

## **A Study on Digitalisation of Gold Purchase and Its Impact on Indigenous Gold Traders in Mangaluru City**

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### **Abstract**

For the past few decades, the demand for the branded gold in showrooms has had a detrimental effect on goldsmiths. Traditional goldsmiths in Mangaluru, have been hit badly in their profession as the jewelry business is largely transitioned into the organized sector. Consumer demand for modern patterns and variety of jewelry and also the emphasis much on gold purity and 916 quality, digital payment options, branded jewellers are able to fulfill their demand better than the local unorganized jewellers. The sector is witnessing changes in consumer preferences due to adoption of western lifestyle. Traditional goldsmiths have not made much progress and mostly depend on the craft handed down by their ancestors and have not adopted any technological improvisations to their art work. Digitalization has caused customers to move towards Corporate branded jewellery stores to a large extent due to convenience in gold purchase through monthly schemes and instalments, ready availability of plenty of patterns and types of gold ornaments facilitating immediate purchase rather than the order and wait method, online payments for monthly schemes, aggressive marketing of gold schemes, special discounts and offers for scheme purchasers, festival offers, birthday and anniversary discounts, additional discounts on diamonds etc are the marketing strategies employed by Corporate retailers of gold to draw customers away from traditional goldsmiths. Another important cause for the shift is that the customer is more conscious of quality of gold purchased and insists on the 916 brand of

purity. Many goldsmiths are unable to provide this purity standard to their customers and thus have lost out on customers.

However there is still scope for traditional gold smiths to compete well with branded jewellery stores. This study evaluated the effect of increase in branded gold jewellery on the growth and survival of gold smiths. The major findings of the study was that inspite of the fact that the businesses of the gold smiths have been detrimentally affected due to digitalization and aggressive marketing by branded jewellery stores, the family gold smith has his own place in his customers' lives and still has potential for growth and expansion in the years to come.

## **Introduction**

Gold has always fascinated the mankind's imagination and influenced their urge to possess it. Gold occupies a special role in the social and economic life of poor and rich. In India, individuals are highly sentimental about the gold jewellery in their possession, as the gold ornaments are passed on from one generation to another. Acquisition of gold is considered auspicious and necessary for making family ornaments to get a sense of wellbeing in our country.

A goldsmith is a metal worker who specializes in working with gold and other precious metals. From time immemorial, goldsmith is the only one who with utmost devotion and dedication took up making gold ornaments as their traditional occupation and carried it on till day and in this process acquired high degree of artistic skill in the field. The extraordinary skill that requires making highly aesthetic ornaments with precision is inherent in goldsmiths.

For the past few decades, the demand for the branded gold in showrooms has had a detrimental effect on goldsmiths. Traditional goldsmiths in Mangaluru, have been hit badly in their profession as the jewelry business is largely transitioned into the organized sector. Consumer demand for modern patterns and variety of jewelry and also the emphasis much on gold purity and 916 quality, digital payment options, branded jewellers are able to fulfill their demand

better than the local unorganized jewellers. The sector is witnessing changes in consumer preferences due to adoption of western lifestyle. Traditional goldsmiths have not made much progress and mostly depend on the craft handed down by their ancestors and have not adopted any technological improvisations to their art work. These goldsmiths are local in nature and have limited geographical coverage and digitalization has resulted in established corporate gold brands taking over and ruling the organized market and has witness tremendous growth. The benefits of buying branded jewellery are many in number. But the story of local goldsmiths is heart trending as they are not able to cope up with the stiff challenge. Their customers who were mainly of the gen X would patronize them for all family functions and festivals. However, the Gen Y and the millennials have migrated to the organized sector. Many are jobless and some of them have resorted to the extreme step of committing suicide. But the customers who are oblivious of the behind the scene happenings will go on buying jewellery wherever they feel like buying and that is what sustains the big and gigantic players. The regrettable aspect of this development is that the fine craft of jewellery making by traditional goldsmiths may slowly die out and with that the lives of the goldsmiths for whom it is the traditional occupation. This research explores different dimensions of factors which affect growth and survival of goldsmiths due to shift in consumer's preference due to digitalization resulting in growth in sales of branded jewellery.

### **Review of Literature**

Zaveri Samrat (2003) in his paper Branded and gold jewellery market in India says that there was shift in consumer demand and as a result women are opting for highly fashionable jewellery. There was a rise in demand for light weight jewellery. The researchers describe that jewellers need to understand the shifting needs motivations and aspirations of consumers in the jewellery market, and to identify new trends and opportunities.

Rncos (2006) in his article Indian customers showing interest in branded

jewellery found that the gems and jewellery market in India possess a tremendous potential for future growth. It is also found that their low production cost and labours are highly skilled that can separate it from its competitors.

P.C Vinoj Kumar (2008), in his research paper 'Indian goldsmiths face a doomed future' stated that several goldsmith in Tamilnadu have levied themselves in the face of non-repayable debts and estimated that 2 Lakh traditional goldsmith are plunging into deeper poverty and few are switching their jobs.

Ekanayake(2010) Entrepreneurial Strategic Innovation Model for Attaining Premium Value for the Sri Lankan Gem and Jewellery Industry found that the gems and jewellery industry in Sri Lanka were capable to develop a competitive product base but it had positioned as an experienced reduction in market value. This was resulted to force the firms to work in isolation. They also stated that the industry system value was handled by private sector entrepreneurs without state interference

Growth strategies of Multinational companies Jewellery retail industry (Valerie Haapalainen Nan Skog, 2011). The aim of this paper is to analyse global jewellery retailing business and growth strategies to be able to draw conclusions on whether the business model and strategic decisions have an impact on the company's profitability. The formulated tasks for the research are (1) to understand what kind of business models and strategies global jewellery retailers pursue, (2) what growth strategies global jewellery retailers pursue and (3) if there is a link between a company's growth strategy and its profitability.

Diana DaSilva(2013) for the article Global ValueChain Analysis of the Gold Jewellery Industry: Upgrading Trajectories for Guyana conducted a study with the overarching objective of understanding how small to medium sized enterprises (SMEs) in Guyana can competitively improve their presence and insertion into the global market for gold jewellery.

## **Need for the Study**

Goldsmiths have been an integral part of Indian society for ages. Today, the community is at a crossroads due to drastic changes in jewellery making and the economy. The number of active goldsmiths has declined considerably and many workshops have shut shop. The trend is likely to continue as the youth in the traditional goldsmith families shun the trade. Two decades back two tiered cities across the country had nearly 25,000 goldsmiths. In the last decade, approximately 1,500 are engaged in as many workshops, mostly on the narrow streets of various cities which were once dotted with small shops and workshops of goldsmiths. What has proved to be the death-knell for the traditional craft is the popularity of machine-cut jewellery and digitalization of payments. Traditional goldsmiths have lost out to leading brands who have taken over the markets with eye-catching advertisements and huge showrooms. These showrooms offer easy installments of gold payments through attractive schemes which enable middle class to buy gold ornaments through monthly savings plans. Unremunerative wages have also affected the trade. For a long while, the wages remain at Rs 250- 400 for a work depending on the quality of workmanship. Jewellers instruct goldsmiths to reduce gold wastage and demand the highest quality at minimum cost. This is a big challenge and those persisting with the craft predict that traditional jewellery makers may not exist in the near future. Not a single family wants the younger generation to take up the trade. The typical job of a goldsmith involves cutting, polishing, soldering, forging and placing of stone studs. Traditionally, these skills had been passed down from one generation to another. All goldsmiths use the services of specialist craftsmen. The old lot is yet to come to terms with the demand for machine-made jewellery. Machine made jewellery have their own limitations as the jewellery made with advanced equipment and technology do not last long and tend to break within a few months of use. (Sekar C, goldsmith in Trichy, Tamilnadu, who is involved in cutting ornaments according to the design). This study aims at analysing the impact that digitalization and Corporate retail gold stores have had on the business and customer patronage of traditional goldsmiths.

## **Objectives of the Study**

1. To analyse the impact of Digitalization of gold purchase on customer base of traditional goldsmiths.