711**	Cuff links & studs, of base metal, whether or not clad	36611030	Cuff links & studs of base metal
Imitation jewellery	71171910	Imitation jewellery, of base metal, whether or not clad, **with parts of glass** (excl cuff links, suds)	36611050	Imitation jewellery of base metal
	71171991	Imitation jewellery, of base metal, **whether or not clad**, (excl jewellery with parts of glass, cuff links & studs)		
	71171999	Imitation jewellery, **of base metal** (excl jewellery clad with silver, gold or platinum, or with parts of glass, cuff links & studs)		
	711790	Imitation jewellery, excluding jewellery of base metal, whether or not clad), i.e. of **other material**	36611090	Imitation jewellery, excl base metal
Hair accessories	**961511**	Combs, hair slides etc, of **hard rubber or plastic**	36637315	Hard rubber or plastic combs, hair slides & the like
	961519	Combs, hair slides etc, excl hard rubber or plastic	36637319	Combs, hair slides & the like, excl hard rubber or plastic
	961590	Hairpins, curling pins, curling grips, hair curlers etc	36637330	Hairpins, curling pins, curling grips, hair curlers etc

Statistical product classification

Prodcom and Combined nomenclature (CN)

In this survey, one set of statistical data are used which is provided by Eurostat, the statistical body of the EU. This set is the trade data based on the Combined Nomenclature. The abbreviation CN stands for Combined Nomenclature. This Combined Nomenclature contains the goods classification prescribed by the EU for international trade statistics. The CN is an 8-digit classification consisting of a further specification of the 6-digit Harmonised System (HS). HS was developed by the World Customs Organisation (WCO). The system covers about 5,000 commodity groups, each identified by a six-digit code. More than 179 countries and economies use the system. In this survey, CN data are used to indicate imports and exports.

Statistical data: limitations

Trade figures quoted in CBI market surveys must be interpreted and used with extreme caution. In the case of intra-EU trade, statistical surveying is only compulsory for exporting and importing firms whose trade exceeds a certain annual value. The threshold varies considerably from country to country, but it is typically about € 100,000. As a consequence, although figures for trade between the EU and the rest of the world are accurately represented, trade within the EU is generally underestimated.

Furthermore, the information used in CBI market surveys is obtained from a variety of sources. Therefore, extreme care must be taken in the qualitative use and interpretation of quantitative data. It puts limitations to in-depth interpretation of relations between consumption, production and trade figures within one country and between different countries. The HS classification given differs from the product groups and products mentioned in the paragraphs above, this puts limitations on in-depth interpretation, and on the possible relations between import and export figures on the one hand, and consumption and production figures on the other.

Appendix B Introduction to the EU market

The European Union (EU) is the current name for the former European Community. Since January 1995 the EU has consisted of 15 member states. Ten new countries joined the EU in May 2004. In January 2007, two more countries – Bulgaria and Romania - joined the EU. Negotiations are in progress with a number of other candidate member states. In this survey, EU refers to the EU27, unless otherwise stated.

Cultural awareness is a critical skill in securing success as an exporter. The enlargement of the EU has increased its size, and significantly increased its complexity.
With more people from culturally diverse backgrounds, effective communication is necessary. Be aware of differences in respect of meeting and greeting people (use of names, body language etc.) and of building relationships. There are also differences in dealing with hierarchy, making presentations, negotiating, decision-making and handling conflicts. More information on cultural differences can be found in chapter 3 of CBI's export manual 'Exporting to the EU (2006)'.

General information on the EU can also be found at the official EU website http://europa.eu/abc/governments/index_en.htm or the free encyclopaedia Wikipedia http://en.wikipedia.org/wiki/Portal:Europe.

Monetary unit: Euro
On 1 January 1999, the Euro became the legal currency within eleven EU member states: Austria, Belgium, Finland, France, Germany, Italy, Ireland, Luxembourg, The Netherlands, Spain, and Portugal. Greece became the 12th member state to adopt the Euro on January 1, 2001. Slovenia adopted the Euro in 2007. Cyprus and Malta adopted the euro at the beginning of 2008. Since 2002, Euro coins and banknotes have replaced the former national currency in those thirteen countries. Denmark, United Kingdom and Sweden have decided not to participate in the Euro.

In CBI market surveys, the Euro (€) is the basic currency unit used to indicate value.

Table 1 Exchange rates of EU currencies in €, average yearly interbank rate

Country	Name	Code	2007	June 2008
Bulgaria	Lev	BGN	1.96	1.96
Czech Republic	Crown	CZK	27.72	24.36
Denmark	Crown	DKK	7.44	7.46
Estonia	Crown	EEK	15.67	15.65
Hungary	Forint	HUF	252.05	247.30
Latvia	Lats	LVL	0.70	0.71
Lithuania	Litas	LTL	3.46	3.45
Poland	Zloty	PLN	3.79	3.39
Romania	Lei	ROL	3.35	3.69
Slovakia	Crown	SKK	33.85	30.46
Sweden	Crown	SEK	9.25	9.38
United Kingdom	Pound	GBP	0.68	0.79

Source: Oanda http://www.oanda.com/ (June 2008)

Appendix C List of developing countries

OECD DAC list - January 2006
When referred to developing countries in the CBI market surveys, reference is made to the group of countries on this OECD DAC list of January 2006.

Afghanistan	Gabon	Nepal	Uruguay
Albania	Gambia	Nicaragua	Uzbekistan
Algeria	Georgia	Niger	Vanuatu
Angola	Ghana	Nigeria	Venezuela
Anguilla	Grenada	Niue	Vietnam
Antigua and Barbuda	Guatemala	Oman	Wallis & Futuna
Argentina	Guinea	Pakistan	Yemen
Armenia	Guinea-Bissau	Palau	Zambia
Azerbaijan	Guyana	Palestinian Admin. Areas	Zimbabwe
Bangladesh	Haiti	Panama	
Barbados	Honduras	Papua New Guinea	
Belarus	India	Paraguay	
Belize	Indonesia	Peru	
Benin	Iran	Philippines	
Bhutan	Iraq	Rwanda	
Bolivia	Jamaica	Samoa	
Bosnia & Herzegovina	Jordan	Sao Tome & Principe	
Botswana	Kazakhstan	Saudi Arabia	
Brazil	Kenya	Senegal	
Burkina Faso	Kiribati	Serbia	
Burundi	Korea Rep. of	Seychelles	
Cambodia	Kyrgyz Rep.	Sierra Leone	
Cameroon	Laos	Solomon Islands	
Cape Verde	Lebanon	Somalia	
Central African Rep.	Liberia	South Africa	
Chad	Libya	Sri Lanka	
Chile	Macedonia	St. Helena	
China	Madagascar	St. Kitts Nevis	
Colombia	Malawi	St. Lucia	
Comoros	Malaysia	St. Vincent & Grenadines	
Congo Democratic Rep.	Maldives	Sudan	
Congo Rep.	Mali	Suriname	
Cook Islands	Marshall Islands	Swaziland	
Costa Rica	Mauritania	Syria	
Cote d'Ivoire	Mauritius	Tajikistan	
Croatia	Mayotte	Tanzania	
Cuba	Mexico	Thailand	
Djibouti	Micronesia, Fed. States	Timor-Leste	
Dominica	Moldova	Togo	
Dominican Republic	Mongolia	Trinidad & Tobago	
Ecuador	Montenegro	Tunisia	
Egypt	Montserrat	Turkey	
El Salvador	Morocco	Turkmenistan	
Equatorial Guinea	Mozambique	Turks & Caicos Islands	
Eritrea	Myanmar	Tuvalu	
Ethiopia	Namibia	Uganda	
Fiji	Nauru	Ukraine	

CBI countries – January 2008:

CBI supports exporters in the following Asian, African, Latin American and European (Balkan) countries:

Afghanistan
Albania
Armenia
Bangladesh
Benin
Bolivia
Bosnia-Herzegovina
Burkina Faso
Colombia
Ecuador
Egypt
El Salvador
Ethiopia
Georgia
Ghana
Guatemala
Honduras
India
Indonesia
Jordan
Kenya
Macedonia
Madagascar
Mali
Moldavia
Montenegro
Morocco
Mozambique
Nepal
Nicaragua
Pakistan
Peru
Philippines
Rwanda
Senegal
Serbia
South Africa
Sri Lanka
Suriname
Tanzania
Thailand
Tunisia
Uganda
Vietnam
Zambia