

The Challenges and Opportunities Of Growing and Marketing South Sea Cultured Pearls

Nicholas Paspaley, AC

Over the last 50 years, the cultured pearl industry has undergone a significant transformation. It has changed from a period when Japanese and (later) South Sea cultured pearls were effectively the only cultured pearls in the marketplace to the situation today, where there are a large variety of cultured pearls available from many different localities and of many different types.

In the pre-culturing era, all oceanic (saltwater) pearls were classified as Oriental pearls, and South Sea pearls fell into this generic category. With the advent of pearl culturing, however, pearls became more accurately known for the type of oyster that produced them and the region in which those oysters grew—hence the term *South Sea pearls*.

Naturally occurring pearls from the *Pinctada maxima* oyster native to the South Seas have been traded for thousands of years. But in past centuries, many natural South Sea pearls were undoubtedly traded simply as Gulf pearls. Because of its spectacular nacre (see figures), the South Sea pearl oyster historically has produced some of the most significant natural pearls in

The Pinctada maxima oyster is renowned for the quality of its nacre. Courtesy of Paspaley Pearling Co.



The nacre of the South Seas Pinctada maxima oyster is an important factor in the production of very fine cultured pearls from this region, as illustrated by this 20 mm example. Courtesy of Paspaley Pearling Co.

the world. Therefore, it follows that this oyster has the ability to produce magnificent cultured pearls as well.

However, the competition for market share between gem producers as well as between different pearl types is fierce. At the same time, there are significant gaps in the expertise required to grow pearl oysters and conduct pearl farming compared to many other fields of knowledge. There are very few experts today who have a broad knowledge on a comprehensive range of pearl and pearl farming issues.

The challenge for the South Sea cultured pearl industry today is twofold: to produce pearls of a superior quality, on the basis of which they can be differentiated in the wider pearl market, and to improve the level of knowledge and understanding of pearls in the marketplace.

Mr. Paspaley is executive chairman of the Paspaley Pearling Company Pty. Ltd. in Darwin, Australia.

The Tahitian Cultured Pearl

Robert Wan

The Tahitian cultured pearl industry is the second largest industry in French Polynesia and the primary source of foreign currency from direct exports. It has a major socio-cultural and economic impact on the nation. With more than 7,000 Polynesians earning their livelihood within the pearl industry, it is an integral part of the fabric of Polynesian life.

The meteoric popularity of the Tahitian cultured pearl in the 1980s triggered a veritable boom in the industry. For many years, this market demand made pearl farming a lucrative endeavor, but the industry reached its saturation point in the year 2000. Flagrant overproduction and slack quality control, combined with a slowdown of the world economy, dealt the Tahitian pearl industry a serious setback. Suddenly, pearl farming was no longer a viable activity.

According to the official figures from the French Polynesian Pearl Culture Bureau, this glut caused many pearl farms to close and others to consolidate. In only seven years, the number of pearl farming operations decreased from 2,700 registered in 1998 to only 800 remaining in activity at the end of 2005—half of them shell producers, the other half pearl producers.

Drastic measures had to be taken to ensure a stable production and a quality standard for the Tahitian cultured pearl. Consequently, the French Polynesian Government established the Pearl Culture Bureau in 2001. This organization aimed to enforce strict quality controls and production regulations on the supply side of the spectrum. These included the following measures:

- Limit the number of pearl farming concessions
- Limit the number of production and export licenses
- Shut down pearl culturing activity in certain lagoons
- Establish a firm classification system aimed at ensuring that only high-quality product enters the world market
- Strictly control a minimum required nacre thickness in all exported cultured pearls
- Destroy all rejects to prevent their commercial use

All these regulations combined with an effective marketing program, conducted by the nonprofit GIE Perles de Tahiti, resulted in a marked increase in the total value of Tahitian cultured pearl exports of 14% in 2004 and 16% in 2005, accompanied by trading price increases of 30% from 2003 to 2004 and 20% from 2004 to 2005. Confidence has been restored to the market, and production in 2006 has remained stable to date.

Maintaining the viability of Tahitian pearl culturing activity is the principal objective of Perles de Tahiti. The specific objectives include:



Pearl culturing is the second largest industry in the group of islands that is French Polynesia. Photo by Michel Roudnitska.

- Export cultured pearls and cultured pearl jewelry totaling \$200 million in 2012
- Limit the number of active producers on the island to 1,000
- Perpetuate the pearl-bearing oyster resources
- Improve the quality of production

The future of the Tahitian pearl industry is critical to French Polynesia, and its direction will dictate the future social, cultural, and economic well-being of the islands. Protection of the environment is a pivotal aspect of this. The life of a Polynesian and his family depends on his livelihood. The islands and their lagoons are our heritage and our future, worth every bit of our protection. Pearl culture is indeed a miracle of nature and of man. We must give back to nature what she has so graciously given us.

Mr. Wan (contact@robertwan.com) is CEO and founder of Tahiti Perles Company in Papeete, French Polynesia.

Chinese Freshwater Cultured Pearl ~~Revolution~~ Evolution

Joel Schechter

Seven years ago, we presented “Chinese Freshwater Cultured Pearl *Revolution*” at the last GIA symposium. In a very controversial session, we predicted the enormous impact China would have on the pearl markets.

Nearly a decade later, the entire industry has changed. Huge quantities of affordable cultured pearls now are harvested annually—by conservative estimates, more than 1,200 tons of freshwater cultured pearls were harvested in 2005 (figure 1)—putting pressure on other pearl-producing countries. The pearl industry is now in a Darwinian “survival of the fittest” mode. Rounder and brighter cultured pearls from China (figure 2) have totally altered Japan’s previous dominance as the major pearl power. Large sizes are beginning to affect the South Sea markets. Even golden and Tahitian pearls are not immune to China’s fury, as improved color enhancements allow freshwater cultured pearls to mimic colors from all over the globe.

What does the future look like for the next decade? With

Figure 1. China is producing some 1,200 tons of freshwater cultured pearls annually, but for the Chinese industry to thrive more controls are needed on processing, marketing, and the quality of goods that are released into the market. Photo courtesy of Honora.



Figure 2. Chinese cultivators are now producing rounder, better-quality cultured pearls. Photo courtesy of Honora.

11–14 mm bead-nucleated freshwater pearls beginning to show up in the marketplace, China appears to be taking even sharper aim at South Sea producers. And while the quantities harvested in China continue to rise, can anything be done to support pricing? Are more affordable cultured pearls a good thing for the market as a whole?

Interestingly, China’s exports are rising dramatically, but total revenues have not kept up. Falling prices have badly hurt many of the growers, creating a “sell it before it drops further” mentality. All this continues to put financial pressure on the country’s market. While China produces 95% of the world’s cultured pearls, pearl associations estimate it keeps only about 8% of the revenue they ultimately generate—an amazing statistic.

To keep prices up, China needs to tackle the issues surrounding the low image of its cultured pearls. Better processing, improved marketing, and elimination of low-end products are vital to support higher values for the market.

Mr. Schechter (joel@honora.com) is president and CEO of Honora in New York.

Focusing on Cultured Pearl Treatments

Kenneth Scarratt

From their inception in a cloud of controversy, cultured pearls have grown considerably in stature and today stand proud as one of the most desired items of adornment. Since they were first introduced, techniques have evolved that have given a wide variety of choice to the buying public. Cultured pearls, both beaded and nonbeaded, are now

available in a wide range of sizes and colors from freshwater and saltwater sources.

As with other gem materials, some cultured pearls are rarer or otherwise more desirable than others. This being the case, the desire to alter or improve the appearance of those that are less attractive is great. Treatments often applied to

cultured pearls include bleaching, dyeing, irradiation, coating, and heating. Some of these can be identified with standard gemological testing (e.g., in many cases, evidence of dye or a coating can be readily seen with magnification); in others, the advanced instrumentation offered by a well-equipped laboratory may be required (such as UV-Vis reflectance spectroscopy to determine dye in some “golden” cultured pearls). In addition, an array of composites are available.

Although the treatment of cultured pearls has not received focused attention within the industry, history shows that these treatments will eventually be debated and pressure will be placed on laboratories, dealers, and retailers alike to identify

and disclose them. Indeed, the debate has already begun within industry organizations such as CIBJO.

With such a large choice in untreated and treated cultured pearls available, it is essential that the industry be able to explain the different products to the public. Education needs to keep up with advances in culturing, manufacturing, and treatment processes, and laboratories need to develop reporting systems that properly describe this important product.

Mr. Scarratt (ken.scarratt@gia.edu) is director of GIA Research (Thailand) in Bangkok.

Branding Cultured Pearls: From a Retail Perspective

Meyer Hoffman

Over the years, the retail landscape has undergone many changes. Consumers have become savvier and more demanding, retailers have created an “environment” or buying experience to attract these sophisticated consumers, and manufacturers and suppliers have developed appealing “brands” to set themselves apart from the competition. The most prominent examples can be found in the apparel industry, where leading fashion designers have truly captured the hearts and wallets of the high-end consumer with strong brand identities and distinct product assortments. More recently, apparel retailers have created their own brand significance by setting themselves apart from the high-end fashion world with innovative store concepts and individually developed product lines.

These examples, of course, are not unique to apparel; they can extend across most industries, including cultured pearls. Although it has evolved over the years, this industry will only remain relevant as long as companies create distinct brand experiences that appeal to a discerning consumer. This is not limited to the high end, as it extends across all price points.

Critical Factors

Companies must clearly define and market their brand essence, strive for differentiation, and target their audience with precision.

Defining one’s brand essence can take many forms, but it must remain clear and consistent over time. There are many examples of established houses that have successfully reinvented themselves (Burberry), as well as newly created brands that are aggressively targeting Generations X and Y (Abercrombie & Fitch).

Mr. Hoffman (MHoffman@mikimotoamerica.com) is executive vice president and chief operating officer of Mikimoto (America) Co. Ltd. in New York.

Creating differentiation is crucial in today’s retail environment. There are too many look-alike products or generic copies that offer no value added and, consequently, are not appealing to an affluent audience. In today’s highly competitive marketplace where product life cycles are getting shorter, it is imperative that successful brands strive to create a point of difference.

Finally, attracting a well-defined audience will ensure that companies achieve increasing sales and sustain a profitable business model. Generational marketing (including psychographic profiling) is one aspect of defining and attracting the most appropriate audience for your product (see figure).

Generation X, with almost 45 million consumers in the U.S., is now an important part of Mikimoto’s primary target market because of their purchasing power.

