

Increasing Profitability through Responsibility in the Luxury Industry

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Keyword: Jewellery, Jewelry, Ethics, ethical, Responsible, Responsibility, Fairtrade, Fairmined, Gold, RJC, Artisanal Miners, Globescan, Edelman, Greenwash, Community, retail, diamond, gemstone, aspirational, values, community

Introduction

I am the founder and chair of Harriet Kelsall Bespoke Jewellery, the Vice-chair of the UK's National Association of Jewellers and a Non Executive Director for the International Responsible Jewellery Council and the British Hallmarking Council. My team of 32 and I are proud that my company was the first in the world to both be licensed to use Fairtrade gold and certified by the Responsible Jewellery Council. Both the company and I have been lucky enough to win numerous awards for ethics, trailblazing, design and retail. I am a freeman of the Worshipful Company of Goldsmiths (one of London's oldest livery companies) and a Freeman of the City of London and I am also the current holder of the UK HSBC Retail Woman of the year award. As you will read later in this article, my company is a small business specialising in bespoke jewellery but it is also hailed as an example of an authentic responsible business.

When I started my jewellery business 19 years ago, it was in a landscape where businesses flourished by taking what they could from suppliers and customers to make money. They mainly focused on driving low prices from suppliers without questioning the struggle that workers or miners would have to go through to achieve them. Then they would sell their products to their customers at the highest price they could get away with without being expected to give anything much back to their customer communities other than their products. Happily those days are ending and what everybody is expecting from a business is changing too. Business instead can (and do) flourish by being a real part of the community and contributing and engaging with their suppliers responsibly.

Trust

Large companies and small know that if you want to sell things, you need your customers to trust you. However, we have problems because the global trust barometer by "Edelman" shows us that at the moment there is a global trust crisis. People in the developed world in particular, often do not even trust their own institutions. For example right now, only 1/3 of people in Japan believe they can trust institutions. Furthermore, Edelman also shows us that Business is also on the brink of distrust and globally, trust in business is declining.

Volkswagen cars recently lied about their emissions being

cleaner than they were and they even programmed software to lie for them. This led to a huge reputational crisis for their brand and they lost people's trust. They were "greenwashing". This relatively new term is the practice of making an unsubstantiated or misleading claim about the environmental benefits of a product, service, technology or company practice. Greenwashing comes with huge reputational risk, so must be avoided.

Currently consumers don't usually realise that people are suffering further down supply chains. However if, for example, a jeweller sells gold which abuses those who mine it by paying too little for it or by failing to prevent unsafe conditions, and their customers and the press find out this is this is not only wrong but also a significant reputational risk. We have all seen, in recent years, global brands getting into a mess when the media find out about the poor working conditions of their workers.

After the movie 'Blood Diamonds' came out, every jewellery customer was suddenly asking jewellers about their diamond ethics. Jewellers had to scuttle around trying to find answers to questions that they might not know. When something happens in the media to alert customers to these kinds of issues, pressure is on for industry to have better answers. But of course it is much better to have the right answers about your supply chain already *before* a media storm of one kind or another.

Aspirational

GlobeScan & BBMG's international research shows us that there is a new kind of customer that they have named "Aspirational" (Fig.1). In fact they conclude 40% of all customers globally are now 'aspirational'.

You can look into this further online but in short, these "Aspirational" are materialistic and they like shopping, but they also believe in high social and ethical values. "Aspirational" are represented across every age, culture, geography and income. Globally, they are most likely to be Millennials, and so they are the largest presence in emerging markets. "Aspirational" believe that they can make a difference and support their values with their wallet. Importantly, they are motivated by a sense of idealism and a desire to make a positive ethical, environmental or social impact with their purchases. They believe that they need to spend carefully and focus on companies making a positive difference in order to change the future and are optimistic about that. They want us all to be efficient with environmental resources and kind to

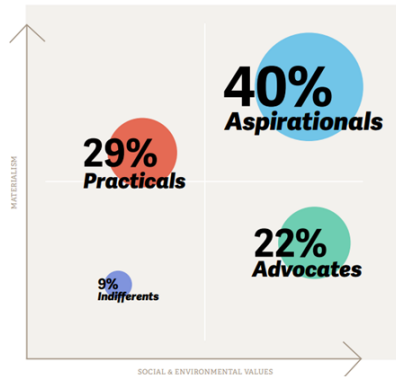


Fig. 1 GlobeScan/BBMG’s graph showing 40% of global consumers are ‘Aspirational’.

people in our teams or supply chains.

The “Aspirational” also believe that companies owe it to their customers to behave responsibly. For example, perhaps you read in the news recently that social networkers now believe that Facebook should be doing more to prevent inappropriate images, self harming, bullying and suicide. It is no longer acceptable to customers of Facebook that they just provide their social network without ensuring that every aspect of their business is as responsible as it can be. These customers expecting this, are clearly the “Aspirational” talking. These young people have been leaving Facebook.

“Aspirational” want brands they spend with to have a higher purpose than just making and selling products. We clearly need to align the luxury industry to this kind of thinking. Luxury prices can afford to pay enough for safely and fairly mined minerals. Happily in the UK we are already on our way. My business growth shows that we are ahead of the curve because we’re coming into a zeitgeist age where ethics, responsibility and authenticity really matter.

I have been asked to explain how my successful UK responsible business behaves and why this is the way forward to help Artisanal small miners and to help spread the safe extraction of gold from the base rock without causing harm with mercury. This shows how jewellers like me can make this ethical and responsible sourcing part of our brand.

I also want to show you how responsibility is in the DNA of my business and the people that work within it and is spread across every aspect and community that we interact with. Responsibility is embedded within my business brand because my team and I genuinely care about helping to solve the problems like those faced by the artisanal miners. But looking at this research about the “Aspirational” and global issues shows me that this ‘responsibility’ also helps to give our company a purpose beyond making money. It is this purpose that our customers like, and millennial customers will like it even more. This purpose, as long as it comes from the hearts of the directors, can also actually even help companies like mine make money by enhancing their brands.

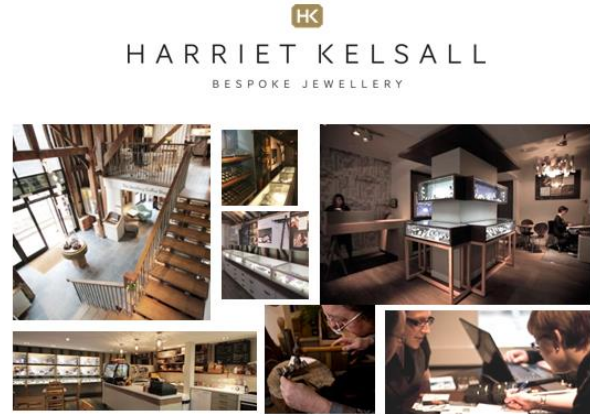


Fig. 2 Harriet’s shops in Hertfordshire & Cambridge.

The story of Harriet Kelsall Bespoke Jewellery

I run a small business like any other (Fig. 2); We are not a charity and we are not a not-for-profit business. A business like mine can have an ‘ethical’ business vision as well as a profitable business where you pay people fair or even generous wages. A brand can be both ethically minded and luxurious. A business can be responsible even if it is only a small business.

We specialise in bespoke jewellery and this is what people are looking for when they find our website. For example somebody might come to us and say they’d like us to design them a beautiful engagement ring inspired by the fact that they love roses and we design and make the piece of jewellery to suit the wearer’s style, story and budget. Over the years the business has gone from strength to strength and we are now proud to be the UK’s leading bespoke jewellery company. Customers come to us from all over the world because we often work via Skype for our one-to-one consultations and then we can ship our beautiful precious unique creations to them (and this is increasing since Brexit because the value of the pound means you get more for your money. We even have a few customers from Japan!). The ethical aspect of our brand is not the largest thing on the front page of our website because it isn’t the first thing that our customers need to see. We then just quietly educate and convert them to “Fairtrade” whenever possible. Ethics is a personal thing to each customer and I am not about to judge somebody for having a slightly different point of view to me because ethics is complicated and subjective. So we explain everything to them and allow them to make their choices. They usually choose “Fairtrade” gold over standard gold.

Our Values

The invention and acknowledgement of our business values has been very important on our own ethics journey. We wrote them down a few years ago. We hold everything that we do up against these values and ensure that it fits. We also recruit by these values which means that we as a team all share them and so drive

A Responsible Business - Engaging with Communities

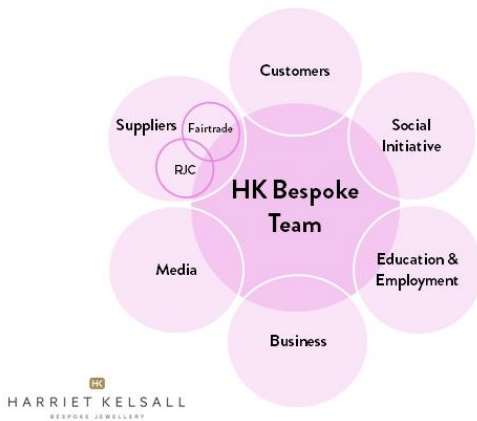


Fig. 3 Cherry Blossom diagram of Responsibility.

forwards in the same direction. They are on our website for all to see <https://www.hkjewellery.co.uk/our-values>. This is how to shape the moral compass of your business. To work they need to come from your heart.

Not everything we do is perfect. However these “aspirational” customers do not expect anybody to say that everything in their business is 100% perfect as they are realistic too. They understand that we are all on a journey and that we have further to go. They really want truth and honesty so this is exactly what we give them. For example we say to our customers “We can use Fairtrade gold but we cannot easily get Fairtrade silver yet but we can use recycled silver - and we are working on it”. Or perhaps we say “We can source some of our gemstones from mines where we are confident that people and the environment are well treated, but not all - so we can show you which gemstones types to choose if this is important to you.” This is the kind of honesty that the “Aspirational” really value. They can see that it is the truth without greenwashing or exaggeration.

Cherry Blossom Responsibility Diagram

Fig. 3 is inspired by Japan’s national flower although I am afraid that my sakura flower has 6 petals which isn’t quite right so forgive me for that! This diagram illustrates how we think about ethics and responsibility throughout my business. Each circle is a different group that the business connects with, or a different community. We try to fully engage in all of our communities and try to act responsibly everywhere. Below I will give you an overview of each circle.

How We Are Responsible in Our Supplier Communities

When I joined the jewellery industry from a rather unusual route over 20 years ago and with fresh eyes I was struck with the industry’s ethical and environmental credentials. The industry had been historically corrupt in places and had done a lot of harm to

people and the environment. There are still many children working in mines and miners who have to mine gemstones in terrible conditions or people who think it’s safe to leach gold from the base rock using mercury with their bare hands. I also noticed that jewellery customers seemed happy with the hidden “mystery” associated with jewellery and weren’t asking more questions. When I was 18/20 years old, I asked a stone dealer where a particular gemstone had come from and how I could be sure children didn’t mine it and he said “sorry love you’re in the wrong industry for all that hippy rubbish”. As you can imagine, his attempt to patronise me, and ‘shut me up’ did not work. I realised that he had been so aggressive because he didn’t know the answers and he didn’t want to know the answers. He knew there was plenty to hide. So if I simply asked the questions enough along with others who might be asking them, they would have to find me an answer, if only to shut me up! I kept asking, and other people started asking too. Slowly, I began to get some answers. We tried to work with the most ethical materials we could find where possible and depending on what the customers wanted, trying to keep these in a balance. We started working with gold from a mine in Colombia called Ore Verde which was traded where fair prices were paid to the miners and with a lot of environmental attention. This was before certification by Fairmined and Fairtrade. Later I met an activist called Greg Valerio who was establishing a Fairtrade and Fairmined process, and in due course the Fairtrade Foundation asked me to assist him in establishing their process for linking Fairtrade gold to UK designers and makers. I was delighted to help and especially thrilled when Fairtrade gold was officially launched in 2011.

90% of the labour force involved in gold mining is made up of artisanal and small-scale miners who produce between 200-300 tonnes of gold each year. Around 70% of this is used to make jewellery, with consumers across the globe spending a whopping \$135 billion a year on gold jewellery!

An estimated 100 million people worldwide rely on small-scale mining for their livelihoods and to support their families and communities. Small-scale miners often work long days and in difficult and sometimes hazardous conditions. As you well know, there are serious health risks associated with the improper handling of toxic mercury and cyanide, which can be used in the extraction process. Miners struggle to attract the finance or generate sufficient profits needed to invest in their operations or safer, and more efficient technology.

Small-scale miners are at the end of long and complex supply chains and for those working in remote locations, it can be difficult to sell their gold at a fair price. For Fairtrade Gold, miners receive a guaranteed fair minimum price and also a premium to spend on improving their businesses or on community projects, such as education, clean water and healthcare. Fairtrade certification means these small scale-miners meet Fairtrade Standards. This can help them to improve their mining, safety and

business practices as well as open the market to generate more sales on better terms. The Standards include strict requirements on working conditions, health and safety, handling chemicals, women's rights, child labour and protection of the environment (Fairtrade Foundation, 2017).

Now in 2017 we use Fairtrade gold from certified mines in Peru, Bolivia and Colombia and there is a new Fairtrade mine in Africa in Uganda. When we share this information with our customers, they are horrified and they are instantly keen to spend just a little more on ensuring that the gold for their wedding ring is Fairtrade or Fairmined gold. This is because they are clearly “aspirationalists” who want to help with their wallets.

After Fairtrade and Fairmined gold was established, I began gently pressuring my own suppliers (none of whom were using Fairtrade gold) to do better. However many jewellery companies in the UK were, at first, resistant. They were established businesses who did not have the passion to support their mining communities. They said that as their customers and consumers were not asking them for this special fair gold, they were not willing to supply it.

But I kept asking. I asked about once every month. Others began asking too. Happily the largest casting house and the largest chain supplier in the UK now produce Fairtrade gold options or ranges – because we and others kept asking. Over the last few years in particular, customers attitudes are changing and these companies are beginning to catch up with those of us who have been promoting responsible gold for many years. I find that when you keep asking questions, you do gradually get some answers that you like more. In the UK, we still can't source everything in a Fairtrade or responsible way. But we are doing a lot better than we were 20 years ago. We are getting there.

There are still some old fashioned jewellers in the UK who, perhaps like an ostrich, bury their heads in the sand. They are often, but not always, from an older generation – they do not even think about who might be suffering in our supply chain yet. But this is coming. I have seen a huge amount of growth in our sales of Fairtrade gold over the last 5 years.

Furthermore, using Fairtrade or conflict-free or even ethically sourced gems still isn't as simple a choice as you may think. For example, some claim that diamonds or sapphires that have been mined in the developed world from places like Canada as the right ethical choice, where properly paid adults with all the right equipment and health and safety measures produce diamonds which seemingly haven't hurt anyone in the process. They are also fully traceable. But if everyone in the jewellery industry only sourced their gems from countries like this, who then feeds the children in the developing world who are dependent on the mining? And what is blasting for gems and minerals doing to the environment? - what about the ships that are vacuuming diamonds from the ocean floor offshore in Namibia? They're not digging holes in the ground and they're not employing children, but what

might this process be doing to the ocean bed? And with the gold, even if every artisanal miner was able to sell via Fairtrade, this would only satisfy less than 20% of the world's hunger for gold.

All of this is complicated. Even within the parameters of ethics and responsibility, it can still be very subjective and still feels a long way from satisfactory. There are so many different options and opinions to consider and balance. But – we are proud to have begun the journey.

I also want to tell you about The Responsible Jewellery Council (the RJC). This is an international not-for-profit organization that is trying to clean up the issues for the industry as a whole including the large scale gold and diamond producers and soon coloured gemstones. We were one of the earliest members back in 2006 and its first small business member too. To be a member you need to be a jewellery manufacturer, mining company, supplier or retailer who has been fully audited and certified as sticking to a strict code of conduct. In practice, this means that anyone in the industry must first go through their own business comparing it with their list of standards to make sure that you are operating within the laws of the land and have the right procedures and checks in place. Then they have to have somebody else who is completely independent (an auditor) to come into the business and check they really are doing all the things that they say they are. They go through the list of what they think helps to define 'responsibility' and check the business is doing everything right like paying people fairly and using safe methods. We were the first independent jewellers in the UK to have achieved this certification and doing this improved our business. The whole team pulled together to get through it and actually it helped to make ours a business we all had confidence in growing.

It is possible for a very small or a large businesses to do this and I think highly advisable, especially if they plan to grow as then they can check they have all the right systems in place which will also ready them for growth. The RJC is an international organisation with I believe only a couple of members from Japan so far. Fairtrade/Fairmined gold is recognized by the Responsible Jewellery Council. Also, many large suppliers in the world like the large French design houses or large companies like De Beers and Signet insist that anybody who supplies them are RJC certified.

At every possible point we aim to have a responsible production and supply chain. This is still a long way off a practical reality but what we can do is our best, so that is what we do – our best. We integrate our responsible ethos at every opportunity. Whenever possible, we encourage use of fairly traded, recycled metal and gemstones and we recycle our customers' own gold for them as well as our own gold scraps. Coffee and tea in our coffee shop is of course Fairtrade. We use sustainable woods for our displays and packaging and use recycled and recyclable stationary. We persuaded our landlord in Hertfordshire to change over to Biomass for fuel which is more environmentally friendly. And perhaps just as importantly as our own actions, before we take on

any supplier, we ask them to guarantee in writing that they do everything responsibly that is within their control.

How We Are Responsible in Our Customer Communities

We've already talked about the complexities of what constitutes responsibly produced jewellery. Each of our customers has their own view and we need to support that. So as a business, we don't only supply Fairtrade gold – it's not the only metal and we can't yet get Fairtrade platinum, silver or palladium. We also use recycled metal for some things but not others and sometimes use standard metal where necessary.

We talk more quietly in our brand message about ethics than a few others in the UK who use it as their main brand message, but, we're converting more 'standard' customers by educating them all with simple language and having the widest range of the most ethical options available. As I explained, once we tell our customers the story of the artisanal miners and the use of mercury and explain how the Fairtrade process is helping they are very happy to pay just a little more money for this special gold that they can feel really good about buying because it has not done any harm to people or the environment.

Customers who are proud of having chosen the Fairtrade or ethical options are the best ambassadors. So our 'outreach' spreads far and wide into our community of customers and their friends.

We also try to speak to those who are not yet customers. For example we sometimes use our Cambridge town centre window displays - such as a recent Fairtrade window where the jewellery was draped across large gold letters which spelled out the message "This gold doesn't just dazzle and delight" (Fig. 4).

There is more to this, but no space to go on here.

How We Are Responsible in Our Social/Local Initiative Communities?

We also try to support and educate people who may never buy a piece of jewellery and we do our best to help our local communities. We frequently give talks in the local community to town or city groups (in fact we even helped to encourage a local city (St Albans) to become a Fairtrade city through presenting a talk and recently helped another town council (Luton) commit to Fairtrade too), Importantly, in these talks we don't try sell our jewellery or services at all, we just talk about Fairtrade or science in jewellery careers or whatever...but we do find these things bring us more sales. We also give talks to community groups and charities to help them understand why it is important to support artisanal small scale miners by buying Fairtrade. We also invite charity groups to sell tickets to exclusive 'behind the scenes' tours at our workshops. We also give school talks (e.g., about careers in jewellery, Fairtrade, etc.).

There are also the communities that don't necessarily need educating, but perhaps just need a helping hand. For these we are



Fig. 4 Harriet Kelsall Cambridge Fairtrade Fortnight shop window display.

been charity fundraisers for numerous charities both local and national. We have allowed charities to sell tickets to behind the scenes tours that we give of our workshop. We have designed & donated jewellery for charity auctions/raffles for high sums. We designed a pendant to raise funds for Chain of Hope heart charity. We also have annual charity fund-raising workshops and kids' jewellery making and biannual children's charity and local hospice raffles. Our staff wellbeing group also raise money for all kinds of charities.

How We Are Responsible in Our Education and Employment Communities?

As my business grew, I started to interview graduate jewellery designers to work with me but I was continually shocked by the poor standards of knowledge in the graduates that I interviewed. I did some research and talked to loads of other jewellers in the UK and I found that it was an industry-wide problem but no-one was actually doing anything about it. So (to cut a very long story short) we engage with education at all levels to try to help improve jewellery skills for young people. So we've encouraged industry to connect with education and help. We had a paper on this subject circulating in 2015 to various education and industry leaders and it has been endorsed by many big names in the UK industry. I also think that we've also helped a little towards improving the employment prospects of all jewellery design graduates as we have been part of a wave to employ jewellery graduates to work directly with customers on bespoke work which has inspired other jewellers in the UK to follow our model. We also support apprenticeship and believe in shouting loudly to others in the industry and beyond, that this is a good thing to do.

We have done a lot of work with the National Association of Jewellers to improve entry level training across the industry and have also worked with the UK Government run "Creative and Cultural Skills" – to help ensure that we are supporting young

people to have access to the right skills training. We run Internal, university and national design competitions as well as local ones for kids encouraging creativity and innovation in next generations. It might just be a colouring competition and it might be sponsoring a National Jewellery Design Award.

We are also careful to look after the wellbeing and mental health of our team and we have a group of team-members who try to think up ways of linking their wellbeing and happiness with environmental or ethical projects. For example some of them started a yoga class that members of our local village community could also attend and others did a sponsored cycle in aid of a heart charity. The wellbeing group has been used as an example by “Public Health UK” as a good way to link wellbeing with responsibility.

When the press talk about my company doing this kind of thing, new customers are pleased and come our way to buy our jewellery. They like the responsibility we are showing in our industry and communities. It makes them want to choose us over other jewellers.

How We Are Responsible in Our Business Community?

We now have a high profile in the UK jewellery industry and we also feel a responsibility for sticking up for other small businesses. I mentioned earlier that we encourage other small UK businesses that the Responsible Jewellery Council check is a really good thing to do and how much it helped my business. I have been voted onto the international board of the RJC to influence and ensure that their processes are attractive and possible for small businesses like mine. We don't restrict ourselves to focusing on the other small jewellery businesses. We regularly stand up in front of national audiences or industry get-togethers and try to see if we can inspire larger companies to consider responsible business practices. And I was recently honored to be invited to Tokyo by the Ministry of the Environment to do the same. Last year I was invited by Prince Charles to talk at a leadership summit workshop about this too. In some arenas our different “small business” style stands out and sometimes it helps to engage both smaller designer-maker jewellers and big businesses alike to join in.

We also support other wider business progress (for example I mentor other start-ups and I've run talks on entrepreneurship and creative business start ups and am just completing a book on starting a creative business which aims to help more creatives pursue their business dreams).

How We Are Responsible in the Media Community?

All companies do marketing in some form or another. But we have a choice about how and what we market. Our experience has shown us that to educate is the most effective way to make a

difference and so we talk about the things that we care about.

We when asked for interviews, or to comment on bridal trends, we take the time to comment on TV on these other things we care about. For example in the last couple of years we have, in this way, talked about ethics and responsibility, women's rights, rural business, employment issues, creative entrepreneurship, encouraging apprenticeships and training issues and the benefits of employing dyslexic people in creative businesses. This is because if we feel that if something is important to us, we should talk about it or/and try to fix it. This works well for us and for the industry. Also when our customers hear us standing up for this kind of thing they feel connected with us and happy to be our customers. They see we have a purpose beyond just making money and they like this.

Concluding Summary

Now, all of this is great, despite numerous challenges along the way.... But do we know it's working? The short answer is yes we do - not only in our hearts but in our figures. We've introduced lots of ways in which we can measure the success of what we do which I do not have the space to go into here.

We have reached a place in the business where we are comfortable that we are on the right path to the best possible ethical offering, although there is still such a long way to go. I'm not saying what we do is perfect, of course it isn't, but we are doing our best and I have shown you a glimpse of what our best currently looks like as a UK responsible business. We are thinking carefully about our supply chain but are also looking across our whole business. We are doing better business than we were 19 years ago both from a financial and an ethical point of view. I think that what we should do is everything that we can realistically do.

What jewellery companies can do and must do to keep their customer's trust is to help artisanal small-scale miners by buying through processes that look after them properly and help them to abide by the Minamata Convention. Jewellery companies across the world need to support platforms like Fairtrade or Fairmined and the Responsible Jewellery Council to enable this to happen. They need to align luxury with fairness.

I believe those of us in responsible jewellery are helping to lead the way to a new definition of luxury. A new type of company where luxury is not 'selfish' and 'secretive' and 'damaging' but instead is 'kind' and 'authentic' and 'inclusive of our various communities' - a new definition of luxury, which to me has to include sustainability and responsibility; fair luxury - a sustainability which is not limited to our supply chain or clearing up after others who have been before us. All of us here are also changing the landscape and the roots of supply, employment and business for future generations.

I'd like to end on an Eastern Proverb that I heard recently which I really like:- “The Best time to plant a tree is 20 years ago. The

second best time is now.”

Acknowledgement: This paper was prepared based on Harriet Kelsall’s presentation at the international conference in Tokyo “Mercury Emissions in Gold Mining Process and Minamata Convention” (May 9, 2017 hosted by the Japanese Ministry of the Environment).

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