

OUTRAGE OVER POOR-QUALITY IMPORTS LIKE POISONED PET FOOD HAS SHOPPERS SCRUTINIZING "MADE IN" LABELS. THIS PUBLIC SENTIMENT ALSO SHEDS LIGHT ON A U.S. LAW THAT REQUIRES COUNTRY-OF-ORIGIN MARKS ON FINE JEWELRY IMPORTS. A LAW THAT, FOR REASONS RANGING FROM IGNORANCE TO EGO, THE INDUSTRY IS WIDELY IGNORING AND BREAKING.

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SEAL OF DISAPPROVAL

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SEAL OF DISAPPROVAL



Three years ago, a customer of Ginsberg Jewelers, Cedar Rapids, Iowa, bought an 18k gold ruby and diamond ring for his wife. Days later, he returned it because of a little sticker on the back of the box printed “Made in China.” Assurances by store vice president, Steve Ginsberg, that only the box was made overseas (the ring was made in the United States) didn’t appease him.

“I was surprised that he thought because the [box’s] label said ‘Made in China,’ that whatever was on the inside of the box was also made in China,” recalls Ginsberg. “There was nothing engraved on the inside of the ring that said ‘Made in China.’”

This incident could be a harbinger, given recent scandals involving low-quality imports that have sparked greater American interest in country of origin (COO). Nearly 60 percent of the Consumer Product Safety Commission’s recalls in 2007 were from China, and the American public is growing increasingly angry about reports of foreign-made toxic toys, tainted dog food, cheapjack tires, and costume jewelry with high lead content. “With all of the media attention [on jewelry with lead] this year, people are already asking questions,” says Rich Youmans, publisher, *Manufacturing Jewelers & Suppliers of America Journal*.

Research reveals developing public concern:

- ▲ A Deloitte & Touche USA survey reported that 54 percent of Americans considered COO important when making purchasing decisions.
- ▲ A Gallup Poll showed that more than 60 percent of Americans are willing to pay more for shoes and clothes made in the United States, while 65 percent aim to avoid Made in China labels.
- ▲ The Harrison Group found that nearly 70 percent of adults preferred American-made goods over imports.
- ▲ Research firm Brand Keys showed that consumers age 18–24 care about COO as it relates to luxury goods.

The timing of this growing awareness couldn’t be worse for an industry whose jewelry imports have mushroomed in the past five years: U.S. imports from China are up 81 percent; India, 176 percent; and Mexico, 152 percent. Imports from Italy, meanwhile, are down nearly 40 percent. Considering that total U.S. sales at jewelry-only stores increased 27 percent during the same time, the numbers are telling.

But that is only one part of a potential public relations nightmare

[BOTTOM] NEW **DAVID YURMAN** JEWELRY FOR MEN IN THE **NEIMAN MARCUS** 2007 HOLIDAY CATALOG IS MADE OVERSEAS. [BELOW] JEWELRY FROM **JOHN HARDY** IS MADE IN BALI, INDONESIA, BECAUSE THE DESIGNER’S NICHE IS BALINESE SILVER.





for an industry still trying to polish an image tarnished by conflict diamonds and dirty gold; the other is the industry's noncompliance with the law regulating disclosure of where jewelry is made. U.S. Customs and Border Protection law requires COO disclosure on imports like jewelry—a law that, *Luxury* has found, is largely ignored. Imports or their containers must bear hang tags or permanent stamps citing COO. Both, however, are hard to find in stores. Customers like Ginsberg's might be reassured if jewelry has Made in the USA stamps, but those aren't mandated, either. "The perception is that a lot of American jewelry brands are made [in the United States], but none of it is anymore," says Robert Manse, president, Euphoria New York.

While "none" may be an overstatement, it's true that much isn't, and the industry should brace itself for scrutiny. Violations of the Customs law are rampant, for reasons ranging from manufacturers aiming to keep overseas plants a secret to industry ignorance to lack of enforcement by Customs.

Forty-five national import specialists act as gatekeepers of goods at 35 U.S. border checkpoints. More than 85,000 daily shipments of merchandise, including fine jewelry and watches, must bear COO marks that are visible to end users.

With so many U.S. imports arriving daily, the task of policing these laws is monumental and spread out among numerous agencies. The Federal Trade Commission enforces laws that safeguard consumer interests. Customs national import specialists inspect U.S. imports and follow up on cases of temporary COO-mark exemptions (when importers aim to disclose origin on store tags at retail). Finally, Immigration and Customs Enforcement, an agency under the Department of Homeland Security, investigates tips about violators.

These agencies oversee everything from COO labeling to trademark violations. Last year, ICE and Customs made nearly 15,000 seizures of counterfeit merchandise worth more than \$155 million. While statistics on hang-tag removals aren't available, ease of tag manipulation, lack of Customs enforcement, and general ignorance within the industry suggest that the numbers are likely high. Hang tags—tiny bits of paper that dangle from string or adhere to jewelry as stickers—are inherently flimsy. And in this age of terrorist threats, inspecting shipments of jewelry is a low priority for Customs officials.

Surprisingly, industry spokespeople don't deny violations of the law, but the extent to which importers and retailers are knowledgeable of COO is unclear. For example, the Jewelers Vigilance Committee's Buyer's Bill of Rights advises jewelers to disclose COO. And the Jewel-

"The perception of something that's made in China is less than something made in Florence."

—**STEVE GINSBERG**,
VICE PRESIDENT,
GINSBERG JEWELRY

KNOW THE LAW

- ▲ United States Bureau of Customs and Border Protection Duties code outlines requirements for all U.S. imports, including jewelry and watches. Watch movements must bear a COO mark, the name of the manufacturer or purchaser, and the written number of jewels or frictional bearings. The COO of the movement is that of the watch, and should be marked on the dial and/or back of the case. Additionally, the inside or outside back of the watchcase should feature a COO and the name of its manufacturer or purchaser. Hang tags are used—albeit infrequently—for movement markings. On jewelry, COO marks must be in the metal or printed on hang tags. Metal may be die-struck, molded in, or etched with marks, while tags must be conspicuously and securely attached to items and remain on until they reach consumers. View specifics at www.access.gpo.gov.
- ▲ The Federal Trade Commission's Made in USA Standard regulates claims for American-made products, which should be all or virtually all made in the United States and have negligible foreign content. Claims may be express, implied, qualified, or unqualified. An American brand's trademark or name alone doesn't imply U.S. origin. American-made items must be substantially transformed in the United States (no guide cites what percentage of manufacturing costs should come from domestic labor). American-made products must also receive final assembly and/or finishing in the States. Permanent marks are not mandatory. View more details at www.ftc.gov.

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“How can something be rare and precious when you have 10,000 of them going out the door?”

—**ZOLTAN DAVID**,
OWNER/DESIGNER,
ZOLTAN DAVID

ers of America’s Code of Ethics and Standards of Professional Conduct advises against intentionally misrepresenting merchandise as it relates to its “nature, authenticity, and/or origin.” The Gemological Institute of America also references COO in its Jewelry Essentials.

However, the American Gem Society’s Code of Ethics simply calls for compliance with FTC guidelines, and executive director and chief executive officer Ruth Batson concedes that “there’s nothing specific in [AGS guidelines] on how to disclose COO.”

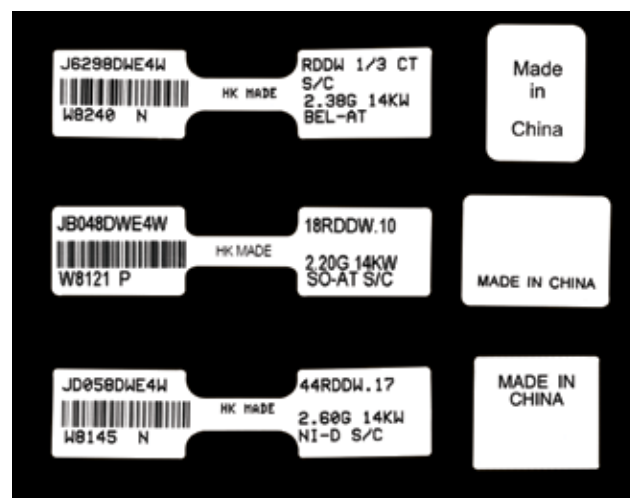
Disclosure is, not surprisingly, inconsistent. Television and Internet retailer QVC, West Chester, Pa., stamps “Thailand” onto sterling silver jewelry designed by Judith Ripka and Ann King. Ripka’s 18k Couture and Two lines are made both in the States and at “various international factories,” Ripka told *Luxury*. While she doesn’t stamp origin on her jewelry, she does tell consumers where a piece is manufactured “should they ask.”

Robert Lee Morris, meanwhile, clearly marks some of his pieces Made in China and his RLM Studio line for QVC is similarly identified as Made in the Far East.

Twenty-five years ago, Philadelphia-based Steven Lagos made all his jewelry in-house. He started outsourcing to Thailand, Hong Kong, and mainland China when his top competitors did. “I didn’t [start outsourcing] to make more money, I did it to stay in business,” he says. Offshore factories help keep costs down in high-labor jobs, such as his silver Caviar rope chains, which have 160 separate casting components. Overseas outfits also help fill the void in American manufacturing. “No one [in America] is raising their children to be manufacturers,” he says.

American brands like Lagos, David Yurman, Tiffany, and Robert Lee Morris tap into manpower at overseas factories when product demand exceeds production capabilities. The latter three firms declined to speak about their manufacturing for this article. However, *Luxury* mystery shoppers in New York, King of Prussia, Pa., and San Antonio uncovered a few surprises.

Tiffany stores said their jewelry was made in New York, but our source found Frank Gehry bracelets in Tiffany’s San Antonio store were stamped “Hong Kong.” An associate at a store in the firm’s Iridesse division didn’t know where its Anthony Nak jewelry was made, but was certain that the store’s line was made in China. A salesperson at a Christian Bernard Jewelers didn’t know where Hearts On Fire jewelry was made, though one of their independent retailers and a Customs source confirmed to *Luxury* that they import from various locales, including Asia (Hearts on Fire declined to speak to *Luxury*). A Saks Fifth Avenue salesperson said David Yurman jewelry was made in New York, while



THESE COUNTRY-OF-ORIGIN HANG TAGS WERE ATTACHED TO JEWELRY IN A RECENT SHIPMENT FROM **SUPER BELL**. THE JEWELER SWAPPED THESE OUT FOR STORE TAGS THAT DIDN’T CITE COO.

RETAILER RESOURCES

AGENCY: Federal Trade Commission
REASON: consumer protection, law enforcement
CONTACT: (877) FTC-HELP [ftc.gov]

AGENCY: U.S. Customs and Border Protection
REASON: counterfeit alerts
CONTACT: (800) ITS-FAKE [cbp.gov]

AGENCY: U.S. Immigration and Customs Enforcement
REASON: hang-tag removals, trademark violations
CONTACT: (866) DHS-2-ICE [www.ice.gov]



an associate at a Neiman Marcus store said some merchandise arrives with tags (which are removed by Neiman Marcus) printed “Made in Taiwan.” David Yurman jewelry in the 2007 Neiman Marcus catalogs is identified as both “Made in the USA” and “imported.” In all stores, hang tags on the jewelry featured sales and product information, but no COO.

High-end brands fear that, were the overseas origins of many pieces better known among consumers, cachet and sales could be diminished. A designer’s allure and prestige often depend on the reputation of his or her location—such as gold from Italy. “The perception of something that’s made in China is less than something made in Florence,” says Ginsberg.

“There is still the connotation that China is more of a repetitive low-skill type of manufacturer as opposed to craftsmen or working from an artist studio,” says consumer Terri Beattie, a chief financial officer of a bank in Baltimore.

Jewelers, however, can circumvent that by discussing manufacturing origins, thus reassuring consumers who are reluctant to buy imports. Days before Lagos spoke to *Luxury*, he worked a trunk show in Houston, where a customer relayed to the designer displeasure with outsourcing. Lagos explained his reasons for using overseas labor and, ultimately, made the sale.

Without such candor, jewelry buyers may envision master craftsmen laboring over their item; and, often, if no COO is disclosed, shoppers assume collections by American brands are American and are made in America.

Austin, Texas–based designer Zoltan David briefly considered overseas operations, but determined they couldn’t meet his expectations for quality and that the move would have damaged his reputation as a craftsman. “How can something be rare and precious when you have 10,000 of them going out the door?” he says.

Those words resonate with consumers like Beattie, who buys Louis Vuitton bags because they’re made by French craftsmen and collects David Yurman jewelry because she likes the cable motif of the iconic American designer. When she bought a \$2,500 charm bracelet at the David Yurman store in the Houston Galleria, she assumed that it was made in the United States because no signage, tags, or salesperson said otherwise. “If I knew that [it was made overseas], I wouldn’t have bought it for that price,” she says. “His jewelry is very expensive considering most of it is silver, so you would like to think that you are paying for design and craftsmanship.”

While she suspects her \$100 Silpada necklace was made in

SALES AT U.S. JEWELRY-ONLY STORES

| Year | Sales in Millions | % Inc. |
|-------|-------------------|--------|
| 2006* | 30,096 | 27% |
| 2001 | 23,728 | 17% |
| 1996 | 20,317 | N/A |

*Editor’s Note: From 1996 to 2006, U.S. jewelry sales increased 48 percent.

Source: United States Census Bureau

MJSA FIGHTS LEAD IN JEWELRY

A new joint effort by the Manufacturing Jewelers & Suppliers of America and the Fashion Jewelry Trade Association aims to help restrict lead content in jewelry, especially for kids. According to a coalition statement, the MJSA–FJTA Lead Committee teamed up after the recent wave of product recalls from China and ensuing legal and regulatory action; the committee wants to ensure that new safety standards are reasonable and uniform for the jewelry industry, and safe for consumers.

For example, the limit for lead in children’s jewelry—600 parts per million or 0.06 percent—established by the Consumer Product Safety Commission is endorsed as an acceptable industry threshold by the committee. Additional efforts include establishing national legislation for lead content in children’s jewelry, a definition of children’s jewelry (any jewelry for sale to children age 6 or younger), and best practices for adult and children’s jewelry containing lead.

For more information, call (800) 444-MJSA.

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China because “The necklace was cheap [in price and construction],” she has different expectations from designer goods like her petite \$1,400 chandelier earrings by Anthony Nak. “I’d like to think that each little gold link is handmade and not cut from a chain bought somewhere else,” she says. “I would not be happy [if I were] to hear that Anthony Nak jewelry is made in China.”

Milton Pedraza, CEO of the New York–based Luxury Institute, says the issue is “not really about where something is made so much as the retailer being truthful about origin.”

Yet industry members admit they don’t use hang tags or even talk about COO. “I’ve never seen a bunch of tags [citing COO] displayed in stores,” Batson says. Many retailers seem to not know the law, and don’t ask even vendors where jewelry is made. “I can’t recall ever asking [about COO],” says Genette Norman, owner, E.J. Sain, Nashville, Tenn. Ginsberg frequently asks his vendors where jewelry is made, but admits that knowing is not a priority. “I don’t think much about the place where the jewelry is made as long as the quality is good,” he says.

The logistics of disclosure further hinder compliance, even among those in the know. Not many manufacturers stamp less-than-desirable origins on jewelry, and not many retailers want to clutter cases with lots of little signs. Says Frank Dallahan, former MJSA president and CEO: “Very few [hang tags], if any, ever get to retail because jewelers want to eliminate tag clutter.” Kathy Zaltas, owner of Zaltas Gallery, Mamaroneck, N.Y., doesn’t post signs but discloses COO during sales pitches— “[COO] is part of the description of the piece,” she says.

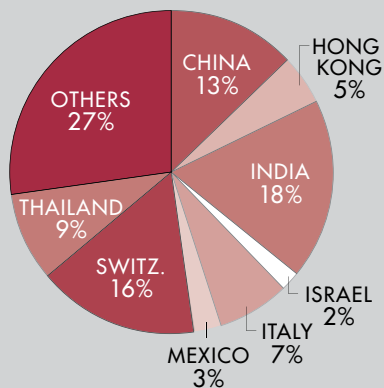
Other retailers know they’re supposed to disclose COO but have difficulty doing so when vendors are less than forthright. “Manufacturers’ reps boast about the product if it’s made in the USA and skirt around the origin if it’s made in China or Indonesia,” says Ginsberg.

For sure, most jewelry packaging is made overseas—a fact that’s sometimes concealed. Euphoria New York’s Manse ships jewelry in pouches that are made in China, but removes the COO stickers so as not to confuse customers. “Our company is called Euphoria New York not just because it sounds nice, but because the jewelry is made in New York,” he says.

Jewelry that arrives at stores without COO marks could be products of the United States, but unless retailers ask where everything is made, it’s hard to know the truth. Companies can boast about jewelry that is made domestically, but an American brand’s trademark or name alone doesn’t imply U.S. origin. Different types of Made in the USA claims exist. They may be express (our products are American made), implied (an American flag on packaging), qualified (Made in the USA



[TOP] IMPORTED WATCHES MUST FEATURE THE COUNTRY OF ORIGIN OF THE MOVEMENT ON THE DIAL AND/OR BACK OF THE CASE. [MIDDLE] STERLING SILVER EARRINGS PURCHASED FROM NEW YORK-BASED **ROBERT LEE MORRIS** ARE STAMPED “CHINA.” [LEFT] ITALIAN-MADE JEWELRY IS OFTEN STAMPED “ITALY.”



U.S. JEWELRY AND WATCH IMPORTS

| Origin | 2002 | 2006 | % Change | % of All 2006 |
|-------------|--------|---------|----------|---------------|
| China | \$901M | \$1.7B | 81% | 13% |
| Hong Kong | \$628M | \$639M | 2% | 5% |
| India | \$878M | \$2.4B | 176% | 18% |
| Israel | \$267M | \$234M | -13% | 2% |
| Italy | \$1.6B | \$960M | -38% | 7% |
| Mexico | \$160M | \$403M | 152% | 3% |
| Switzerland | \$1.3B | \$2.1B | 67% | 16% |
| Thailand | \$759M | \$1.2B | 58% | 9% |
| Others | \$2.7B | \$3.6B | 31% | 27% |
| All | \$9.2B | \$13.2B | 44% | 100% |

Source: Foreign Trade Statistics division of the United States Census Bureau

CONSUMERS DISH ON DISCLOSURE

Some 100 participants in a fall 2007 Amazon.com forum discussed country of origin (COO). User Capnwilly called COO “as significant as price, weight, shipping charges, etc., in making a purchase decision.” He conceded that good products do come from China, but consistent amounts of them have not been the norm. “It is about brand (or country) reputation,” he adds.

Others cited frustration with print or online firms that only partially disclose COO. “‘Imported’ could mean anything,” says Amelia J. Brideson. “I would like to see the specific country so I can make a choice about which country to support.”

Adds Dennis61: “I will be willing to pay more knowing the product I buy is made by Americans, in the USA.”

of U.S. and imported parts), or unqualified (all or virtually all of a product originates in the United States).

Importers can only make qualified Made in America claims on items that are “substantially transformed in the U.S.,” says Laura Koss, a senior attorney with the FTC. American-made products must receive final assembly and/or finishing in the States (no guide cites what percentage of manufacturing costs should come from domestic labor).

Given the current consumer interest in American-made products, surprisingly few in the shrinking community of U.S. jewelry manufacturers—numbers are down 37 percent in 10 years—boast about domestic facilities. Thirty-three-year-old Somerset Manufacturers doesn’t promote its New York factory, though owner Jacob Ambalu sometimes stamps Made in the USA on invoices. Roselle, N.J.-based Novell Design Studio keeps mum, too, even though it’s building a “monster jewelry facility to take on outsourcers head-on,” according to CEO Bruce Pucciarello. “We don’t make enough of a big deal that everything we do here is in-house,” he admits.

Manufacturing in the United States yields the inherent benefits of speedy delivery times; flexibility for special orders; control over models, design, and contents; and consistency from piece to piece. “If [the jewelry] is imported I can’t guarantee everything,” says Ambalu.

To be sure, jewelry is an international business. The United States relies on global partners for diamonds, gold, many gemstones, and more. American outsourcers to China, India, Thailand, Mexico, and other locations say lower labor costs, better technology, and, sometimes, more skilled workforces are available abroad.

Malibu, Calif.-based Wolf Designs was forced by increased labor and oil costs to relocate facilities from Wales and Sweden in 1990 to a Chinese factory that now produces 8 million jewelry boxes and 50,000 watch rotators annually. Wolf’s typical employee there works five-day weeks making jewelry boxes and earns about \$1,500 a year (makers of watch rotators earn double); the 2007 JCK Annual Salary Survey shows that the average annual salary of U.S. designers is nearly 35 times greater.

Just as these financial advantages of outsourcing are obvious to manufacturers, the COO of jewelry must be clear to consumers. FTC and Customs regulations exist to educate consumers, avoid confusion, and thwart misleading claims; the disclosure that these laws demand also helps instill trust among consumers. “There is so much [American] jewelry made in other countries,” says Manse. “Consumers have no idea.” ▲