

Retail gold insights: China Jewellery



About the World Gold Council

The World Gold Council is the market development organisation for the gold industry. Our purpose is to stimulate and sustain demand for gold, provide industry leadership, and be the global authority on the gold market.

We develop gold-backed solutions, services and products, based on authoritative market insight, and we work with a range of partners to put our ideas into action. As a result, we create structural shifts in demand for gold across key market sectors. We provide insights into the international gold markets, helping people to understand the wealth preservation qualities of gold and its role in meeting the social and environmental needs of society.

Based in the UK, with operations in India, China, Singapore and the USA, the World Gold Council is an association whose members comprise the world's leading gold mining companies.

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Foreword



Roland Wang
Managing Director, China
World Gold Council

From humble beginnings, China's jewellery market emerged to become a global powerhouse – the largest jewellery market in the world. In the space of thirty years, Shenzhen – the epicentre of Chinese gold jewellery manufacturing – grew from its small roots into a bustling metropolis of more than twelve million people.

Today, China's gold jewellery market is a world leader. Chinese consumers have a passion for gold jewellery, recognising not just its beauty and lustre, but also its financial worth: the prominence of 24k pure gold is testament to that.

It is true that, after several years of explosive growth, demand for gold jewellery has tapered off in the last few years from the heady heights of 2013 - 2014. The industry has risen to this challenge, tackling the slowdown in demand with innovation,

developing new technologies and manufacturing processes to create exciting new gold jewellery product ranges. The introduction of 3D hard gold and heritage gold, among others, is proof of the industry's desire to adapt, innovate and respond to changing consumer tastes.

But there is a need to ensure that those energies are being directed towards developing the right products that appeal to the right people in the right way. And, through sharing the insights in this report, the World Gold Council hopes it can help the industry to do just that.

Our survey of 2,000 fashion and lifestyle consumers has unearthed a wealth of information into the attitudes, behaviours, preferences and motivations of this key audience. We hope that individual businesses can use these insights to tailor their product offerings, marketing campaigns, retail strategies and production processes to capture the attention of a greater audience. And key to doing so will be to address some of the main challenges facing today's consumers. Top among these are:

1. Style and fashionability issues.

A common theme among Chinese women who have not previously bought gold jewellery is a feeling that it doesn't suit their style or taste, and that they can't find designs that they like. Creating more modern, lightweight designs that cater to the tastes of modern women will be essential in appealing to this audience.

2. Less engaged 18- to 24-year-old consumers. Younger Chinese women show less of an emotional connection with gold jewellery than older generations do. They don't feel that it is particularly relevant to them. Targeted marketing campaigns, via social media channels, including the endorsement of trend-setting celebrities, may help encourage greater interest in gold jewellery among this age group.

3. Effective digital marketing and e-commerce strategies.

China's digital evolution has outpaced that of most other markets. Online touchpoints are crucial as the consumer progresses throughout their purchase journey, from surfing online sources for ideas and inspiration, to joining celebrity live-streaming sales events, to browsing interactive online stores, before – finally – sharing their purchase on social media. An advanced, exciting digital strategy will be crucial to gold maintaining a meaningful share of the fashion and lifestyle consumer market.

I hope that this report fires up the imagination of China's gold jewellery industry, inspiring it to flex its creative muscles. I hope to see retailers, manufacturers and wholesalers respond, adapt and innovate in a way that attracts a new population of gold consumers, while also reigniting the appeal of gold jewellery among their traditional customer base. Together, we can help China's gold jewellery market remain the best in class.

Executive summary

Gold is interwoven into the fabric of Chinese life.

Gold jewellery remains the most owned 'fashion and lifestyle' product in China. Not only is it bought as an heirloom and seen as a mark of success; it has attributes other than those relating to wealth. Gold is considered to bring luck and is believed to command respect. And it remains part of everyday life for many Chinese women.

China is a country of cultural flux and generational shift.

China is at the forefront of technological development and this is reflected by the younger generation who have grown up in the digital age. They live with and love technology. It is where they spend their disposable income and, often, how they show their style. For the population of Gen Z and Millennials, who are less concerned with tradition, gold risks losing its relevance.

30% of women have never bought gold but say they would consider doing so in the future.

This sizeable tranche of the market offers a huge conversion opportunity. Although prestige and status are key drivers of gold jewellery buying, it lags behind in terms of being trendy and stylish, even for women in older age groups. If gold is to reach consumers who have never

bought it before, it will need to do so with contemporary designs that are wearable in everyday life as well as for special occasions.

Younger women could become more engaged with gold through product development.

Our research found that women in the 18-24 age group feel less connected to gold. They cite various barriers to purchase but two factors top their list: jewellery design and the feeling of 'having enough already'. The two are intertwined. If the industry can find ways of developing products that appeal to this audience – such as lightweight stylish pieces and designer items – desirability will override the feeling of having enough gold in the form of heavier, more traditional pieces.

The industry must evolve to stay ahead.

Along with the rising spend on technology, gold's dominance is threatened by fashion silver and costume jewellery – often sold by brand outlets such as Pandora – and other luxury goods. Our research has uncovered essential information about attitudes to gold, types of consumers, drivers of demand, the purchase journey and potential barriers. It concludes that the Chinese market offers substantial capacity for growth; this can be realised if the industry is able to respond with innovation and engagement, cross segment and generation.

Ethical gold and ESG.

There is a small but growing percentage of consumers who are concerned around the environmental impact of gold and our research highlights the segments where this is felt most keenly. ESG concerns represent a challenge both for today and for the future, as consumers grow ever more aware of, and concerned for, their environment. And gold must respond. The industry has taken enormous strides to meet ethical and ecological challenges – a key message for consumers to hear.

Within China, we conducted:

2,021

online interviews with consumers in cities across Tiers 1-4



Gold jewellery in China: a huge opportunity for growth

Penetration and purchase intent

Global

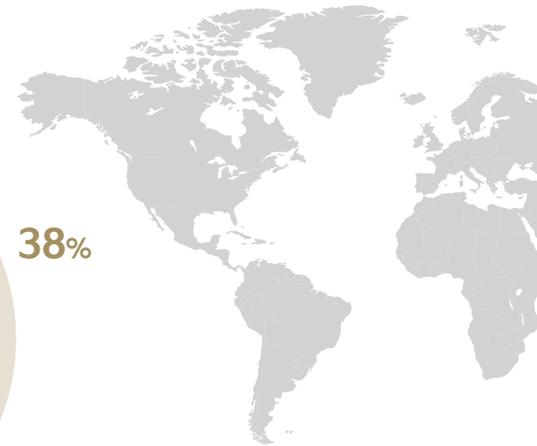
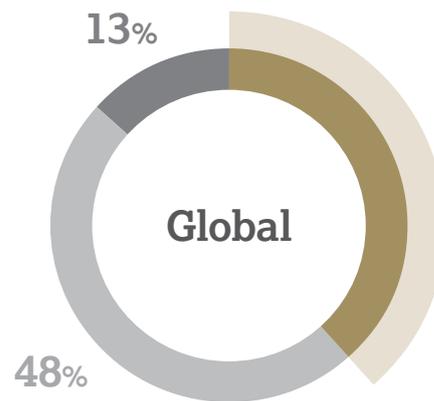
Considering buying gold

Never bought in the past

Considering buying gold

Has bought in the past

Won't consider buying gold



Product ownership – China

All respondents

Fine gold jewellery



Smartphone or tablet



Silver jewellery



Luxury cosmetics and skincare



Luxury accessories/shoes/handbags



Platinum jewellery



Diamond jewellery



Designer/luxury clothes

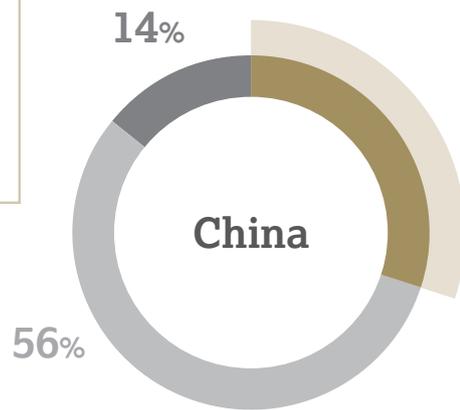


Wearable/fashionable tech



Premium watches





Penetration and purchase intent

China

Considering buying gold

Never bought in the past

Considering buying gold

Has bought in the past

Won't consider buying gold

Product ownership – China

18 to 24-year-olds



China: gold's dominance continues

Gold jewellery enjoys a strong cultural position in China.

The most owned luxury product, it has a higher percentage ownership (62%) than smartphones or tablets, silver jewellery, or designer and luxury fashion goods. Gold is believed both to bring good luck and to command respect.

Gold is part of mainstream life.

The majority of Chinese women continue to view gold jewellery positively. It is bought as an heirloom, regarded as durable and valuable, and is viewed as a reward for success. But it is much more than a show of wealth or an investment. Cultural tradition means that gold is often thought to be a bringer of good luck and, for many, it evokes memories of happy times because of its intrinsic link with gold buying occasions such as anniversaries, birthdays and Valentine's day.

The majority of consumers in China are likely to believe that gold is ethically produced and that it has a positive social impact. And they place emphasis on the feelings of security it bestows. Jewellery pieces passed

down through the generations help to preserve its strong cultural connection.

Gold jewellery spend is increasing, primarily among consumers in higher tier cities.

The rapid economic development within China may have shown signs of deceleration over recent years but the increase in individual wealth and, with it, spending power, is notable. The survey reveals a significant jump in the affordability of gold jewellery since 2016. This is most evident at either end of the city spectrum – with consumers in Tiers 1, 3 and 4 all being far more likely than they were in 2016 to consider gold as being 'very affordable'. That being said, only 18% of Tier 3 and 4 city dwellers consider gold as 'very affordable' compared with 28% of Tier 1 respondents.

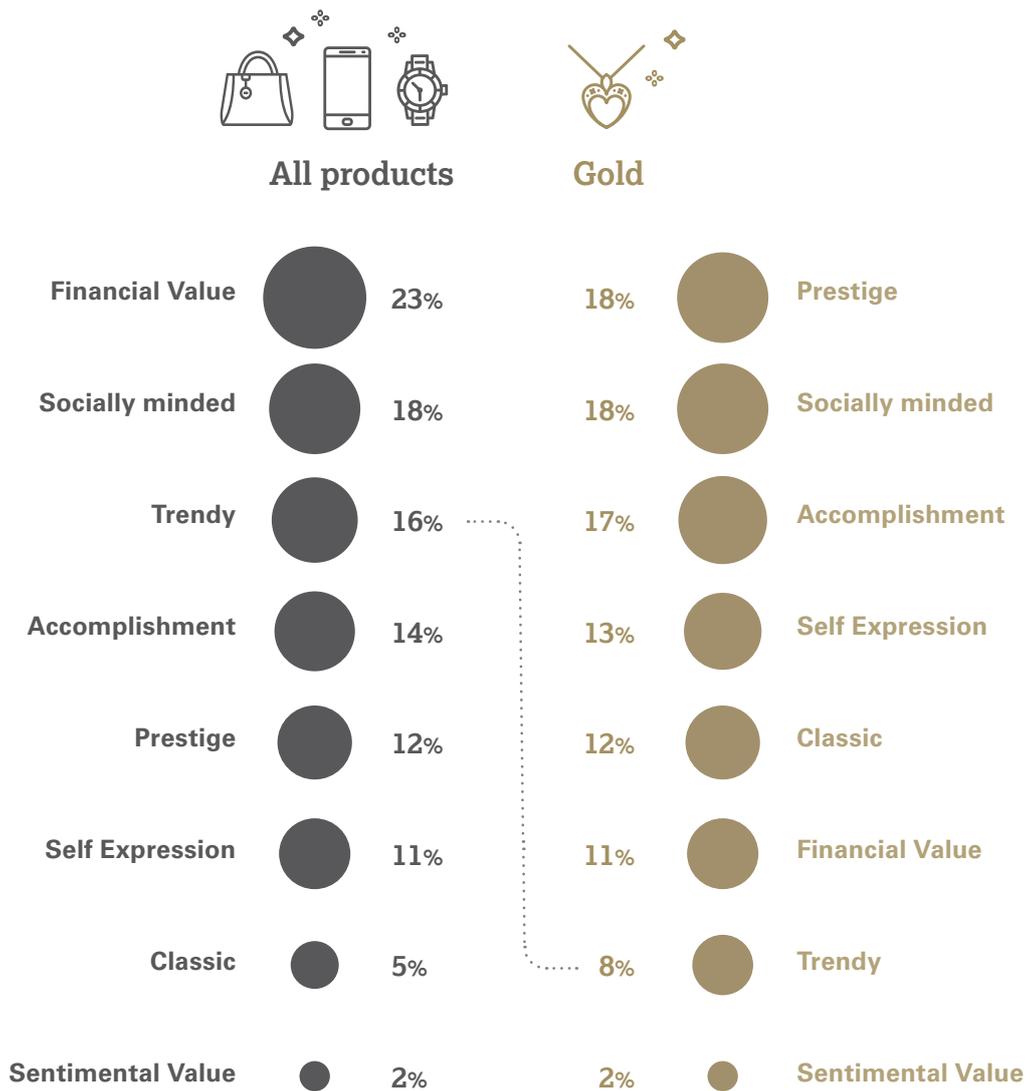
And overall, consumers are buying more gold now than they did five years ago; 79% say that they are spending more and 81% are buying more items. Furthermore, 83% believe they are paying a higher average price for the gold jewellery they purchase, yet this does not appear to be a deterrent – particularly

for the higher tier consumers, one third of whom tell us that they are spending 'significantly more' on gold jewellery than they did five years previously. In comparison, those in Tiers 3 and 4 were more likely to say that their spending had either remained the same or declined over the last five years.

Drivers of demand highlight style challenges for gold.

The drivers behind the desire to purchase gold jewellery relate to prestige, social factors and accomplishment. When we compare this with the fashion and lifestyle category as a whole, however, gold is clearly falling behind in its perception of trendiness. Consumers who are motivated by style, fashion and self-expression do not regard gold jewellery as especially trendy – a perception that likely represents a barrier to purchase. But if retailers are able to influence new product development and thereby alter this perception, that barrier could be transformed into a demand opportunity. It is retailers who have first-hand knowledge of what the customer really likes, and there is much to gain if they can share this invaluable insight with manufacturers.

Drivers of purchase intent



The potential for growth from conversion and repeat purchase opportunities.

Despite gold's clear position of strength, our research highlights that significant opportunities remain for retailers to reach more consumers in China. In fact, opportunities for repeat purchases there (56%) are greater than those globally.

Women offer a sizeable conversion opportunity, with 30% claiming they would consider buying gold in the future even though they have not done so in the past. But 46% of these women say that they can't find jewellery that appeals to them, while 42% say it doesn't match their style. And 41% say that they have enough gold jewellery already, despite never having bought any themselves.

Attributes such as durability and value continue to be important to women when they make purchasing choices, but gold could do more to convince customers of its worth. Our research showed that in purchase intent, financial value was not uppermost in the customer's mind. Gold's monetary nature is unique among luxury items - an attribute often overlooked and seldom mentioned in marketing communications. This message of 'today's desires from yesterday's gold' is likely to encourage repeat purchase and help build brand loyalty.

But the key message here relates to design. Retailers could benefit from an upturn in demand if they are able to engage with their audience and develop products that appeal to today's stylish and fashion conscious Chinese woman.

A change in culture and behaviour.

China is a country at the forefront of technological change. It has a fascination with, and a belief in, all things technical. This fascination is evident among Chinese consumers, particularly Millennials and Gen Z who have known nothing other than the digital age. Their formative experiences have been influenced by technological developments and they have grown up with broadband and internet access. This technically savvy segment will drive growth in China's consumer markets. It is comprised of highly creative individuals who are adaptive to the new and sensitive to trends.

Nowhere is this state of cultural flux and generational shift exhibited more clearly than in the 18-24-year age group. This segment's inclination towards technology is reflected in their spending on luxury products, including gold: just 37% of them own gold jewellery compared with around 66% of those aged 25 and over. Digital dominates this audience. They expect immediacy and opportunities will be missed unless retailers can



56%

of women have bought gold before and would consider buying again in the future.



90%

of considerers who have never bought gold cite reasons relating to desirability or fashion.

satisfy their need for sophisticated browsing and effortless buying.

This age group displays a lower interaction with the luxury category overall, selecting other products above gold and ranking it as only their sixth most important choice. They often see gold jewellery as ostentatious and feel less that it commands respect or helps them stand out from the crowd. And unlike their elders, they don't link gold jewellery with happy memories.

In general, they like to spend their money on more transient items. When asked how they would spend a sum of unexpected money, smartphones/tablets and luxury holidays were two of the top choices. And those options were particularly popular among 18-to-24-year-olds in lower tier cities. Tier 1 young consumers, meanwhile, were more likely to choose diamond jewellery. Gold jewellery was the fourth most popular choice, with 12% of this younger age group (consistent across city tiers) saying they that if they received unexpected money, they would treat themselves by buying gold jewellery.

Headroom for growth.

As consumers within the 18 to 24-year age group grow older and their spending power increases, challenges will need to be addressed if they are to purchase gold jewellery in the way their elders have done.

They are less concerned with tradition and have a preference for silver – 53% buy silver jewellery against 37% who purchase fine gold jewellery. Yet, despite this inclination towards silver our research shows that their interest in fine gold jewellery is growing. They are attracted by designer brands and fashion accessories and prefer trendy items and lighter-weight pieces. Gold needs to fulfil these needs through researched product development and, if it is to reach its target, be marketed via communications that appeal to this segment.

Most significantly, our research uncovered the fact that 30% of consumers have never bought gold in the past but are thinking about doing so in the future. A further 56% consider themselves to be potential repeat purchasers. Among consumers of luxury goods, only 14% have not bought gold jewellery to date and do not believe that they will. So long as gold can remain relevant to a fast-changing Chinese society it can reap rewards from this vast target market.

Key drivers of gold jewellery demand relate to prestige and signalling of status, but gold lags behind in terms of being trendy. Raising its appeal as a fashionable purchase choice – through more enticing designs and, for example, the ability to customise pieces to reflect the individual's personality and style – is sure to help drive demand.

Understanding the different lifestyle and fashion consumer segments

Six distinct segments of fashion and lifestyle consumers were identified from our global research. Consumers are grouped into segments according to their similar characteristics; segments differ from each other in terms of consumer attitudes to fashion and lifestyle products, behaviours and needs.



Segmentation of lifestyle and fashion consumers

While there are specific market differences in terms of size and behaviour, as well as cultural nuances, these segments are globally

relevant and thus help to establish a common language for engaging with consumers.



Unassuming Altruists



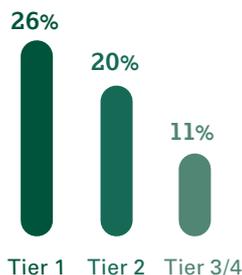
Women within this segment enjoy buying high end fashion/lifestyle items as gifts for other people and enjoy receiving gifts but they do not believe in buying for themselves. For them, shopping in this category is a way to keep up with their peers. Although they wear jewellery, they feel it can be old fashioned. They are active on social media, posting comments and reading about luxury products or jewellery.



Passionate Fashionistas



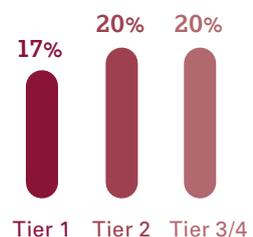
These fashion-forward women love keeping up with the latest trends and browsing for luxury fashion items and jewellery. They spend time seeking out new types and designs of jewellery. Preferring to spend their money on tangible items rather than experiences, brand names are important to them. They have the highest ownership of a wide variety of fashion and lifestyle products and jewellery.



Sentimental Traditionalists

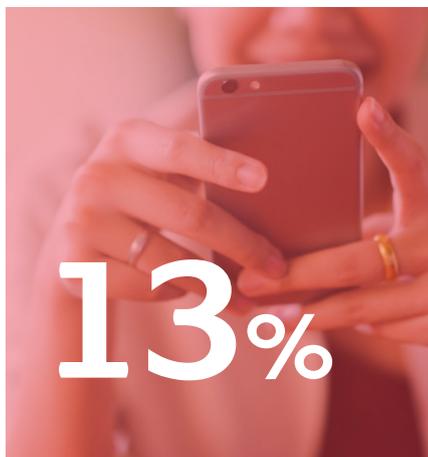


They believe jewellery symbolises love and tradition and see it as a way to uphold customs. They enjoy receiving fashion and lifestyle products as gifts, seeing them as a rare treat. They buy for others rather than themselves as a way of showing they care. They prefer to spend their money on experiences.

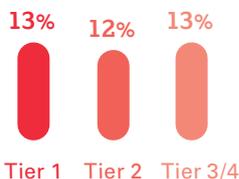


These six segments exist in all city tiers but there are more Passionate Fashionistas in Tier 1 and 2 cities and more Utilitarians in Tier 2, 3 and 4 cities. This difference is most likely socio-economically driven.

 **Social Flaunters**



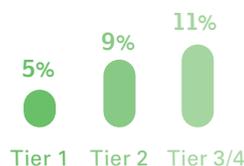
Outwardly focused, these women buy high-end fashion and lifestyle goods as a way to demonstrate their success and keep up with their peers – they choose to spend their money on tangible items rather than experiences. They are active on social media, posting comments and reading about luxury products or jewellery.



 **Young Utilitarians**



These environmentally conscious young women prefer to spend their money on products that are functional in some way. They are more likely to own technology and if they buy fashion and lifestyle items, they look for products produced in a way that minimise environmental impact. Brand names are not important to them.



 **Mature Utilitarians**



For this older group, products from this category are a rare treat – something they might buy with unexpected money. Preferring to spend their money on experiences, if they do buy fashion and lifestyle items, they look for products that are functional and have been ethically produced. They are less engaged with social media.



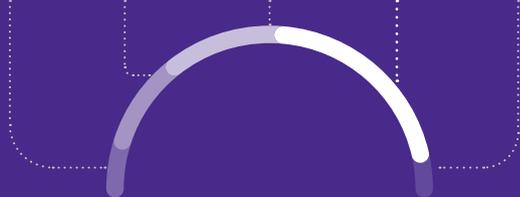
Profiling the biggest jewellery segments



Unassuming Altruists

Age

18-24	25-34	35-44	45-54	55-65
10%	19%	24%	40%	7%



Top products purchased for self

Fine gold jewellery	51%
Platinum jewellery	34%
Luxury cosmetics/skincare	33%
Silver jewellery	32%
Diamond jewellery	32%

Top gifts bought for others

Fine gold jewellery	33%
Platinum jewellery	23%
Silver jewellery	22%
Luxury cosmetics/skincare	22%

Sources for ideas and inspiration

36%

Fashion or jewellery brand websites

32%

Social media

28%

Friends/relatives

Overall feelings about gold



76%

Agree that none of my friends or the people I know talk about gold

76%

Agree that when I see gold it brings back lots of happy memories



Passionate Fashionistas

Age

18-24	25-34	35-44	45-54	55-65
15%	47%	28%	8%	3%



Top products purchased for self

Luxury cosmetics/skincare	64%
Luxury accessories/shoes/handbags	55%
Smartphone/tablet	53%
Fine gold jewellery	51%
Designer/luxury clothes	50%

Top gifts bought for others

Luxury cosmetics/skincare	35%
Fine gold jewellery	34%
Silver jewellery	29%
Luxury accessories/shoes/handbags	27%

Sources for ideas and inspiration

72%

Fashion or jewellery brand websites

63%

Social media

58%

Browsing in shops

Overall feelings about gold



96%

Agree that gold is durable

92%

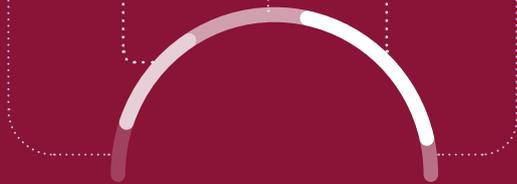
Agree that gold is a good heirloom to pass on to family/children



Sentimental Traditionalists

Age

18-24	25-34	35-44	45-54	55-65
11%	21%	25%	36%	7%



Top products purchased for self

Fine gold jewellery	60%
Platinum jewellery	43%
Luxury cosmetics/skincare	42%
Wearable/fashionable tech	40%
Luxury accessories/shoes/handbags	39%

Top gifts bought for others

Fine gold jewellery	42%
Luxury cosmetics/skincare	28%
Platinum jewellery	26%
Silver jewellery	22%

Sources for ideas and inspiration

42%

Social media

40%

Fashion or jewellery brand websites

35%

Friends/relatives

30%

Magazine/newspaper articles

Overall feelings about gold



79%

Agree that gold will never lose its value over the long term

76%

Gold can bring me good luck



Gold jewellery was the top product bought by Unassuming Altruists and Sentimental Traditionalists for themselves. Among Passionate Fashionistas, who tend to be younger, it ranked in fourth place.

Within each of these key segments there is untapped gold demand. A significant proportion of each segment are 'considerers' – i.e. women who would consider buying gold jewellery in the future, having never done so in the past. Between one quarter and one third of these three consumer segments fall into this category, the most sizable being in the Unassuming Altruist segment.

This analysis shows that there is considerable untapped demand in China, and it is cross segment. By addressing their respective barriers in a meaningful way, these considerers could be converted into gold jewellery purchasers. Different parts of the value chain, as well different retailers, will be best placed to address the needs of different segments.

For all three of these sub-segments, issues around style and fashionability are the biggest obstacles – one of the biggest barriers to buying gold is because they couldn't find anything they liked. Passionate Fashionistas and Sentimental Traditionalists considerers in particular feel that it does not suit their style. This clearly highlights the need for more innovative and relevant product design that suits the needs of today's women.

Another major barrier to buying gold jewellery among these women is the feeling that they have enough already. This may at first seem surprising, given that these women have never bought gold themselves – but many will have inherited and/or been gifted gold, which accounts for this sense of market saturation. Reflecting the growing awareness of social and environmental issues in China, Unassuming Altruist considerers are concerned about the environmental impact.



Passionate Fashionistas

29% Gold considerers

Barriers - Fashion

I couldn't find anything I liked



It doesn't suit my style



It's too flashy



I don't know anyone who wears gold jewellery



Barriers - Saturation

I have enough already



Barriers - Awareness

I can buy less expensive jewellery which looks just as good



Barriers - Trust

The purity of the gold is not guaranteed





Unassuming Altruists

31% Gold considerers

Barriers - Fashion

I couldn't find anything I liked	30%
It's too flashy	24%

Barriers - Saturation

I have enough already	29%
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Barriers - ESG

Gold jewellery is not produced in a way that minimises environmental impact	26%
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Barriers - Other

I have been recommended not to	25%
It isn't worth the money	25%
I can't store it safely	24%



Sentimental Traditionalists

23% Gold considerers

Barriers - Fashion

I couldn't find anything I liked	53%
It doesn't suit my style	39%

I don't know anyone who wears gold jewellery	21%
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Gold isn't in fashion	20%
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Barriers - Saturation

I have enough already	45%
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Barriers - Trust

The purity of the gold is not guaranteed	31%
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Barriers - Other

I have been recommended not to	20%
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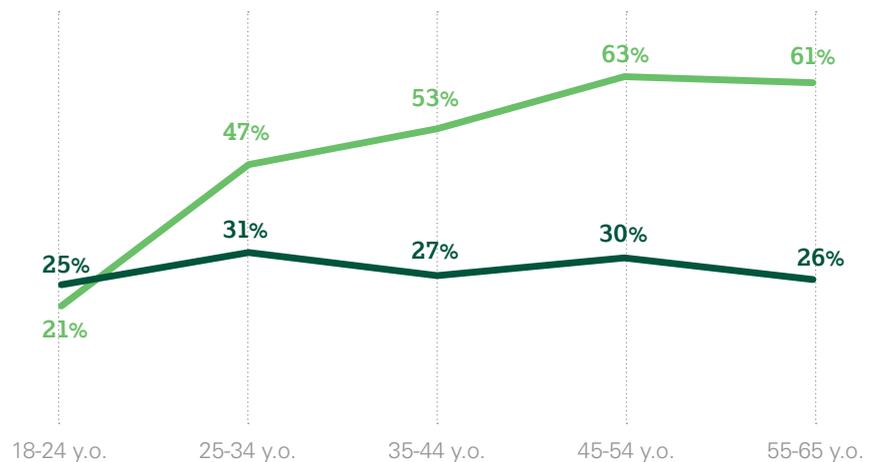
Younger generation

Chinese women in the younger 18-24 age bracket should be of particular interest to the gold jewellery industry. If it can pay attention to their attitudes and focus on their needs, it has a clear opportunity to build an affinity with gold jewellery among this key consumer generation.

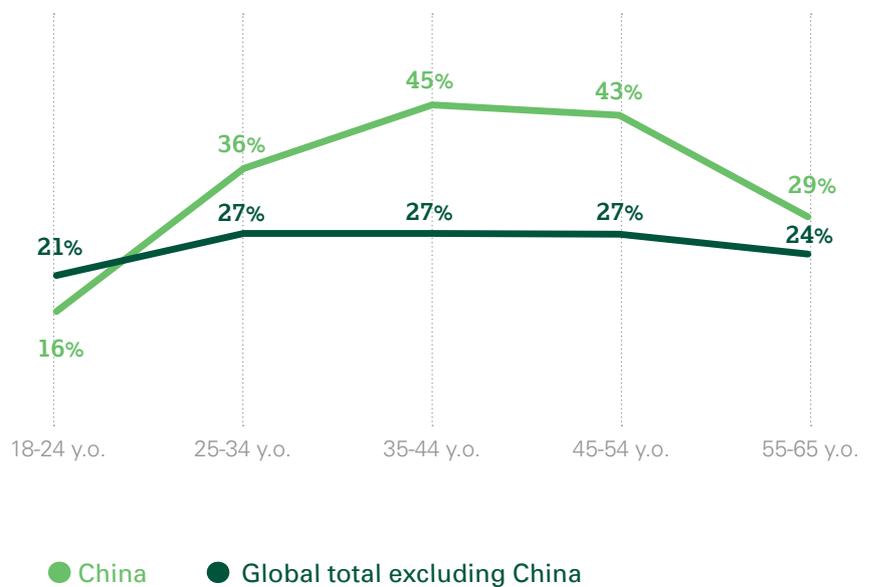
Young women buy far less gold jewellery than do those in older age groups: only 21% of those aged 18-24 had bought gold in the 12 months preceding the survey, a figure that jumps to 47% for the next higher age bracket. Similarly, their future purchase intent trails behind that of their older peers, with only 16% saying they intended to buy in the next 12 months, compared with 36% for 25-34 year olds.

And this generational disconnect is far more marked in China than other markets: this is the only group of Chinese women whose actual and intended levels of purchase are below those of their contemporaries in India and the US.

Bought gold jewellery for self in the last 12 months

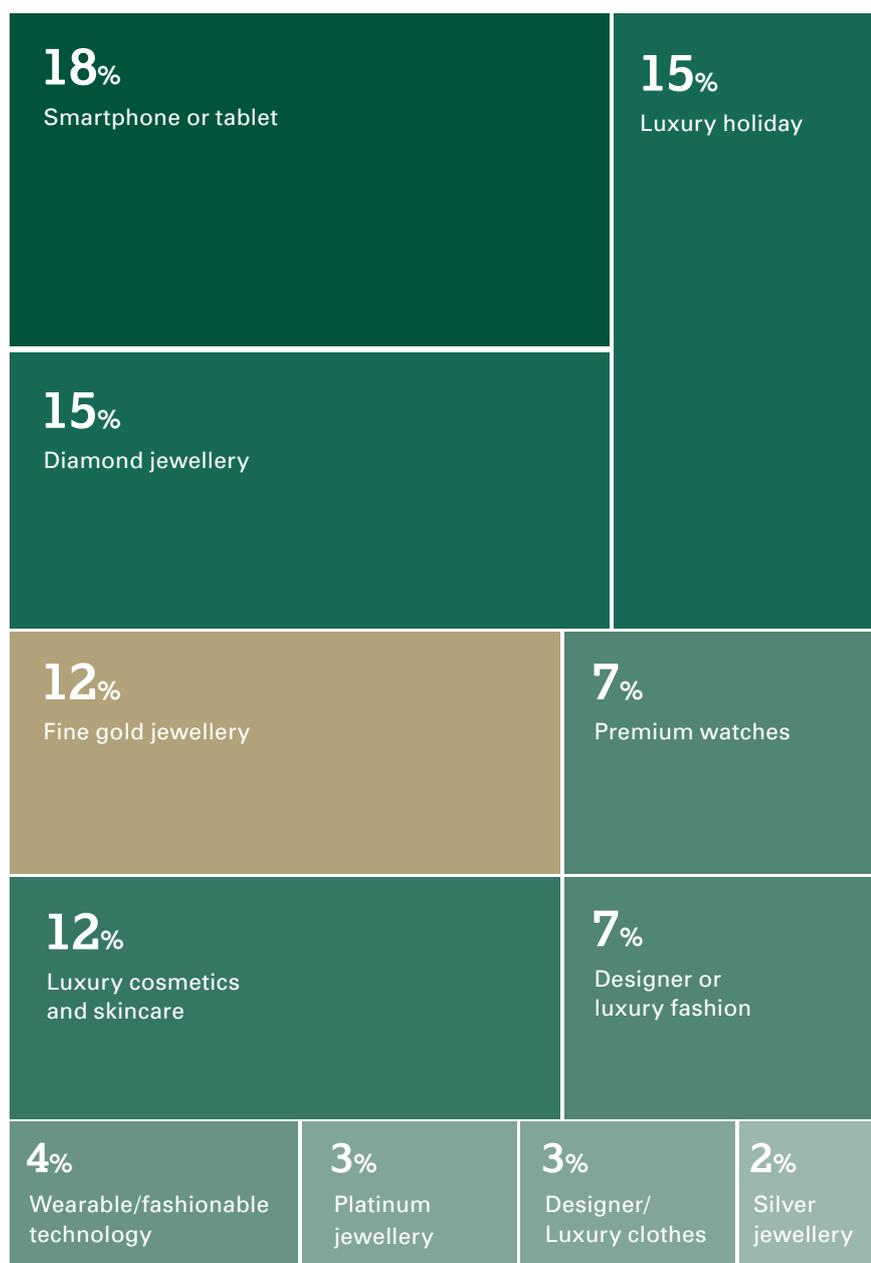


Intend to buy gold jewellery in the next 12 months



Unexpected money

18-24 year-olds



Gold must strive to stay relevant amid shifting cultural trends

Gold jewellery is not relevant to this audience: when looking at top choices for items they would buy as a gift, gold jewellery does not even make the top five products. This is in stark contrast to the total sample, for whom gold jewellery is the top choice.

When asked how they would spend an unexpected bonus, gold jewellery – the top choice among the total sample – was ranked fourth on their list. Their top choices were smartphone/tablet, holiday and luxury skincare/cosmetics, suggesting a more 'experiential' mindset. This is reinforced by the fact that they were less likely than older women to choose any type of jewellery as a way of treating themselves using unexpected money.



FOCUS

Younger generation

China's rapidly evolving technological landscape has created new areas of competition for gold jewellery. The digital world in which these consumers have come of age exposes them to a vast universe of products and experiences. Facing stiff competition from smartphones, tablets and wearable technology, gold jewellery needs to do more to capture the attention of this young group and be seen as relevant to them.

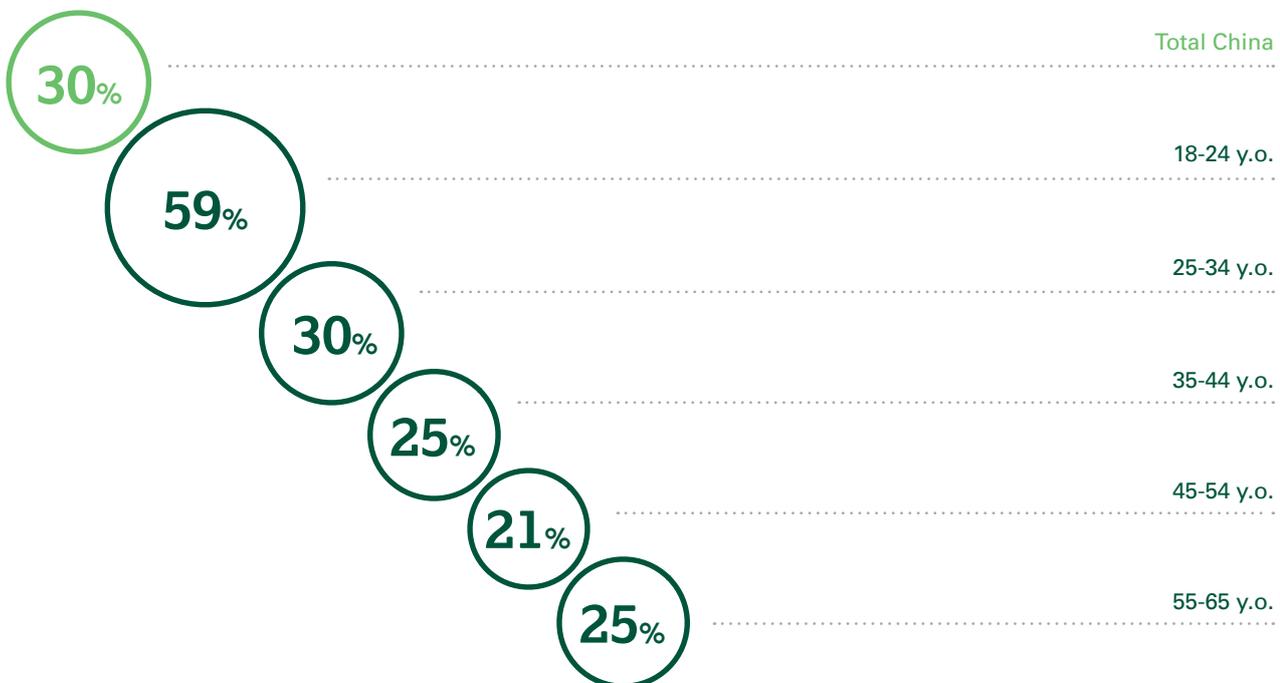
18- to 24-year-olds are less positive in their general thoughts and feelings towards gold: it doesn't evoke the happy memories that older women say they feel when looking at gold jewellery. And it is seen as a bit too flashy and flamboyant.

But, importantly, there is a clear recognition of gold's value and durability and the role it can play as an heirloom to pass on to children. These associations may be effectively reinforced through

marketing campaigns designed to appeal to the younger generation. The gold jewellery industry could take inspiration from LVMH here, which aims to stay relevant and promote its WeChat store by creating customised pop-up stores at key occasions, sometimes teaming up with brands that resonate with specific demographics. For example, it recently collaborated with global online gaming sensation *League of Legends*.

Gold considerers who have never bought

By age



Gold jewellery has a clear opportunity to grow

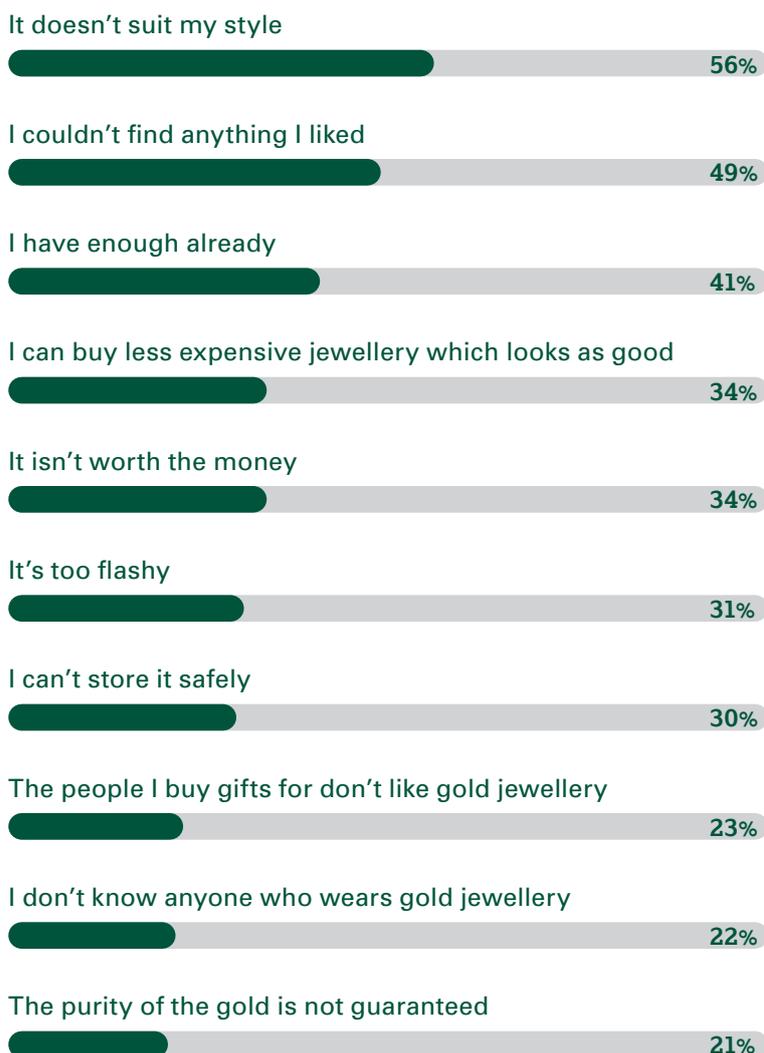
Considerers (those women who have never previously bought gold jewellery but would now consider doing so) account for a far larger share of the 18-24 age group than any other: 59% of these women fall into this category, almost double that of 25- to 34-year-olds. The key to releasing this demand and convincing these young women to complete the consideration/purchase journey is to address their concerns.

The barriers preventing this group from acting on their consideration are primarily style-related, as well as issues around safe storage, value for money and, lastly, trust.

Young women feel that gold jewellery falls short of meeting their style needs. They feel strongly that gold jewellery doesn't suit their style and that they can't find anything they like. The fact that gold is seen as a good heirloom could suggest that this generation have inherited gold jewellery, which is likely to be of a more traditional nature. For these women to see it as relevant to them, a greater focus on the more innovative areas of 24k jewellery may help. For example, raising the profile of hard gold jewellery – highlighting its trendy designs, lightweight pieces and accessible price points – and heritage gold jewellery ranges could bridge the gap between 'gold as a traditional, valuable heirloom' and the desire for more lightweight, modern pieces to fit with the style needs of the young, modern Chinese woman.

Barriers to buying gold

Considerers who have never bought, 18-24 year-olds



Identifying demand moments in the fashion and lifestyle category

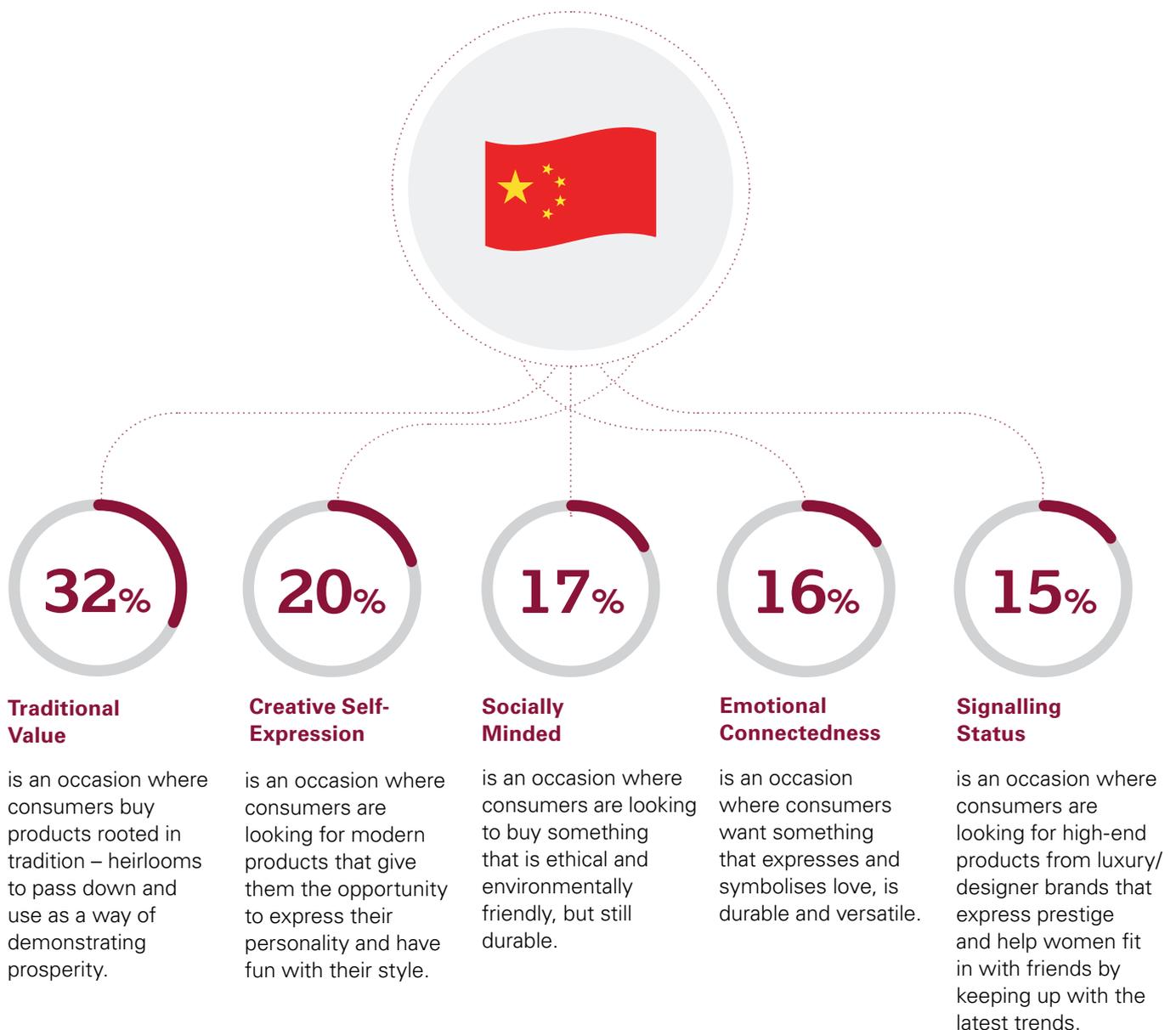
Consumer segments help us identify who to target and how, but women do not behave consistently from one purchase occasion to another – their needs will change according to the moment. We need to understand the occasions – these ‘demand moments’ – as they are experienced by women and pinpoint the underlying needs of each in order to develop products, services and communications that will effectively meet those needs.



Our research identified five distinct global demand moments, based on the benefits that consumers were looking for on a specific occasion when they bought a product from the fashion and lifestyle category.

As with the consumer segments, all five demand moments apply universally to each of the global markets we surveyed, but there are differences in terms of size and behaviour, as well as cultural nuances.

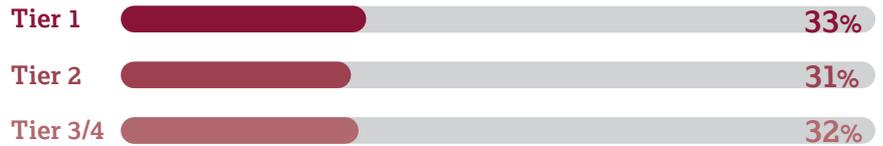
Demand Moments in China



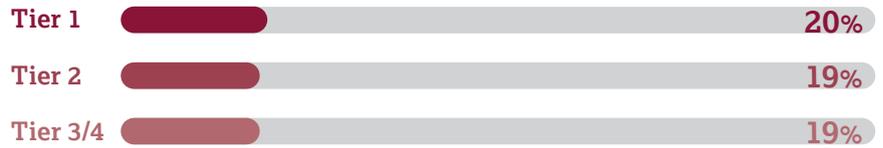
Traditional Value is the biggest demand moment, followed by Creative Self-Expression and Socially Minded.

These five demand moments exist in all city tiers with little variation in size apart from there being fewer Socially Minded demand moments in Tier 1 and fewer Signalling Status moments in Tier 2.

Traditional Value



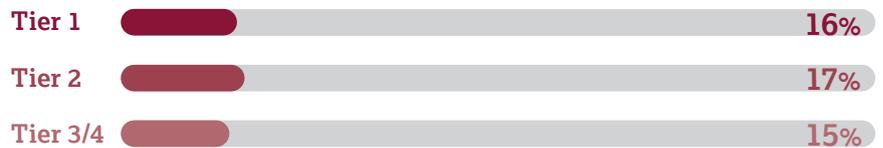
Creative Self-Expression



Socially Minded



Emotional Connectedness



Signalling Status



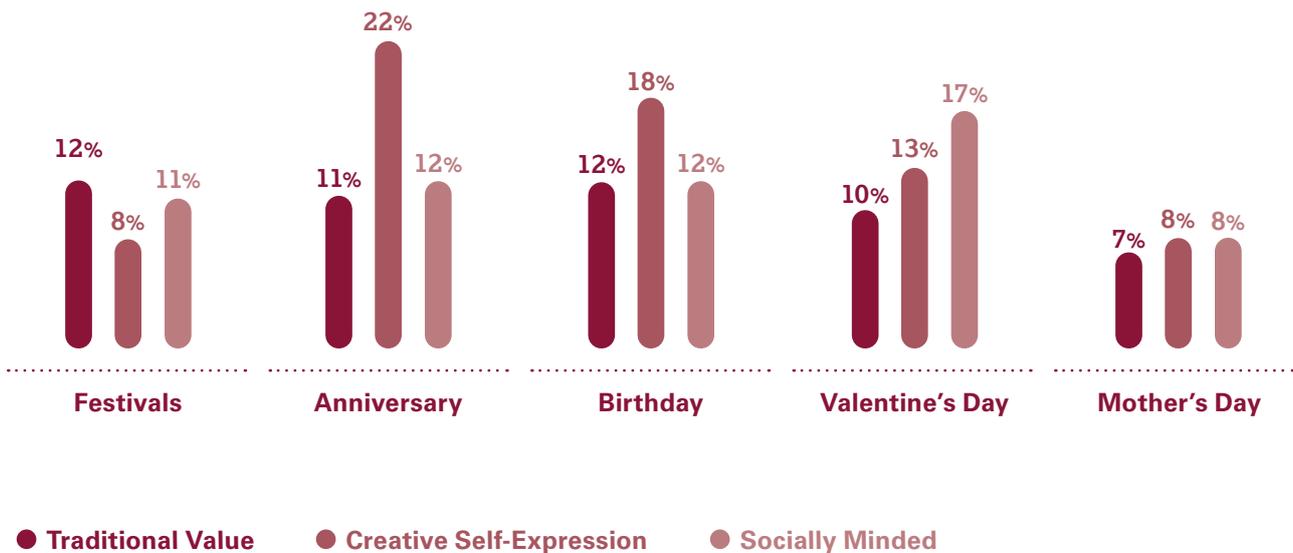
Festivals and birthdays are key gold occasions that feature in the Traditional Value moment, while anniversaries and birthdays are the most common occasions in the Creative Self Expression moment, and Valentine’s Day for the Socially Minded moment. Consumers tend to spend most money when buying products in the Traditional Value moment.

If any type of jewellery is bought, it is much more likely to be from a global luxury brand for the Creative Self Expression moment than jewellery bought for the Traditional Value or Socially Minded moments (over 30%

compared to around 20%). If gold jewellery is bought, it is more likely to be bought from a global luxury brand for both the Traditional Value and Creative Self-Expression moments compared to the Socially Minded moment (around 20% compared to 14%).

Out of the three biggest demand moments, Creative Self-Expression and Socially Minded are the most relevant to Passionate Fashionistas; Creative Self-Expression is also relevant to Sentimental Traditionalists and Traditional Value is the most relevant to Unassuming Altruists.

Gold occasions by demand moment



Products most frequently bought in demand moments



Gold has a stronghold in the Traditional Value moment. But it has potential to increase its presence in the other moments if it can be designed, marketed, and sold in a more relevant way for today's modern woman.

With its strong cultural heritage and underlying value, gold dominates the Traditional Value moment. But to increase its presence in the other moments, gold jewellery design, marketing and retail experience need to evolve to meet the needs of today's consumer.

Design innovation to create wearable desirable jewellery pieces will be crucial in helping gold carve out a share of these moments, particularly for the Creative Self-Expression and Socially Minded moments. The key to success is understanding what consumers are looking for. As jewellers improve and build upon their digital presence, they need to embrace a consumer to business (C2B) and consumer to manufacturing (C2M) innovation mindset and use insights gathered from digital

interactions to drive product design and customisation. But in addition to the right product, improving the end-to-end purchase experience, as well as targeting women in a way that speaks to them today will be key to driving gold jewellery demand at these moments.

At the same time, gold's substantial advantage in the Traditional Value space needs to be protected. While reinforcing gold's significance in the celebration of key festivals such as Qixi, Chinese New Year and Golden Week, and traditional occasions such as weddings and birthdays is important, there is an opportunity to re-interpret and modernise tradition to maintain relevance. Product innovations such as 'hard gold' and heritage gold' fit well here.



As one of the world's most digitised countries, China is the undisputed global leader in e-commerce – in 2019, 68% of Chinese consumers surveyed in PWC's Global Consumer Insights study purchased products online at least once a week.¹

For Chinese consumers, shopping is more than simply buying the product – it encompasses discovery, entertainment and active engagement with friends and key opinion leaders and consumers (KOLs/ KOCs). This means that the end-to-end purchase experience is as important as the product offering in creating a competitive advantage. Advances in technology such as AI, automation and data analytics enables brands to shape the consumer's journey around their needs at a particular moment wherever they are. Yet the use of technology and digital engagement in the gold jewellery category lags behind other high-end lifestyle categories, despite the fact that the purchase journey of the Chinese luxury consumer is highly digitally influenced.²

Innovating along the end-to-end gold jewellery purchase journey to create meaningful value to the consumer represents a big opportunity regardless of the demand moment – and in light of the COVID-19 pandemic, this has become even more important for the category. Even though China was already one of the world's most digitised countries, its digital

economy has been significantly boosted as a result; more consumers are online than ever before, and they are developing new shopping and buying behaviours that are likely to remain. Online retail sales of physical goods were up by 12% year-on-year for the first five months in 2020³; livestreaming e-commerce, for example, was estimated by iiMedia Research to be worth around RMB 433.8 billion (\$61 billion) in 2019 and is expected to more than double in value this year to RMB 916 billion (\$129 billion)⁴. During the lockdown in February the number of merchants on Taobao's livestreaming platform increased by 719%.⁵

To succeed in the new normal, gold jewellery retailers and brands need to embrace the online-to-offline ('O2O') concept, offering a more integrated online and offline experience that is built around the individual and consistent across channels. Doing this will allow consumers to feel more connected and that could lead to greater loyalty.

In China online channels, including social media, play a role in the early part of the journey, with consumers – in particular Gen Z and the younger Millennials – using brand websites, social media and blogs as sources of inspiration. But this is at the point when gold jewellery has already made it into a consumer's consideration set and they are researching 'the what'.



Innovating along the end-to-end gold jewellery purchase journey and integrating the online and offline elements represents a big opportunity to engage consumers.

1 www.pwccn.com/en/industries/retail-and-consumer/publications/global-consumer-insights-survey-2019-china-report.html

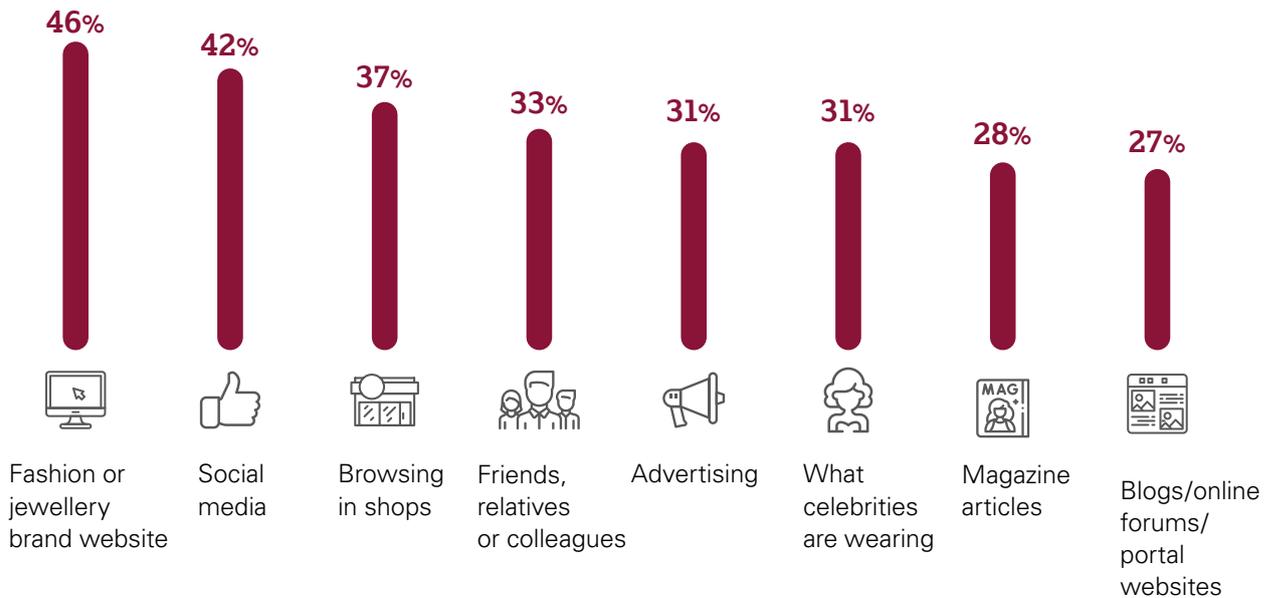
2 BCG X Tencent Luxury Study, 2019

3 www.stats.gov.cn/english/PressRelease/202006/t20200616_1760480.html

4 www.iimedia.cn/c400/68945.html

5 www.alizila.com/taobao-live-rethinks-the-future-of-stores/

Source of ideas and inspiration



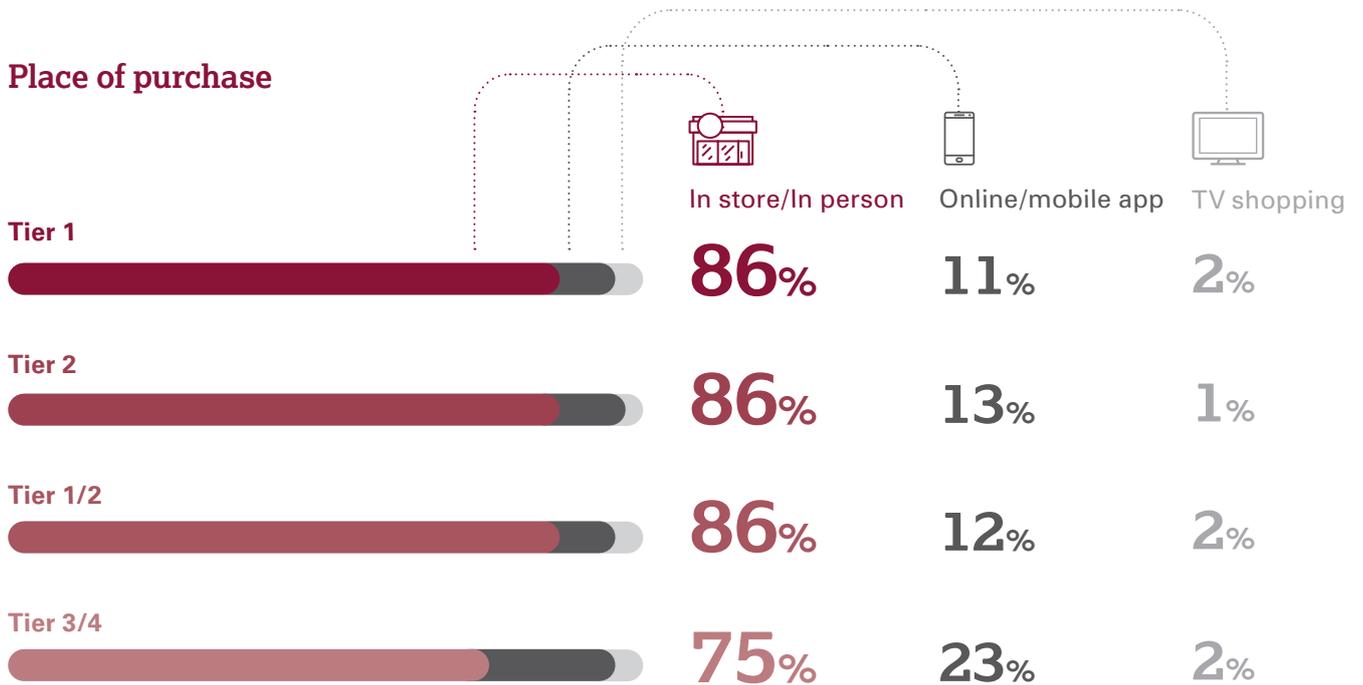
More needs to be done to drive digital engagement in the discovery phase and ensure that gold jewellery reaches more consumers at the consideration stage of their purchase journey – and that it reaches them more often. These digital strategies need to take into account that consumers – young women in particular – self-educate, relying heavily on social media sites such as XiaoHongShu (Little Red Book) and WeChat to develop their product and brand knowledge, provide ‘objective advice’ and filter their choices whenever and wherever they are. Ultimately their social network of

friends, peers, KOLs/ KOCs informs their choices and shapes their exposure to brands and products.

When we look at how gold jewellery is purchased today, we see that the majority is still bought in store, with only a small fraction bought online – and in fact 18- to 24-year-old women are even less likely to buy online (9%). In Tier 3 and 4 cities, online is much bigger compared to Tiers 1 and 2 (23% versus 12% on average), reflecting the reality that online is critical to reaching consumers in lower tier cities where access to a variety of physical stores is more limited.



Place of purchase



In China, marketplaces like Tmall and JD.com dominate fashion and lifestyle e-commerce, but social platforms such as WeChat are increasingly important in driving sales, offering brands a way to engage and influence digital savvy consumers.⁶ Improving the simplicity and accessibility of the online transaction can drive category growth by allowing consumers to become more comfortable with buying big-ticket items in this way.⁷ But to be successful online requires investment in an end-to-end activation marketing strategy – it is not a case of ‘build it and they will come’. In 2018, Tiffany launched

a special edition of its Modern Keys series through its WeChat boutique store and invited celebrity couples to share their love stories, promoting them on social media. The campaign resulted in over one million shares, along with ‘likes’ six times higher than the industry average. And it was ranked among the top ten most liked WeChat moments’ commercials for that year.⁸

Creating a successful e-commerce business does not necessarily mean developing an independent platform. Many global prestige brands have successfully partnered with third-party high-end e-tailers,

such as Farfetch and Net-a-Porter, who have the knowledge and experience to provide the right online shopping experience. They both offer a ‘white label’⁹ service for brands that want to use their platforms to power a branded online presence.

Today, the majority of gold jewellery purchases are still planned. But focusing on encouraging impulsivity in the discovery and consideration phases through social platforms and seamlessly connecting this to online purchasing, could boost unplanned purchases as consumers buy ‘in the moment’, and thus increase sales at a total level.

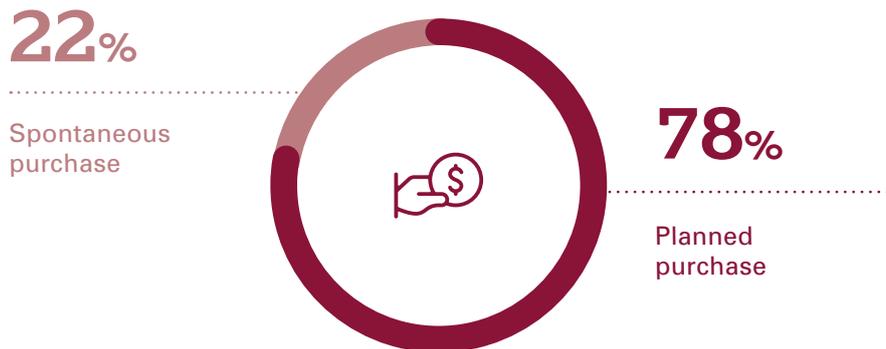
6 BCG X Tencent Luxury Study, 2018

7 knowledge.wharton.upenn.edu/article/luxury-brands-racing-embrace-e-commerce/

8 mp.weixin.qq.com/s/n54VZ5rST-rl7bwqP7PkuA

9 The term ‘white label’ refers to a product or service produced by one company, which can then be rebranded by another company to make the product or service look like it is their own.

Planned versus spontaneous purchase of gold jewellery



There are a number of major barriers to online gold purchase that any successful e-commerce strategy must address. The biggest barrier by far is the desire to handle the product, but concerns over returns policy, wanting to have it immediately, and the perception that it is easier to buy in store are also important factors. In other categories, brands with physical stores have persuaded consumers to purchase online by offering in-store collection, often on the same day; this has the added benefit that consumers can see and touch the product in person and can return it if they don't want it. Bulgari is an example of a jewellery brand in China that offers in-store collection

of online orders. Allowing online purchases to be returned in-store helps give the customer greater assurance about their purchase. JD.com offers its Luxury Express service for high-end products including jewellery – a next-day white glove personalised delivery service.

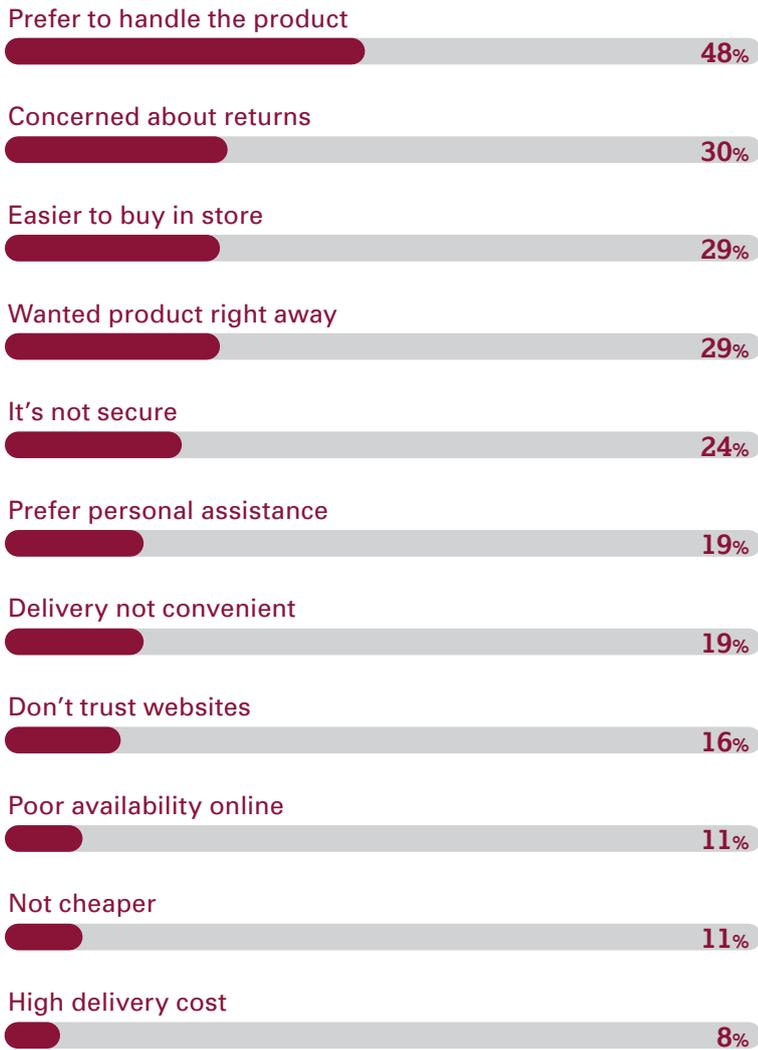
In response to the pandemic, Chow Tai Fook has demonstrated how embracing the online imperative can help keep consumers closer; they recently launched their online platform 'CloudSales 365', a mini programme using the WeChat Work platform which connects their e-shop with a consumer management system. This

has enabled them to engage and serve their consumers anytime via mobile. They have also illustrated the value of livestreaming in the jewellery category – one of their most successful events was the collaboration with top KOL Li Jiaqi to sell the special Stay Safe pendant that resulted in all 5,000 pieces being sold within 30 seconds for charity.¹⁰

Caibai Jewellery is another example of a retailer triggered by the pandemic into evolving its digital approach. Caibai Jewellery's sales personnel went online to live-stream on Taobao, not just to encourage people to buy online but to educate them on the culture and maintenance of fine jewellery.¹¹



Barriers to online purchase of gold



“ I haven't found the ideal design or haven't seen what I've wanted. ”

PASSIONATE FASHIONISTA, 43
CHENGDU

The physical retail store will continue to play a central role in the consumer journey as in-store traffic starts to recover and there is an opportunity to establish a greater physical retail presence in lower tier cities with the highest growth potential in order to give consumers wider access and choice. But the industry needs to focus on moving from a multi-channel approach to a comprehensive omnichannel one to provide an integrated immersive consumer experience, one which takes into account existing consumer behaviours such as showrooming and ROBO (research online buying offline) as well as new ones created as a result of the pandemic. It is time to re-assess and re-invent the role of the retail store and the experience it delivers in the new normal.

Even before the pandemic, the benefit of mastering omnichannel retail was clear. In late 2018, prestige beauty retailer Sephora launched the 'My Beauty Power Turn it On' programme. This gave customers a high-end fully immersive social shopping experience through integration of its app, website, physical stores, its Tmall and JD.com flagship stores and a new We Chat mini program. They saw strong growth as a result at a time when other high-end beauty retailers were struggling.

LVMH is another example of a brand that seeks to connect with consumers by exploring the possibilities of online engagement, creating interactive, fresh experiences. For their recent 'Volex, Voguez, Voyagez' exhibition, which travelled the globe, they combined the real-world exhibition with an interactive WeChat mini program, allowing users to unlock the full experience of the exhibition, personalise a travel trunk and end their 'visit' with a customised shareable video.

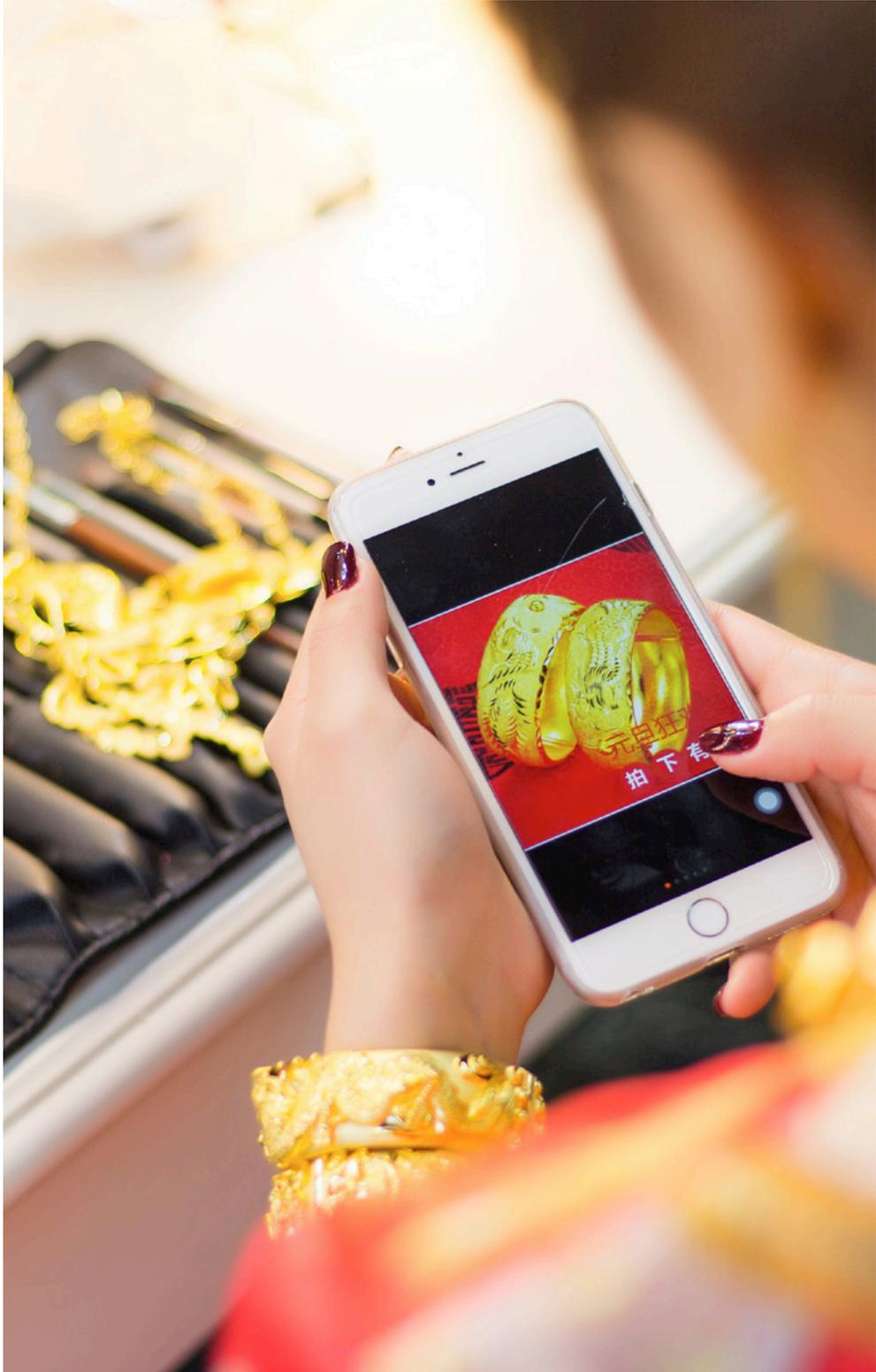
In addition, with China's long-established tradition of exchanging and upgrading gold and the increasing interest in re-commerce, retailers could choose to incorporate a re-commerce marketplace (for example via partnerships) as part of innovating the end-to-end consumer journey.¹²

Feeling confident that the seller and product is legitimate is of paramount importance to Chinese consumers given past issues with counterfeit goods and quality. So as the industry looks to innovate the end-to-end purchase experience it must also focus on establishing, reinforcing and delivering on consumer trust throughout the journey.

¹² technode.com/2020/02/21/second-hand-shopping-takes-off-on-chinese-apps/

Barriers

While gold jewellery is still the most owned fashion and lifestyle product in China, it is facing strong competition from other fashion and lifestyle goods such as luxury accessories and cosmetics, fashion silver jewellery and, increasingly, from technology. Gold needs to address these challenges or it is at risk of losing its relevance, particularly among younger women.



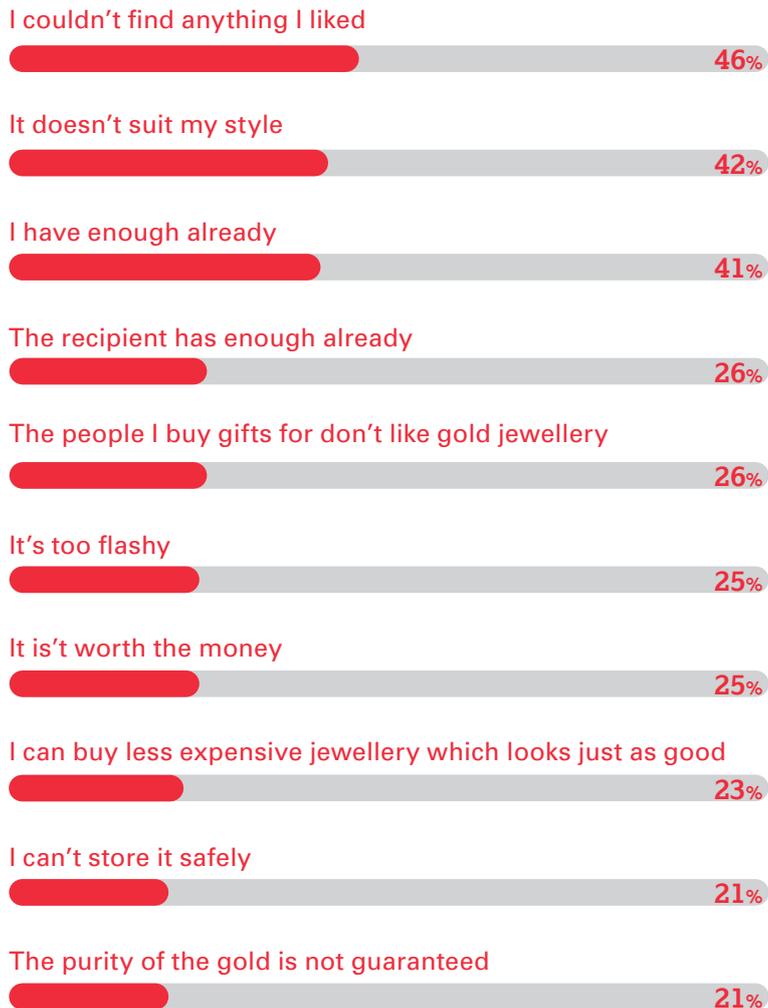
Principal challenges to gold jewellery

The Chinese market for gold jewellery has substantial headroom. Our research showed that 30% of consumers would consider buying gold even though they have not previously done so. If gold were to be made relevant and attractive to what is close on one third of the market, this could translate into a significant upturn for retailers.

So what is preventing women from completing the purchasing journey for gold jewellery? Two main barriers exist: the first and most important is a question of the style and desirability of what is on offer, and the second is the feeling of 'having enough already'.

Barriers to gold

Among considerers who have never bought



“ I already have enough gold jewellery, it’s not a necessity for me, so I haven’t bought it. If a style appealed to me and it was also affordable, then I might buy it. ”

PASSIONATE FASHIONISTA, 56
BEIJING

Desirability

Without doubt this is the greatest barrier to purchase. Among considerers who have never bought, 90% quote reasons relating to desirability or fashion. This is particularly pronounced among younger age groups and peaks with 18- to 24-year-olds who do not believe that gold suits their style. Even among older age groups – women aged 45 and above – around 30% say that the style of gold jewellery does not suit them.

This lack of appeal is cross segment. ‘I couldn’t find anything I liked’ is given as a major barrier by Passionate Fashionistas (69%), Young Utilitarians (54%) and Sentimental Traditionalists (53%). The Passionate Fashionistas feel most strongly that gold jewellery is not for them. Not only do they fail to find items that they like but they do not consider it to be their ‘style’, which suggests that they are not motivated to search for gold jewellery in the first place and are likely less receptive to marketing messages about gold.

Social Flaunters, who like diamond jewellery and designer pieces, also find gold jewellery less attractive; 43% say they can’t find anything they like and 40% don’t think it suits their style. This segment merits consideration; it comprises women who are, in the main, working full time, and 36% of them fall into the high income bracket. Creating pieces that have more appeal to a segment with high disposable income – and for whom appearances matter – is likely to be of greatest benefit.

Gifting is influenced by similar motivations. Gold jewellery does not rank among the top five preferred gift types for any segment. Despite the fact that Unassuming Altruists like to buy gifts, 25% who have never bought gold jewellery say they choose not to because the recipients don’t like it, and for Mature Utilitarians this rises to 43%. Social Flaunters (34%) and Passionate Fashionistas (31%) also overlook gold jewellery when they are gifting.

Clear headroom for growth exists, despite feelings of having enough gold already

The question of 'how much is too much?' is, of course, one of individual preference. We found that 66% of women have bought gold jewellery in the past and 62% currently own pieces of jewellery themselves - 22% of whom own more than 10 pieces. And a large percentage of those who have never bought gold jewellery still consider they have enough - likely through receiving it as a gift or as an inheritance.

'I have enough already' is quoted across all market segments. It is the primary reason that the Mature Utilitarian does not buy gold, and a secondary reason given by the Unassuming Altruist and the Sentimental Traditionalist. The data shows that there is an age at which market saturation becomes important; more than 40% of women aged 18 to 44 gave this as a principal reason for not buying gold and a peak was reached within the 35 to 44 age group. Women over 45 appear to

have a reawakened interest in gold jewellery; they continue to cite having enough already as a reason not to buy, but it is of less concern to them.

While acknowledging this important finding in the research, it is essential to recognise the link between the feeling of owning 'enough' gold jewellery and desirability. The chart above shows that more than 40% of considerers would potentially buy gold if they could find something they liked or that suited their style. Even though 41% say they have enough gold already, it is fair to assume that if gold jewellery styles were more attractive, market saturation would not be an issue. In other words, these consumers would be tempted to buy regardless of the amount of jewellery they already own – and this represents great potential for retailers. The problem is that the products currently on offer are not sufficiently persuasive for them to do so.

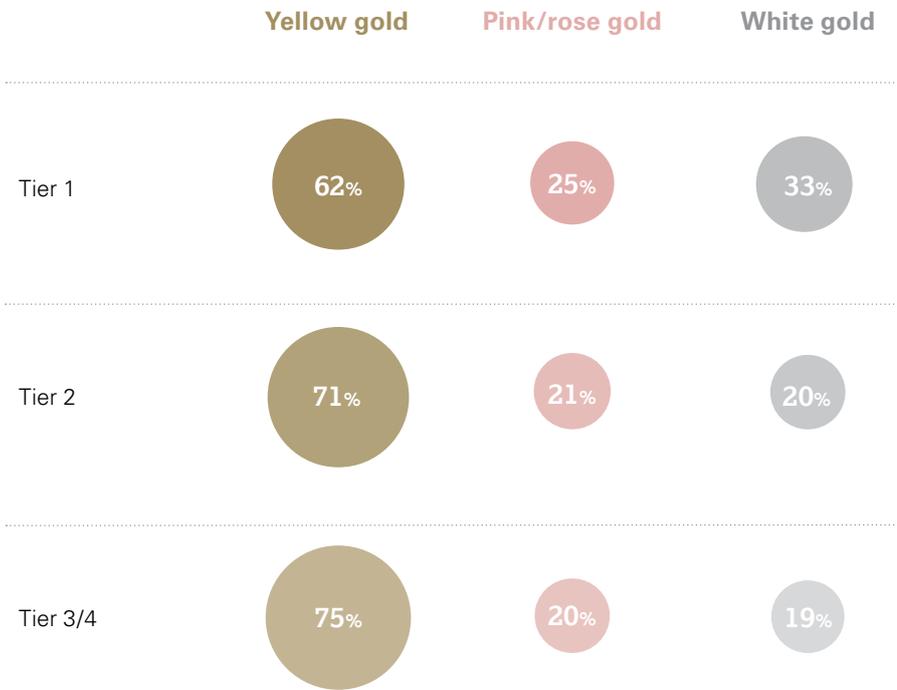


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A large percentage of those who have never bought gold jewellery still consider they have enough - likely through receiving it as a gift or as an inheritance.

.....

Colour of gold purchased or received



Other barriers

The desirability and perceived need for gold jewellery are not the only factors behind the avoidance of purchase. Other reasons include the perception of gold as being ‘too flashy’ – a factor for 25% of those surveyed. Closely related to ‘it doesn’t suit my style’, this infers a lack of relevance. Young Utilitarians say they can buy less expensive jewellery that looks just as good (37%), and this is borne out by the growth in the silver jewellery market. Interestingly, 48% of women in this segment feel that gold jewellery isn’t worth the money. Sentimental Traditionalists are concerned with the purity of the gold (31%) and Unassuming Altruists have worries about the impact of gold production on the environment (26%).

The colour of gold

Over the past few years there has been a steady trend away from yellow gold. Between 2016 and 2019 the purchase of yellow gold fell by 8%, whilst both pink/rose gold and white gold increased – by 10% and 6% respectively. The appetite for different types of gold is particularly developed among Tier 1 consumers. This suggests that the move away from yellow gold is more than a passing phase. The desire for less ostentatious, or less traditional, jewellery has continued for some time and shows no sign of abating.

Opportunities for greater market penetration



The Gen Z and Millennial market

Gold jewellery is not perceived as particularly relevant to these groups. Less concerned about tradition, they do not echo the buying patterns of their parents; their focus is more around looking trendy and keeping up with technological changes. When they buy, they often do so online and almost certainly use online to explore, compare and review. They are influenced by what they see on social media and by celebrity endorsement, but are selective and sophisticated about marketing messages, accepting only those to which they can relate. They appreciate browsing in 3D online stores but often express a desire to physically see or handle the product before they buy. And if they do buy online, they want a trustworthy and easy method of return.

Designs for this segment need to be modern and lightweight, and reflect trends within the luxury category. Jewellery that fuses with technology in an innovative way is likely to be highly appealing to the 59% of 18-24-year-old women who say they may buy gold in the future.

Those living in Tier 1 cities, and those within the Unassuming Altruist segment, register concerns over the ESG impact of gold mining and the jewellery production process. Although such concerns are held by a minority, they should not be ignored. Within a generation that is ever more aware of 'no planet B', the importance of the environment can only intensify. Social media platforms offer an effective way of addressing these issues, especially where marketing messages are creative, engaging and educational.



Enhanced brand experience and online marketing engagement

Our analysis of the demand moments shows that Chinese consumers most often buy gold jewellery for reasons relating to traditional values. But, when evaluated by segment, we find that creative self-expression and emotional connectedness are the needs most commonly experienced by Passionate Fashionistas and Sentimental Traditionalist respectively. Marketing messages need to address these needs in a way that entices the modern Chinese woman. Gold has long been synonymous with significant emotional events, but its appeal can be extended; for example, as a reward for success, a statement of style or a token of friendship. Tapping into the many online sources of inspiration and using social media influencers will help to create awareness and desire for gold jewellery; but only when design matches consumer expectation will demand be translated into purchase.



Penetration of high-income groups

Retailers are likely to benefit from targeting women in high income groups who do not currently buy gold for themselves or for others. In particular, these fall within the Social Flaunters and Unassuming Altruists segments, but Passionate Fashionistas should not be ignored as they have the potential to become Social Flaunters over time. Considerers who have never bought – cite being unable to find anything they liked as the primary barrier to purchase. Jewellery design is of key importance here. These women are looking for fashionable, contemporary and sophisticated items that reflect their status and success; items that they can wear in the workplace as well as on social occasions. The rapid uptake of heritage gold and hard gold products is testament to the appetite for more creative, avant-garde jewellery. This also extends to different coloured gold pieces.



Enhance the in-store experience and the product offering

For the high-income segments – along with the Passionate Fashionistas – the existing in-store shopping experience is not as exciting or engaging as it could be. Retailers such as Chow Tai Fook have demonstrated how sub-branding can be a successful strategy in creating offerings with distinctive appeal to individual customer segments. A clear example is 'Monologue', which offers music-themed contemporary jewellery aimed at Millennials.

Our research also underscores the lasting consumer inclination towards different coloured gold, perhaps in part fulfilling the desires to be less ostentatious and more contemporary in style. This continued growth in the popularity of both pink/rose and white gold products is significant enough to warrant further development. Fashionable jewellery items in different coloured gold tend to appeal to the younger woman and to those who care rather less about traditional values. Women who are attracted by pink/rose and white gold are likely to see jewellery as an item that is part of their everyday style and fashion choice; bought for today, not as an heirloom.



Conclusion

This report shines a spotlight on China's gold jewellery consumers in greater detail than ever before. It confirms what we already suspected: that Chinese women have a strong connection to gold jewellery; that gold's prominent role in many traditional occasions and celebrations fosters a strong emotional connection with it; and that it is viewed as a durable, valuable family heirloom.

But, crucially, it uncovers fresh insights – opening a window into the needs and motivations of Chinese women in their engagement within the fashion and lifestyle category. And we have identified a large section of Chinese women who are ripe to be converted into new gold jewellery buyers.

Most importantly, we can see the reasons that Chinese women have avoided buying gold jewellery in the past. And this knowledge gives the industry the opportunity to adapt and help overcome these issues.

Gold jewellery suffers from the perception that it lacks style and fashion-appeal. Chinese women were more likely to cite this as a barrier to purchase than any other factor: there is a strong sense that gold jewellery doesn't suit their style or that they find it too difficult to find pieces they like. We know that the gold jewellery industry in China is quick to adapt and innovate, so this should play to its strengths. Creating modern, lightweight, wearable designs, perhaps with white and rose gold ranges, would help overcome

its associations with heavy, chunky, traditional 24k jewellery.

This is keenly felt among the young 18- to 24-year-old age group. Young Chinese women recognise the role of gold as a valuable family heirloom. But they don't have the same emotional connection to it as their older peers. And it doesn't appeal to them as a trendy, cutting-edge product in the fashion and lifestyle category. They also need to feel reassured about the ethical and environmental impact of gold jewellery.

A targeted marketing strategy, supported by an interactive and seamless digital experience, would raise gold jewellery's appeal. We have looked at the possibilities for taking consumers along an engaging online purchase journey. Other products in the fashion and lifestyle category have done so with promising results. Today's digital-savvy Chinese consumers expect a seamless online experience from beginning to end. This – coupled with a more enticing product offering, incorporating modern, stylish ranges – should help convert the prospective consumers who say they have never bought gold before but would consider doing so.

Addressing some of these barriers should help forge a deeper connection to gold jewellery and raise its status, not just as a durable family heirloom, but as an essential item for the modern, image-conscious woman.

Methodology

To deepen our understanding of the gold market we commissioned global research agency, Hall & Partners, to conduct a large-scale programme of research into the global gold jewellery market. This research programme builds upon the survey we conducted in 2016.

The study captured the opinions of more than 6,000 global high-end fashion and lifestyle consumers. We surveyed at least 2,000 females aged 18 to 65 in each of the largest gold jewellery markets: India, China and the US. Within China, we conducted 2,002 online interviews with consumers in cities across Tiers 1-4.

To understand the full range of threats and opportunities facing the gold market we deliberately spoke to people that who bought gold in the past, as well as those who had not. The respondents were 'jewellery considerers' – defined as women who would consider buying jewellery and who had, during the 12 months preceding the survey, bought, gifted or received as a gift at least one item from a defined list of high-end fashion and lifestyle products.

Fieldwork took place in Q2 and Q3 2019.

The logo for Hall & Partners is a green speech bubble shape with the text "Hall & Partners" inside in white. The bubble has a tail pointing downwards and to the right.

Hall & Partners

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