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JEWELRY

# The big fine jewelry opportunity

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*Aurate, which last year raised $13 million in a Series A funding round for its affordable diamond jewelry business, is eyeing market share in a $50 billion fine jewelry market. Image credit: Luxury Society, Aurate*

By Natalie Yiasoumi



It has been a challenging decade for luxury, but the jewelry sector has been keeping strong and is poised for further growth in 2020.

Buying habits have transformed, with self-gifting trends coming into play and new digital channels, from ecommerce sites to WhatsApp, becoming available.

But heritage labels have reaffirmed their power in this evolving market, while new names are cropping up too, creating new opportunity and initiating more M&A activity than previously seen in the sector.

According to McKinsey & Company's latest report, the category is looking at "a glittering future" with a healthy projected growth of 5 percent to 6 percent each year and annual global sales set to total 250 billion euros in 2020.

Strong industry players

This strong performance is partly due to established players that have been working tirelessly to stay appealing and speak to the new generation of luxury consumers.

So appealing are some household names such as Tiffany & Co. that luxury behemoth LVMH agreed to spend $16.2 billion to acquire the business last November in what was one of the biggest luxury deals of the decade.

"Jewelry is the least crowded category in the luxury sector with one of the highest barriers to entry, since there's only a handful of global luxury jewelry brands,," said Rogerio Fujimori, analyst at Royal Bank of Canada.

"So Tiffany will be highly complementary to LVMH's hard luxury portfolio, given its broad consumer base and high exposure to the all important U.S. luxury market," he said.

Another strong player, illustrating the momentum that fine jewelry is experiencing, is Cartier.

With a successful ecommerce launch that saw high-ticket items sold within minutes over WhatsApp, new renovated store concepts in London, an expansion into fashion accessories and buzzy influencer campaigns, the French jeweler has been seeing steady sales growth and boosting parent company Richemont's bottom line.

*Cartier is seeing steady sales growth and boosting parent Richemont's bottom line. Image credit: Cartier*

In fact, Richemont has been seeing growth slowdown given continued investment in Yoox Net-A-Porter and instability in Hong Kong, but jewelry has been a standout category for the group throughout the years.

In its most recent financial results, jewelry sales grew 8 percent, mainly driven by high single-digit growth in Cartier and Van Cleef & Arpels.

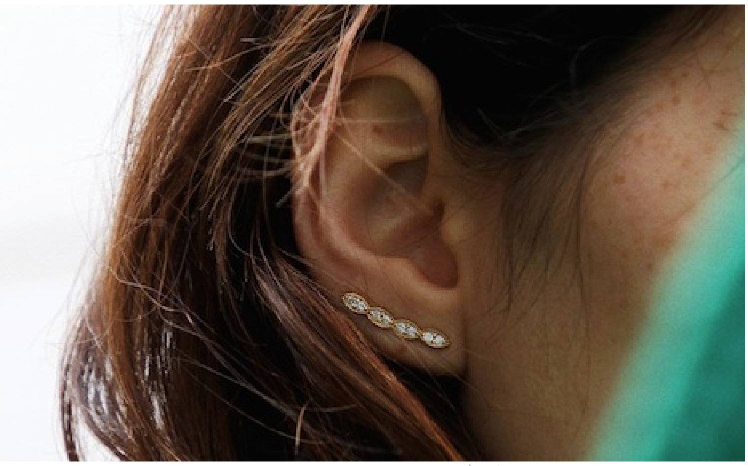
The jewelry opportunity is so appealing that fashion brands want in too, with Gucci opening its first fine jewelry space at Paris' Place Vendome last year.

According to McKinsey, branded jewelry will claim a higher stake in the market in 2020 and growth will mainly come from "non-jewelry players in adjacent categories such as high-end apparel companies such as Dior or Louis Vuitton."

Industry newcomers
Meanwhile, new names are also cropping up one after the other and luring investors' attention.

Some of the most noteworthy newcomers are direct-to-consumer brands selling affordable or "demi-fine" gold and diamond pieces, as well as sustainable labels choosing lab-grown over mined diamonds.

Up-and-coming lab-grown diamond label Kimai, which was endorsed by Meghan Markle soon after making its online debut, announced a $1.2 million seed investment round late last year, led by the likes of fashion designer Rebecca Minkoff; head of the Facebook app, Fidji Simo; Cartier France's former managing director, Coralie De Fontenay; and billionaire businessman Xavier Niel.



*Lab-grown diamond jeweler Kimai last year won $1.2 million in seed funding. Image credit: Kimai*

Also the last year, affordable diamond jewelry brand Aurate raised $13 million in a series A investment round, after growing a sizeable customer bases across the United States for its designs, clever Instagram marketing, sweet-spot prices and ethically-sourced diamonds.

"The fine jewelry market in the U.S. alone is projected to be over $50 billion next year, and its growth is all stemming from online, with a 50 percent growth rate since 2015," said Aurate cofounder Bouchra Ezzahraoui.

"It's a market with a few big players and a lot of unknown commodities. This makes it a very attractive market to play in for somebody like us," she said.

Watch sector must adapt to the times

The same cannot be said for the strength of the watch sector, where growth has been more flat and the interest has been turning more towards the resale market.

Swiss watch exports were down 3.5 percent, with most markets remaining stagnant and political unrest in Hong Kong driving the sector down.

The secondhand watch market, on the other hand, has been gaining momentum, as younger customers get more price-savvy and environmentally conscious.

Discontinued or vintage pieces are particularly popular and consignment sites such as Xupes have been gaining ground.

"There's a huge market in watches alone and we've been experiencing 30 percent growth in the last year, even under tough market conditions," said Joseph McKenzie, Xupes founder.

"The consumer has been 80 percent male at the moment, although there's an interesting change in the market," he said.

"In watches you're seeing women look at watches as both a statement and an expression of perhaps their sophistication.

"You're seeing men's watches being worn by women as a fashion item and something that they're actually interested in as well."

*Natalie Yiasoumi is a journalist and editor specializing in luxury fashion, fine jewelry, business strategy and online retail. She has written for a wide range of B2B platforms and consumer publications in the London and Middle Eastern markets. Biggest areas of interest include the intersection of fashion and technology and new media frontiers.*

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