

# Getting the sparkle back in pre-owned precious jewelry: A new supply chain model



# Abstract

Sustainability has become the buzzword in most consumer markets, and the luxury industry, always sensitive to new trends, is no exception. A niche segment in this industry is the hard luxury segment that includes watches and jewelry. In this segment, we are observing a rapidly increasing global market demand for old and used jewelries and watches. However, our study finds that this industry segment is highly unorganized and does not offer online marketplaces for securely trading in pre-owned jewelry. This paper presents a business model for resale of used jewelry made of gold or other precious metals while ensuring high quality standards and transparent and secure transactions. It also offers to create a robust market for pre-owned jewelry, ensuring a larger customer base.

## Introduction

Traditionally, jewelries are sold for cash in many countries in an industry that is highly unorganized and unaddressed. There are different auction houses and online marketplaces where used jewelry can be bought and sold. However, most existing online marketplaces do not physically check or take any liability for the quality and authenticity of the items sold. The sellers are expected to upload quality certificates online and the buyers are expected to make informed choices. The arrangement remains informal and transactions are not risk-free.

Yet, the pre-owned jewelry market is poised for sharp growth between 2020 and 2025 and is projected to reach \$25 billion in this period, with a compounded annual growth rate (CAGR) of 8%.<sup>1</sup> Europe has the largest share of the pre-owned jewelry market, followed by the USA. The primary drivers are attractive pricing and affordability, availability of a wide range of selections, item uniqueness, increased customer reach through digital and social media, and sustainability. Some 70% of the buyers are keen on the sustainability aspect today, which is 8% more than in 2018.<sup>2</sup> There is a growing sentiment worldwide, especially among the millennials, to reduce consumption, to reuse and recycle. This aims at limiting wastage and sustaining the supply of the earth's precious resources. Also, the reasonable price of such jewelry helps to attract a new customer segment that is price-sensitive.

## A new business model

Our target market segment includes trialists, uniqueness seekers and sustainability adepts. As such 55% of the customers are male and tend to be millennials or Gen Z in the hard luxury segment.<sup>3</sup>

Jewelry can be broadly classified into new and used, and the latter has three segments:

---

1 BCG, *The Secondhand Opportunity in Hard Luxury*, <https://www.bcg.com/en-in/publications/2020/secondhand-opportunity-hard-luxury>, Retrieved: Apr 2021

2 BCG, *The Consumers Behind Fashion's Growing Secondhand Market*, <https://www.bcg.com/en-in/publications/2020/consumer-segments-behind-growing-secondhand-fashion-market>, Retrieved: Apr 2021

3 BCG, *The Secondhand Opportunity in Hard Luxury*, <https://www.bcg.com/en-in/publications/2020/secondhand-opportunity-hard-luxury>, Retrieved: Apr 2021

- **Unworn and pre-owned:** Jewelry that has never been worn or have been worn for a few years
- **Vintage:** Jewelry that has been in use for 10 to 30 years
- **Iconic heritage:** Jewelry that has been in use for more than 30 years

Usually, vintage and iconic jewelry get sold by auction houses and here the highest bidder gets the ownership. With unworn and pre-owned jewelry, online marketplaces are a common route to market. However, these platforms do not guarantee the quality standard of the items available.

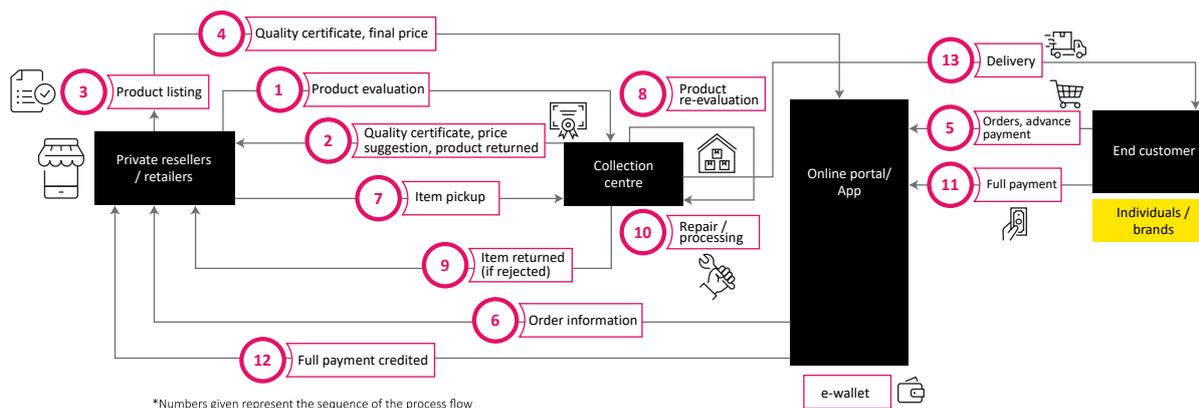


Figure 1: Business Model Process Flow

## Online registration and listing of item/s

Traditional business models work well for new jewelry where brands too exert a huge influence on purchase decisions. However, post-pandemic, business models must change in favor of online, or rather a mix of online and offline. Our proposed model (see figure 1) is a consortium where buyers and sellers can interact on a centralized online platform. Resellers can be private sellers or small local retailers with old jewelry that they want to sell in a larger market. While registering online, the resellers must provide their identity documents along with their address proof. This can be used to track the reseller and prevent fraud. They can login as resellers in the online portal and app. For selling jewelry, they will also be prompted to upload the original cash receipt for the jewelry, if available.

The reseller can get the quality and value checked from the nearest collection center. They can either choose to visit the center in person or pay a collection agent for pick-up. After the check, the item is returned to them through the same channel. For pickup and drop services, the cost is calculated by an inbuilt algorithm based on the reseller's address. An invoice is generated with the evaluation cost and cost for pick and drop services, if applicable. The reseller must make advance online payment for the same amount and proceed with the evaluation. Post-check, the item is returned to the seller through the same channel. An online quality certificate and a price quote are provided to the reseller if the item is good enough to be certified; if rejected, the reseller is informed. These are the paid services that provides the company an alternate source of revenue from customers who simply want to get their jewelry checked and evaluated.

The final price quote will have four components-- fair value of the item, reseller's profit, company's profit, and tentative repair charges. The reseller's profit percentage will be capped. To sell the item, the reseller needs to upload the certificate, price, item details, and pictures of the item online. After the reseller agrees to the terms and conditions, the item can be listed. The entry will be scrutinized

by the support team and the item will then appear online. For highlighting the product in the portal, the seller can pay extra.

# Order fulfillment

## Individuals as Customers

While registering online, the customers must provide their identity documents along with their address proof. They can login as individual buyers and place orders online from among the listed items and agree to pay the delivery cost. As soon as the order is placed, an invoice is generated with the reseller-quoted price, transportation cost and taxes. Taxes will be different for different countries. The buyer must enter the delivery address so that the transportation cost can be calculated. Based on the pin code of the delivery address provided by the buyer, an inbuilt algorithm calculates the transportation cost. The buyer can choose to pick up the item from the collection center or get it delivered by the delivery agents (free service) at this stage. The buyers must pay 30% in advance to confirm the order. Once the advance is paid by the buyer, the amount (to be received by reseller) is credited to an e-wallet. It is visible to the reseller but withdrawable only once the entire payment is made. The reseller will receive full credit once the full and final payment is made by the buyer. Once the buyer makes the payment, the reseller is notified to acknowledge the order. After this, the item is picked up by the collection agents and submitted at the collection center. At this stage, there is only the pickup option to reduce the lead time. The item will be again checked for quality and value so that it matches the quality levels mentioned in the online certificate. If it fails to match, the item would be returned to the reseller. There should be a count of such failures. For the first two times, warning mails will be sent and a third warning might lead to the reseller being barred from that platform. For genuine causes, the reseller can appeal for a review but only once.

Next, the used jewelry is processed. Processing includes cleaning, polishing and repairing to make the jewelry sale worthy. Any dents, damage, or wear-and-tear in the chains, locks, hooks and beads, will be repaired. The cost of repairing is already incorporated in the listed price. The item will be in a 'like new' condition and ready to be shipped.

The buyer will then be prompted to make the full payment. Once the full amount is credited to the reseller's e-wallet, the product will be dispatched to the collection center nearest to the buyer.

## Brands as Customers

Jewelry brands too can use the online platform to buy back their own products but may need a few additional steps. First, the brands will have to register using corporate identity number (CIN) and address proof to login as brand buyer. They can sort out their own items on the portal and place orders in bulk. Also, they can pay an aggregated amount through the portal. The individual payments are processed from the back-end. The brands will be offered a special wholesale price for promoting bulk buying. The reselling application company will reduce its profit percentage in such cases but will win the goodwill of both buyers and sellers.

## Benefits of the New Model

- Unique designs and costlier sets at low prices
- Access to larger market for selling old jewelry
- Trust-building measures, such as quality checks, item description check, seller identity verification, and minimum number of intermediaries, used to reduce fraud
- Transparent and secure payment processes for sellers
- Ease of ordering for both private buyers and brands

- Availability of wide range of designs and brands for choice
- Single platform for brands to buy back old branded jewelry for reuse, reducing raw material sourcing cost; more cost-effective than traditional buyback from individual customers
- Right item delivery guaranteed by multiple process quality checks

## Conclusion

One major concern of the new model is product cannibalization. Many companies avoid reselling old items along with the new fearing it would impact the sale of new items. In the luxury industry, trends are short-lived and product cannibalization can result in a huge loss. From a buyer's perspective, however, a bigger concern is jewelry fraud. Notwithstanding these concerns, the pre-owned market has a huge potential worldwide and steps can be taken to explore and expand opportunities. An imperative need for sellers is to use social media and digitization effectively to tell personalized stories and to make the jewelry more appealing to consumers. With well-known brands getting involved in this market, we see the segment further expanding. As businesses and consumers look at sustainability, we see the adoption of an agile, lean and cost-effective supply chain becoming the norm in the coming years.

## About the authors

### Chetan Hirurkar

Chetan Hirurkar is a Senior Supply Chain Consultant in CPG & Distribution unit with more than 25 years of experience. He had played multiple roles such as business architect, delivery partner and ERP consultant and he had designed multiple digital platform solutions.

### Abarnita Sen

Abarnita Sen is a Supply Chain consultant and Product Specialist in CPG and Distribution unit with more than seven years of total experience. She is DELMIA Quintiq certified industry process consultant and specializes in supply chain planning.

### Arkadyuti Bandyopadhyay

Arkadyuti Bandyopadhyay is a Supply Chain Consultant in CPG and Distribution unit with more than seven years of experience. He has designed a digital platform solution that can potentially serve the business requirements of several CPG market leaders.

# Awards and accolades



**TOP 3  
IT SERVICES  
BRAND**



**FASTEST GROWING  
IT SERVICES BRAND  
FOR THE DECADE  
2010 - 2020**



## Contact

Visit the [Consumer Goods & Distribution](https://www.tcs.com) page on [www.tcs.com](https://www.tcs.com)

Email: [global.cpgsolutions@tcs.com](mailto:global.cpgsolutions@tcs.com)

## About Tata Consultancy Services Ltd (TCS)

Tata Consultancy Services is a purpose-led transformation partner to many of the world's largest businesses. For more than 50 years, it has been collaborating with clients and communities to build a greater future through innovation and collective knowledge. TCS offers an integrated portfolio of cognitive powered business, technology, and engineering services and solutions. The company's 500,000 consultants in 46 countries help empower individuals, enterprises, and societies to build on belief.

Visit [www.tcs.com](https://www.tcs.com) and follow TCS news [@TCS](https://twitter.com/TCS).

All content/information present here is the exclusive property of Tata Consultancy Services Limited (TCS). The content/information contained here is correct at the time of publishing. No material from here may be copied, modified, reproduced, republished, uploaded, transmitted, posted or distributed in any form without prior written permission from TCS. Unauthorized use of the content/information appearing here may violate copyright, trademark and other applicable laws, and could result in criminal or civil penalties.

Copyright © 2021 Tata Consultancy Services Limited