



Believe in me:

A jewellery retailer's guide to consumer trust

Preface

Welcome to "Believe in me: A jewellery retailer's guide to consumer trust"

In a changing world, consumers are increasingly asking retailers tough questions about the jewellery they sell: Where were the precious metals mined? How can they be sure a gemstone is real and untreated? What has the retailer done to ensure high standards throughout the supply chain?

As a jeweller, you know how important consumer trust is to your business and the considerable amounts of time, money and emotion consumers invest when making their jewellery purchases.

Reputation is everything and preserving and enhancing it relies on understanding the challenges to trust, implementing measures to protect your business and being able to provide customers with appropriate reassurances. If done effectively, this can lead to repeat business, position you as a responsible player in the jewellery industry and help you maintain a leading position in an increasingly-competitive luxury goods market.

This guide gives you the information and advice you need to earn and maintain consumer trust. It forms an important part of CIBJO's (The World Jewellery Confederation) vision to provide jewellery businesses with the educational and marketing material they need to address industry issues.

It is structured to help you navigate the issues around consumer trust in the jewellery industry, specifically:

- **Why consumer trust is critical to your business**
- **What the main considerations are for retailers in building trust**
- **What industry measures are in place to maintain consumer trust**
- **What actions you must take to build and maintain trust; and**
- **Where you can obtain more information**

We trust that you will find this guide valuable and wish you every success for the future.



Jonathan Kendall

Vice-Chairman, Marketing and Education Commission, CIBJO

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Why is consumer trust critical to your business?

- Do your customers trust you?
- Will their trust last forever?
- What could jeopardise their trust?
- How many sales are you losing because consumers trust other retailers and products more than they trust you?

These are the questions to which you, as a jewellery retailer, should have the answers. But do you?

This guide explores the changing face of jewellery retailing, where competition among luxury purchases is intense and savvy consumers are increasingly socially, environmentally and ethically aware.

It looks at why consumer trust is fundamental to jewellery purchases today and discusses how the industry and, in particular, individual retailers like you can make a difference.



Consumer trust can impact the very heart of a business – sales and reputation. Major players in the global food, luxury and even technology industries have suffered a loss of consumer trust because of miscommunication of information, low quality goods or shoddy industry practices. And these have, in turn, affected other businesses and retailers in the sectors.

The jewellery industry itself is no stranger to loss of consumer trust. The emerald market in the 1990s is a case in point, where a consumer backlash against non-disclosed, treated emeralds sold by one retailer led to overall weakened demand and lower prices, with many consumers leaving the market permanently.

Trust is particularly important in jewellery purchases because they are high-value items with strong emotional appeal for customers. These customers rightly expect the standard of quality, information and communications to be as exceptional as the product they are buying and the emotions that they are representing. Lose their confidence and you could be faced with the prospect of decreasing customers and plummeting sales.

“...84% of consumers cited ‘trustworthiness’ as a key factor in choosing which stores they would buy from”

Furthermore, investing in measures to build trust should be seen as a business opportunity. In a recent US Retail Landscape Study, 84% of consumers interviewed cited ‘trustworthiness’ as a key factor in choosing which stores they would buy from – an attribute they considered to be at the heart of a ‘store’s reputation’. Two-thirds of customers also said they will only shop at a trusted jeweller¹.

Let’s look at the shift in consumer behaviour and customer satisfaction within the context of a broad range of industry challenges.

¹ JWT Diamond Jewellery Retail Landscape Study 2005

Heightened consumer awareness

People today, particularly in western markets, have access to more information than ever before due to the growth of the internet and other media. This raises their awareness of the business, social and environmental challenges associated with the products they buy. The jewellery industry is no exception.

Jewellery consumers increasingly need to feel satisfied about both the product they are buying and the industry they are buying from. Retailers are viewed as the important link between the customer and the whole jewellery industry – from the mine to the finger.

Today's consumers don't just expect, they demand more tangible assurances about the integrity of the products they are buying. While retailers like you can't vouch for the whole industry, it is imperative that you are able to reassure your customers about the integrity of your supply chain and the general principles and practices of the industry.

“Retailers are viewed as the important link between the customer and the whole jewellery industry”

Jewellery purchasing patterns

Research in the US² has shown that an expensive jewellery purchase can take consumers between three and six months. This involves a four-stage process: a trigger (e.g. an upcoming occasion); a period of research; learning more about jewellery and finally the purchase.

As a jewellery retailer, you can play an important role in the last three of the four stages by empowering consumers with the knowledge they need to make a successful purchase.

The research also showed that for a consumer to feel happy about a jewellery purchase they must feel a sense of accomplishment. This sense of accomplishment is achieved through:

- The jewellery they choose being appreciated by the recipient or, in the case of a growing number of self-purchasers, it must have an enduring feel-good factor
- The confidence and assurance that the price they have paid is an accurate reflection of the true value of the piece

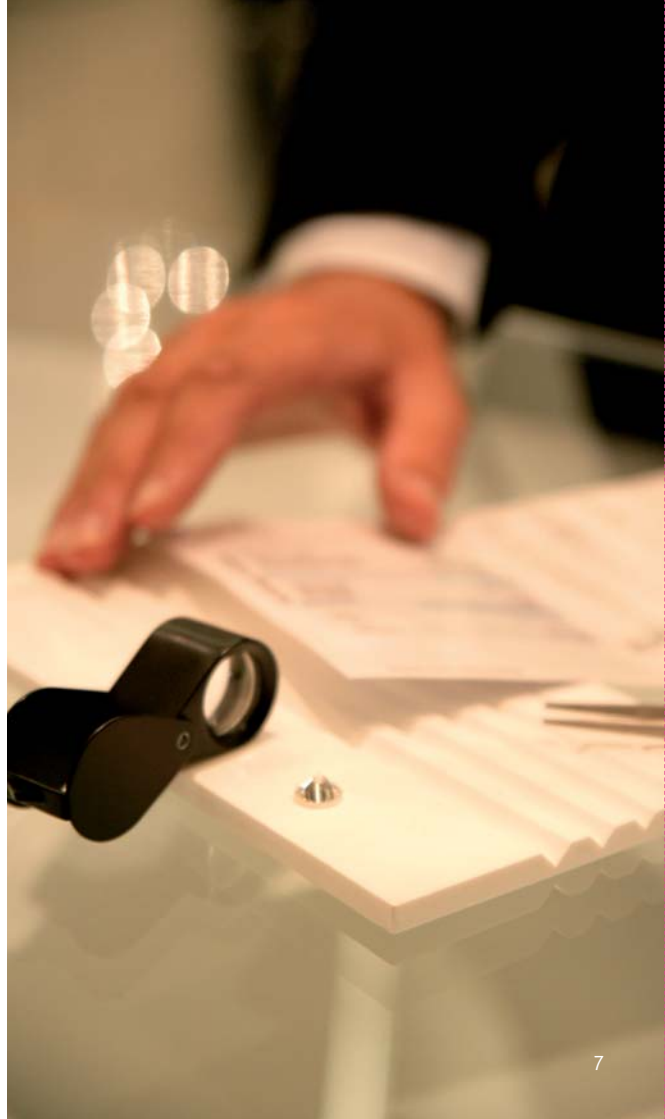
In both cases, a feeling of trust drives the sense of accomplishment. The consumer needs to enjoy the buying process, be confident with their purchase and – most importantly of all – be willing to buy jewellery again.

“Retailers must implement appropriate checks and balances”

Range of industry challenges

Any global industry has its fair share of consumer trust issues. With its complex supply chain from mining and manufacturing through to retail operations around the world, the jewellery industry faces numerous potential challenges to consumer trust which if not managed could affect consumer trust. Examples include the issue of conflict diamonds, gold mining practices, non disclosure of treatments and synthetics and poor working conditions in some businesses and manufacturing centres.

To create an environment where customers can retain their faith despite these challenges, every business in the industry must uphold the highest standards, and implement appropriate checks and balances. Jewellery retailers like you have a responsibility to comply with industry standards, communicate them and ask suppliers tough questions so that you can reassure customers. Let's examine the challenges to maintaining customer trust in more detail.



“Maintaining consumer trust will significantly increase the general health of the jewellery industry”

The opportunity for jewellery

Business services firm KPMG estimates that the jewellery industry will grow to \$230bn by 2015, a growth rate of 4.6% per year. However, it predicts that there is an opportunity for a further \$50bn of growth taking the industry to \$280bn.

One of the key actions KPMG highlighted for the jewellery industry in maximising this opportunity is maintaining and strengthening consumer trust. KPMG believes that maintaining consumer trust will significantly increase the general health of the jewellery industry, alongside other industry-wide actions such as driving category demand through identifying new product and consumer segments, maximising the potential of emerging markets and reducing the cost of financing.

Source: The global gems and jewellery industry, Vision 2015: Transforming for Growth, KPMG

What are the main considerations for retailers in building trust?

Consumers have far greater choice than ever about how they spend their money – from fast cars and exotic holidays to designer clothing. If you fail to win their trust, they could simply take their business elsewhere – either to another jewellery retailer or to another product altogether.

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What are the main considerations for retailers in building trust?

Fundamental to earning and maintaining trust in the jewellery you are selling is understanding the issues which have the potential to undermine trust. Only then can measures be put in place to make sure the products you sell are not tainted in any way. Protecting your reputation relies on taking responsible action in four key areas – technical, business, social and environmental.

Technical responsibilities

The technical challenges facing jewellery retailers relate to the communication of information about product characteristics such as caratage, colour, lustre and cut. Retailers have a responsibility to accurately and proactively disclose details about the diamonds, coloured stones, pearls and precious metals they are selling.

The legal implications of non-disclosure could significantly affect the retailer. According to guidelines established by the Federal Trade Commission (FTC) in the US for example, communicating incorrect information constitutes deception and deception of any kind is a fraudulent practice.

This is because consumers are almost always entirely reliant on retailers for technical information about the product they are purchasing. For retailers, the basis of a strong, trusting and legal relationship with customers is their assurance that correct information will be conveyed about the product at all times.



“Protecting your reputation relies on taking responsible action in four key areas – technical, business, social and environmental”

Jewellery retailers have a responsibility to ensure they always:

- Fully disclose imitation, simulant, and synthetic products, cultured pearls and treatments; and
- Use correct and consistent terminology to describe jewellery at point of sale

In the case of diamonds, for example, extensive research has shown that consumers expect to purchase diamonds in their natural state, having only been subjected to the processes of cutting and polishing.

By failing to address their technical responsibilities, retailers can cause consumer confusion, potentially increase the legal threat to their business (if communications are viewed as being deceptive) and possibly damage the reputation of the industry as a whole.

The changing face of the coloured gemstone consumer

In 2000, 24% of customers cited the price of a coloured gemstone as their greatest concern. By 2006 this had fallen to 12% and the new greatest concern was that they were getting a gem of good quality (18%) up from 8% in 2000. Importantly 12% of customers wanted to know the gem was properly identified, 10% wanted to know that treatments had been disclosed and 6% wanted more information about buying gems.

Source: Colored Stone Magazine, Annual Retail Survey, Jan/Feb 2006





“Jewellery retailers should be ready to answer questions about their suppliers too”

Social responsibilities

Social responsibility is all about upholding recognised standards of employment conditions across mining, manufacturing and retailing operations. This includes health and safety at work, fair employment practices and the preservation of basic human rights.

Jewellery retailers like you need to be able to demonstrate a real commitment to social responsibility, including:

- Adherence to all local employment laws
- Condemning practices such as forced or child labour
- Giving workers fair remuneration and reasonable breaks
- Avoiding discrimination in the workplace (e.g. sexual, racial etc.)
- Providing a safe and clean working environment
- Being knowledgeable about industry initiatives that outline best practice guidelines

The way in which jewellery has been manufactured and supplied increasingly matters to consumers.

Environmental responsibilities

While jewellery retailers must ensure their own businesses are environmentally-sound, they should be ready to answer questions about their suppliers too. This is particularly important in the jewellery sector where products must be mined and manufactured in accordance with the highest standards of environmental care so that consumers can feel good about what they are buying.

This includes ensuring you or your suppliers:

- Control hazardous waste substances
- Decrease emissions to air and water
- Ensure the efficiency of business operations in terms of natural resource consumption
- Consider the environmental impact of product and packaging design

Addressing consumer concerns about your business or the jewellery industry will go a long way in maintaining their trust and setting the standard for your peers.

Let's now look at the organisation's practices and industry guidelines in place to help you implement the necessary standards to reassure consumers about your business and suppliers.

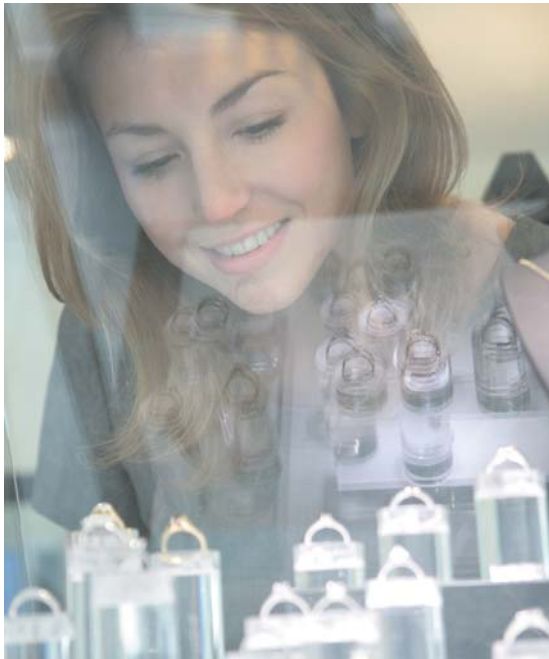
“Products must be mined
and manufactured in
accordance with the
highest standards”



Business responsibilities

The business challenges facing jewellery retailers relate to their responsibility to uphold the highest standards in trading practices. Retailers are especially under the spotlight as they are seen to be the link between manufacturers and suppliers and end consumers.

Today's enlightened consumers expect, at the very least, a basic standard of ethical practices to be followed.



This includes:

- Only trading in diamonds, coloured gemstones, pearls and precious metals from legitimate sources
- Operating a 'know your supplier' policy to establish the identity of all organisations you deal with. This may include regular visits to suppliers, ongoing dialogue and importantly, written guarantees on their business practices
- Not offering or receiving payments, gifts in kind or promises that may compromise the principles of fair competition as outlined in the Council for Responsible Jewellery Practices' Code of Practices
- Complying with relevant trading standards legislation and specific local and national regulations applicable to jewellery products
- Working to promote sustainable development through every aspect of your business

It is becoming increasingly critical that these sound business practices are embedded in every jewellery retailer's operations.

“Retailers are seen as the vital link between manufacturers and suppliers by end consumers”

What is the jewellery industry doing to maintain consumer's trust?

The jewellery industry is striving to establish standards and principles to protect consumers and promote their confidence in purchases. Trade bodies, governments and Non-Governmental Organisations (NGOs) around the world are all working together to achieve this.

In this chapter, we look at the industry initiatives in place which:

1. Provide guiding industry principles
2. Promote disclosure and transparency
3. Address business and social challenges
4. Drive environmental responsibility

These will help you, as a jewellery retailer, to stay abreast of broader industry developments and activities and answer any questions your customers may have.

1. Guiding industry principles

The main global trade bodies working to promote responsible business practices in the jewellery industry across the whole supply chain are CIBJO (the World Jewellery Confederation) and the Council for Responsible Jewellery Practices (CRJP). By understanding their guiding principles, jewellery retailers can gain an insight into industry standards and set expectations for suppliers.

CIBJO – The World Jewellery Confederation

CIBJO is the international trade organisation of the world jewellery industry. Its members comprise representatives of commercial organisations and over 70 national jewellery associations in more than 34 countries. Established in 1926, CIBJO educates and communicates on matters of business responsibility by raising awareness of consumer confidence issues, distributing information and acting as a forum for the worldwide industry to debate its views.

CIBJO's "Code of Ethics" is designed to give its members overarching principles to help them operate according to strict ethical, business and consumer confidence guidelines. Jewellery retailers can refer to CIBJO's membership to identify whether their suppliers should adhere to the Code.

CRJP – The Council for Responsible Jewellery Practices

The CRJP is a trade body representing over 70 organisations involved in the diamond and gold jewellery supply chain. Established in May 2005, it is an associate member of CIBJO.

CRJP has been set up to enable companies in the jewellery sector to evidence compliance to a baseline common standard governing practices throughout the diamond and gold jewellery supply chain, from mining and manufacturing to retail. This is distinct from the role of CIBJO, which promotes responsible business practices through education and communication.

“CIBJO educates and communicates on matters of business responsibility by raising awareness of consumer confidence issues”

The CRJP's Principles and Codes of Practice complement CIBJO's overarching guidelines covering key aspects of responsible business practices such as business ethics, human rights and labour standards, environmental performance and community standards.

Gold and diamond jewellery retailers can be direct members of CRJP alongside mining companies, jewellery manufacturers/ wholesalers and diamond trading/ cutting/ polishing companies and can play a major part in setting the agenda for the industry.

“Gold and diamond jewellery retailers can be direct members of CRJP”





2. Promoting disclosure and transparency

Accurate product descriptions, clear labelling and disclosure of any material changes a jewellery piece has undergone prior to sale are critical in maintaining trust and running your business ethically and legally. There are a number of industry-wide measures in place to assist jewellery retailers in ensuring transparency in the products they sell.

The CIBJO Blue Book

The CIBJO Blue Book is a publication outlining terminology, classification and ethical guidelines for coloured gemstones, diamonds and pearls. It is considered to be the accepted world standard for disclosure standards and as such should apply to wholesalers, suppliers, manufacturers and retailers at all points in the trade internationally. In addition, CIBJO also produces a precious metals guide.

In the US, the Federal Trade Commission Guidelines on jewellery terminology and disclosure are very detailed. Further information can be found on the FTC website.

By following these guidelines you can help empower customers with essential information about jewellery purchasing.

Grading laboratory reports for diamonds, coloured gemstone and pearl jewellery

Grading laboratories issue reports which measure and certify loose diamonds, coloured stones and pearls as well as diamond, coloured stone and pearl jewellery.

In the case of diamonds, for example, you should ensure that you have a grading report from an independent and reputable gemmological laboratory on file should you get asked for it by the customer. These grading reports should disclose any treatments that the diamond may have undergone or whether it is even a diamond. Most diamonds of above 20 points are graded.

In the absence of a grading report, or if you are in any doubt about the integrity of the diamond, coloured gemstone or pearl products being sold, you may consider independent testing at a reputable grading laboratory.

“If in doubt, consider independent testing at a reputable grading laboratory”



Hallmarking and labelling

In most countries, there is a legal requirement for all precious metals to be tested (assayed) by an independent third party. The precious metal is stamped with the caratage or fineness, the manufacturer's mark and the assay office mark. By bringing a consumer's attention to this hallmark they can clearly see the origin of the metal.

In the case of natural, cultured and/ or imitation pearls, retailers should ensure they are always properly labelled using one of the descriptive terms. Information should also be provided on the size, orient (iridescent colour as a result of light reflection), lustre and actual colour of a pearl in relation to its price.

3. Addressing business and social challenges

A number of important industry initiatives are in place to uphold responsible standards around trading practices in the jewellery industry and to support retailers in reassuring consumers if required.

The World Diamond Council and the Kimberley Process

The World Diamond Council was created by the industry in 2000 to specifically confront the issue of conflict diamonds on behalf of the entire diamond industry, which pledged a zero conflict diamond policy. Members cover a broad range of industry, including mining houses, diamond jewellery manufacturers and retailers.

In 2002, a joint initiative between governments, the international diamond industry and NGOs called the Kimberley Process was set up to prevent conflict diamonds from entering the legitimate diamond supply chain. Today 47 participants including the European Community (73 countries in total) are part of the Kimberley Process, working with NGOs and the diamond industry to ensure that every diamond can be traced back to a legitimate source.

As a result, today over 99% of diamonds are from conflict-free sources. This conveys an extremely positive message to customers that the industry is committed to its zero tolerance policy towards conflict diamonds.

This system was further extended by the World Diamond Council (WDC), with the introduction of the "System of Warranties". Under this system, every buyer and seller of polished diamonds and jewellery containing diamonds within the supply chain must make the following statement on all business to business invoices:

"The diamonds herein invoiced have been purchased from legitimate sources not involved in funding conflict and in compliance with UN resolutions. The seller hereby guarantees that these diamonds are conflict-free based on personal knowledge and/or written guarantees provided by the supplier of diamonds."

Every legitimate business selling diamonds is committed to ensuring they are compliant with the Kimberley Process and System of Warranties.

It is important to remember that the Kimberley Process helps ensure that diamonds, as a major source of revenue, continue to positively contribute to the development of diamond producing countries such as those in Africa, Canada and Russia by improving infrastructure, healthcare, education and supporting local economies.

The Initiative for Responsible Mining Assurance

The Initiative for Responsible Mining Assurance (IRMA) was launched in June 2006 as a multi-sector programme to independently verify compliance with environmental, human rights and social standards for mining operations.

A multi-stakeholder group, it includes World Gold Council members, jewellery retailers, trade partners and NGOs, and aims to develop a process for the identification of responsible mining standards and a governance model for the assurance system.



4. Driving environmental responsibility

The CRJP's Principles and Code of Practices set out guidelines for jewellery retailers to operate in an environmentally responsible manner (and these complement the principles set up by CIBJO).

Environmental responsibility is also particularly high on the agenda of the formal extractive industry.

By demonstrating a real commitment to environmental, economic and social responsibilities, mining companies can make a significant contribution to the countries where they operate and hence make a strong case for continued access to the land, capital and product markets they need for future business success.



Today, many of the world's mining companies and national associations are part of the International Council on Mining and Metals (ICMM). Formed in 2001, it represents leading mining, minerals and metals industries that aim to work together to build trust and respect.

All member companies of ICMM are required to implement the Sustainable Development Framework which has:

- Ten principles covering conservation of biodiversity, sustainable development considerations and environmental performance
- Sustainability reporting guidelines for public reporting of progress
- Independent assurance process that members are meeting their commitments

In addition to this, a large proportion of the world's largest mines are ISO 14001 compliant. This is the highest global environmental standard that exists.

Retailers need to be aware of the environmental guiding principles governing the extractive industries, to reassure customers that mining companies' activities have adhered to the highest environmental standards.

The real, tangible steps that you can take to maintain consumer confidence in the jewellery sector are examined in the next chapter.

What actions must jewellery retailers take to build and maintain consumer trust?

As a jewellery retailer you are the public face of the jewellery industry. You can protect your reputation by seeking assurances from your suppliers and making sure the products you sell meet the highest industry standards. Customers rely on correct and detailed information from retailers and while providing this will not necessarily clinch a sale, not being able to answer questions in store could have a negative and lasting effect on your business.

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There are a number of industry initiatives, standards and measures in place to give you the information you need to answer customer questions and instil confidence in the jewellery you are selling. But while you need to have answers ready for them, it is important not to raise undue concern at the point of sale or draw attention to issues which may not be a problem for the consumer or which they don't want to discuss at that stage. This information may be more effectively communicated at an earlier phase of the buying experience, on the retailer's website for instance.

Below we have included some practical steps you can take that may help you to drive consumer trust, without diminishing the excitement and emotional value of the jewellery you sell.

1. Take issues that will damage consumer trust seriously:

- **Keep abreast of issues** via the jewellery trade press, trade shows, professional organisations and consumer press and brief staff regularly
- **Comply with all relevant national legislation** and industry standards/ regulations regarding business, social, environmental and technical operations
- **Understand and abide** by the requirements of the CRJP's Principles and Codes of Practice (and which are complementary to the CIBJO Code of Ethics) and consider becoming a member of the CRJP
- **Know the process** involved in the event of a breach in proper practice, e.g. the trade association or national organisation to contact

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2. Promote transparency:

- **Ensure proactive disclosure** at all times and use consistent language to communicate clearly about your policies
- **Use the agreed descriptors** outlined in the CIBJO Blue Book and disclose all the relevant information about the jewellery being sold
- **Include full written disclosure** of imitations, simulants, synthetics, cultured pearls and/ or treatments on each bill of sale, receipt, laboratory certificate or other document relating to the sale, in the local language
- **Full disclosure should take place** at point of sale and anywhere the consumer can buy the piece of jewellery without viewing the actual item in person
- **Label products** and segregate them correctly. Sales staff should know about the merchandise and the requirements of disclosure
- **Fully explain** any special care which should be given to the jewellery because of a treatment applied to it to the customer before and after the sale
- **Be aware** of the minimum fineness of gold or other precious metals that you are legally allowed to sell in your market e.g. 10 carat gold is the minimum in the US
- **Respect and adhere** to specific terminology, e.g. the term semi-precious should no longer be used. All coloured gemstones are precious and their value is determined by factors specific to each one

3. Build trust in the supply chain:

- **Buy from reputable suppliers** and question them about their own policies and practices
- **Insist that all suppliers** provide a system of warranties guarantee on invoices with all purchases of diamonds and give these to customers when selling on diamonds within the supply chain. **Keep records** of all warranty invoices issued and received and get them audited and reconciled on an annual basis by auditors



- Sell diamonds, coloured gemstones, pearls, cultured pearls and precious metals that have been sourced and manufactured into jewellery in a **responsible and ethical way**
- **Make suppliers aware** of the need for disclosure. Jewellery retailers must require full disclosure for all purchases
- Know who the **reputable laboratories** located in their market are and get stock checked by a qualified gemmologist
- **Be wary of unusual pricing.** Imitations, simulants and synthetics as well as treated diamonds, coloured gemstones, pearls and cultured pearls are liable to be sold at reduced prices
- **Check for laser inscriptions** on the girdles of any diamonds you stock or intend to buy. Responsible synthetic producers label their stock as a matter of course

“Maintaining and developing consumers’ trust will contribute to the future success of your business”

4. Drive confidence through effective selling techniques:

- **Train salespeople** to ease customers’ worries by demonstrating excellent product knowledge and build relationships with them
- **Invest time** in educating consumers about jewellery characteristics, certificates and store policies
- **Create an inviting,** well-organised and intimate store environment to help ease consumers’ anxieties
- **Make sure** that your website is clear and consistent in its use of terminology and be willing to send consumers to websites mentioned opposite for further information
- **Keep issues** that affect trust in perspective, i.e. maintain the balance between providing knowledge and triggering unnecessary concern
- **Don’t forget** to promote the emotional values that make jewellery special

In summary, maintaining and developing consumers’ trust will contribute to the future success of jewellery retailers and the whole industry. If you take action to preserve trust now, you will benefit for many years to come with satisfied existing customers, repeat business and new customers.

Where can you obtain more information?

This guide provides an overview of the importance of maintaining consumer trust and the tools and practices to use to do it.

For further information we recommend the following sources:

CIBJO

- CIBJO Blue Book
 - CIBJO Gemstones Book
 - CIBJO Pearl Book
 - CIBJO Precious Metals Book
- www.cibjo.org

Diamond industry information

www.diamondfacts.org

World Diamond Council

www.worlddiamondcouncil.com

Council for Responsible Jewellery Practices

www.responsiblejewellery.com

World Gold Council

www.gold.org

The Initiative for Responsible Mining Assurance

www.responsiblemining.net

www.cibjo.org

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