

Vibha Desai
Brand consultant

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explains why the loans-against-gold business is thriving.

With 70-75 per cent of sales of gold still coming from jewellery, gold retailers are bending over backwards to accommodate customers, offering discounts wherever they can—on manufacturing charges; savings schemes that convert money into actual gold; gold in more accessible form, like gold leaf and petal, and so on. Leading branded jewellery players have upped their ad spends by 30-40 per cent over last season this year. Says Anvar Alikhan, senior VP at JWT, “What we’re seeing, essentially, is that advertisers/marketers are repositioning gold, to make it more relevant to today’s young, affluent consumer, and his/her lifestyle.”

AND customers are lapping it up. “Earlier families came with their savings to buy gold because it was needed and auspicious. Now with

disposable and double incomes, people buy gold all year round,” says Ruhee Nanda, who runs a jewellery store under her own name at Gurgaon’s Gold Souk.

Aesthetics is definitely driving the jewellery market, as well as the marketing noise around it. “Buying jewellery in its various forms no longer conforms to old traditions of prestige and saving for a rainy day, it is also a lifestyle statement,” says Vibha Desai, a Delhi-based brand consultant.

Interestingly, when it comes to the final consumption in the form of ornaments or gifts, price has no bearing on the buying decision. Despite being price-sensitive as far as demand for gold as an investment goes, retail investors are willing to ignore the volatility of the gold market to be part of the band that’s made a killing on the gold market in the last three years. “There is a tendency to follow the herd, albeit with a lag factor because one doesn’t know how prices will move,” says a Mumbai-based commodity broker.

There is a gradual attitudinal shift towards treating gold as an investment across age and income classes. Take Suriyakumari Anandan, a Chennai-based retired state government employee, 61, who no longer uses her savings to buy gold. Instead, she gifts her grand-daughters gold coins that can later be exchanged for jewellery. Bullion traders in Mumbai’s Zaveri Bazaar, like Mukesh Kothari of Riddhi Siddhi Bullion, say there has been a 32 to 35 per cent increase in the demand for gold and silver coins and bars. “Since gold has become more expensive, people are looking at it as an investment. Jewellery means some wastage as well as making charges,” he says.

In another example, a group of 15 salaried friends in Mumbai has come together to collectively and systematically save funds on a monthly basis to invest in gold exchange-traded funds. Assets under management for gold ETFs have gone up 10 times over the last three years. “Demand for gold bullion and gold-related investments is a recent phenomenon and probably has a lot to do with the performance of other asset classes,” avers Devendra Nevgi of Delta Global Partners.

For every financial planner who suggests that gold should become part of an investment portfolio, there is another who will disagree. “Gold is not an easy instrument to understand,” says Parag Parikh of PPFAS. “Today do we know exactly what determines the price of gold or what affects it? Without a clear understanding, how can one invest?” Agrees Dharendra Kumar of ValueResearch, “I would say gold should be treated as an opportunistic investment. Given the rise

of instruments globally where ownership of gold is in paper form, there is bound to be speculation.”

Talking about speculation, consider gold’s poor cousin—silver. It has gained attention because several people have made a killing on the market (prices have gone up from ₹17,000 to ₹53,000 over the last three years). “We don’t recommend sil-



CRAZE: THE MANY WAYS YOU CAN CONSUME GOLD

- Jewellery in the form of 22 carat, 18 carat, alloy mixed, studded with stones or combined with other precious metals like silver, platinum as well as stones
- Coins
- Bars
- Biscuits from banks/traders
- Gold-leafed gifts, furniture; solid gold bric-a-bracs
- Gold savings schemes to put aside money for a period of time and then convert to jewellery
- Loans against gold as a collateral
- Jewellers are selling gold leaf, petals to lower income people. Microfinance schemes are bundling gold with loans.
- Financial instruments like ETFs, gold funds, e-gold and so on.

Vineet Arora
ICICI Securities

“The trend of gradually buying into gold through the exchange traded funds route is slowly catching on with middle-class retail investors too.”

