

Plans for Small and Medium-sized Gold Shops to Cope With the Crisis of Store Closure

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Abstract. In recent years, gold prices have experienced a sustained upward trend, which should have spurred vigorous growth in the retail gold industry. However, numerous jewelry stores have frequently closed their doors, presenting an anomalous phenomenon of "rising gold prices, store closures." This reality prompts us to consider: why does the increase in gold prices, instead of stimulating business, lead to operational difficulties for gold retailers? To address this question, it focus on the core issue of "Strategies employed by gold stores to cope with store closures amid rising gold prices," conducting an in-depth investigation. Through bilateral surveys involving 30 small- and medium-sized gold shop owners and 178 consumers, combined with case studies and visual data presentation, it aims to reconstruct the transmission pathway of "gold price increase changes in consumer demand increased operational pressure on gold stores store closures," and to propose practical survival and transformation strategies for small- and medium-sized gold retailers. Our research reveals that rising gold prices lead to decreased consumer demand, which in turn causes sustained declines in sales for small- and medium-sized gold shops and increases operational pressures. Under these circumstances, consumers prefer discount promotions, special offers, and excellent after-sales service.

Keywords: Rising gold prices; gold shop closure; small and medium-sized gold shops; questionnaire survey; case study.

1. Introduction

Using multiple linear regression models, regression analysis indicates that gold prices have been continuously rising in recent years [1]. Since the outbreak of the pandemic, financial crises have become recurrent, making the gold market an indispensable investment avenue. During financial crises, all financial assets tend to depreciate, resulting in losses; however, gold differs from other assets as its price continues to rise, driven by complex underlying factors. Inflation and geopolitical conflicts have contributed to the upward pressure on gold prices; in the short term, fluctuations in gold prices are influenced by investor sentiment [2]. Additionally, investors increasingly turn to gold to hedge against risks, with Shanghai's spot gold market effectively stabilizing and hedging bilateral exchange rate risks of the Renminbi against the Euro, Australian Dollar, Singapore Dollar, and British Pound, as well as the effective exchange rate risk of the Renminbi [3]. Despite the growing proportion of gold investments, the number of small- and medium-sized gold shops continues to decline. What are the underlying reasons for this paradox?

This study uses a mixed research method and explores in three stages the impact of rising gold prices on gold shops and the related strategies. First, data collection and problem diagnosis were carried out through two questionnaires. One was given to 30 gold shop owners, covering background, causes, responses, and confidence, to form a complete logic chain and reveal why many owners lose motivation to continue. The other was given to 178 consumers, combining qualitative and quantitative questions, to study their buying motives, channel preferences, and the effectiveness of promotion strategies [4]. The questionnaires covered people from different regions, ages, genders, and work experience.

Second, the study selected successful cases such as Chow Tai Fook, Lao Pu Gold, and Chow Sang Sang [5]. Their good practices in omni-channel operation, membership systems, after-sales service, and product strategies were analyzed.

Finally, the results of the questionnaires and the case studies were cross-checked, and general industry strategies were summarized. These provide both empirical support and practical advice for small and medium-sized gold shops when facing the problem of rising gold prices [6].

The research follows a “problem diagnosis – case learning – strategy building” path. In the questionnaire stage, in-depth items were designed for both owners and consumers to collect quantitative data and qualitative insights, which helped identify business difficulties and changes in consumer behavior. In the case analysis stage, the focus was on the successful logic of leading brands in promotion, membership operation, and service innovation. In the final stage, cross-source data comparison and validation were used to extract practical and replicable strategies. The aim is to give small gold shops a systematic solution to improve risk resistance and business resilience [7].

2. Research Findings

2.1. Perspective of Store Owners

Changes in consumer behavior have become a significant external factor contributing to the operational challenges faced by gold jewelry retailers. Based on the integrated results of dual-sided survey targeting both store owners and consumers, this study clearly identifies the core transmission mechanism and key influencing factors behind the difficulties experienced by small and medium-sized gold shops in the context of rising gold prices [8].

From the perspective of store owners, over 90% of respondents reported that the increase in gold prices had a "high" or "extremely high" impact on their business operations. Specifically, 63.33% of store owners rated the impact as “extremely high,” 26.67% as “high,” and only 10% considered it “moderate,” with none reporting “low” or “no impact”, as shown in Figure 1. This reflects the widespread shock that gold price volatility has imposed across the industry [9].

The root causes of this impact can be summarized into three primary areas:

First, a dramatic surge in raw material costs. The continuous rise in gold prices has significantly raised procurement costs and eroded profit margins. Second, consumer hesitation and purchase delays have led to a sharp decline in end-user demand and sales. Third, because of reduced income streams and worsening inventory turnover, cash flow pressures and capital lock-in have become common problems among gold retailers [10].

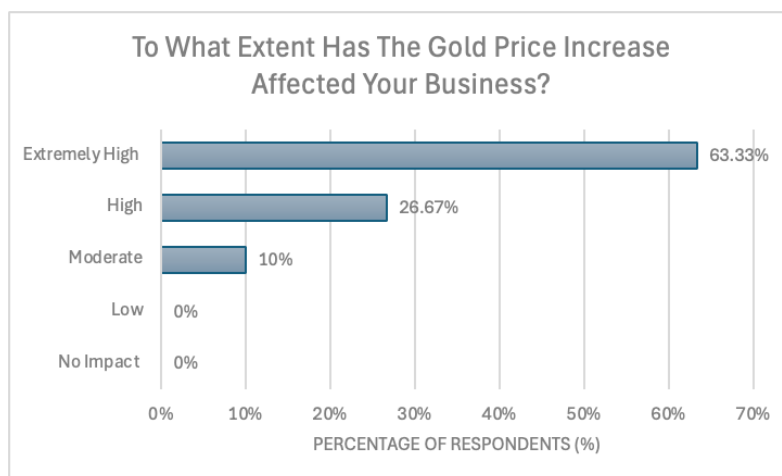


Fig 1. Perceived impact of gold price increases on business operations. (Picture credit: Original).

In response to the challenges, most store owners adopted short-term coping strategies, such as offering discounts, adjusting prices, or reducing procurement volumes, in an effort to quickly stimulate consumer demand and ease cash flow pressures. However, both survey data and interview

findings indicate that only a small proportion of owners have attempted structural transformation, such as redesigning their financing models, optimizing product portfolios, or building long-term customer relationships as shown in Figure 2.

This outcome further confirms the vulnerability and transformation pressure faced by small and medium-sized gold retailers amid sharp fluctuations in gold prices. In particular, the limited use of financial instruments, combined with a lack of data-driven inventory management and customer relationship capabilities, has resulted in most shop owners relying passively on price wars and operational cost-cutting rather than proactive strategic adjustments.

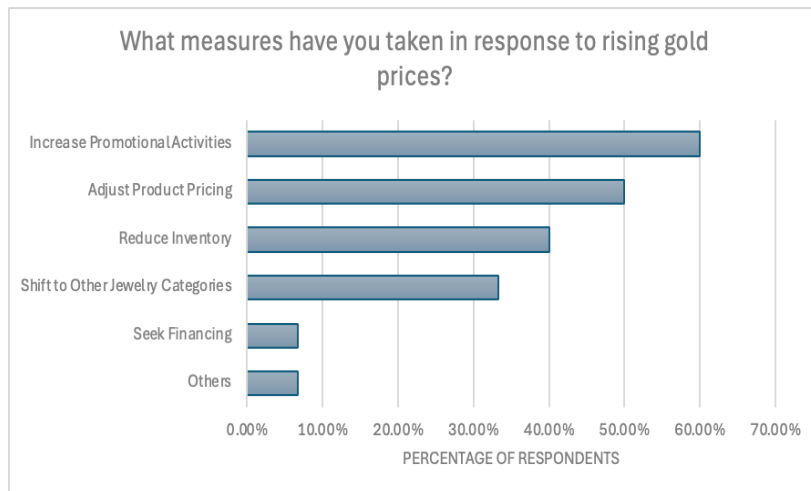


Fig 2. Operational responses by store owners to rising gold prices. (Picture credit: Original).

2.2. Consumer Perspective

Shifts in consumer behavior have emerged as a major external factor contributing to the operational difficulties faced by gold retailers. Survey results show that during periods of rising gold prices, as many as 79.21% of consumers reported a greater tendency to purchase gold during promotional period, as shown in Figure 3. This finding highlights a significant increase in price sensitivity, with promotions becoming a critical lever influencing purchasing decisions.

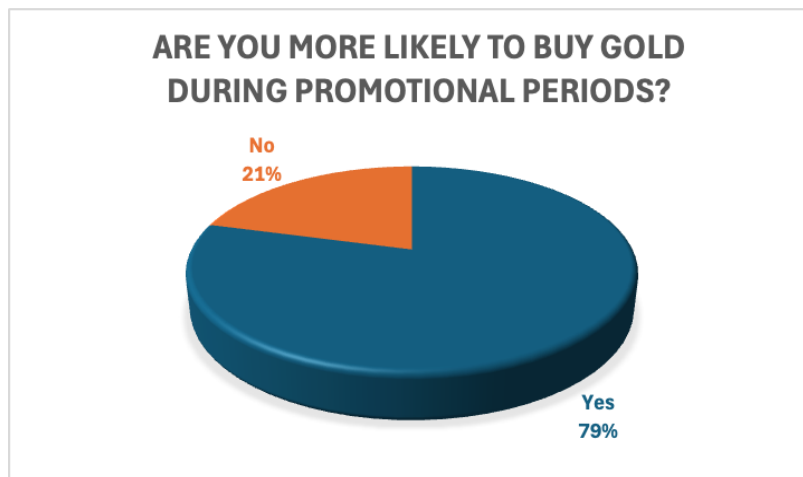


Fig 3. Consumer purchase preference during promotional periods. (Picture credit: Original).

More specifically, among the various promotional strategies, "direct discount" was identified as the most attractive, with 80.34% of respondents indicating that it would directly influence their willingness to buy gold, as shown in Figure 4. This was followed by "full reduction offers" (53.93%), while strategies such as "points redemption" (34.83%) and "gifts" (30.9%) were found to be relatively less compelling. These results suggest that consumers generally prefer immediate, tangible price reductions over indirect incentive mechanisms.

In addition, 24.16% of consumers cited “free shipping” as a secondary factor influencing their purchasing decisions, indicating that under online retail channels, logistics costs have also become part of the consumer’s consideration set.

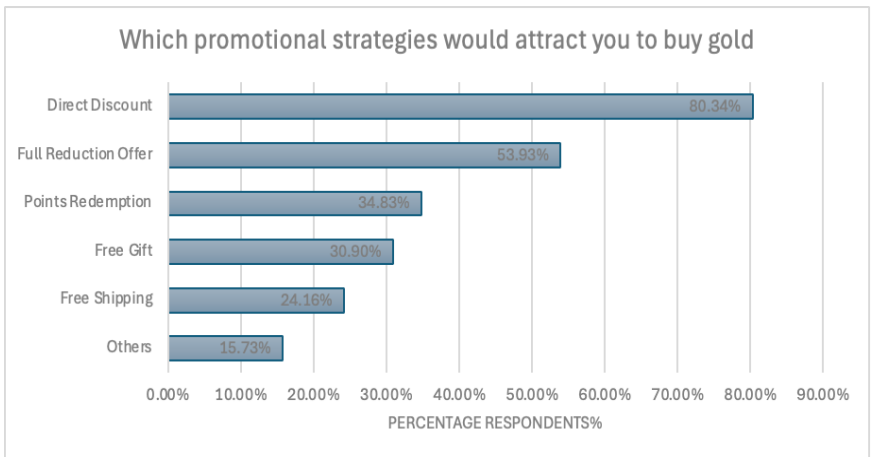


Fig 4. Promotional strategies are most likely to attract gold consumers. (Picture credit: Original).

Further research reveals that different types of promotional activities vary in their level of consumer appeal. Among them, “festival/store anniversary discounts” were rated as the most attractive, receiving approval from 65.17% of respondents. This was followed by strategies such as “full-amount discounts” and “waived processing fees,” both of which garnered around 56% support. Meanwhile, personalized thematic promotions, such as “wedding season campaigns” and “zodiac or birthday-themed offers,” also received considerable recognition, with support rates of 51.69% and 53.37%, respectively, as shown in Figure 5.

These results indicate a growing consumer interest in context-driven and personalized promotions. For many consumers, especially younger cohorts, gold is no longer perceived merely as a store of value; rather, it is increasingly appreciated for its aesthetic, social, and cultural symbolism. This suggests that price cuts alone are insufficient to meet the evolving and diversified demands of today's consumers. Instead, the role of contextual relevance, ritualistic experience, and brand storytelling is becoming more prominent in driving gold purchases.

Therefore, for small and medium-sized gold retailers, enhancing product design and brand value—through integration of cultural elements such as zodiac motifs, festive symbolism, or emotional narratives—may serve as a crucial strategy to attract consumers and achieve growth even in a challenging market environment.

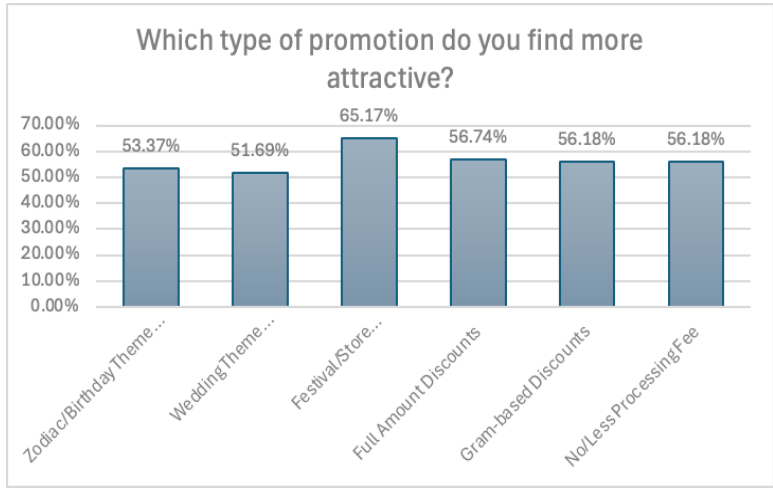


Fig 5. Attractiveness of themed promotional types among consumers. (Picture credit: Original).

Findings from the dual-perspective survey indicate that small and medium-sized gold retailers currently rely heavily on short-term responses and promotion-driven strategies, while consumer

decision-making is shifting toward a combination of price rationality and emotional or symbolic value. The key to overcoming current operational challenges lies in extending the value of promotions without sacrificing profit margins, while simultaneously enhancing brand experience and product innovation. These dimensions represent essential pathways for small retailers seeking to regain competitiveness in an evolving market landscape.

3. Conclusion

This study uses empirical analysis to test the transmission chain of “gold price rising lower consumer demand cash flow break store closing crisis.” The data show that 83.3% of surveyed store owners suffered losses because demand dropped sharply after the gold price increased, and 79% of consumers chose to delay their gold purchases. This finding strongly challenges the traditional belief that “a higher gold price always benefits the retail industry,” and it shows the structural weakness of small and medium-sized gold shops under price fluctuation. At the same time, it compares the sales models and marketing strategies of Chow Tai Fook, Chow Sang Sang, and Lao Pu Gold, and give three summary suggestions.

Based on the results, it propose a differentiated business strategy focusing on short-term risk control, medium- and long-term competitiveness rebuilding, and pricing and channel reform. In the short term, demand reduction can be eased through “direct discounts + limited-time promotions + membership benefits.” In the medium and long term, shops can use cultural and creative product design and emotional value marketing to move gold from being only a “store of value” to a “cultural product.” At the same time, flexible pricing and omni-channel sales can improve brand value and market adaptability, giving small gold shops a practical toolbox against gold price volatility.

Future research can go deeper in four directions: detailed studies on different city levels, shop sizes, and consumer groups; combining AI-based gold price prediction with digital marketing tools to improve efficiency; using behavioral economics and supply chain finance to explain irrational decisions and improve cash flow; and building risk-sharing mechanisms with upstream enterprises and financial institutions to increase industry-wide resilience.

This study not only builds a crisis response framework for the gold retail industry but also provides a reference for other traditional durable goods industries facing price fluctuation. In the future, research may further integrate technology and ecosystem perspectives to help the industry move from passive defense to active resilience.

Authors Contribution

All the authors contributed equally, and their names were listed in alphabetical order.

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