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Pedal to the metal: News analysis

With the cost of gold continuing to climb and the public becoming increasingly aware of the shifts in metal prices, retailers need to react fast to changing consumer behaviour, finds Kate Donovan

When the Daily Mail declared last month that palladium was “the precious metal that’s fast becoming the hottest thing on the jewellery scene”, Retail Jeweller decided to ask the industry whether press attention of soaring metal prices was changing consumer behaviour.

This year platinum and gold have jostled for poll position in price terms. Platinum started strongly, trading on average 13% higher in the first nine months of 2011 compared with the

same period in 2010. However, it experienced some price drops in March, May and September. Dr Jonathan Butler, publications manager at precious metals assayer Johnson Matthey, says this is due to platinum demand for industrial uses being adversely affected by events including the Japanese earthquake and eurozone debt crisis. “Gold, on the other hand, tends to revert to its safe haven status during times of crisis, which typically drives the price higher,” adds Butler.

The hike in gold prices throughout 2011 continues to take up column space. “Gold has traded at a premium to platinum since September, which is a pretty rare occurrence and is the first time this has happened since the big commodity sell-off we saw in late 2008 during the financial crisis,” explains Butler. He adds that while current market uncertainty prevails, gold may continue to trade at a premium. “This could have some interesting dynamics in the jewellery market,” he adds.

What Butler called “platinum’s relative discount” has not gone unnoticed among customers. “Consumers are beginning to realise that with platinum at a discount to gold, and currently trading about \$300 (£190) lower than at the start of September, this could be a good time to buy platinum jewellery,” says Butler.

The press coverage has also helped to justify jewellery prices, according to Jason Holt, managing director of Holts Lapidary stone-cutters and the founder of Holts Academy. “In retail there is less resistance to prices because of a greater awareness that metal prices have gone up,” says Holt.

Retailers are finding that customers’ choices are now more obviously being influenced by what they have read. Harriet Kelsall, managing director of Harriet Kelsall Jewellery Design in Hertfordshire and Cambridge, says people are opting for platinum for engagement rings and that she is selling very little 18ct gold. “We’re selling a lot of platinum, a lot of 9ct gold and a lot of palladium,” says Kelsall.

With platinum and gold vying for the position of most pricey and consumer perceptions shifting, press attention has turned to palladium.

Last year, palladium hallmarking became compulsory, giving the metal an official stamp of approval. “Manufacturing of palladium jewellery in the UK has been healthy so far this year, with a 5% increase in pieces hallmarking,” says Butler.

At less than half the price of platinum or gold it is unsurprising that palladium is beginning to make small but noteworthy waves. “People have become more aware of palladium but predominantly for wedding bands,” says designer and manufacturer Kevin Charles.



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Two-store London jeweller EC One co-owner Jos Skeates agrees that palladium has its appeal for wedding bands. “We’ve stocked up on more palladium wedding bands although it’s still quite a niche market,” he says.

While some retailers only consider palladium appropriate for men’s bands, others such as Kelsall are using it for other pieces, although there are some boundaries. Palladium feels lighter than platinum and Kelsall says that design-wise palladium’s “industrial edge” means it is not necessarily appropriate for “organic and intricate” designs. She adds: “We’re careful not to oversell it. A lot of jewellers say it’s exactly the same as platinum but cheaper, which isn’t true.”

Vivienne Westwood’s first foray into jewellery in March was a palladium collection that was worn by Mad Men actress Christina Hendricks, giving the metal extra public attention, which has trickled down to retailers.

Nicholas Fitch, owner of Hatton Garden retailer Nicholas James, specialises in platinum jewellery and only offers palladium for men’s wedding bands. Fitch says: “We’ve not seen a dramatic decline in platinum sales but it would be fair to say our heavy platinum men’s wedding bands are looking very expensive, so palladium is the solution.”

Rather than deterring consumers, increased press coverage of metal prices seems to be encouraging people to invest in jewellery and has expanded their perceptions of the materials used.

While palladium is certainly one to watch in the men’s wedding band sector, only time will tell if it can diversify.

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