

Strategic Transformation of the Saudi Arabian Jewelry Market: A Framework for SMEs

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Abstract: Objective: The primary objective of this study is to analyze the dynamic transformation of the Saudi Arabian jewelry market to provide a robust strategic framework for Small and Medium-sized Enterprises (SMEs). As the Kingdom moves away from oil dependence, the study aims to identify key economic drivers, evolving consumer preferences, and the specific regulatory requirements necessary for successful market entry and sustainability. **Methods:** A comprehensive strategic mapping analysis was conducted, examining market data including Compound Annual Growth Rate (CAGR) projections, demographic shifts, and government regulations under Saudi Vision 2030. The methodology integrates a review of historical design evolution with modern digital consumption trends, utilizing data from the Ministry of Culture, Monsha'at, and industry reports (2023–2024). **Significant Findings:** The market is projected to reach USD 7.85 billion by 2031, driven by a dual demand for high-value wedding jewelry and accessible "everyday luxury." Data indicates a significant shift towards ethical sourcing, with lab-grown diamonds expected to grow at a CAGR of 6.98%. While traditional gold remains dominant for cultural rites, younger demographics prioritize personalization, digital engagement, and "demi-fine" options. **Relevance:** The study concludes that specialization in niche segments—specifically heritage-inspired designs or sustainable luxury—combined with a robust omnichannel strategy and strict adherence to intellectual property regulations, is essential for SME sustainability in a competitive landscape.

Keywords: Cultural Heritage, Jewelry Market, Market Strategy, Saudi Vision 2030, Small Enterprises, Lab-Grown Diamonds, Saudization.

1. Introduction

The jewelry market in Saudi Arabia represents a sector of profound cultural and economic significance. Historically, jewelry has served not merely as adornment but as a marker of social status, a vessel for wealth preservation, and a central component of major cultural events such as weddings, Hajj, and Eid [1]. In the traditional Saudi context, gold was viewed as a "safe haven"

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asset—tangible security in uncertain times.

However, the sector is currently undergoing a marked transformation driven by the economic diversification goals of Saudi Vision 2030. The reduction of dependence on oil revenues has spurred investments in retail, tourism, and entertainment, creating a favorable environment for the luxury market. Recent economic reports indicate the market is projected to reach USD 7.85 billion by 2031, with a Compound Annual Growth Rate (CAGR) of 9.50% starting from 2024 [2].

Despite this growth, the market presents complex challenges for new entrants. These include fierce competition from international heritage brands (e.g., Cartier, Van Cleef & Arpels), fluctuating precious metal prices, and the need to navigate "Saudization" (nationalization of the workforce). Previous studies have highlighted the importance of integrating local talent, yet there is limited literature addressing specific entry strategies for small businesses. This study provides a strategic mapping for jewelry design and business establishment, focusing on the intersection of heritage preservation and modern digital commerce.

2. Materials and Methods

The study adopts a mixed-method approach, combining qualitative cultural analysis with quantitative market assessment.

1. **Economic Indicators:** Analysis of disposable income trends, sector-specific CAGR, and data from the Small and Medium Enterprises General Authority (Monsha'at).
2. **Consumer Behavior:** Utilization of demographic data—specifically the "youth bulge" where two-thirds of the population is under 35—and the rising purchasing power of Saudi women.
3. **Regulatory Review:** Examination of legal frameworks provided by the Ministry of Commerce, the Saudi Assay Office, and the Saudi Authority for Intellectual Property (SAIP).
4. **Cost Analysis:** Collating specific costs of establishment (e.g., Commercial Registration, MISA licenses) to provide a financial baseline.

3. Market Dynamics and Economic Drivers

3.1 The "Youth Bulge" and Disposable Income

The Saudi market is uniquely fueled by a youthful demographic. Unlike aging markets in Europe, the Saudi population is young, tech-savvy, and increasingly affluent. The gold and diamond segment alone were valued at over USD 4.5 billion in 2024, with projections to reach USD 8.3 billion by 2030 [3].

- **The Wedding Sector:** This remains the bedrock of the industry, expanding at an annual rate of 20%. Jewelry here is not optional; it is a requisite part of the dowry and celebration.
- **Investment Stability:** Unlike regional art markets, which witnessed a 78% drop in sales due to regional instability, the jewelry market remains a stable investment avenue, viewed as having intrinsic liquidity.

3.2 Emerging Segments: The Rise of Ethical and Affordable Luxury

Two distinct sub-sectors are reshaping the market landscape:

A. Lab-Grown Diamonds (LGD):

This segment is projected to grow at a CAGR of 6.98% between 2025 and 2032. Valued at USD 735 million in 2024, it targets a consumer base that values sustainability and price accessibility (typically 30–40% lower than natural diamonds) [4]. This allows younger consumers to purchase larger carat sizes or higher quality stones within a modest budget.

B. Demi-Fine Jewelry:

Targeting a valuation of USD 35.1 million by 2030, this segment caters to consumers seeking stylish, trend-driven options under USD 150. This "fashion-forward" approach bridges the gap between cheap costume jewelry and high-end fine jewelry.

4. Design Evolution: The "Glocalization" of Heritage

The results indicate a complex interplay between regional identity and modern aesthetics. The Saudi market is moving toward "Glocalization"—global standards of design infused with local cultural narratives.

4.1 Regional Aesthetic Deconstruction

To succeed, designers must understand the visual language of the Kingdom's regions:

- **Najd (Central):** Characterized by bold geometric motifs and the conspicuous display of polished stones and coins. It signifies status and solidity.
- **Southern Regions:** Distinguished by the use of coral and vibrant coloration, reflecting the maritime trade and Red Sea heritage.
- **Eastern Provinces:** Heavily influenced by trade across the Gulf, featuring Indian and Persian techniques such as fine gold filigree and intricate stone settings.
- **Hejaz (Western):** The "melting pot" of Mecca and Medina. Ottoman influences introduced elaborate floral patterns, diverse gemstones, and lighter, more intricate gold work.

4.2 The Modern Synthesis

Contemporary success lies in reinterpreting these forms. For example, utilizing the geometric shapes of Najd architecture but rendering them in rose gold with pave diamonds creates a product that is modern yet culturally resonant. This synthesis is critical for differentiation against international brands that lack this local "soul."

5. Strategic Entry: Regulatory and Financial Frameworks

For small businesses, compliance is the foundation of sustainability. The study identifies the following mandatory requirements and financial implications.

5.1 Regulatory Compliance

- **Commercial Registration (CR):** The fundamental legal identity.
- **The Saudi Assay Office:** A critical step for trust. All gold sold must be stamped and verified for purity. Selling unverified gold carries heavy penalties.
- **Intellectual Property (SAIP):** In a market prone to "fast fashion" copying, registering industrial designs and trademarks with SAIP is essential to protect the brand's unique assets [5].

5.2 Financial and Tax Structures

- **VAT (15%):** The application of VAT in jewelry is nuanced. Pure gold (99% investment grade) is **zero-rated**. However, the "making charge" (workmanship) and lower karat gold (18k, 21k) are subject to 15% VAT. Precise accounting is required to avoid eroding margins.
- **Zakat:** For Saudi/GCC nationals, Zakat is calculated at **2.5%** of the net worth/working capital annually.

5.3 Establishment Costs (Table 1)

The following table outlines the estimated initial capital required for a small enterprise (Year 1).

Expense Category	Estimated Cost (SAR)	Notes / Frequency
Commercial Registration (CR)	1,500 – 3,000	Required for legal identity; one-time issuance with renewal.
MISA License	12,000 (Reg) / 62,000 (Annual)	Applicable <i>only</i> to foreign investors.
Municipality License	500 – 2,000	Annual fee; varies based on shop size/location.
Chamber of Commerce	800 – 3,000	Annual membership fee; based on capital class.
Notarization & Translation	5,000 – 10,000	Legal fees for Articles of Association.
Inventory & Rent (Initial)	100,000 – 200,000	Highly variable based on gold prices and city (Riyadh vs. Hail).
Total Estimated Start-up	150,000 – 300,000	Baseline estimate for first-year operations.

6. Strategic Recommendations

To navigate the transition from traditional souks to a modern brand, SMEs should adopt the following strategies:

6.1 Niche Specialization

Avoid the "generalist" trap. Successful SMEs focus on specific niches:

- **Heritage-Inspired:** Reviving Hejazi filigree or Bedouin silver for a modern audience.
- **Ethical Luxury:** Marketing lab-grown diamonds to the eco-conscious youth.
- **Personalization:** offering Arabic calligraphy naming or birthstone customization.

6.2 The Omnichannel Imperative

While physical showrooms build trust (essential for high-ticket items), digital visibility is the driver of traffic.

- **Social Commerce:** Platforms like TikTok and Instagram are the new "window displays."
- **Influencer Marketing:** Collaboration with fashion bloggers is pivotal, as they act as

cultural curators for the under-35 demographic.

6.3 Leveraging the Ecosystem

Entrepreneurs must utilize government support structures:

- **Monsha'at:** For business incubators, training, and potential funding.
- **Cultural Development Fund (CDF):** For grants related to heritage preservation designs.

7. suggested Training Rubrics and Assessment Standards

To address the empirical gap in vocational training for this sector, the following rubrics provide a structured approach to assessing competency. These are designed for use by training institutes, incubators (e.g., *E3qlha*), and business owners hiring staff.

Rubric Design Methodology

These rubrics are grounded in Bloom's Taxonomy of learning domains (Cognitive, Psychomotor, Affective).

- **Construct Definitions:** Clearly defined skills based on industry requirements.
- **Competency Descriptors:** Observable behaviors at varying proficiency levels.
- **Evidence:** Tangible outputs required for assessment.

Domain A: Technical Craftsmanship & Design Innovation

Construct Definition	Competency Descriptors	Suggested Assessment Evidence
1. Fabrication Proficiency <i>(Psychomotor)</i> The ability to manipulate metal and stones using standard tools (sawing, soldering, polishing) to industry standards.	Foundational: Performs basic cuts and solders with guidance; finish may show minor tool marks. Proficient: Independently executes complex assemblies (bezels, prongs) with clean finishes. Expert: Innovates technique; produces flaw-free intricate joinery (filigree) and instructs others.	• Physical Prototype (e.g., a bezel-set ring). • Time-lapse video of the fabrication process. • Quality Control Audit Scorecard.
2. Cultural Design Synthesis <i>(Cognitive/Affective)</i>	Foundational: Replicates traditional patterns (e.g., geometric Najdi shapes) directly.	• Design Sketchbook (Mood board to Final Render).

Construct Definition	Competency Descriptors	Suggested Assessment Evidence
The capacity to interpret Saudi heritage motifs and translate them into contemporary, marketable aesthetics.	Proficient: Adapts traditional motifs into modern forms (e.g., using Bedouin weaving patterns in 3D printed gold). Expert: Conceptualizes entirely new narratives that honor heritage philosophy without derivative mimicry.	• Written "Artist Statement" linking heritage to design. • 3D CAD Model.
3. Material Science & Sourcing <i>(Cognitive)</i> Knowledge of metallurgy, gemology, and ethical supply chains (e.g., Lab-grown vs. Natural).	Foundational: Identifies basic karatages and common gemstones. Proficient: Distinguishes gem grades (4Cs), calculates specific gravity for casting, and identifies ethical suppliers. Expert: Strategic sourcing for cost/quality optimization; validates supply chain transparency (blockchain tracking).	• Material Bill of Quantities (BOQ) with cost analysis. • Gemology Identification Test results.

Domain B: Business Acumen & Compliance

Construct Definition	Competency Descriptors	Suggested Assessment Evidence
1. Regulatory Compliance <i>(Cognitive)</i> Understanding and applying Saudi legal requirements (VAT, Zakat, Hallmark, Labor laws).	Foundational: Lists required licenses and basic tax rates. Proficient: Accurately calculates VAT inputs/outputs and manages hallmark certification logistics.	• Mock Tax Return Filing. • Business Licensing Roadmap. • Employment

Construct Definition	Competency Descriptors	Suggested Assessment Evidence
	Expert: Develops comprehensive internal audit systems for ongoing legal and labor compliance.	Contract Draft compliant with Labor Law.
2. Market Strategy & Branding <i>(Cognitive)</i> Ability to define a niche, identify target demographics, and execute omnichannel marketing.	Foundational: Defines a general target audience; sets up basic social media handle. Proficient: Creates detailed buyer personas; executes a content calendar aligning with cultural events (e.g., Eid, Weddings). Expert: Analyzes conversion metrics; adjusts strategy based on CAC (Customer Acquisition Cost) and LTV (Lifetime Value) data.	• 12-Month Marketing Plan. • Brand Style Guide. • Case Study analysis of competitor positioning.

Validation and Reliability Approach

If these rubrics are used for formal certification or program evaluation, the following psychometric standards should be applied:

1. **Inter-Rater Reliability:** To ensure consistency, multiple assessors should score the same student portfolio. Reliability can be calculated using Cohen's Kappa (κ) or Intraclass Correlation Coefficient (ICC).

$$ICC = \frac{\sigma_b^2}{\sigma_b^2 + \sigma_w^2}$$

(Where σ_b^2 is the variance between subjects and σ_w^2 is the variance within subjects).

2. **Content Validity:** The rubrics should be reviewed annually by a panel of master jewelers and Ministry of Commerce representatives to ensure criteria match current market realities.

8. Implications

For Entrepreneurs

The shift from generalist retail to specialized brand-building is non-negotiable. Entrepreneurs must view "design" and "business compliance" not as separate silos but as integrated competencies. The provided rubric serves as a self-assessment tool to identify gaps in their current business model.

For Policy and Education

Training programs (e.g., technical colleges, Monsha'at workshops) should move beyond teaching

isolated handicraft skills. Curricula must integrate the "Business Acumen" domain—specifically regulatory navigation and digital marketing—to ensure graduates are commercially viable.

9. Conclusion

The Saudi Arabian jewelry market is evolving from a commodity-based trade to a design-led luxury sector. The convergence of rising disposable income, a youth-dominated demographic, and the cultural renaissance of Vision 2030 creates a fertile ground for SMEs. However, success is no longer guaranteed by simply opening a shop. It requires a strategic blend of cultural authenticity, digital savvy, and rigorous regulatory compliance. By focusing on niche specialization and leveraging the support ecosystem, new entrants can secure a sustainable position in this expanding economy.

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Author's Biography:



Faridah Al Subaei is a highly creative and distinguished Saudi jewelry designer and artisan whose work bridges traditional aesthetics with contemporary craftsmanship. Her artistic career is marked by extensive exhibition participation at both the national and international levels. Al Subaei has consistently showcased her unique jewelry designs in numerous high-profile art shows and cultural venues across Saudi Arabia and abroad. Crucially, she has served as a prominent cultural ambassador, dedicated to representing Saudi women in the arts. She has done this by presenting her creative work in distinguished cultural forums and through her commitment to education and mentorship. By actively teaching and conducting workshops, Faridah Al Subaei shares her technical expertise and advocates for the contribution of Saudi female artists to the global creative sphere.