



CONTENTS

01

Background of the investigation

02

Status of online jewellery market

03

Customer interview

04

Trend of the online jewellery industry

05

Suggestions for practitioners



01

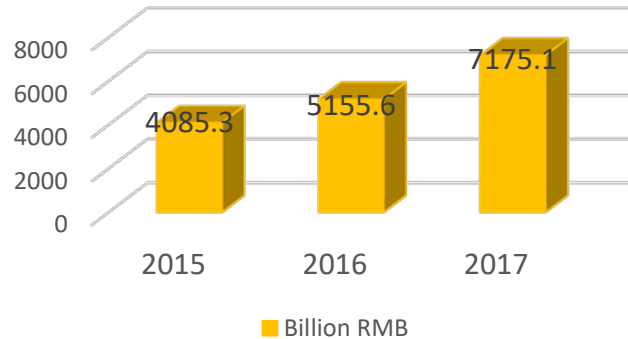
**Background
of the investigation**

Background of the investigation

Nowadays, China has the largest online shopping market in the world. In addition to E-commerce platforms such as Tmall, JD & Amazon, smart Chinese people also use social platforms to sell products.

In recent years, online shopping in China continues to grow rapidly.

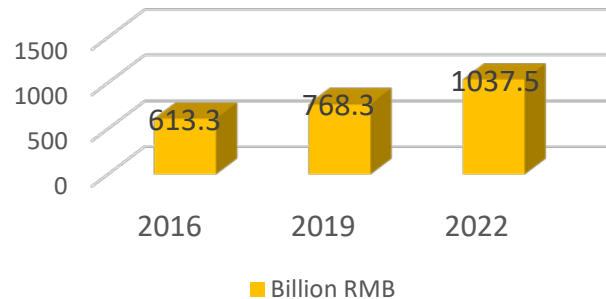
Total Amount of Online Trading



Data source: National Bureau of Statistics

Since the reform and opening-up, jewellery industry has developed rapidly in China. It was mainly because of the improvement of consumption level, the expansion of the middle- class population, and the change of consumption structure. Since 2012, the compound average growth rate was about 7.8%. It is estimated that the total retail sales in 2022 will be over a thousand billion RMB.

Total retail sales of the jewelry industry



Data source: Euromonitor international Database

Background of the investigation

On November 11, 2018, the turnover of Tmall was over 213 billion RMB. From this ranking list, we can see that Chinese jewellery companies can be divided into 3 types: Hongkong companies, traditional gold stores and new established jewellery companies. In this part, I will chose representative companies of each type to show the recent situation of online jewellery sale in China.

With the double growth of online industry and jewellery industry, it is quite clear that online jewellery market has a good growth prospect.





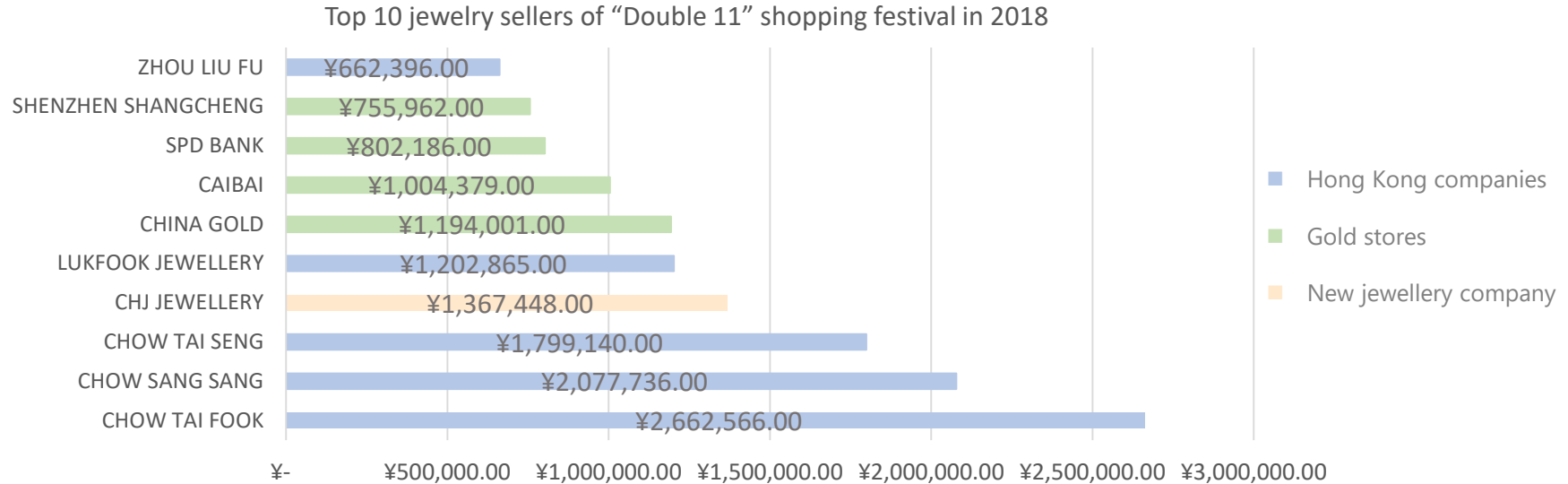
02

**Status of online
jewellery market**

Status of online jewellery market

On November 11, 2018, the turnover of Tmall was over 213 billion RMB. From this ranking list, we can see that Chinese jewellery companies can be divided into 3 types: Hongkong companies, traditional gold stores and new established jewellery companies. In this part, I will chose representative companies of each type to show the recent situation of online jewellery sale in China.

Chinese jewellery companies can be divided into 3 types:



Data source: Tmall Background Database

Status of online jewellery market

Firstly, I chose Chow Tai Fook as the model of Hong Kong jewellery company, she is the top Hong Kong brand. CTF has adopted an active sales strategy for the online jewellery market. By the end of September 2018, CTF officially runs over 50 online channels. According to the E-shop, Tmall and JD, there are over 4 hundred thousand online clients. On the social platforms such as Sina Weibo, Tencent Weibo and WeChat accounts, CTF has nearly 5 million audience. CTF has taken every advantage of each online channel. Hong Kong company type: Chow Tai Fook adopts an active sales strategy for online market.

50 + online sales channels

405,000 unique daily visitors

4,889,000 number of followers

E-shop; Tmall; JD; VIP; Sina Weibo; Tencent Weibo; WeChat accounts; etc.

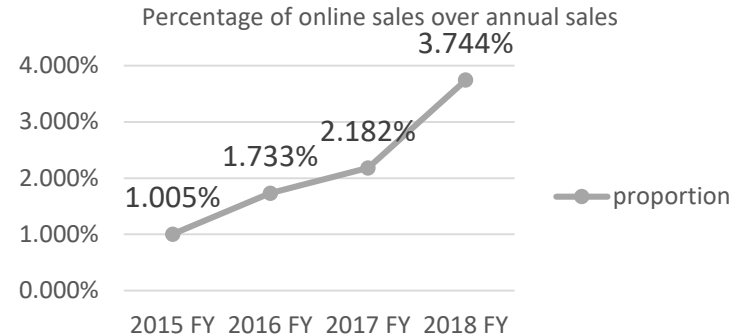
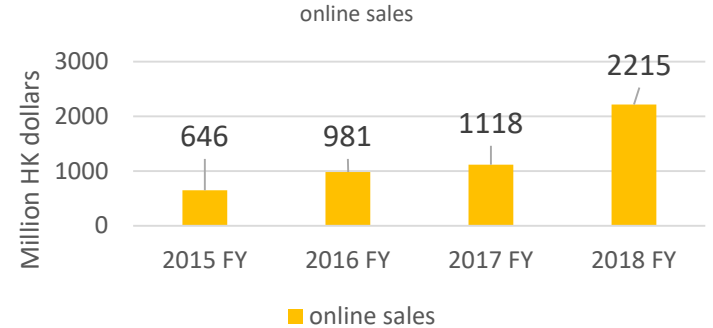
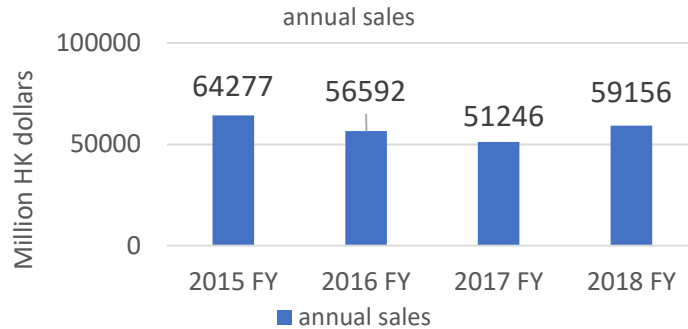
With the good management of each online channel, CTF has achieved a remarkable growth of the online jewellery sales. We can clearly see that online sales grow continuous and rapid. From the comparison of online sales and total sales, the proportion of online sales increased every year. In the latest interim report 2018/2019, online sales turnover still drastic increase by 120.4%.

周大福

CHOW TAI FOOK

Status of online jewellery market

From this chart, the proportion of online gold product sales is much more than offline. Gold products accounted for 59.4% of offline market, but 72.0% of online. And the proportion is still tend to increase. Online jewellery sales grow obviously every year.



Data source: [1929]Chou Tai Fook Annual Report 2018

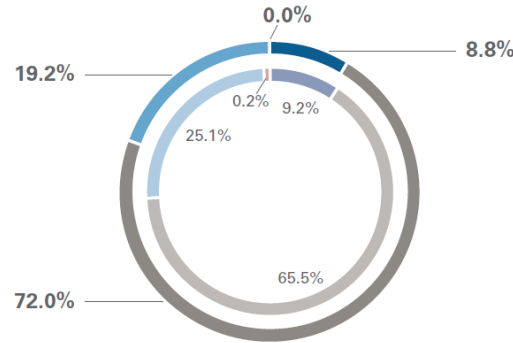
Status of online jewellery market

From this chart, the proportion of online gold product sales is much more than offline. Gold products accounted for 59.4% of offline market, but 72.0% of online. And the proportion is still tend to increase. Gold products accounted for the vast majority of online sales.

E-commerce business

電子商務業務

RSV by product 按產品劃分的零售值



		FY2018 2018財政年度 RSV YoY change 零售值同比變化	FY2017 2017財政年度 ASP 平均售價	FY2018 2018財政年度 ASP 平均售價
Gem-set jewellery	珠寶鑲嵌首飾	▲ 65.4%	HK\$1,400	HK\$1,500
Gold products	黃金產品	▲ 90.3%	HK\$1,400	HK\$1,600
Platinum/Karat gold products	鉑金/K金產品	▲ 32.5%	HK\$900	HK\$900
Watches	鐘錶	▼ 51.0%	HK\$500	HK\$900
Overall	整體	▲ 73.2%	HK\$1,200	HK\$1,400

Data source: [1929]Chou Tai Fook Annual Report 2018

Status of online jewellery market

Lao Feng Xiang is the most famous gold store in China. She seldom takes part in online sales business. There are four main reasons. Firstly, China has a huge growing middle-class population which carries huge gold consuming demands. Secondly, the recent profit of LFX is already fat enough. The cost to start online business may cut the profit and destroy the recent sales environment. Furthermore, as a state-owned business, the enterprise structure and human resource are kind of complicated, so it is very hard for LFX to make new decisions. Last reason is due to the long history of LFX, their core competence lies in their brand culture and traditional crafts. Therefore, they will focus on improving craft skill and process.

Gold store type: Lao Feng Xiao has no online sales business.

- ① LFX has benefit from the increasing market bonuses
- ② LFX does not want to spend extra cost
- ③ Complicated enterprise structure prevent LFX from transformation
- ④ The future direction of LFX is art and craft



Status of online jewellery market

However, not all the gold stores have the same advantage of the LFX. For example, Cai Bai Used to be a local gold store only serve Beijing market.

With the development of online shopping, it comes to be more easy for CB to explore other places market. Lao Miao is another example. These gold stores are mostly local brands and they are less competitive than LFX and famous Hong Kong brands. Online shopping offers a very good sales channel.

Gold store type: most other gold stores have online business.

Online shopping offers a very good sales channel for these gold stores.

- ① Less competitive: Laomiao & China Gold have a short history.
- ② **Local brands:** Cai Bai used to serve Beijing market only.



Status of online jewellery market

The last type of jewellery companies are new brands in Chinese Mainland such as CHJ Jewellery, Zbird, Keer and Tesiro. All of them actively participate in the online sales market. Zbird even start business from the internet. In order to enhance competitiveness, these young brands have established their own unique online sales strategies. CHJ Jewellery built an online customer manage system. Tesiro mergers and acquisitions the historical brand Leysen. Keer invited an international super star as their brand image ambassador.

New jewellery company type: actively participate in the online sales market.



Start business form the internet; good example of internet company.



Perfectly manage the audience with the help of online customer system.



Invest on net dramas to expand brand visibility

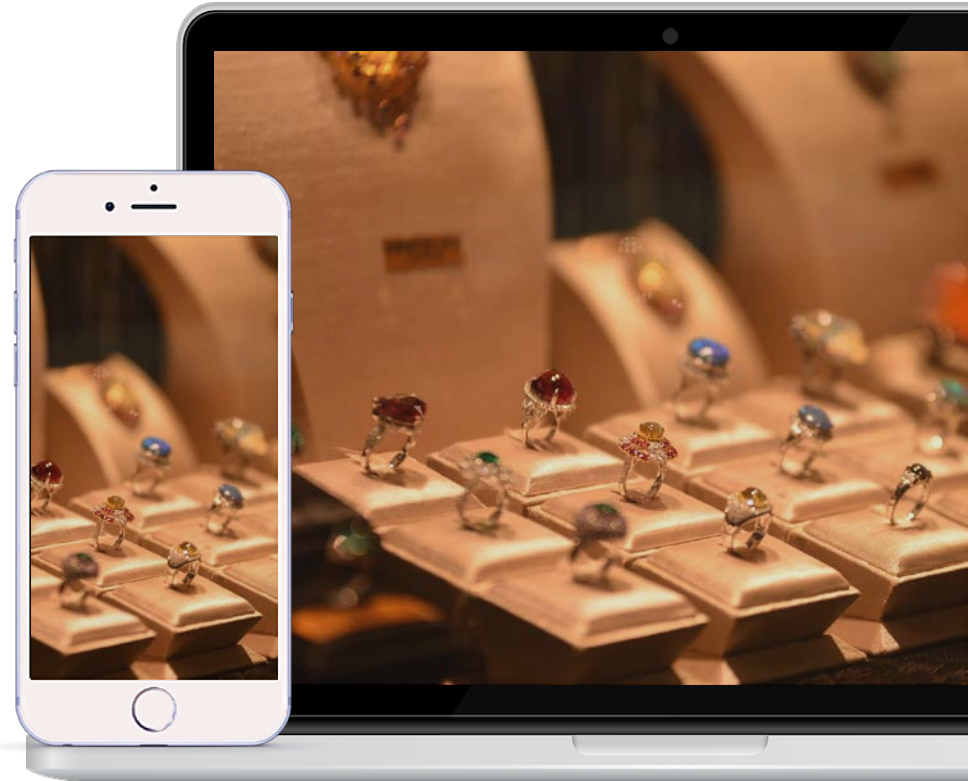
Status of online jewellery market

Now we have a general situation of the online jewellery market.

Hong Kong jewelry companies dominate the online jewelry sales. Gold products occupied a large percentage of online jewelry dealing. The new brand brings more diversity to the online jewelry market.

General status of online jewellery market

- Hong Kong jewelry companies dominate the online jewelry sales.
- Gold products occupied a large percentage of online jewelry dealing.
- The new brand brings more diversity to the online jewelry market.





03

**Customer interview about
online shopping experience**

Customer interview about online shopping experience



Dr. Bao

- Wear demand
- Doctor
- Female
- 36

Doctor Bao loves traditional Chinese culture and finds turquoises. Because turquoises are not so common, it's hard for her to find an ideal jewellery in offline shops. In addition, she is too busy to go shopping, so she often buys jewelries from the internet. Doctor Bao has some concern about online product quality and after services.



Mrs Shu

- Showoff demand
- Housewife
- Female
- 57

Mrs Shu used to shop with friends frequently and intend to buy luxuries. So she can find topic with others and meet her showoff demand. From the internet, she can buy unique jewellery and mostly she was attracted by the price of online shopping. Mrs Shu often regret of buying online products mainly because she was often treated.



Tangzhu

- Invest demand
- Fond investor
- Male
- 45

Tangzhu is a fund manager. In order to avoid tax and optimize personal assets, Tangzhu began to buy jewellery since 2017. In the beginning, he bought jewellery from luxury brands and auctions. Now, he buys gemstones directly from gem hunters and import dealers. Tangzhu focuses more on the value of the jewellery and concerns about the quality and cashability.

Customer interview about online shopping experience

From the interviews with some customers and salespersons, I've identified 4 major consumer needs for jewelry: rigid demand, wear demand, showoff demand, invest demand and cheat money demand. Because Chinese have the traditional customs of bride price and dowry, rigid demand is the most common demand.

Reasons to choose online shopping:

- More options to choose
- Lower price
- Less time spent
- Special and unique products





04

**Trend of the
online jewellery industry**

Trend of the Online Jewellery Industry

Demand expansion and sinking in the jewelry industry is a frequent keyword throughout 2018. This is mainly reflected in the rising demand in tier III and tier IV cities. Overall market scale expand continuedly. On the other hand, demand for ordinary high-priced consumer goods (ten thousand yuan grade) shrinks. Active trading of collectible commodities.

Demand expansion and sinking in the jewellery industry are two keywords throughout 2018.

Expansion

- Rising demand in tier III and tier IV cities.
- Overall demand continues to explode.

Sinking

- Demand for high-priced(over 10,000. RMB grade) jewellery drop.
- Demand for common jewellery.



Trend of the Online Jewellery Industry

Case 1

A custom jewelry studio which has run for over a decade has a relatively fixed customer base. However, it's kind of different for the owner to build online sales channel because most of her audience are over 40 years old.

Case 2

Another custom jewelry studio was established 2 years ago by a young girl. She began her business from the internet and quickly gain her audience and most of her audience are about 20-30 years old.

Audience of online jewellery market are mostly younger people.

The most important keyword of online jewellery trend is O2O, means online to offline and offline to online.

Offline shops build online channel to cut cost and attract more audience.

Online shops open offline stores to earn more trust and increase turnover rate.





05

**Suggestions
for practitioners**

Suggestions for Practitioners



Build an omni-channel for business.

A good example is Chow Tai Fook. focus on the application systems of technologies such as the internet of things, electronic identification and automated warehousing systems.

CTF also use some online cooperation strategy to increase sale and expand brand influence. The strategies are including stars-fans effect, placement of products in films and dramas, web celebrity advertising, etc.

The dedicated E-commerce Center established in 2017 FY, focus on the application of technologies such as the internet of things, electronic identification and automated warehousing systems.

CTF also use some online cooperation strategy to increase sale and expand brand influence. The strategies are including stars-fans effect, placement of products in films and dramas, web celebrity advertising, etc.

As I see, O2O is the core keyword. CTF will focus more on the integration of online and offline channels, not only for sales, but also for management of customers and production.

Suggestions for Practitioners

Find specialty and focus on certain audience.

A good example is CHJ Jewellery. She focus on her certain audience of young white-collar women and provide fashion goods.

Another good model is a small custom jewelry studio which provide kingfisher crafts. Her audience are mostly enthusiastic about Chinese culture and Beijing opera fans.

Value both classical and innovation.

Classic gold products have a huge consuming population.

Meanwhile, innovative design of jewellery will attract more young people.

