



Many visitors of the exhibition “Yuvelir-Prestige” that was held in Kharkov (the Ukraine) in the middle of February were first of all looking for the stand of the Vinnitsa “Kristall Diamond Factory”: jewels with high quality diamonds from Vinnitsa are highly demanded both in the Ukraine and outside the country. One of the flagship plants of the Ukrainian jewellery industry has its history from the 70s when Jakut diamond cutting plants with the same name were built in different cities of the USSR. The jewellery production that nowadays provides up to 85% of the plant’s sales was launched here in the 90s. Alexey Zhabkin, Deputy General Director of “Crystal” shares with RD&J his vision of the situation on the market and of the problems of the crisis year.

Alexey Zhabkin: market demands quality

Mr. Zhabkin, what were the results of “Yuvelir-Prestige” for your company?

I can estimate the first three days rather successful. The customers realize that the rates on gold and raw diamonds changed due to the global growth of prices. However, taking into consideration the fact that our national currency got 50-60% cheaper and gold and raw diamonds got 20-30% more expensive, the increase of 25-30% of our retail prices in hryvnias means that they are now lower in dollars. Our sales volume in dollars during all last year Ukrainian exhibitions is the same as it used to be in 2008.

How was 2009 as a crisis year for “Kristall” in general?

Our plant just like all players on the market wasn’t facing the best of the times: the real production volume dropped by around 30%. This looks a bit better moneywise, as the prices went up and the exchange rates changed. Both the financial results and production volumes mostly met our expectations. There is no surprise that the percentage of sales of the expensive jewellery with big gemstones in the price range from \$10,000 and higher got lower. Thus knowing that production volumes of some Ukrainian companies dropped significantly, we shouldn’t complain. It is worth mentioning that some big enterprises that had used to import large amounts of gold were not presented at the recent exhibitions. According to the reports from the Assay Service, the regular leaders were some unknown companies in the past years with everyone understanding that it is impossible to handle a large assortment within a year or a year and a half. Basing on some estimates, up to half of the market participants survived owing to illegal traffic.

We continue developing retail trade chains because we understand that one should have a full control over the price policy from the production stage up to implementation of the ready product. We can pursue a common rate and advertising policy in our chains.

What problems are the most critical for you now?

The main problem today is the state policy regarding business. We evaluate this or that government precisely from this position. We managed to get the right for unacceptable bank guaranteeing of bills for the import of raw diamonds made on commission last year. As a result, our foreign partners who have worked with us for years, prolonged their contracts with our plant even in the times of recession, and owing to the quality of our products the number of their orders has not been reduced. What made our life difficult is the fact that the maximum terms of currency profit payback had been reduced from 180 to 90 days in the Ukraine, and working with the buyers from the neighbouring countries had got more difficult. This additional factor contributed into a drop of export volume down to 40-45%, which is more than sales decrease on the local market.

Unscrupulous business and unfair advertising also make our life difficult. There are many small companies messing around our plant which claim to their customers that they are our daughter firms or that they use diamonds produced by the Vinnitsa plant. First of all, we didn’t give anyone the right to use our brand name. Secondly, it’s my responsibility to tell you that nobody buys any diamonds from us, as they are considered to be too expensive. In reality, they import low quality stones from abroad, illegally in most cases.

Unfortunately, the jewellery market is flooded with jewellery items with low quality stones, and this is a serious common problem. The diamond itself is 50-60% of the price of any diamond jewel. The diamond characteristics that can be seen on our tags are absolutely real. So when the stones are imported based on the idea “the cheaper the better”, their characteristics are usually overestimated. Even if a producer of jewellery with imported diamonds doesn’t want to fool the customer, he is not able to double check their real quality due to the lack of the gemmological laboratory in the company. In the best scenario he will transfer the stone characteristics from the GIA classification in letters to our digital one without looking at the stone. And as it is known, the Assay Service checks only the quality of alloy in a product.

In your opinion, what is the role of the exhibitions in forming the jewellery market? Do they create any tension between the producers and trade?

The exhibitions for us are first of all an opportunity to get an idea of our customers’ purchasing power and to establish a direct contact with the clients. On the other hand, people often want to buy jewellery from a producer. We can tell them in a better way than shop assistants about the production technology of jewels, the benefits and new items.

We have been paying attention in the past few years to a dramatic reduction of the number of trade companies’ representatives who come to the exhibition to find partners and to sign up wholesale contracts. That makes recent exhibitions look more like fairs. We should understand that people don’t show up at the exhibitions spontaneously, they would like to see a large assortment of quality products and purchase them at the optimal prices. None of the producers want to be presented at the exhibitions with a loss either: the participation fee grows every year, and the exhibition expenses should be covered.

In some cases the exhibitions interfere with the retail trade, but only the one that has an unfair rate policy. The fairs undermine the work of those places that want to be the monopolists and keep high prices. Our partners in different cities don’t get negative emotions from the exhibitions. Only those trading places survive today in big cities which have been on the market for a long time and pursue wise rate policy: they don’t increase the prices, they make discounts and enlarge their assortment.

We send some visitors of our stand to the local trade agents and keep working with them through the year. Our experience shows that up to 30-40% of our customers become regular clients and they purposefully wait for the next exhibition. ◆

- Having gone towards the redevelopment, “**Kristall Diamond Factory**” not only increased capacities of highly remunerative jewelry production, but retained key professionals and unique technology of polished diamonds’ production, the capacity of which now allows the company to ensure its needs for top-quality diamond inserts in jewelry.
- Territorial closeness of all manufacturing sectors, achieved in the process of reconstruction, not only reduced maintenance costs, but in fact combined all divisions to achieve a common goal – satisfaction of customers by beautiful and high-quality products, designed according to their preferences and money.
- Jewelry production of Kristall is a modern high-tech industry, where using the best tools and equipment, they produce more than 5000 models of the most diverse jewelry design, from classic to bold original forms.
- Such jewelry products differ from others not only by elegant design, but by the quality of make, especially the quality of polished diamonds produced at Kristall Diamond Factory.
- The factory is one of the few in Ukraine which has a right to put a state plate-mark on their products.
- Kristall Diamond Factory, using its competitive advantages, namely their high quality products and certified diamonds of its own production, occupies a certain position on the jewelry market of Ukraine, holding it firmly in the period of the current economic crisis.
- The high quality of diamond polishing ensures the factory with orders for production of polished diamonds from world known wholesalers in Belgium, Russia, Israel, and the United States.



At March 11 “Kristall Diamond Factory” was visited by South African Republic ambassador Andries Venter. Accompanied with “Kristall’s” CEO Yuri Mazur, he toured the factory and praised the high quality of its products