



August 2014



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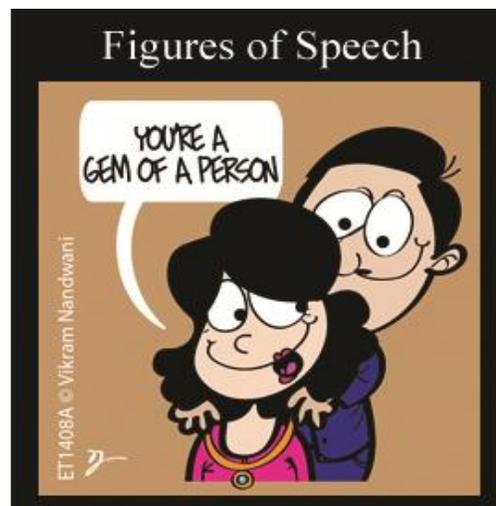
Dear Reader,

Jewelry has always been considered important since the dawn of civilization and remains an integral part of the Indian lifestyle. In Egypt, for example, the ancient Egyptians placed great importance on the religious significance of certain sacred objects which was heavily reflected in their jewelry. Indian jewelry is as old as the history of the country itself. Rajas and Maharajas vied with each other to possess the most exquisite and magnificent pieces of gems and precious stones. The significance of jewelry in the country is evident from the fact that on many auspicious occasions, jewelry forms a part of gifts and in adorning one's self.

Diamonds, on the other hand, have never been out of fashion with their breathtaking brilliance and radiance. The stones have been serenaded by Marilyn Monroe, backed by Frank Sinatra's classic, 'Diamonds are a girl's best friend'. Recent reports have also highlighted that diamonds could be an investor's best friend thanks to global demand-supply concerns.

With changing fads and social trends, the modern perception all over the world is transforming, placing importance not only on diamonds, but on other valuable gems and precious stones which forms the jewelry industry. This month we feature the subject of Diamond Jewelry.

In **Thinking Aloud**, Jay explores the fascinating world of jewelry. Although challenges persist in this sector, it is a fact that the largest chunk of revenue for India comes from its exports of gems and jewelry. Traditionally, this industry has been in the hands of family businesses, and it was the entry of the House of Tatas (Tanishq) which transformed the nature for the industry. The other part of the article highlights the rise of diamond businesses. It is not only viewed as just another piece of rock today, but like in the West, the vision is to make a diamond an integral part of the jewelry



collection of an Indian woman.

This month on the **Podium**, first generation entrepreneur and Managing Director of Kama Schachter Jewelry, Mr. Colin Shah, talks about the Indian Jewelry industry and its uniqueness, with a focus on diamonds. Further, he also delves into the various challenges faced by jewelry suppliers in carving a niche in the international market. Mr. Shah highlights the importance of the presence of specialised jewelry e-tailers, stating that this business model is definitely advantageous given the cut throat competition of the jewelry industry. He also offers some insights on his journey and challenges faced as a first generation entrepreneur and speaks of what Kama Schachter Jewelry is all about.

In **We Recommend**, we share with you various links from the web world highlighting the growth of the Jewelry industry in the coming years, the importance of the yellow metal and how other gems and stones are trying to grab buyers' attention.

**Standing Ovation** features Magic Bus India Foundation, an NGO aimed at providing trained local mentors to children ensuring equal access to education, health services and social and emotional skills. The NGO uses the medium of sport and work with children and communities towards gender equality, better education and health. Magic Bus also builds the employability skills of young people, supports them in mapping out a career path, and then links them with employment or further education opportunities. The scale and the impact of this program are unique in the Indian context; currently, the NGO works with 250,000 children and 8,000 volunteer mentors every week from marginalised communities in India.

In **Figures of Speech**, Vikram's toon knows how to impress his better half!

As always, we value your opinion, so do let us know how you liked this issue. To visit our previous issues you can visit the Resources section on the website or simply [Click Here](#). You can also follow us on [Facebook](#), [Twitter](#), [Linked In](#) & [Google+](#) - where you can join our community to continue the dialogue with us!



## Thinking Aloud

### Just Another Rock? - Jay

The fascination with jewelry - and diamonds in particular - has been legendary, and the mystique continues. While husbands may wonder why, the fact is that for centuries men have set off on quests chasing treasure troves that promised wealth of unimagined proportions, usually in the form of gold, diamonds, and other precious gemstones.

Gems and jewelry exports from India are amongst the largest export revenue earners for the country, with an estimated size of over USD 30 billion annually. With its products headed to all parts of the globe, the big markets include the United States, the Gulf nations (primarily, the UAE) and the Far East (mainly, Hong Kong, China and Japan). What is also significant to note is that the industry employs over 1.8 million people, with the diamond jewelry business being largely centered around Mumbai and Surat, with other major centers being Ahmedabad, Bhavnagar, Bhuj and Jaipur.

While vulnerable to global market pressures, particularly the consumer spending on diamond jewelry in the United States, industry leaders will tell you that what cramps them more than anything else is the bugbear of government policies that prevents them from tackling the rising threat of Chinese manufacturing. While the traditional skills of cutting and polishing of small diamonds exist in India, there is a realisation that productivity in this sector can be substantially raised by greater emphasis on quality practices and modern scale of manufacturing.

Traditionally, this industry has been in the hands of family businesses, with consumers tending to limit their purchases from trusted family jewelers. But, like many other sectors, this industry too has seen the winds of change. As in most family business the entry of a younger generation rings in new ideas for modernisation. However, it was the entry of the House of Tatas that set the cat amongst the pigeons.

While many within the Tata Group too initially wondered on the wisdom of the venture, it is now generally acknowledged that the emergence of Tanishq (from the Titan stable), was transformative in nature for the industry. The professional approach to retailing gold and other jewelry has not only brought in a new generation of customers but has also set new standards for the old family jewelers to match up to. The 'trust' associated with the Tata brand continues to serve as a powerful lever for galvanising the industry. A case in point is the recent change of government regulations of the popular Gold Schemes in the industry.

Briefly, the intention of these traditional '11 plus 1 free' installment schemes - which the industry has successfully used over many years - is to widen the customer base by providing an innovative and affordable option to the gold and jewelry hungry Indian housewife. When concerns have been raised about the likely ponzi nature of some of these deposit schemes, in the larger interest of securing consumer interests, the government brought in new regulations with the amendment to the Companies Act, with effect from April 1, 2014.

The retail trade - and to be fair, many consumers too - have been heavily impacted with this sudden move. Large operatives, like Tanishq, have taken a major hit: with over Rs 1,000 crores of deposits under the company's two schemes from over 5 lakh customers, reportedly it contributed to 20% of Titan's jewelry division's revenue.

Not surprisingly, many players in the industry have been dragging their feet in ending this lucrative line of business. Such sharp practices have contributed in creating credibility gaps in the customer's mind. However, Titan has been one of the early business leaders to walk away from this opportunity and issued large advertisements in the press, informing customers of the change in government norms and informing them of return of deposits.

The other major trend in the Indian jewelry business has been the rise of the diamond business. From being a traditional gold business - every Indian household wants to collect, nay hoard, this metal - the appeal for diamonds is relatively a recent phenomenon. While Gemstones in jewelry are not new, myths abound about the good - and ill - effects of wearing such stones. Therefore, spinning an appealing story about the charms associated with diamonds has been very necessary to grow the market.

Popular lore has added to the mystique. In India, over a decade ago De Beers successfully did this with their Nakshatra range of diamonds, using the silky charms of the reigning glamour queen, Aishwarya Rai. A slew of retailers fuelled this growth, each harping the virtues of showering your loved one with diamonds, with brand ambassadors flaunting their undying love expressed through these precious baubles. The message has not been lost on the new urban women, of all ages, who have quickly aligned themselves to the messages in the media.

This harkens back to the days of market creation of the 1940s and 50s when Frances Gerety (for the advertising agency N. W. Ayer) created the classic line that 'A Diamond is Forever'. The imagery continued to flow from her

pen, raking millions for De Beers (the kingpin of this industry), and soon was enhanced by Marilyn Monroe crooning that ‘ A Diamond is a Girl's Best Friend’.

Just as much as the diamond ring is mandatory to any engagement in the western world (read American folklore), the vision that drives the retail trade in India too is to make a diamond – of any shape, form, size or price point – an integral part of the jewelry collection of an Indian woman. Unlikely as this may sound today, do not rule it out, as the barrage of advertising through multiple media channels will succeed in persuading you, sooner rather than later.

And, for those who viewed the lustrous stone as just another piece of rock, they may well remember Monroe’s words that:

‘ Men grow cold as girls grow old;

And we all lose our charms in the end;

But square cut or pear shape, these rocks don't lose their shape;

Diamonds are a girl's best friend!

Truly, music to the jewelry industry!

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## Podium

### Mr. Colin Shah - Managing Director of Kama Schachter Jewelry Pvt. Ltd.



**Mr. Colin Shah is the Managing Director of Kama Schachter Jewelry Pvt. Ltd., a position he has held since inception. Mr. Shah established Kama Jewelry in the year 1996 and was responsible for the successful joint venture with Leo Schachter in 2007 to form the new company Kama Schachter.**

**It is under Mr. Shah’s visionary leadership that the team at Kama is taking critical steps to drive profitability, gain global market share, improve product quality, customer care standards and consistently invest in technology.**

**Mr. Shah is the elected studded jewelry convener in the Gem and Jewelry Export Promotion Council of India (GJEPC) and is a committee member in the Santa Cruz Export Promotion Zone (SEEPZ) and Jewelry Manufacturers Association (SGJMA). He is a member of the Young President Organisation (YPO), comprising of a global network of approximately 20,000 young executives in more than 100 countries and a member of the Entrepreneur Organization (EO), an organization**

**engaging leading entrepreneurs.**

**To date, Mr. Shah's efforts have been recognized by numerous organizations' including the Government of India and the Gem and Jewelry Export Promotion Council resulting in awards like the Largest Exporter outside SEEPZ for four consecutive years, the Udyog Ratna Award and Emerging SME Award.**

**ET: Please share with us what makes the jewelry industry unique? In particular, please share with us the reasons for emergence of the diamond jewelry industry.**

**CS:** Jewelry is deeply ingrained in the Indian cultural heritage and passion for jewelry runs high amongst Indians. Moreover, the jewelry industry in India has a long history. It is not a fad product. From the early days, jewelry was worn as a mark of social status and the same factors continue to drive business even today.

Like in every aspect of the Indian ethos, cultural and geographical diversity holds accordance in the jewelry industry too. Demand for different types of jewelry, availability of talented craftsmen, availability of precious stones and gemstones caused this sector to rise. Furthermore, our expertise in the craft of cutting and polishing stones brought us in the limelight globally and soon India was amongst the few 'cutting & polishing centres' recognised worldwide. The labour-intensive (which was available easily) nature of the craft, its export orientation and potential to gross foreign exchange made it an industry to reckon with.

**ET: What are the concerns faced by Indian jewelry suppliers in carving a niche in the international market?**

**CS:** Earlier factors such as fragmented nature of the Indian jewelry industry, unorganised players in the sector, higher dependence on indigenous technology, inadequate capital to scale the businesses, made an impact on the growth prospects. Operating market dynamics internationally such as the cultural divide, alignment with global tastes and preferences, design sensibilities, their outlook towards India, standards of automation, expectation mismatch also proved to be limitations. Having said that, the Indian jewelry players did make a mark internationally. For example, 21% of the imports by US are from Santa Cruz Export Promotion Zone (SEEPZ).

Closer to the present times, over dependence on the US market, which in turn is dependent on the demand in the US economy, the fluctuation in the Rupee, unstable raw material prices, import and export regulations, emergence of China as a strong jewelry hub, competition from other goods in the luxury segment, all keep the Indian jewelry manufacturers on their toes.

**ET: E-tailing is growing in India and we see the presence of specialised jewelry e-tailers too. What are your views on the e-tailing of jewelry?**

**CS:** I don't think jewelry manufacturers today have the choice to not do it. The discussion is about how well we do it. In principle, it works very well for a retail brand like ours which has brick and mortar presence only in 1 city, but is able to cater to customers Pan-India because of our e-commerce presence. Customers prefer it on account of the convenience and the choice it offers while manufacturers are lured because of the cost efficiencies, limitless shelf space, and a wider distribution network. So yes, it is definitely advantageous, but the trick here is how soon you can crack the code and make it a business model that is worth all that it takes!

**ET: From a humble beginning as Kama Jeweller to what it is today – Kama Schachter, could you please share some insights about the company and its pioneering steps of differentiation from your competitors?**

**CS:** Kama Schachter is amongst the top 10 diamond jewelry manufacturers out of Asia. Established in the year

1996, we have 18 years of experience in manufacturing, marketing and in distribution of diamond jewelry globally. We have received several accolades, the most prominent being the Largest Exporter of Diamond Jewelry out of SEEPZ for 4 years, Emerging SME Award and the Udyog Ratna Award. Our infrastructure includes 3 factories across India and China, design studios in Mumbai & Hong Kong, 6 sales offices worldwide and a diamond sourcing facility at BKC, Mumbai.

We are passionate about diamond jewelry. Years of innovation, high standards in quality, backed by our facilities for mass production with mechanization for precision, a wide assortment of basic skills and a customer centric approach has resulted in our ability to supply superior products at competitive prices. This along with customer friendly measures from our multi-cultural sales offices globally such as on time delivery and efficient post-sales service also makes us a preferred vendor-partner to work with.

**ET: What are the challenges of being a first generation entrepreneur and what is your advice to our readers who would want to venture out into the world of entrepreneurship?**

**CS:** In India, the business of Jewelry is family-run and unlike the others in the industry, I was a so called outsider. So the challenges were ample - right from learning the tricks of the trade, to gaining confidence of peers, associates, financiers and customers alike, setting up a scalable business, building my army of leaders, differentiating Kama, and to put it mildly the challenges haven't ceased yet. However, there was a will to succeed, the faith that I could do it and hardwork that I could invest. As I ventured, armed with a vision and these basic investments, the industry extended a warm welcome. About 18 years of running a first generation diamond jewelry business has taught me a lot and I would like to share some things I have picked during my journey:

**Take risks:** If you've never taken risks, there is nothing new you've learnt. Break free of inhibitions, don't be afraid of falling down, and explore something that you've never seen or heard of. Your will is sure to find you a way to success.

**Be positive:** Once you've taken up something, think of success rather than worrying about failures. Do the best you could to make things happen. As J.R.D. Tata would put it, " Never start with diffidence;always start with confidence."

**Stay in touch:** Staying abreast of the latest in your sphere of business is imperative. Change is inevitable and as we all know, ' the only thing that is permanent'. Refresh your knowledge, keep yourself updated and be open to advancement in processes, ideas, technology et al.

**Take care of people:** People who serve you will look up to you. Take care of them and they will put their heart and soul into what they do for you. We have people working with us since we started and they are the real assets on the balance sheet.

**Aspire for doing better:** Having achieved a target, start preparing for a higher goal, because the fact that you've achieved something only means you is now ready and capable for something more.

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## **We Recommend**

### **Articles & Links**

In ' We Recommend' this month, ET brings to you some quick links to reports and articles extracted from the World Wide Web related to the realm of jewelry, gems and diamonds.

#### **1. A multifaceted future: The jewelry industry in 2020**

McKinsey&Company reports that the evolution of the apparel industry provides an interesting pattern of how the jewelry industry might develop. To what degree the two industries will mirror each other remains, concluding that the jewelry industry will be highly dynamic in the years to come.

**Link:**

[http://www.mckinsey.com/insights/consumer\\_and\\_retail/a\\_multifaceted\\_future\\_the\\_jewelry\\_industry\\_in\\_2020](http://www.mckinsey.com/insights/consumer_and_retail/a_multifaceted_future_the_jewelry_industry_in_2020)

#### **2. The Global Diamond Industry: Portrait of growth**

Bain & Company closely looks at the diamond value chain and traces its route to the market, with a detailed view of channels and approaches for rough and polished diamond sales. The report also has in-depth analyses of diamond sales models and approaches.

**Link:**

[http://www.bain.com/Images/BAIN\\_REPORT\\_The\\_global\\_diamond\\_report\\_2013.pdf](http://www.bain.com/Images/BAIN_REPORT_The_global_diamond_report_2013.pdf)

#### **3. The seven drivers of the gold price**

The Telegraph examines the key drivers and the factors that determine the price of the yellow metal, and why gold is valued.

**Link:**

<http://www.telegraph.co.uk/finance/personalfinance/investing/gold/11014933/The-seven-drivers-of-the-gold-price.html>

#### **4. Rubies in the sky with diamonds**

Over the years, the price of high quality rubies has increased. This article, extracted from Economist, highlights the several forces driving the price rise, one being thanks to extravagant Asians and edgy Westerners. The article also underlines a word of caution despite the rising prices.

**Link:**

<http://www.economist.com/node/21528623>

## 5. Diamonds are still forever, but gems are catching up

Economic Times, in this article, highlights that although gems are rarer than diamonds, the former did not attract enough customers or translate into a market premium for gems. However, there seems a change of trends; the gems industry in India is catching up, with changing consumer trends.

**Link:**

[http://articles.economictimes.indiatimes.com/2013-02-16/news/37133129\\_1\\_largest-diamond-coloured-stones-carat](http://articles.economictimes.indiatimes.com/2013-02-16/news/37133129_1_largest-diamond-coloured-stones-carat)

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## Standing Ovation

### Magic Bus India Foundation



Matthew Spacie founded Magic Bus in 1999 with a mission to give a better life, skills and better opportunities to underprivileged children. Magic Bus is Asia's largest mentoring organization that is working to move some of the world's poorest children from poverty. Present in various parts of India, Magic Bus uses mentors and a sports-based curriculum to engage children and ensure that they make the right choices from childhood, all the way through to better livelihoods as adults.

**Vision:**

Magic Bus gives millions of children living in poverty, the opportunity to control the way they view the world, the freedom to choose the role they will play in it, and the power to define their own destiny.

**Mission:**

Empower children and youth to discover and develop through sport.

The Activity Based Curriculum (ABC) is a unique model that uses games to induce change. 40 sessions per year – each with a lesson, teach children about education, gender, health, and key issues affecting them. The games excel in building physical, social, and personal skills. Local youth volunteers are trained to be mentors and role models to other children. They conduct ABC sessions and act as catalysts for community change. On the other hand, the Connect Programme bridges the gap between possibility and opportunity through access to training and courses. Nearly all the youth end up pursuing higher studies and/or enrolling in our employability program.

More than 220,000 children attend Magic Bus' mentoring programmes delivered by youth leaders, every week in India. The 700 Magic Bus staff members and 8,000 youth leaders work in some of the poorest parts of the country, including the pockets of poverty in urban and rural Andhra Pradesh, Delhi, Goa, Haryana, Karnataka, Maharashtra, Odisha, Rajasthan and Tamil Nadu.

With 250,000 children and 8,000 volunteer mentors every week from marginalised communities in India, this NGO is on course to have one million children in their programme by 2015.

To learn more and to feel connected, one can visit <http://www.magicbus.org>.

For its sporting cause, Magic Bus deserves a standing ovation!

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