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JEWELRY

Karat gold brand threatened by regulatory moves: Richline exec

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FTC regulations are impacting jewelers. Image credit: Richline

By SARAH JONES

NEW YORK Jewelers are pushing for changes in Federal Trade Commission guidelines, which they are concerned could cause gold to lose its position as a precious and luxurious metal, according to a panel at the Initiatives in Art and Culture Gold Conference on April 4.

Whereas gold previously needed to be at least 10 karats, the FTC has relaxed its rules, allowing for any karat amount to be labeled as gold, as long as the karat amount is specified. This has implications for the jewelry industry, as brands look to promote and sell fine jewelry, potentially leading to waning consumer confidence in the metal due to lesser quality creations hitting the market.

"What the FTC has done in their infinite wisdom, is they took away one of the greatest brands in the history of branding called 'karat gold," said Mark Hanna, chief marketing officer of Berkshire Hathaway's Richline. "Because if karat gold can mean anything, karat gold means nothing."

Regulation review

Gold thresholds have changed, as the FTC has put legislation in effect to allow companies to label gold with as little as 1 karat.

Silver has similarly undergone a change in labeling, as silver with less parts per thousand can also be called sterling silver.

Per the panel, originally the FTC's gold guidelines were intended to include the caveat that lower karat gold needed to meet the same standards of 10-karat gold. However, in the final guide, this stipulation is missing.

The panelists are hoping that there is a level of harmonization of regulations between the United States and the rest of the world, enabling and easing a global business. Currently, many parts of the globe use 8 karats as the floor for karat gold.

Tiffany Stevens, president and CEO of JVC, said that she is optimistic that there could be a turnaround, as the jewelry business has seen with regulation surrounding diamonds. The FTC took on diamond sellers for not adequately

indicating whether stones were mined or lab-grown.

Only 30 percent of diamonds are purchased as gifts. Image credit: Alrosa

Moderator Andrea Hill, owner of Hill Management Group LLC, pointed out that aside from regulations, being transparent is the right thing to do for customers.

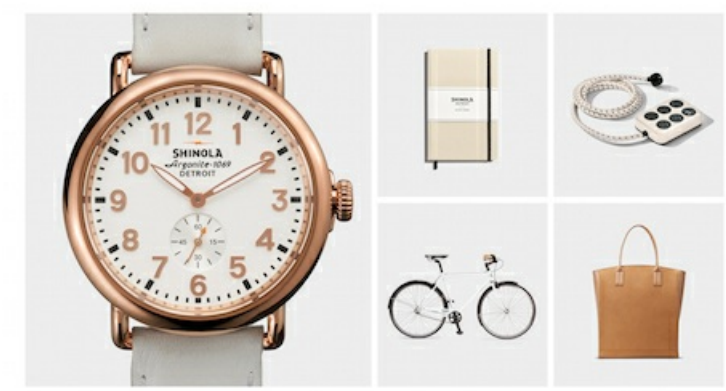
Another area of regulation that impacts jewelry surrounds what qualifies as made in the U.S.

Mr. Hanna made an appeal to the FTC, urging the body to rethink the rules around made in America. As of now, all or virtually all of a product has to be produced in the U.S. for it to qualify for a "made in USA" label.

This causes problems for jewelers, since the FTC does not consider imported metals to have been "significantly transformed" when they are made into rings or necklaces.

Linus Drogs, owner and president of Au Enterprises, pointed out that in his factory, two identical pieces can be made in bronze and silver next to each other, and the bronze item can be classified as made in the U.S., while the silver piece cannot.

Some companies have faced crackdowns from the FTC over made in the U.S. claims. For instance, Shinola's "made in Detroit" brand came under fire for not substantially transforming imported watch parts.



Shinola chose Detroit as its home specifically for the people who live and work there. Image credit: Shinola

Sustainable sourcing

Along with transparency in product labeling, regulation is focusing on the sources of precious metals.

As gold was tied to criminals in places such as the Democratic Republic of Congo, brands now have to indicate if any gold comes from the nation.

While the legislation, tied to Dodd-Frank, has not been enforced since the latest administration took office, it is still a good idea for brands to disclose and track the origins of their metals.

Mr. Hanna noted that one of the challenges in having a level of disclosure down to the karat is the fact that smaller mines are not as equipped for the paperwork. This can end up hurting these businesses.

Brands across the jewelry industry have been working to ramp up the disclosure of their sourcing.

For instance, jeweler Tiffany & Co. took its commitment to sustainable sourcing a step further by disclosing the origins of its newly sourced diamonds to customers.

Tiffany's Diamond Source Initiative will let customers know the country where their stones were mined, with plans to allow consumers to trace the production journey of the diamonds from mine to retail by 2020. While Tiffany has long been committed to conflict-free diamonds, this effort is aimed at providing greater transparency around its practices (see story).

Colored-gemstone miner Gemfields similarly promoted responsible jewelry sourcing through an upbeat campaign that translates its values into art pieces.

Gemfields' "Every Piece Unique" effort takes place in an art gallery as symbolic sculptures come to life, indicating the company's corporate social responsibility. As consumers become more conscious of the impact of their purchases, Gemfields is looking to provide a transparent perspective on its practices (see story).

"It's not even worth trying not to be transparent anymore," Ms. Hill said. "Consumers care, they care more every day.

"So if you don't do it for the right reason which is my vote do it because you're going to get caught," she said.