



Double Master's Degree in Global Management and Politics

**Gold Craftsmanship and Competitive Advantage: A Porter's National
Diamond Analysis of Azerbaijan's Jewelry Industry.**

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Abstract

Azerbaijan's economy is heavily dependent on oil and gas production, and the government and policymakers have emphasized diversifying the economy into non-oil sectors and reducing petroleum dependency. According to this, on 19 September 2018, the President of the Republic of Azerbaijan acknowledged an order to support competitive domestic production in the non-oil sector. Reasons behind this decision, dependency on oil is not sustainable and any fluctuation in the price can negatively affect the economy of the country. The gold jewelry industry is one of the essential non-oil sectors for Azerbaijan's economy that newly discovered gold resources are able to cover the needs of the industry (Valiyev, et al. 2023).

This study examines the competitive dynamics and development potential of Azerbaijan's gold jewelry industry within the context of the country's broader economic diversification goals. Applying on Porter's National Diamond model analyzing four key determinants, factor conditions, demand conditions, related and supporting industries and firm strategy, structure and rivalry, additionally, comparative case analysis of leading exporter countries such as Italy, India and Turkey. Primary data were collected by online consumer survey, supplemented by secondary resources such as stakeholders' interviews on newspapers, government reports, industry publications and trade statistics.

Outcomes show that Azerbaijan has significant natural resources and rich artisanal heritage, supported by training program and transport infrastructure. Strong domestic demand driven by cultural tradition and rising investment motives, coexists with growing local market share, yet global exports remain modest. Underdeveloped gemological and hallmarking systems, restricted access to cutting-edge production technologies, a lack of professionally trained designers, and inexperienced branding and quality-control frameworks are some examples of critical gaps. The effectiveness of cluster-based production, strong institutional support, and coordinated marketing initiatives in benchmark countries is highlighted by comparative analysis.

The study suggests a multipronged approach to transform Azerbaijan's industry from a specialized regional player to a competitive worldwide exporter in light of these findings. The following are some of the main suggestions: creating regulated secondary gold markets and buying cooperatives; expanding design and vocational training; providing assistance for shared access to state-of-the-art equipment; implementing thorough hallmarking and gem-testing procedures; developing "Made in Azerbaijan" as a unique heritage brand; and supporting specialized clusters for

design, manufacturing, and export promotion. By strengthening each aspect of the Diamond, these actions hope to spur innovation, raise standards, and open up new export markets.

Chapter I - Introduction

Gold is one of the main natural resources of Azerbaijan. Most gold deposits are in the Nakhichevan Autonomous Republic and the Lesser Caucasus. The appraisal work of the gold deposits discovered in the basins of the Alinjachai and Kurekchay rivers was carried out, the initial reserves were calculated, and the industrial significance was determined (azerbaijan.az). In connection with gold resources, gold craftsmanship has played a significant role in Azerbaijan's history. 130 pieces of jewelry found in the archaeological excavations conducted in the territory of Azerbaijan show that gold craftsmanship has existed since the second millennium BC (Azerbaijan History Museum, 2013). Nowadays, some cities such as Baku, Lahij, Sheki, Ganja, Nakhichevan, Shusha and other regions are well known not only for their works but also famous with jeweler (Izmaylova, 2014). In spite of these advantages, Azerbaijan has not established itself as a competitive global player in the gold jewelry industry, compared to India, Italy, France, Turkey and Switzerland which have successfully leveraged their natural and cultural assets to dominate international markets (oec.world).

The jewelry industry, in particular gold and diamond are key components of luxury markets and national exports, contributing significantly to GDP in countries that have strategically developed their industries. For example, the gems and jewelry industry has contributed 7% to India's GDP during 2021-2022 (Indian trade portal, n.d.). Previous studies have demonstrated that nations with well-developed competitive strategies, government support, and innovations-driven approaches can establish as leaders in the sector (Marchi et al., 2014; Sarkar 2008; Tambocco 2016; Mutlu et al 2014). Applying Porter's National Diamond (1990) to analyze Azerbaijan's gold jewelry industry can provide insights into its competitive positioning for growth in international markets.

Azerbaijan has lack of sustainable strategy for integrating country's gold jewel industry into the global value chain, despite strong historical traditions and access to gold reservoirs. Even though some research studies were focused on other industries such as oil related, agriculture, tourism (Ahmadov et al 2021, Sadikhov, 2024, Babayev, 2021) within Porter's Diamond Model, there is lack of research has focused on Azerbaijan's competitive position and strategic potential in this sector.

Therefore, this study targets to fill this gap by applying Porter's National Diamond Model to Azerbaijan's gold jewel industry by analyzing factor and demand conditions, related and supporting industries and firm strategy, structure and rivalry. In addition, a comparative approach will focus on adopting the strategies of other successful countries in the jewelry industry and adapting these strategies for Azerbaijan.

In order to seek this aim and to fill research gap, we will try to find an answer for this research question: How can Azerbaijan's gold jewel industry enhance its competitive advantage in the global market through the application Porter's National Diamond Model? The objectives of this research will be:

1. To analyze Azerbaijan's gold jewel industry by using Porter's National Diamond Model.
2. A comparison of Azerbaijan's competitive advantage position with successful gold exporting nations such as Italy, Turkey and India.
3. To propose policy and business strategies for strengthening Azerbaijan's jewel sector.

This dissertation aims to contribute practical solutions for the academic literature, policymakers and industry stakeholders by deeply analyzing Azerbaijan's jewel sector. Furthermore, the findings will serve as a strategic roadmap to expand the country's competitive place in the global gold jewel market.

Chapter II - Literature review

Scholars from different countries have extensively examined the factors influencing the gold jewelry industry's competitiveness, with Porter's Diamond Model serving as a fundamental framework for assessing national and sectoral advantages. Using Porter's National Diamond Model, Dogan and Bakan (2012) looked at how competitive different industries were in Türkiye, Kahramanmaraş. One of these industries was jewelry. According to the study, skilled labor, raw material, and technological infrastructure are essential parts for the jewelry industry (factor condition). The industry's growth and innovation are shaped by domestic and international demand (demand condition). Supplier networks, specialized service providers, and complementary industries have an impact on the jewelry sector's competitiveness (related and supporting industries). The influence of competition, business strategies, and industry structure has an impact on productivity and innovation (firm strategy, structure, and rivalry). The research also indicated that the gold jewelry industry benefits from a strong local supply chain but faces different challenges such as branding, internationalization, and technological adaptation. Moreover, the study contributes that understanding regional jewelry industries can expand their international position by leveraging local advantages and addressing structural weaknesses. Another study by Singh & Ram (2007) highlighted India's diamond and jewelry sector's global competitiveness with using Porter's National Diamond Model. According to the study, India has a major role not only as a major supplier of processed diamonds but also as a large consumer market for gold jewelry. The key determinants of the model are an abundant supply of skilled labor, cutting and polishing expertise, and well-established infrastructure for processed gemstone making (factor conditions). Because of cultural, economic factors, and a strong domestic market, India has continuous demand for high quality jewelry (demand conditions). These factors also trigger the related and supporting industries such as mining, metal refining, and financial services that support the sector growth. Lastly, high competition among local Indian firms encourages innovation, efficiency and cost leadership. However, local brands struggled to compete with internationally and challenging with regulatory policies indeed. The study of Nithisathian et al (2012) about Thailand jewelry industry shows that in terms of factor condition, Thailand has had abundance gem resources and highly skilled manpower, and majority of gold jewelry was small and medium size enterprises. Even though demand condition is different from other foreign markets, local demand match with tourist customers. The fine gold jewelry industry in Thailand is supported by a wide range of industries, including manufacturing and materials. Other auxiliary industries that benefit Thailand include packaging, gold refinement, casting, jewelry parts, wax production, rubber molds, and GIT. The last condition which is strategy, structure and rivalry, the Thai Gem and Jewellery Trader

Association is the exclusive jewelry association in Thailand, and it organizes the nation's international jewelry show. Consequently, Nithisathian et al (2012) articulated that despite Thailand has had enormous raw material and skilled artisans, the country could not use them properly. Therefore, raw material has depleted, and artisans have migrated. Another issue is lack of new design for jewel products decreased competition both locally and internationally. Because, the traditional design of Thai gold jewelry products cannot fit with US and Europe costumer norms. Lastly, the government does not support small and medium size enterprises neither financially nor technologically and so on. From Portuguese point of view, Rosmaninho (2018) assessed the industry with using the Diamond Model. The author found that a nation has both raw material resources and human capital, in addition, the infrastructure shapes the industry to compete globally. Demand by local customers is sophisticated and its drives firms to maintain high standards. However, because of weak local market remains relatively small and price sensitive. Furthermore, strong competition between local firms encourage innovation, efficiency, and to expand new markets. Overall, the study suggested that in order to take global position Portuguese jewel firms should increase firm collaboration, invest in innovation and strength linkages with supporting industries. It is obvious that France is one the main actors in gold jewelry industry. Ripsal (2020) studied French luxury industry including its jewelry sector with applying the Diamond Model, identified that regional heritage created strong national competitive advantage. Due to highly skilled labor, ancient artisanal traditions and well-established infrastructure support the industry (factor condition). The demand for the product not only from local but also international customers, drives continuous innovation and quality standards. Strong partnership with high-end suppliers, fashion brands, and global retail networks show strength of related and supporting industries. Competition between firms, in particular, globally well-known brands such as Cartier, Boucheron, Van Cleef & Arples is pushing firms to maintain exclusive and innovative production. Marchi (2014) published research about Italian gold jewelry industry, especially, Valenza, Arezzo, and Vincenza districts. Even though the author mainly focused on the globalization of these industrial districts, we also analyze competitive advantages with applying the model. However, these locations are famous with renowned artisans with expertise in gold jewelry, and high-quality materials, advanced machinery are strong factor condition in spite of small size firms have limited investment capacity prevent them from global competition. Italy has a rich jewelry tradition, and there is a demand for Italian jewelry both domestically and internationally. Strong local institutions and global supplier network support competitiveness, nevertheless, the industry is heavily relied on import of raw materials from Switzerland, China and Turkey. In terms of firm strategy, structure, and leading firms

such as Damiani, Uno-a -Erre drive innovation and internationalization however, SMEs have limited marketing and branding capacity.

Overview of global gold jewelry market

Comprising numerous publicly traded enterprises, thousands of tiny, privately held businesses, and government agencies, the worldwide jewelry industry is intricate and extremely fragmented. The economy of the host nations is significantly impacted by the sourcing of raw materials and the manufacturing of completed jewelry (Brown et al, 2017). According to the McKinsey report in 2014, annual global jewel sales was 148 billion euro, and this size was predictable to grow year by year. As for 2020, the jewelry industry's growth expectation was 250 billion euro. However, the global market size of jewelry industry was valued 353.26 billion dollars in 2023 and expected annual grow is 4.7% from 2024 to 2030 (grand view research, 2023). Another research by Risso et al (2021) emphasized that even though annual statistics about gold production do not show reliable figures, there are currently believed 190,000 tons of gold stocks worldwide. In addition, in 2018 50.6% of gold production was used for jewelry.

In terms of trends in the jewelry market, McKinsey report (2014) highlighted that five trends have been shaping the industry which are:

- Internationalization and consolidation: Even though the ten biggest jewelry groups capture 12% of the market such as Cartier, Tiffany&Co, Bvlgari and so on, other national retail brand will be well-known, and international brands will acquire local, small jewelers. For instance, in 2023 American Exchange Group have acquired Italian jewelry brand Danecraft (prnewswire.com, 2023). Moreover, Brooks Brother Group acquired Alexis Bittar jewelry brand in 2016 (Muret, 2016).
- A reconfigured channel landscape: Digital media can serve as a platform for jewelry makers to communicate information, develop their brand identities, and cultivate clientele. A new McKinsey survey indicates that one to two-thirds of luxury buyers say they regularly use social media for information and guidance, and two-thirds say they conduct online research before making an in-store purchase.
- Hybrid consumption: Given this tendency, fine jewelers may want to think about launching new product lines at competitive costs to attract younger or less well-off customers and provide them with a way to sample the brand. As an alternative, high-end jewelry artists can choose to

focus just on playing in the luxury market and effectively convey that message through their advertising, in-store experience, and customer support.

- Fast fashion: Fast fashion hasn't yet affected fine jewelry, but the fashion-jewellery industry isn't exempt either. As an illustration of fashionability, in December 2012, H&M debuted a colorful jewelry and accessories line by Vogue Japan editor Anna Dello Russo as part of its guest-designer partnerships. The items in the collection ranged in price from €20 to €300. In an industry where two collections a year are typical, Beeline, a German branded jewelry provider, is adding hundreds of new pieces to its range each month, which is an unprecedented pace of acceleration.
- The growth of branded products: Although branding has always been essential to business, its significance may have increased with time (Jones, 2021). The report also emphasized that three types of consumers trigger the growth of branded jewelry which are “new money consumers”, emerging market consumers and young consumers. Austria et.al (2018) argued that consumer behavior consists of a mix of psychological, social anthropological and economic factors. Moreover, investing in jewelry is more of an emotional than a financial decision. People purchase jewelry not to meet essential needs but rather to flaunt their money, influence, and prestige to others. The medical field is currently thought to be the highest-paying occupation in comparison to other occupations (Jaggi & Kumar, 2019).

With regard to the consumer behavior which is the study of people or organizations and how they choose, acquire, and discard goods, services, experiences, or concepts to meet wants, as well as the effects these choices have on society and the end user, the nature of the product—luxury products, commodity goods, etc.—usually shapes the consumer's behavior pattern. The jewelry sector, which includes opulent products, is made up of businesses that produce, chase, etch, or engrave jewels. Consumer income and the price of gold and silver globally both affect the demand for jewelry. Larger jewelry companies may easily satisfy client demands by offering a wider range of products and managing manufacturing and distribution processes more effectively. Because price is not the primary determinant of jewelry retail sales, smaller jewelry companies maintain their market share. Additionally, they provide the jewelry sector, which includes opulent products, is made up of businesses that produce, chase, etch, or engrave jewels. Consumer income and the price of gold and silver globally both affect the demand for jewelry (Myat, nd). Therefore, there are several factors for buying gold jewelry. These factors are various and differentiate by location, even by culture. For instance, Rajani (2018) founded that most Indian consumers preferred to buy gold jewelry from

branded stores for the purpose of wedding and for their own use. In addition, some respondents buy gold jewelry as a long-term investment. Another research about Indian consumer behavior toward buying gold jewelry studied by Mishra (2015). The study shows nearly the same results that the majority of defendants' preference was branded gold jewelry for fashion, special occasions such as wedding and festivals, and for investment purposes. As we mentioned above, consumer behavior can be different by location and culture which Joy & Armano (2022) studied the Canadian consumers' behavior when they purchase jewelry. The authors examined how Canadian Ethical Diamonds are perceived by consumers. Consequently, even though Canadian consumer purchase gold or diamond jewelry for different purposes, they highly value ethical sourcing and traceability. Also, the findings suggest that Canadian buyers are willing to pay for a premium gold or diamond jewelry which sourced ethically, especially, millennials and Gen Z buy these products as a form of self-expression.

Besides the market size and the industry trends, there are several dominant exporting countries such as China, UAE, United States, Switzerland, India and others. The value of annual exporting jewelry products above 13 million dollars among top 5 countries (exhibit 1). In terms of gold jewelry consumption, we can observe the same top 5 countries except Switzerland (exhibit 2)

Leading exporting countries of gold, silverware, and jewelry
(in million U.S. dollars)

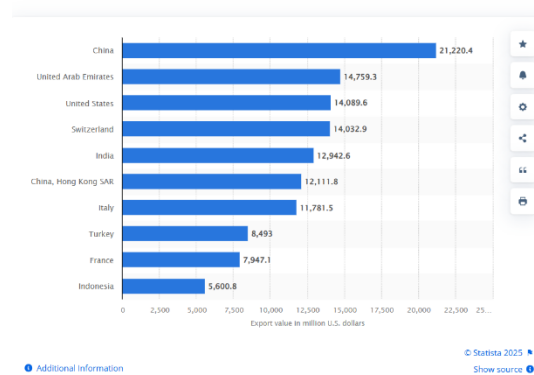


exhibit 1

RANK	COUNTRY	TONNES
1	India	136.6
2	China	132.1
3	U.S.	34.8
4	UAE	11.5
5	Indonesia	10.7
6	United Kingdom	10.3
7	Russia	9.1
8	South Korea	8.8
9	Iran	8.2
10	Italy	8.1

exhibit 2

source: Investopedia.com

Porter's National Diamond

This strategic framework, which has been called Porters' National Diamond developed by Michael E. Porter in 1990 and published his book The Competitive Advantage of Nations. The author emphasized why some industries in particular nations are more globally competitive than others. In order to explain his opinion, Porter invented this model and identified 4 interrelated dimensions, and

these dimensions collectively shape the environment in which firms are born, grow, and in the last stage become internationally competitive. In order to apply this model, we need to understand factor conditions of the environment which is the initial step of the model. **Factor condition** refers to the nation's resources such as labor, infrastructure, technology, capital and so on. These are the essential parts of any industry. However, as pool of labor or local raw-material sources are not important parts of the condition, the most crucial production parameters are those that require specialist knowledge and significant, sustainable commitment. Nations gain competitive advantage in industries where they are especially good to create factors and continually work to upgrade them.

Secondly, Porter mentioned **demand conditions**, which identifies the nature of home-market demand for the industries' product or service. Specifically, demanding consumers push businesses to innovate more quickly and attain more complex competitive advantages than their international competitors, while domestic demand gives businesses a sharper or earlier view of growing buyer demands. These industries are where nations obtain a competitive edge. In contrast, the nature of local demand is significantly more important than its size. Generally, nations' companies can predict global trends if the nation's values are spreading and can export its values, tastes, product through media, political influence, and foreign activities of their citizens.

The third broad determinant of national advantage is **related and supporting industries**. Porter pinpointed that internationally competitive home-based suppliers is an advantage for downstream industries by providing cost effective inputs in an efficient, fast, initial and sometimes desirable way. Innovation and upgrading are facilitated by technology exchange and information flow. Additionally, a home-based connected industry makes it more likely that businesses will accept new abilities and offers a source of new competitors who will approach the market in a different way.

The last broad determinant of the mode is **firm strategy, structure, and rivalry**. Strong trends in the formation, structure, and management of businesses, as well as the character of domestic competition, are influenced by national context and conditions. The objectives that businesses and individuals want to accomplish also vary significantly throughout nations. The objectives of the company mirror the features of the national capital markets and management remuneration policies. Competitive advantage also depends on an individual's drive to work hard and develop new abilities. In any country, exceptional talent is a limited resource. A country's ability to succeed is primarily determined by the kinds of education its gifted citizens choose, the places they choose to work, and their level of dedication and hard work. Capital and human resources flow according to a country's

institutions, values, and aspirations for people and businesses, as well as the status it accords to particular industries. This, in turn, has a direct impact on how competitively successful some industries are. In terms of rivalry, Porter argued that innovation and improvement are arose by domestic rivalry which is also create pressure on companies. Geographical rivalry magnifies the power of domestic rivalry as well. More localized rivalry increases the intense.

Besides these four main determinants Porter emphasized **the role of government**. The government's role is essentially limited and only works well when combined with the diamond's advantageous underlying conditions. Nonetheless, the government plays a significant role in amplifying and distributing the diamond's forces. Successful government policies, except for those in developing countries, foster an atmosphere where businesses can obtain a competitive edge rather than directly involving the government.

Historical and cultural significance of gold craftsmanship in Azerbaijan

Numerous specimens of early medieval jewelry have been discovered during archaeological investigations in Azerbaijan. Most of these archaeological discoveries are housed at the National Museum of History of Azerbaijan's special collection. According to these archeological findings, the making of gold jewelry was a widespread art form among the ancient population of Azerbaijan 4000 years ago (Sarbazova, 2018). These artifacts not only show the historical access to gold resources but also demonstrate a high level of metallurgical skill and artistic expression among early Azerbaijani craftsmen. Between 9th to 15th centuries gold-making became popular in Azerbaijani cities like Baku, Sheki, Ganja and Nakhchivan because of the key trade hubs on the Silk Road. From the archeological specimens, we can observe that craftsmen used geometric motifs, calligraphy, enamel inlays in their design (Azerbaijan National Museum Catalogue, 2013).

The city of Lahij is well known for its unique craftsmen and their products. In addition, craftsmen in other word “zargarlar” continue to pass down their knowledge to the next generation to preserve the intangible cultural heritage. Even, since its inception in 2001, UNESCO has added more than 150 instances of intangible heritage to its list and one of them was Lahij craftsmanship (Mammadov, 2023)

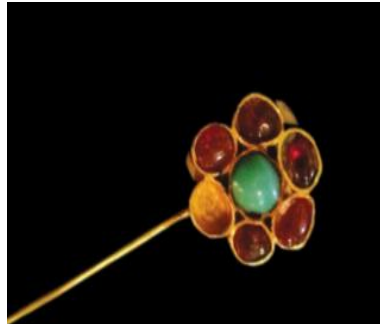
Despite the cultural richness, heritage, skilled labor, and raw material sources which is estimated by Anglo-Asian Mining Plc that underdeveloped gold resources in contract areas in

Azerbaijan at more than 400.000 ounces (Abbasova. 2024), limited branding, lack of international marketing and production ecosystem prevent local artisans from entering global markets.



BEAD/PERIOD IX-XI CC

Source: Azerbaijan National Museum Catalogue



PIN/PERIOD XV CC

Source: Azerbaijan National Museum Catalogue



EARRING/PERIOD XV-XVI CC

Source: Azerbaijan National Museum Catalogue

Chapter III - Methodology

Research design and theoretical approach

This study is going to focus on qualitative and comparative case study methodology. Michael. E. Porters' National Diamond Model (Porter, 1990) will apply as a theoretical framework. The research design is investigative and explanatory with strategic management studies to make research about the dynamics of the industry and in particular to see the competitive positioning of Azerbaijan's gold jewelry industry.

The study's aim is to explain how Azerbaijan's historical craftsmanship, market structure and institutional circumstances interact or can interact to establish national competitiveness in gold jewelry. Therefore, qualitative design was chosen to make context sensitive analysis and explore other intangible factors such as branding, tradition, craftsmanship which are essential for being locally and globally valuable.

The comparative analysis follows the logic to find the gap in the gold jewel industry of Azerbaijan compared to other globally and locally successful cases such as Turkey, India, and Italy. For this reason, we will use secondary sources, interviews with industry experts and a structured consumer survey.

Data collection methods

Secondary data

For this study, we need to understand the industry, its' dimensions, structure and so on. Therefore, we will use secondary data sources from government reports such as Custom Services of Azerbaijan, the Ministry of Economy, AZPROMO, and National Laws. Furthermore, global and local industry publications from the World Gold Council, OECD, McKinsey, BCG. Company websites and press releases about mergers and acquisitions, brand expansions, market trends, consumer behaviors. Furthermore, local and international newspapers' reports such as interviews of industry experts, stakeholders, government representatives of the countries' will be used on this master thesis.

Consumer Survey

A structured questionnaire will be distributed among gold jewelry consumers in Azerbaijan in order to gather information about their preference between traditional versus modern design, factors influencing their purchasing decisions, perception of local vs. international brands, willingness to buy

locally crafted gold jewelry or imported goods from different locations. This survey will be shared with consumers through online platforms such as Google forms, LinkedIn and on other social media platforms.

Gap and Policy Analysis

Besides, intangible factors such as branding, marketing, design and innovation supported governmental policies are also necessary. The policy analysis will evaluate the role of Azerbaijani law or policy in the industry. Public policy documents, strategy roadmaps such as Azerbaijan 2030 and previous government regulations will be examined to evaluate their role in this industry.

The gap analysis will examine the following steps:

- Evaluating Azerbaijan's current status in each diamond dimension based on interviews, secondary data and survey outcomes.
- Identifying critical shortfalls, such as lack of skilled labor, branding capacity, main problems in export and so on.
- Comparing these ratings to global the best practices that were found in the situations that were compared.
- Mapping these gaps to policy lever and support mechanisms that have been applying effectively in focused countries (such as artisan training programs in Turkey, brand certification system in Italy)

The results of methodology section will be used in the recommendations chapter, providing a way to integrate cultural heritage protection with the modern competitive frameworks and place Azerbaijan's gold jewelry sector in a broader economic diversification strategy.

Scope and Limitations

The research will focus specifically on the gold jewel industry, which is economically and traditionally an important sector. While the broader jewelry industry can be referenced for the context, the analysis is based on gold jewelry in other words, specific data and stakeholders. Lack of national data on gold jewelry making, processing, exports, is one the main limitation in order to understand the backend of industry in Azerbaijan. The access barriers to high level policy officials and a summary of consumer survey responses which may be more urban centric will be our other limitations.

Ethical Consideration

During the interviews and surveys, all participants will be informed about the purpose of the research, and their participation will be voluntary and anonymous. No personal data will be stored out of the necessary parts for analysis. The finding of primary data collection will be reported without identifying any individuals or businesses.

Comparative case analysis

Italy is one of the main gold jewelry exporters. In 2010 approximately 72% of jewelry products were exported from three Italian districts Valenza Po, Arezzo and Vicenza. Even though the industry is highly clustered, nearly 2800 small firms have been actively running the business with deep artisanal traditions with specific products (Marchi, et al, 2013). In order to understand Italy's global success in the gold jewelry industry, we will examine it within Porter's National Diamond. The factor conditions of the industry rests on specialized production factors and skills. In the main districts which are popular with master goldsmiths, they are frequently schooled by family traditions or craft schools. So, the classic clusters of fine craft manufacturing in little towns are considered one unique geographic feature of the Italian creative economy (Bertacchini, 2010). These skills are combined with advanced production technology that since the mid-20th century Vicenza's rise was powered by high investment in machinery. Besides this, the main raw material in the gold jewelry industry is gold. Although Italy's gold mining is limited, the country secures its capital inputs via importing from global markets. Because of Italy's historical raw material shortage, innovation-driven productivity has become more important (Babalola, et.al. 2011). For instance, leading houses such as Damiani or Bulgari have invested in design and marketing of products instead of raw materials and this approach moved their firms to the top in the value chain (Marchi, et al, 2013).

The demand for Italy's jewelry products both globally and locally has been high and sophisticated. Firstly because, the home market gives a value to design and quality, secondly the country is tourist driven and nearly 86 million people visited Italy in 2023 (statista.com, 2024). Furthermore, the Made in Italy brand is recalling luxury, craftsmanship, quality and sense of style internationally praised (Girardi, 2014). Consequently, the export size of Italian gold jewelry reached 10.9 billion dollars in 2023 (trendeconomy.com, 2024).

The industry also has an impact on other industries' improvement. The country's internationally well-known luxury and fashion industry boost design inspiration, marketing and brand awareness. Highly developed machinery and metalworking suppliers produce precision instruments

that Arezzo is close to Tuscany's metal fabricators, and this allows Italian jewelers to adopt cutting edge techniques initially (Marchi, et al, 2013). The jewelry districts of Italy are not isolated locations; they are acting like institutions and industry come together to support one another. These clusters' total productivity and upgrade potential are boosted and reduce transaction cost, fosters innovation.

The intense rivalry between local firms which are typically SMEs or family-owned forces them to focus on a niche and unique products. Even clusters in Italy, developed different strategic profiles. For example, Valenza Po, the home of luxury brands such as Damiani, Bulgari, Crivelli have been investing in design and branding. Valenza is also known as a "two-track" district because well managed companies' have their own global retail channels; however, other small workshops are just contract manufacturers (Marchi, et al, 2013). Another district Vicenza is focused on mass production jewelry that most firms compete with unbranded subcontractors in terms of scale and price (De Marchi, et al, 2018). Rivalry is strong in every district. Therefore, businesses compete for orders all the time and continuous process and product improvement have been fueled by this competition. Instead of trying to compete on price, Italian jewelers typically concentrate on "differentiation strategy" as Porter (1990) refers to improving workmanship, offering creative design and fostering the Made in Italy mark.

The role of the government behind this success is supportive. Italy was one of the first nations to acknowledge industrial clusters in legislation (Districts Law of 1991) and the government frequently offers business financial support or tax breaks for districts. The government, through chambers of commerce and agencies, assists in the organization of international promotion and trade shows, such as the ones sponsored by the Arezzo Chamber in Oroarezzo and the Vicenza Chamber in Vicenzaoro. The Italian Trade Agency (ITA) has developed digital channels in recent years to link "Extraordinary Italian Jewelry" brands with buyers throughout the world (nationaljeweler.com, nd). Moreover, regional governments in Italy have funded vocational training in goldsmithing and Italian authorities funded joint abroad campaigns for jewelers (Sacco, 2021) and provided loan guarantees to exporters during downturns (such as 2009). "Made in Italy" is protected at the EU level by trademark law and geographic indications, both of which the government firmly upholds (Caselli, et al. 2019). In conclusion, the government of Italy and associated organizations have typically supported the jewelry clusters through infrastructure, training, and promotion; this supporting context factor enhances the diamond advantage.

Another successful jewelry exporter country among others is India. India is the world's largest exporter of jewelry because of its highly skilled labor force, cultural appreciation of jewelry, and rising demand both domestically and internationally. Small, neighborhood stores predominate in the fragmented and informal Indian jewelry market. However, there is a shift up the value chain as well, with well-known brands like Tanishq, Malabar Gold & Diamonds, Joyalukkas, Kalyan Jewelers, Gitanjali, and TBZ gradually increasing their focus towards branded jewelry.

If we evaluate the industry in India, factor conditions are that India has no domestic gold production, and all the industry rely on imports (nearly 744 tons in 2023) and recycling in order to meet demand (Jadhav, 2024). Country's skilled artisans are enormous, and most businesses are run by families like in Italy. According to data, nationwide jewelry manufacturing units are estimated at 20000-30000. Besides raw material and artisans, 10 major production hubs such as Mumbai, Kolkata, Delhi, Surat Chennai, and Rajkot and so on, are covering approximately 75-80% of output. Each of these hubs specialized in making different types of jewelry. While Kolkata is well-known for handmade pieces, Surat is famous for diamond jewelry. The government of India is also supporting the industry with bringing modern facilities and advanced machinery (gold.org, 2022).

Gold is evaluated auspiciously and mostly used in weddings, festivals in India. Therefore, the domestic demand for gold is massive. 563.4 tons of gold jewelry consumed by Indians in 2024 (gold.org, 2024). Jadhav (2024) articulated on his Reuters report that estimated seasonal weddings are 300 million and gold jewelry consumption will be high in India. Furthermore, during festivals such as Akshaya Tritiya and Dhanteras, although prices show upward tendency, people typically purchase gold jewelry. Another consumer behavior which increases the demand for gold jewelry is investment in India. The regional CEO of World Gold Council Sachin Jain emphasized that retail investors' increasing interest in gold ETFs, digital gold, coins, and bars indicates that the strong demand for gold investments will continue.

India's gold jewelry industry has a strong network with other industries which enhance global competitiveness. First of all, the massive industry triggers craftsmanship and manufacturing in clusters in the other words "karigar ecosystem". Educational institutes and trade bodies also run design and skill development programs for new entrants (Gem & Jewelry Skill Council of India) (gold.org, 2024). Retail sector also takes advantage of the industry that branded chains and outlets control nearly 38% of the market (Nair, 2025). Also, India's gem & jewelry exports have been substantial with 38 billion

dollars in 2023 (Jaganmohan, 2024). Government promotion and events like GJPEC and IIJS continue to connect Indian jewelers to the international market.

Due to massive market size tens of thousands of firms are competing in terms of design, quality and branding. Besides traditional family-owned jewelers, big market players such as Tanishq, Kalyan, Malabar Gold, Senco Gold and so on have been operating internationally (titancompany.in, nd). While modern brands articulate hallmark certification and customer experience, regional players focus on traditional designs.

For the sustainability of industry, government policies play a vital role. For instance, India's government cut the import duty on gold during the festival season (from 15% to 6%). Jewelry is now subject to 3% GST (plus 1% after 2020) with the introduction of the GST in 2017. A complicated combination of duties and state taxes was replaced by these consolidated levies, which increased compliance and simplified accounting for big companies (Jadhav, 2024). Since 2021, the government has regulated hallmarking for all jewelry products for enabling traceability (Jain, 2023). During the Covid-19 lockdown, the government gave exporters cash help (export credit guarantee) and loosened standards deadlines (such as hallmark deadline extensions) (gold.org, 2024).

Another one of the major players in the gold jewelry industry is Turkey. Regarding the data, exported goods cost roughly 7.6 billion dollars in 2023, 5.2 billion dollars in 2024 respectively (borsaistanbul, 2024). If we evaluate the factor condition of the diamond model, Turkiye's jewelry sector rests on a deep tradition and substantial industrial infrastructure. The country processes 400 tons of gold annually, moreover, with the help of establishments such as the Istanbul Gold Refinery (IAR), which can purify scrap gold to 99.99% purity in a matter of hours. In the modern cluster in Istanbul, which is called Kuyumcukent, nearly 2500 production and sales units are housing. (ticaret.gov.tr, 2020). Nevertheless, the raw material of the country is limited, and mining outputs was 42 tons of gold in 2020 (globaldata.com, 2024). Therefore, industry is heavily dependent on imports, and the size of annually imported raw material is approximately 150-200 tons. Another important factor is labor. Turkey has a talented and reasonably priced jewelry workforce. About 13,200 people are directly employed in the mining and precious metals industry alone (50,000 including suppliers) (Begchecanli, 2021). Besides manpower, the industry is also supported by technology. Turkish jewelry manufacturers have typically made investments in cutting-edge machinery (such as CAD/CAM and laser cutters) and ongoing skill development to guarantee that their workers can effectively create intricate designs.

Domestic and foreign demand for Turkey's gold jewelry products is high. Local demand is related to cultural tradition and investment activities. It is an ancient tradition that people purchase gold jewelry during weddings in Turkey (Aydemir, 2010). Furthermore, due to economic factors (high inflation and lira depreciation) local gold jewelry demand is very strong. In fact, gold jewelry consumption reached 42 tons in 2023 (gold.org, 2024). This illustrates how customers see gold jewelry as an investment and inflation hedge (gold assets are frequently a top priority for Turkish consumers). All things considered, home-market buyers are both cost conscious and design aware, and they anticipate high-quality (often 18K–22K) items, which forces businesses to improve their product lines. In terms of export, the main importers of Turkish gold jewelry products are the UAE, Iraq about 3.2 billion dollars, however, total exported gold jewelry was nearly 7.6 billion dollars in 2023 (Tanil, 2024). Other major markets are the United States, Hong Kong, Switzerland which these markets have great demand toward luxurious 22k-24k jewelries. Notably, in February 2025 gold-based jewelry accounted for 80% of Turkey's jewelry export value (dailysabah.com, 2025).

Turkey's jewelry industry is a part of a larger ecosystem of supporting sectors. The starting point of jewelry is raw material, which is imported from foreign countries, recycled and converted into bullion and finished alloys in Istanbul IAR (ticaret.gov.tr, 2024). In addition, a cluster of related suppliers such as gemstone dealers, specialty alloys, gemstone cutters and service providers also exist around Istanbul and other hubs. On the institutional side, trade promotion is organized by the Jewelry Exporters' Association, which is a division of the Istanbul Minerals and Metals Exporters' Unions. It helps businesses comply with rules by organizing buyer missions, fairs, and export paperwork. Additionally, it leads projects including digital events and JTR design contests. Top-tier trade shows are a defining characteristic: the Istanbul Jewelry Show (IJS) annually attracts hundreds of exhibitors and purchasers (for example, the 2021 IJS brought in almost 800 businesses and tourists from 127 countries) (Başoğlu, 2025). Such events help Turkish firms link with international partners and improve their export capabilities.

The industry consists of small and medium enterprises which suggest the existence of 5000 manufacturers and 35000 retail shops (Tuncer & Cebeci, 2021). There are also giant exporters (Ahlatci, ONSA, Goldash) with the contribution of designers and artisans. Turkish firms are so agile that during the COVID-19 the industry quickly adopted digitalization such as online sales, virtual showrooms (Domingo, 2022). Furthermore, some companies give priority to innovation. According to the report by Lighthart (2024) lighter and hollow gold pieces were popular; in an effort to cut costs, companies like Murad and Mioro created elaborate necklaces with significantly less metal weight. To

reach mid-price tiers, they also employed mixed metal designs, which include silver and gold accents. These product developments demonstrate how Turkish businesses are reacting to both domestic cost concerns and international trends (such as lab-grown diamonds and e-commerce). International competition is still fierce; Turkey faces off against well-known jewelry exporters like China, Italy, and India. Turkish gold products are now more expensive on the global market due to rising domestic gold prices and import restrictions (see below). High local gold prices have even prompted some Turkish companies to establish manufacturing in Dubai in order to remain competitive, according to one observer.

The industry is also supported by the Turkish government. For instance, the Turkish Trade Ministry and related agencies support exports with sector reports, fund export development and so on. Nevertheless, due to instability in economy and current account deficit by gold imports, the government imposed 20% additional charge on gold imports (reuters.com, 2023).

All three countries have a massive market share and demand in the global gold jewelry industry. From our comparative analysis, there are several common success factors among the three countries. Firstly, highly skilled artisanal workforces. It is crystal clear that making jewelry requires artisanal workforces and three countries either have generational or vocational training. For these activities such as training new artisans or making gold jewelry cluster model manufacturing is also common among three countries. In Italy Valenza Po, Mumbai, Surat, Rajkot in India, Kuyumcukent in Turkey are well-known places for gold jewelry, additionally, these clusters are essential for networks, knowledge sharing, innovation and reducing transaction cost. As for demand for gold jewelry, in some countries gold is evaluated as a cultural asset for weddings and festivals and for some nations gold is an investment. Large local and global markets appreciate quality and design, fueling scale and sophistication of products. Therefore, firms in each country take into account unique or sophisticated design and branding. The creative designs, luxury positioning and global retail networks strengthen the brand awarenesses. Lastly, governments and institutional support are one of the main factors behind their success. Cluster focused legislation, export incentives, trade fairs, investment training programs, protection of “Made in” branding, hallmarking schemes and eased duty regimes make convenient of firms’ success.

Chapter IV - Analysis and Findings

Competitiveness of Azerbaijan's Gold Jewelry Industry

The gold jewelry industry of Azerbaijan is small but rapidly growing. In 2022, the industry showed a 42% increase in total turnover after COVID-19 (Aghjayeve, 2023). Also, Deputy Chairman of the Board of Directors of the Azerbaijan Jewelers Association Rovshan Amircanov articulated in his interview that almost 60-65% of jewelers in sales are made in Azerbaijan. Even though export size is small (12 million manat) the export area is getting expand. In other words, homegrown gold jewelry, in particular local designs, now commands most of the market alongside imports. Mr. Amircanov also note that Azerbaijani products matched imported ones in terms of quality. Currently, the jewelry products are exported to Turkey, UAE, Kazakhstan, Uzbekistan, Kirgizstan and Russia (fed.az, 2024).

However, exports of jewelry products are able to remain modest. In 2022, the value of exported jewelry was 11.5 million dollars and Azerbaijan faces strong competition from main countries such as China, India, and Turkey which are globally top exporters. However, Azerbaijan can be evaluated as a niche player with traditional and complex jewelry products. Nevertheless, the government is promoting Azerbaijan as a possible center for jewelry production in the region. The Economy Minister has stressed that Azerbaijan may become a "regional center" for jewelry manufacture and exports by utilizing its geographic location and transportation connections, as well as by growing the entire value chain (from mining to finished items) (taxes.gov.az, 2020).

Consequently, Azerbaijan's jewelry industry is competitive at home because it can replace import by itself. However, in the global market, Azerbaijan's gold jewelry industry cannot compete with top players. On the next chapters, we will comprehensively analyze the main challenges and opportunities of the gold jewelry industry in Azerbaijan.

Application of Porter's National Diamond Model to Azerbaijan's Gold Jewelry Industry

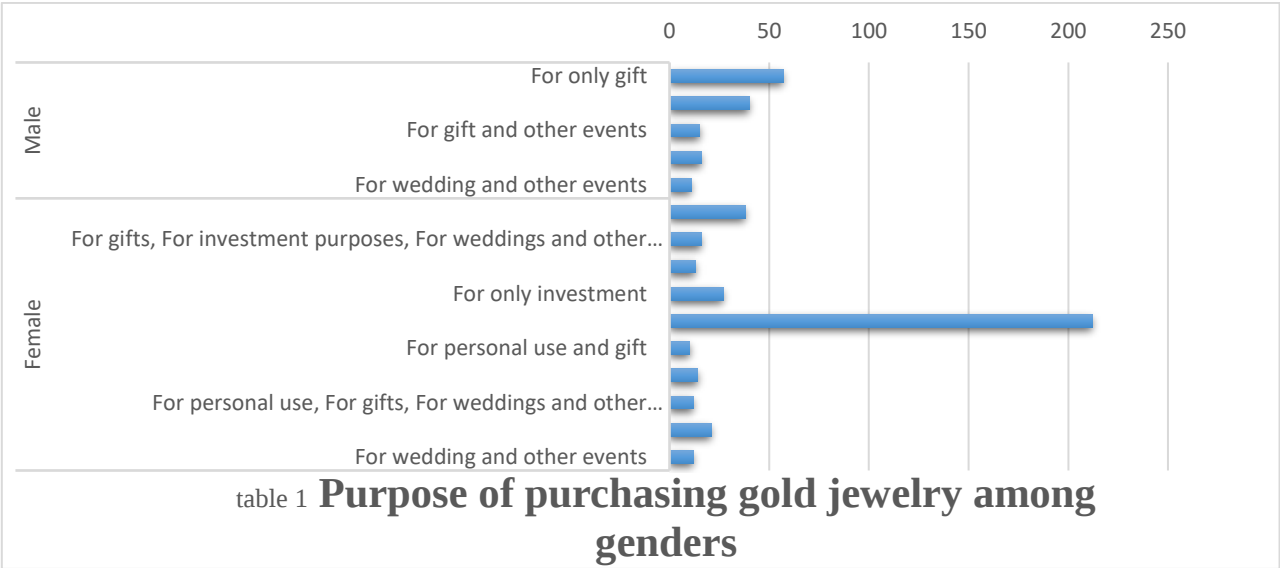
Factor Conditions

As we showed above, Porter's National Diamond framework consists of 4 factors. Michael E. Porter (1990) articulated that the flow of trade is determined by the factors of production, which include labor, land natural resources, capital and infrastructure. If we evaluate **factor conditions** of the industry in Azerbaijan, the country is rich in gold resources. Only in 2023, AzerGold's gold production reached 63.7 thousand ounces, the greatest amount ever recorded in AzerGold CJSC's history (Kasimov, 2023). Furthermore, AzerGold reports that local production reached 2.1 tones gold

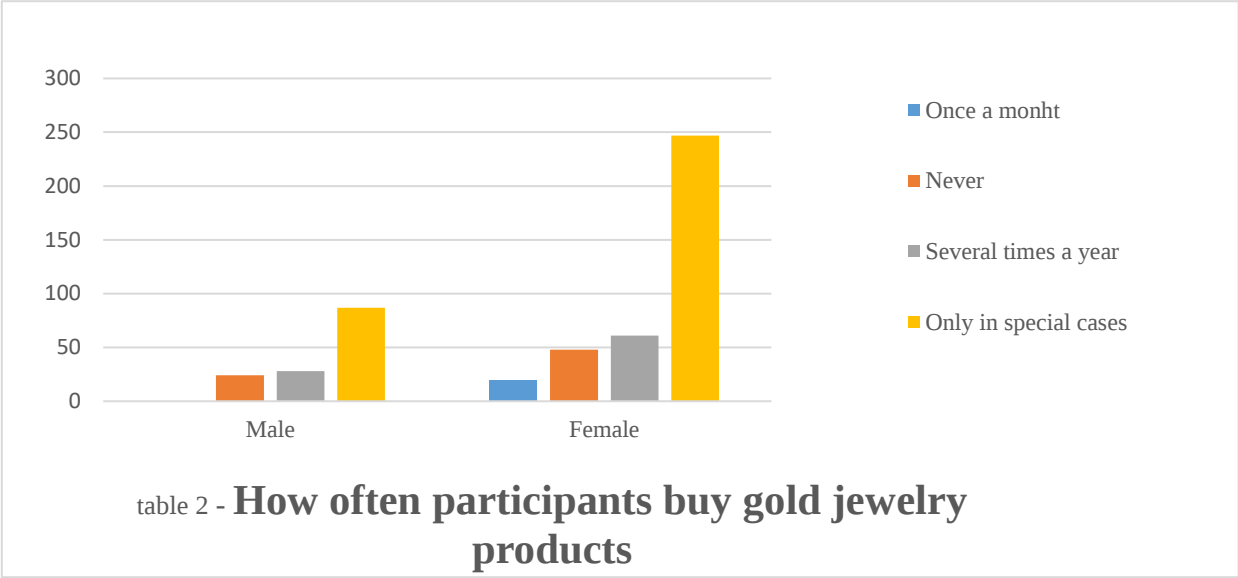
by late 2024 and newly discovered gold resources in Kalbajar and Zangilan contain tens of thousands of tons of gold reserves (thecaspianpost.com, 2024). As for human capital, artisanship is passed down from generation to generation however, the Azerbaijani government supports vocational training for jewelers. The Agency of Vocational Education of Azerbaijan reported that “increasing employment and self-employment in the nation, preserving and passing on Azerbaijani jewelry traditions to future generations, and partially or fully meeting the personnel needs of jewelry masters in the country’s jewelry market within the framework of vocational education are the main objectives of the memorandum of cooperation signed with the "Azerbaijan Jewelers Association" Public Union, which supports the growth of the local jewelry industry in Azerbaijan.”. Azerbaijan is located between Europe and Asia, and has modern ports, rail and road links through the Middle Corridor. This infrastructure creates a chance to establish export-oriented clusters to reach other locations.

Demand Conditions

Michael. E. Porter (1990) explains **demand condition** that demanding consumers push businesses to innovate more quickly and gain more sophisticated competitive advantages than their international competitors, while domestic demand gives businesses a sharper or earlier view of growing buyer demands. These industries are where nations gain a competitive edge. Local demand in Azerbaijan is related to cultural traditions. According to our survey between 514 participants (73% of female and 27% of male), even though both genders purchase gold jewelry for different purposes, most of males buy gold jewelry for a gift or for investment and gift purposes. As for females, even though they have more motives than males, personal use of gold jewelry is the most common among them. Data also shows that the demand for gold jewelry products is high in special cases (table 1).



Regard to the survey among consumers, most local consumers appreciate buying gold jewelry from local stores. The preference of foreign brands which has store in Azerbaijan, Baku such as Tiffany, Bvlgari, Pandora, is low (table 2).



At the same time, global demand for gold jewelry shows downward tendency in the last two years (table 3). Global gold jewelry consumption fell 12% in 2024. Furthermore, World Council reports show that global gold jewelry demand fell about 11% in 2024 due to gold prices hitting high records. Therefore, most jewelry brands, especially luxury sector, are experimenting with lower-carat gold or alternative materials (Orujov, 2025)

	2023	2024	Annual y/y % change	Q4'23	Q4'24	Quarterly y/y % change	
Supply							
Mine production	3,644.1	3,661.2	▲	0	955.4	953.6 ▼	0
Net producer hedging	67.4	-56.8	▼	-	19.9	-15.0 ▼	-
Recycled gold	1,234.4	1,370.0	▲	11	311.2	358.8 ▲	15
Total Supply	4,945.9	4,974.5	▲	1	1,286.5	1,297.4 ▲	1
Demand							
Jewellery fabrication	2,191.0	2,003.5	▼	-9	583.6	516.5 ▼	-12
Jewellery consumption	2,110.6	1,877.1	▼	-11	620.9	547.1 ▼	-12
Jewellery inventory	80.4	126.4	▲	57	-37.3	-30.6 ▲	-

table 3: Gold demand and supply by sector, tones.

Source: gold.org

Related and Supporting Industries

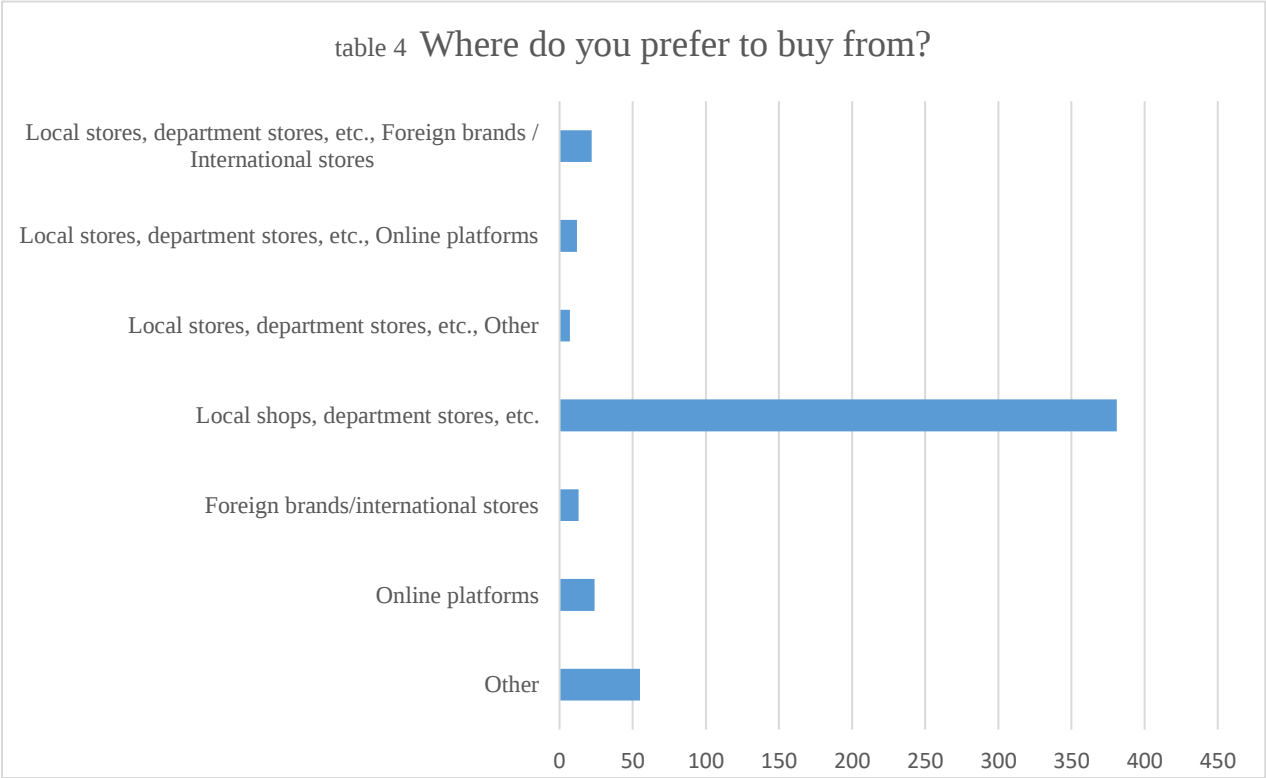
As in other countries' industries, in the gold jewelry sector all brands or artisans need raw materials. Raw materials are supplied either by import or by mining. Azerbaijan's mining sector is loosely related to with the industry. State owned company AzerGold and other private mining companies have been supplying precious metals, however, other necessary parts such as gemstones are imported from Turkey or the UAE (Kasimov, 2023). Furthermore, gemological labs are limited in the country, but the president of Azerbaijan Ilham Aliyev signed an order for establishment of laboratories for determining the gemological properties of unprocessed diamonds (apa.az). Logistics and trade facilities support the industry. Firstly, Azerbaijan is located between Europe and Asia and Azerbaijan's free trade zone in Alat, and custom modernization are facilitating exports. As we mentioned above, some cutting-edge technologies are imported from abroad.

In terms of supporting sectors, some government agencies are separated fundings for SMEs development. For instance, AZPROMO (Azerbaijan Export and Investment Promotion Agency) offers 30000 manat for market research, covers 50% of expenses (max 10000 manat) if an Azerbaijani company attended to an exhibition or the agency covers all organizational costs related to participation in international exhibitions and fairs with a single country stand (azpromo.az). Another state agency KOBIA (Small and Medium Business Development Agency) offers grand (up to 20000 manat) for new startups and startup certificate. Thanks to the certificate SMEs will be free from profit and income taxes for 3 years. Additionally, the agency bids internal market research, to find new foreign markets (smb.gov.az).

Firm strategy and rivalry

Relying on our observation in department stores, most of the gold jewelry products selling are mass production. Some unbranded stores are selling copy products. However, there are some firms such as Resm Jewelry, Minali and Butali have unique design, brand awareness and reputation between consumers. One competitive strength is the blend of heritage motifs and innovation, and some designers use ancient Azerbaijani patterns such as Dastan to attract both local and tourists. Overall, rivalry in Azerbaijani gold jewelry industry not only is niche and artisanal but also local rather than global. However, the industry is open to new entrepreneurs and new design elements. The domination

of small and medium-sized enterprises is obvious in the industry. According to our survey, consumers give priority to local or department stores to buy gold jewelry (table 4).



Current challenges for Azerbaijan’s gold jewelry industry

Even though Azerbaijan’s jewelry tradition and industry has existed for many years, it has several issues. One of the essential issues is regulatory and quality control issues. In 2023, Chairman of the Azerbaijani Jewelers association Togrul Abbasguliyev said in his interview that “fraud in the sale of jewelry is not widespread, but it is observed. Such cases are more common in jewelry with precious stones. The first of these is that the gold standard does not match the information provided to the consumer. Secondly, a piece of jewelry may have a synthetic diamond on it, but it may be sold to the customer as a natural diamond”. Incomplete hallmarking and quality control allows smuggled and low-grade products to flood the market. Additionally, in order to prevent diamond fraud, the presence of gemological testing labs is mandatory in Azerbaijan (banker.az, 2023).

Most Azerbaijani jewelry manufacturers are producing their products in small-scale workshops that cannot easily afford modern machinery or mass production equipment. The Chairman of Jewelry Association Togrul Abbasguliyev also emphasized that “due to the fact that jewelry

production in the country is represented mainly by small handicraft workshops, very few jewelers are able to purchase expensive machines due to the long payback period for such equipment with small production volumes” (uvelir.info, 2021). In order to examine this statement, we investigate and calculate the potential price for a laser metal cutting machinery and its landing cost. For instance, if a brand owner or artisan order a cutting edge machinery from China its cost start approximately 15000 dollars. Additionally, artisan must pay the cost of freight (~1500\$), insurance (~200\$), import duty (~5%), VAT (~18%) and additional cost (~800\$ for handling and inland transport). So, total landing cost will be approximately 22000-23000 dollars.

The national innovation ecosystem of Azerbaijan is measured 45th globally by the Global Innovation Index in 2024. However, observers emphasized the importance of the need to increase high-tech exports and R&D investment (Novruz, 2024). As we mentioned above, the gold jewelry industry needs innovation and R&D as well. For comparison, we observed that the copy of Cartier’s bracelet from Juste Un Clou collection or Lovo collection are available in unbranded local stores. Other local brands have been focusing on national or traditional ornaments. Another issue in the industry is the lack of trained jewelers and designers. A shortage of trained jewelers and designers has been noted. New artisans and jewelers are trained by family members or apprenticeship traditions. In 2021 the Vocational Education Agency and the Azerbaijani Jewelers’ Association signed a memorandum to train new craftsmen on modern equipment and support the industry (vet.edu.gov.az, 2021). However, building a skilled labor pipeline will take time, and many firms struggle to recruit younger workers into this niche craft. Some firms in the industry have been training its’ artisans and jewelers. For instance, Rasmina Gunbatova the owner of Rems Jewelry, articulated (personal communication) that they have prepared a training program for firm’s needs.

The most important part of gold jewelry is raw material. Without it artisans or brands cannot make anything, or it will be costly. Even though AzerGold (mining company of Azerbaijan) provides fine gold as a raw material, it is not sustainable. Rasmina Gumbatova, the owner of Resm Jewellery brand (personal connect, 2025) emphasized that to rely on AzerGold supply could be costly. Because the mining company cannot provide fine gold in time. Additionally, it is crystal clear that gold prices is not stable and can be fluctuated day by day. Therefore, the delay in supplying raw material means another cost for jewelry manufacturers.

Chapter IV - Discussion

Strategic recommendations for enhancing Azerbaijan's global competitiveness

A Porter's National Diamond analysis shows both strengths and gaps of Azerbaijan's gold jewelry industry. Even though the country has rich gold deposits, heritage skills, own unique designs, strategic locations, lack of technology application, branding, quality control and dependency on imported gems, taxes on jewelry making tools which are necessary parts of the processes.

So, based on our analysis, we believe that Azerbaijan should pursue a multifaceted strategy for the next years in order to develop the industry and to start to compete with other jewelry maker countries.

Optimizing Factor Conditions

In terms of the improvement of factor conditions, it is appropriate to start by solving the problem of raw material supply. The current issue is that AzerGold is struggling to meet the demand for raw or fine gold from artisans and brand owners. Several strategic measures could be implemented to ensure timely delivery and support sustainable growth in the jewelry industry. Moreover, to reduce overreliance on AzerGold, the industry can help develop a regulated secondary market for recycled gold or promoting joint purchasing cooperatives among jewelers will not only reduce pressure on AzerGold, but also increase sustainability and competitiveness in the entire industry.

Enhancing modern, well-trained human capital and designer development are critical for industry. Because the shortage of trained jewelers, artisans and designers is a bottleneck for innovation and modernization. Between 1990 and 2000 the Chinese jewelry industry showed dramatic upward tendency thanks to investment in human resources and technology (Hsu, et. Al, 2014). To make investment in specialized programs are needed to foster new jewelry designers who can blend ancient Azerbaijani patterns with contemporary aesthetics, modern, minimalist, avant-garde styles or to innovate new designs. These newly designed products can cover local demand and ready to finds new consumers abroad.

As we mentioned above, most Azerbaijani jewelers in small scale workshops and struggle to afford modern machinery. Therefore, the government could implement subsidies, low-rate interests

or collective purchasing initiatives to help SMEs to have cutting-edge technologies. Additionally, the establishment of gemological laboratories for unprocessed diamonds is a positive step. This will help to build trust in Azerbaijani products both internationally and locally.

Shaping Demand Conditions

To appeal to a global market, Azerbaijani jewelers must differentiate their products by emphasizing the unique Azerbaijan heritage motifs and craftsmanship. This strategic move requires marketing campaigns to highlight historical background and cultural significance of gold craftsmanship in Azerbaijan. Such cultural narratives can create a unique selling proposition, attracting consumers who seek authentic and culturally rich products by storytelling. Boris (2017) highlights that “storytelling forges connections among people, and between people and ideas. Stories convey the culture, history, and values that unite people”. In addition, Mirmiran (2024) articulates that “storytelling has evolved from a traditional form of entertainment into one of the most effective tools in sales and marketing. In today’s competitive business environment, where differentiation is key, storytelling can be a game changer for sales professionals. Rather than relying solely on data and statistics, crafting a compelling narrative can engage prospects emotionally and establish a deeper connection with the brand”.

Instead of attempting to compete directly with top jewelry producers from major exporters, Azerbaijan can strategically position itself as a niche player offering traditional and complex designed products. Additionally, finding new locations for jewelry products and establishing different marketing strategies can attract new buyers. For example, marketing products as ethically sourced and utilizing Azerbaijan's domestic gold resources to ensure traceability can command a premium, in accordance with Canadian consumers' increasing willingness to pay for such attributes. Furthermore, as the Chairman of association said, currently Azerbaijan gold jewelry can compete with imported gold jewelry in terms of quality. So, supporting jewelers’ participation in international design competition, jewelry expos or fashion weeks under “Made in Azerbaijan” flagship, will be helpful to find new sales channels.

Strengthening Related and Supporting Industries

To strength of this factor and according to other countries common experience, Azerbaijan’s gold jewelry industry needs cluster system to foster a robust network of supporting industries. Developing local suppliers for gemstones, specialty alloys and other necessary components to reduce

dependency on imports. Establishing cluster model manufacturing and if each cluster focuses on specific jewelry model, design or product will be able to boost innovation and positive rivalry among artisans.

Fostering Firm Strategy, Structure, and Rivalry

Even though mass production and copy products take a place in the market, the success of firms like Resm Jewelry, Minalı, Butalı with unique designs, brand management and business strategy demonstrate that there is a potential for differentiation. However, SMEs need substantial support for developing strong brands, effective marketing and business strategies, to find different locations for their products.

While the rivalry is currently more local than global, fostering healthy and positive competition among local firms can significantly improve innovation and quality. For instance, organizing design competitions and awards can encourage creativity and innovation in jewelry design, pushing firms to continuously improve. This will be helpful to the industry by fostering a culture of original design and robust intellectual protection instead of selling copy products or relying on static traditional ornaments.

Overall, investment in human resources and technology, increasing cultural demand both locally and globally, to establish and reinforce the supply ecosystem, and healthy competition environment provide a strategic roadmap. Each factors of diamond combine to create a global competitive advantage. By addressing each area, Azerbaijan can elevate its jewelry industry from a niche or local industry to a competitive regional player.

Role of Government Policies, Branding and Innovation in Gold Jewelry Exports

The Azerbaijani government has been planning to diverse its economy in order to reduce oil and gas dependency. Beginning in 2020, government representatives (the Minister of Economy, the Chairmen of KOBIA, Azergold) formed a working group to reform the industry. Mehdiyev reported that “the result of reforms were that manufacturers could buy gold and silver from state reserves without VAT, linking mining output to domestic production. In addition, export of finished jewelry goods have begun and 2022 export rising from zero to 19.6 million AZN (Gasimov, 2022).

Besides tax breaks, policies which are focused on inputs, the Azerbaijani government should start focus on, first of all, development of professional artisans. Because, even though Vocational State

Agency has curriculum for training jewelers, most artisans' knowledge pass from master to apprentice. But, Azerbaijan jewelry industry needs innovation. Therefore, the government can organize modern certificate training programs not only for apprentices but also jewelers who has been working in the sector. Furthermore, lack of gemologists in the industry cause the fraud. In the education system of Azerbaijan, neither in vocational education nor in the university, training programs about gemology is available. China indeed has struggled from this issue. In order to solve this issue, China imported foreign programs. For example, the China University of Geosciences made a collaboration with the Gemological Association of Great Britain to form a teaching center (Hsu, et.al, 2014).

Additionally, being exporter in the firm level is required knowledge about business management or related topics. However, according to our observation and discussion with brand owners or artisans, most of them avoid from export and focus on local demand. Even some of them does not know its firm's business strategy. Therefore, to give them training program or consultations by AZPROMO or KOBIA which are the government agencies, can help them to understand the overall situation. Teresa Silva (2008) emphasized that "when professional managers with entrepreneurial skills (and marketing knowledge that has a wider application) take over a brand that was successfully developed and established by the original entrepreneurs who had the ideas and the courage to take risks, it is more likely to continue to thrive".

On the one hand, the industry also need a regulatory frameworks for quality and authenticity. The Azerbaijani government must implement and strictly enforce comprehensive hallmarking regulation, as well as establishing a network of accredited gemological testing labs. Because, in order to expand export potential, firstly, the country has to build international trust with combating fraud.

On the other hand, another important regulation for gain trust is branding initiatives the the Azerbaijani government should lead efforts to establish "Made in Azerbaijan" with emphasizing its unique cultural heritage. This involves national campaigns and international legal protection such as Italy's success with "Made in Italy" brand. Moreover, the role that country-of-origin pictures play in shaping consumer behavior is growing quickly. Companies of both local and foreign origin could create stronger marketing plans, strategies, and policies if they had a greater grasp of the importance that COO images play for imported items compared to native ones (Kaynak, et.al, 2000).

Apart from these, for increasing export, market access and export promotion can robust the industry. While AZPROMO try to boost firms to attend international trade fairs, expos, and providing financial supports for different purposes, in order to expand export to different locations, trade

agreements can play a vital role. Azerbaijan is not the member of WTO (wto.org). So, thanks to trade agreements, the reduction of trade barriers, tariffs and making Azerbaijani gold jewelry cost effective is possible (Britannica.com). Trade deals can also bring technical assistance and investment opportunities that enhance domestic production capacity through improved technologies and skills.

Supporting R&D and innovation by grants, can be helpful for firms or designers such fostering product innovation by blending tradition with modernization. Furthermore, supporting prototyping centers or digital design hubs can update skillsets of human resources. Creating a Jewelry Park or Cluster Zones similar to India's, Turkey's and Italy's experience, with shared facilities such as polishing workshops, design hubs and so on, for artisans and brand owners is another solution for innovation.

The collaboration with the Azerbaijani government and private jewelry firms can raise its gold jewelry profile. The government must act as a facilitator by establishing healthy environment for firms such as funding expos, extending incentives, enabling infrastructure while SMEs focus on design innovation, human and technology upgrading, international marketing and quality. This dual approach, exemplified by Italy's trade missions, India's tech schemes, Turkey's export association and China's cluster programs can help to boost Azerbaijan's gold jewelry industry.

Chapter V - Conclusion and Implications

Summary of key findings

This study aimed to explore the competitiveness of Azerbaijan's gold jewelry industry by applying the Porter's National Diamond framework in order to understand factor and demand conditions, related industries, rivalry between firms and role of the government. The research also revealed that the industry has a complex landscape of emerging strengths, structural challenges and significant growth potential. Azerbaijan has a strategic position and potential because of its substantial gold reserves, ancient gold craftsmanship traditions and improving trade infrastructure.

Nevertheless, the industry faces several constraints. First of all, access barriers to the cutting edge technologies prevents many small-scale producers from scaling or meeting international standards. Secondly, except several brands, innovation and design and branding remains weak, as most workshops rely on traditional artisanal techniques which little exposure to global design trends. Thirdly, inefficiency of regulation such as lack of hallmarking practices and underdeveloped quality control infrastructure, lack of gem labs and gemologists in the industry, decrease consumer trust and export readiness.

According to our survey among local consumers, Azerbaijanis favoring local products and domestic market is expanding because of traditions, weddings and other special days. However, due to weak branding, limited awareness about international market, consumer preferences, trade promotion strategies, export remains underdeveloped. In terms of related and supporting industries, mining sector, supply chain infrastructure are well-developed, but other parts of jewelry such as gemstones, refining and value added finishing still depended on external partners.

Even though there are several limitations, opportunities are strong. Recent government reforms, VAT reduction, vocational training programs with a new curriculum, establishing working groups for the development of the industry is signal a clear policy shift. If these initiatives are paired with strategic investment in branding, technology, marketing, innovative management, Azerbaijan could emerge as a niche but competitive player in regional and global gold jewelry markets.

Future research directions

This research also provides a foundational analysis of Azerbaijan's gold jewelry industry. However, several areas need to investigate further academic exploration.

One of them is assessment of cluster potential. Future research could map and evaluate existing jewelry clusters using economic, input-output models to determine where cluster investment would yield the highest return.

Moreover, consumer perception and branding effects can be a topic of future research. Surveys and focus groups could explore how Azerbaijani jewelry is perceived internationally and which branding strategies are attractive for global buyers.

The development of digital transformation in creative industries is always a room for in-depth studies on how global digital tools could transform Azerbaijan's jewelry sector and expand its market reach. Furthermore, researchers can analyze that to what extent grants for innovation or jewelry design shape the industry.

These could build upon the present thesis and support more targeted policy development and investment policy.

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Consumer survey questions

1. Demographic information

What is your age group?

What is your gender?

Where do you live?

What is your level of education?

What is your monthly income range?

2. Consumer behavior

How often do you buy gold jewelry?

For what purpose do you usually buy gold jewelry?

What price range do you spend on gold jewelry?

Where do you usually purchase gold jewelry? (e.g., local stores, online, international retailers)

Do you research or compare before making a jewelry purchase?

3. Preference and demand

What kind of designs do you prefer in gold jewelry?

What are factors most important factors when buying gold jewelry?

Are you aware of any Azerbaijani jewelry brands?

What karat purity do you usually prefer in gold jewelry? (e.g., 14K, 18K, 22K, 24K)

Do you prefer custom-made or ready-made gold jewelry?

Would you prefer to buy locally made gold jewelry if it matched the quality and price of international products?

4. Perception and branding

Do you trust the quality of locally produced gold jewelry?

Have you ever purchased branded gold jewelry?

If yes, what brand(s) do you recognize or prefer? (Open-ended)

Do you think Azerbaijan could become globally known for its gold jewelry?

What would encourage you to buy more Azerbaijani gold jewelry? (Open-ended)

How important is the brand name when choosing gold jewelry? (Scale: Not at all important – Very important)

What concerns do you have, if any, about buying Azerbaijani gold jewelry? (Open-ended)

What media or sources influence your jewelry purchases? (e.g., social media, family, influencers, brand reputation)

5. Sustainability & Ethics

How important is ethical sourcing and sustainability in your gold jewelry purchases?

Would you be willing to pay more for jewelry that is ethically sourced and locally crafted?