



## **SUMMARY**

In 2007, the total Argentine costume jewelry market was \$133.1 million. In that same year, imports reached \$5.8 million. The principal countries of origin for imports are China (35%), Brazil (30%), U.S (24%), France (9%), and Other (2%).

The Argentine costume jewelry marketplace is segmented basically by the quality of the items. U.S. costume jewelry manufacturers enjoy a leading position in the medium quality market. This can be attributed to the material used and fashionable designs offered by U.S. suppliers. American manufacturers should make every effort to tailor their jewelry to local tastes and expectations. They may consider incorporating Argentina designs into their collections. Costume jewelry should be coordinated with other fashion accessories, such as handbags or belts and should dress and embellish the consumer. Thus, good design and originality are essential. Product quality and brand name can be key factors for success in the domestic market, especially for high quality costume jewelry. Both the total market and the import market are expected to grow at a 6 % rate over the next two years.

## **MARKET OVERVIEW**

The Argentine jewelry market for imports is made up of fine and costume jewelry.

### **Fine jewelry market:**

Sales of fine jewelry products reach their peak in December during Christmas and New Year. October is another important month for sales due to Mothers' Day in Argentina, which falls on the third Sunday. Furthermore, birthdays, baptisms, anniversaries, and wedding are the driving force behind sales of fine jewelry throughout the year. It is customary for the bride and groom to acquire and wear wedding bands during their engagement. Another option is to wear silver rings to mark the engagement and replace them with gold rings at the wedding.

### **Costume Jewelry Market:**

Argentine manufacturers of costume jewelry dominate the gold plated market segment. They offer good quality items with detailed finishing. However, these manufacturers are facing a market shift to gold-filled items from the United States and Spain. Argentine consumers perceive U.S. costume jewelry as having unique designs, durability and assessable prices. As mentioned earlier, U.S. manufacturers or gold-filled items should find a receptive market.

The costume jewelry market is broken down according to the quality of the products: high, medium, and low. U.S. suppliers lead the medium-quality segment mainly due to the reputation of U.S. firms as a source for unique designs, durability, and competitive prices. On the other hand, China, Brazil, Southeast Asia, and East Asia are the main suppliers of low-quality products.

The Argentine industry is very well regarded and positioned, especially regarding gold-plated products, which are of excellent design and finish. However, like the fine jewelry segment, the local industry has been undergoing a recession characterized by increasing foreign competition, especially from Italy, Spain, and the U.S., and a conversion of local companies to importers.

## MARKET TRENDS

The local industry is losing market share. This has been heightened by three factors:

- 1) The growing activity of foreign companies in the different segments that comprise the market.
- 2) The inability of local manufacturers to respond quickly to shifting market demand.
- 3) Production costs resulting in an inadequate and non-competitive final price compared to that of imported products.

In light of this situation, the conversion of local companies from traditional jewel manufacturers to importers is highly noticeable. In the case of costume jewelry, the market tends to prefer medium- and low-quality products. However, for fine jewelry there is more demand for high-quality products.

Since 1998, and especially during 1999, the Cámara de Empresarios de Joyería y Afines de la República Argentina (the Argentine Chamber for Jewelry and Related Products) has been actively engaged in promoting alternatives to push growth of the market, as jewelry products become mainly substitute items. It has started to explore new marketing strategies, such as the Internet, direct mailing, promotion of sales on key holidays (such as Christmas), and also by foreign customs like Valentine's Day.

### Mail Order Shipments

Mail order (or catalog) shopping, and Internet purchases are emerging as increasingly important distribution channels for the sale of costume jewelry in Argentina. Time-starved consumers will continue to rely on non-store retailing channels to purchase costume jewelry. In fact, one industry consultant estimated that the number of companies offering costume jewelry over the Internet had tripled in the last two years alone.

Sixty percent of jewelry purchases in Argentina are made by and for women and on the following occasions:

- |                        |            |
|------------------------|------------|
| • Christmas            | 36 percent |
| • Birth                | 23 percent |
| • No particular reason | 20 percent |
| • Wedding anniversary  | 5 percent  |
| • Baptism              | 4 percent  |
| • Other                | 12 percent |

### Prospective Buyers

Costume jewelry makers and distributors primarily target women between the ages of 16 and 45. The average Argentina woman who buys costume jewelry lives in a non-rural area and is very fashion conscious. Purchases are generally impulse driven, but more and more consumers are shopping and comparing before making a purchase with price being the primary criterion.

Motivation to buy is linked to the desire to keep up with fashion trends. Costume jewelry is associated with a style of clothing, a haircut, or even a certain life style. Styles in costume jewelry change as quickly as clothing styles.

In the past, people purchased expensive high-end luxury jewelry whenever they could afford it. However, the industry has started to provide more affordable alternatives. Whether gold, silver, or simply gold and silver-plated, buyers have the opportunity to buy higher-end jewelry with simpler designs at lower prices.

## IMPORT MARKET

Costume jewelry is a sector of the Argentine market that is growing. People can rapidly change styles without investing a lot of money into their purchases.

The table below indicates the exact import breakdown by year and country. The values shown are in US\$ dollars.

	2008	2007	2006
<b>China</b>	2,523,951	4,875,152	4,423,273
<b>Brazil</b>	896,690	1,538,376	1,272,719
<b>Hong Kong</b>	597,968	857,782	673,108
<b>USA</b>	409,544	821,485	694,018
<b>Austria</b>	369,644	639,649	376,117
<b>India</b>	262,196	860,686	754,154
<b>Italy</b>	78,477		98,163
<b>Switzerland</b>	68,501	249,201	
<b>Philippines</b>		144,092	126,310
<b>Mexico</b>		144,521	
<b>Other countries</b>	376,673	788,642	657,291
<b>Total</b>	5,583,644	10,919,586	9,075,153

From January 2006 to July 30,2008 Argentina exported US\$5,810,334 worth of costume jewelry (HS 7117.1) as shown below:

2006	2007	2008	Total (US\$):
2,021,156	2,526,289	1,262,889	<b>5,810,334</b>

Source: The Economist Intelligence Unit, Nosis.

Exchange rate (2008): 1.00 U.S. dollar equals approximately 3.16 pesos

According to industry sources, this sector will grow 6 percent in the next two years. Although imports have lost ground over the past few years as a consequence of the devaluation of the peso, they will continue to constitute an integral part of the market, since foreign companies offer a wide variety of products as well as excellent designs. Moreover, importers have a significant advantage in the market as it is difficult for local manufacturers to upgrade their technology and compete with more efficiently produced imported goods.

United States Exports (Origin of Movement - Total) To Argentina								
Commodity: 7117, Imitation Jewelry								
YTD Comparison: January - December								
Rank	State	U.S. Dollar			% Share			% Change
		2005	2006	2007	2005	2006	2007	2007/2006
	States	455,964	571,276	696,277	100	100	100	21.88

1	New York	428,289	534,247	626,102	93.93	93.52	89.92	17.19
2	Texas	0	22,822	26,434	0	3.99	3.8	15.83
3	Utah	15,719	4,550	21,892	3.45	0.8	3.14	381.14
4	California	2,895	0	13,691	0.63	0	1.97	
5	New Jersey	5,764	0	5,224	1.26	0	0.75	
6	Colorado	0	0	2,934	0	0	0.42	
7	North Carolina	0	3,722	0	0	0.65	0	-100
8	Unspecified	3,297	5,935	0	0.72	1.04	0	-100

## COMPETITION

The main competitive factors are price, quality, and design. The order of these factors varies depending on the segment market in question (i.e., in the fine jewelry segment quality and design are preferred over price).

For low quality, costume jewelry price and trendy designs are key competitive factors. Current fashion is geared toward items such as pendants on thin metal chains or leather cords. The majority of customers for this market segment are young women from their teens to early 20's. For more expensive items, novelty designs and good quality are elements most sought by purchasers. This fashion conscious segment will pay higher prices and notice finishing details of the items. Experts are noticing a market shift from gold plated to gold-filled items. American manufacturers of gold-filled items will find an undersupplied market since most local manufacturers have traditionally focused on gold plating.

On the other hand, in the costume jewelry segment, price is the leading factor behind a final purchasing decision. It is worth noting those prices for the low-quality costume jewelry segment range from \$5 to \$20, depending on the item. Conversely, in the case of more expensive items, prices may range between \$20 and \$80 depending on the quality of the product.

Generally speaking, as far as designs are concerned, the Argentine consumer is inclined to follow European trends. American manufacturers should make every effort to tailor their jewelry to local tastes and expectation. Financing as well as timely delivery are key factors that U.S. suppliers should bear in mind when approaching this market. Domestic interest rates call for more flexibility in credit terms. Availability and on-time delivery are critical considering opposite seasonal periods. The Argentine market should not be considered as a deposit for unsold items.

Leading industry trade shows and advertising in specialized trade magazines are most used promotional tools. The Argentine Jewelry and Leader Chambers join twice a year to provide the spring and autumn collections.

## END USERS

Principal end users of jewelry are women between the ages of 20 and 55, who live in urban areas and belong to the middle, middle-high, and high-income segments of the population. These women are fashion-driven and see jewelry as a means to stress and enhance their looks. The Argentine population is concentrated in large urban centers. The highest percentage of the population and consumption is focused in Buenos Aires, and therefore, the Capital City region leads the country in terms of purchasing power. More than 75 % of the population lives in cities, and over a quarter of the total population of the country lives in the City of Buenos Aires and Greater Buenos Aires. These individuals receive more exposure to foreign goods and they have a longstanding taste for imports. Other major centers of business activity include Córdoba, Rosario and Mendoza.

Workingwomen make up a significant percentage of the costume jewelry market. According to INDEC (Argentine Census Institute), there are nearly 2.8 million workingwomen; 35 percent of which are women from 30 to 40 years of age, whereas 16 percent are women between 41 and 55 years old. Another segment is the one comprised of young women fewer than 21. Women belonging to this age bracket are usually fashion-driven, but depending on the socio-economic sector they belong to, price may be an issue.

## SALES PROSPECTS

Wedding bands are the products with the highest selling potential in the fine jewelry segment. The most sought-after wedding bands are matted and polished gold. More recently, however, white gold and platinum have become more common. The most popular diamond rings are the embedded stud type; though solitaire engagement rings with a high-quality diamond set in gold show strong potential for growth. Other highly demanded fine jewelry products are gold earrings, necklaces, bracelets, and pearl necklaces and earrings.

The best prospects for importation in the costume jewelry segment are gold-plated necklaces, rings, earrings, and bracelets. These items experienced substantial growth from 2002 to 2003. Other popular items are pendants on thin metal chains or leather cords. Additionally, costume jewelry brooches are frequently worn to match clothing and accessories.

## MARKET ACCESS

There are essentially no restrictions for importing jewelry products covered by HS codes set forth below.

HS Code	Description
71.01	Pearls, natural or cultured, whether or not worked or graded
71.02	Diamonds, whether or not worked, but not mounted or set
71.03	Precious stones (other than diamonds) and semiprecious stones
71.04	Synthetic or reconstructed precious or semiprecious stones
71.05	Dust and powder of natural or synthetic precious or semiprecious stones
71.06	Silver (including silver plated with gold or platinum)
71.07	Base metals clad with silver, not further worked than semi manufactured
71.08	Gold (including gold plated with platinum) unwrought or in semi manufactured forms, or in powder form
71.09	Base metals or silver, clad with gold, not further worked than semi manufactured
71.10	Platinum, unwrought or in semi manufactured forms, or in powder form
71.11	Base metals, silver or gold, clad with platinum
71.12	Waste and scrap of precious metal or of metal clad with precious metal
71.13	Articles of jewelry and parts thereof, of precious metal or of metal clad with precious metal
71.14	Articles of goldsmiths' or silversmiths' wares and parts thereof
71.15	Other articles of precious metal or of metal clad with precious metal
71.16	Articles of natural or cultured pearls, precious or semiprecious stones
71.17	Imitation jewelry
71.18	Coin

Imports duties range between 2 - 18 % for jewelry imported from non-Mercosur countries, such as the U.S. Imports also pay a 0.5 percent statistics fee. Note that some products imported from Mercosur member countries (Brazil, Paraguay, and Uruguay) pay no import duties and no statistics fee.

## Appendix A

### Illustrative Study of Direct Import Costs

(In U.S. dollars)

The following example shows the case of costume jewelry (**HS7117.1**) imported for resale by a company:

FOB Base Price		US\$10,000.00	
Freight *	8%	US\$ 800.00	
Insurance *	1.5%	US\$ 162.00	
CIF = Dutiable Base			US\$10,962
Import Duty (DIE)	18%	US\$ 1,973.16	
Statistics Fee	0.5%	US\$ 54.81	
SUBTOTAL		US\$ 2,027.97	
VAT Dutiable Base			US\$12,990
VAT	21%	US\$ 2,727.89	
VAT (additional)	10%	US\$1,299.00	
Profits Tax (advance)	3%	US\$389.70	
SUBTOTAL		US\$4,416.59	
Total after taxes			US\$17,407
Port Costs (on CIF) * **	6%	US\$ 795.84	
Customs Broker Fees (on CIF) * **	1.5%	US\$ 198.96	
Bank Charges (on FOB) * ** ****	2%	US\$ 242.00	
SUBTOTAL		US\$1,236.80	
LANDED COST			US\$18,643

#### Notes:

\* These values represent average costs. Actual costs depend on the type of merchandise, mode of transportation, and the value/weight or volume ratio. Please consult a freight forwarder, an insurance company, a port terminal, or a customs broker for exact costs.

\*\* These amounts include the 21 percent VAT (Value Added Tax), which are charged on these services.

\*\*\* Bank charges assume letter of credit.

Please note that VAT and Profits Tax are deducted from gross income tax.

## DISTRIBUTION

During the last 5 years, Argentina has been experiencing a dramatic change in distribution methods.. Before there were numerous small participants in the distribution chain and seemingly innumerable small outlets. This system is being concentrated and rationalized at an extremely rapid pace. Distribution channels of costume jewelry are usually from manufacturers to the wholesaler to the retailer to the consumer.

Medium and high priced costume jewelry is channeled through mall stores, gift shops and boutiques. They buy directly from the manufacturer or importer. Low quality items are sold through hypermarkets and open-air fairs. A combination of direct marketing and catalog is a recent phenomenon employed by local companies to increase sales.

Entry into the Argentine market can be accomplished in a variety of ways:

- Through established local distribution channels, such as agents and Argentine importers
- Via joint ventures and licensing arrangements with Argentine firms
- By direct marketing

- With substantial investment needed to open a branch or subsidiary

Most U.S. companies hire local agents or distributors. Agent/Distributors are knowledgeable about local markets and are responsible for promotional activities, helping in negotiations and final sales of the items. Companies considering the use of agent/distributors should be aware of the conditions associated with agent contracts. The Civil and Commercial Codes basically govern principal agent-relations. The most effective method of entering the market is through close cooperation with a well-established local distributor or agent who also offers service and after sale support. Argentine customers prefer to rely on well-known companies for reasons of proximity and quick access.

## **JOINT VENTURE**

Argentine legislation permits the establishment of joint ventures. A contract must be signed and registered with the Commercial Registry. The contract must contain a number of specific clauses and must also provide for the appointment of a legal representative in charge of management.

## **PACKAGING AND LABELING REQUIREMENTS**

U.S. exporters of costume jewelry to Argentina must also comply with bilingual and other packaging and labeling practices in Argentina. Directions for use, warranty certificates or assembly instructions accompanying the jewelry products must be in English and Spanish.

## **BUSINESS PRACTICES**

Office hours are generally from 9 a.m. to 6 p.m., Monday through Friday. Banking hours are from 10 a.m. to 3 p.m. Monday through Friday. Business lunches are a common practice, sometimes lasting up to two or three hours. Negotiations are based on personal contacts. Business dress, appearance and general approach should be conservative. All business in Argentina is transacted in Spanish and all documents and records must be in Spanish to make up valid evidence. Although many Argentines with a secondary school education understand English, a good working knowledge of Spanish is essential for anyone planning to work in Argentina for any length of time.

January and February are the summer vacations in Argentina.

The business and government community commonly are on a limited work schedule and many key decision makers and important government contacts are not available. Business travel during that time of the year is not recommended.

## **FAIRS**

### **International Exhibition of Jewelry, Watch Making and Antique Shops**

(Exposición internacional de joyería, relojería y anticuarios)

Date: August 27 to 29, 2008

Place: Sheraton Buenos Aires Hotel and Convention Center

For more information about "Buenos Aires Joyas" 2008 visit:

Web page: <http://www.mundojoya.com.ar>

## **TRADE ASSOCIATIONS**

Cámara Argentina de Joyería, Relojería y Afines (Argentine Chamber of Jewelry)  
Talcahuano 178, 3º Piso, Buenos Aires, Argentina  
Tel: (5411) 4383-5815 / 4372-6204  
Fax: (5411) 4383-5815 / 4372-6204  
E-mail: [camara@camarajoyeria.org.ar](mailto:camara@camarajoyeria.org.ar)  
Web page: <http://www.camarajoyasyrelojes.com.ar>  
Contact: Sr. Pereyra Homero, President

## **SPECIALIZED MAGAZINES**

Estilo Joyero Magazine  
Web page: <http://www.estilojoyero.com.ar>

The following offices draft customs rules, regulations, and tariffs:

National Tax Bureau, Ministry of Economy  
*Dirección Nacional de Impuestos*  
*Ministerio de Economía*  
Hipólito Yrigoyen 250, Piso 9, Of. 903  
(C1109ADA) Buenos Aires, Argentina  
Tel: (54-11) 4349-6968/70  
Fax: (54-11) 4349-6965  
Contact: Dr. Eduardo Carbone, National Director  
E-mail: [pmagli@mecon.gov.ar](mailto:pmagli@mecon.gov.ar), [chuha@mecon.gov.ar](mailto:chuha@mecon.gov.ar)

Technical Administration, Argentine Customs Bureau  
*Subdirección General Legal y Técnica Aduanera*  
*Dirección General de Aduanas (DGA)*  
*Administración Federal de Ingresos Públicos - AFIP*  
Azopardo 350, Piso 2, a la derecha  
C1107ADD Buenos Aires, Argentina  
Phone: (54-11) 4338-6736 / 6738  
Fax: (54-11) 4338-6739  
URL: <http://www.afip.gov.ar>  
Contact: Mariano Duhalde, Deputy Director General for Customs  
E-mail: [mduhalde@afip.gov.ar](mailto:mduhalde@afip.gov.ar)

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