Diamonds have evolved into a very traditional business with little innovation. How did it happen?

Free cut evolution.
Tolkowsky cut designed
(1919)

De Beers: "Diamond is Forever" campaign

Diamond
Certification:
good / bad cuts

American Gem Society: "ideal" round cut

1900

1940's

1960's

1996

1. Mass marketing oppress differentiation

The very successful "Diamond is Forever" campaign was the first major step towards stopping diamond Cut evolution. It was launched by De Beers in the 1940's and created a mass diamond market, especially for diamond engagement rings. However, this massmarketing ideology did little to differentiate between diamonds, so the main market differences became those of nature: clarity, colour and size.

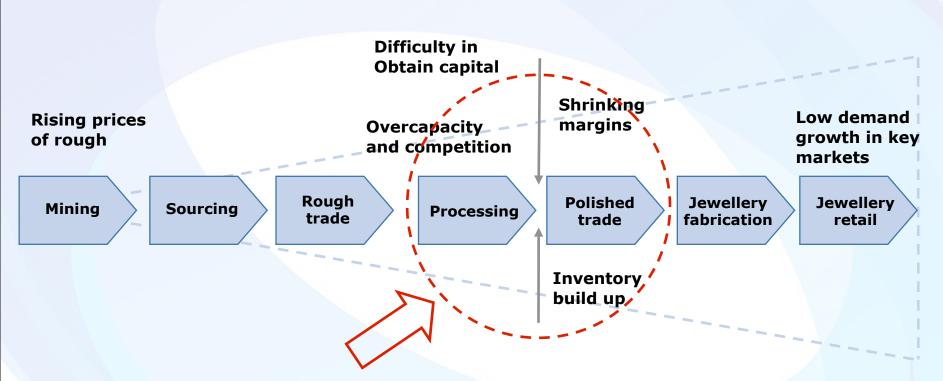
2. Certificates prevail over appearance

Grading lab's produce grading certificates for diamonds using its natural characteristics:
Carat weight measured numerically, Color and Clarity compared with Master Stone Sets, while the Cut was barely judged: only shape name, polish and symmetry quality were mentioned in the certificates. Certificates issued by a world-renown laboratory strongly influences customers' choices. While buying a diamond customers tend to rely on the grade shown in the stone certificate rather than on the appearance of the stone itself.

3. Mass production of 'ideals'. Margin disrupted by overcapacity

Innovative manufacturers lost their reasoning to improve cuts, because it was apparent that a deviation from 'ideal' proportions would make the cut 'less ideal then AGS Ideal' and therefore less valued. The industry concentrated on minimizing production costs instead. Initially only a few leading manufacturers were able to produce such "ideal" cut round diamonds and could command a premium, however numerous competitors soon diluted the higher margins. Since that moment the evolution of the round cut came to an end.

Current market situation



high pressure zone in the diamond value chain

Way out: Diamond brand development

Different diamond - different manufacturer - different consumer (like cars: Mercedes, Toyota, Honda, BMW)

Design and quality = dominant base of competition

One of the main concerns of any jewellery manufacturer is to give the consumer the product he/ she wants, while ensuring that costs are under control and the business is sustainable and profitable.

However, competition and slow growth in the industry have eroded margins. The average consumer demands quality, finish, and innovative designs but at 'reasonable' prices.

Technology as the silver lining

Customer need: Innovative designs conforming to the latest trends

Solutions provided by technology: CAD and computer integrated machinery to design innovative diamond cuts

Market trends

	Current trend	Implication for suppliers
Consumers	Become cosmopolitan. Compare products across the world before buying.	Need to adapt their 'made-to-stock' designs to meet changing customer preferences .
Changing fashion	Increasing influence of 'fashion' in jewellery, short-term demands.	Need to reduce 'time-to-market' and develop more efficient design, production, distribution, and inventory management processes.
Channels	Consumers spending more online. Last survey: 10% of jewellery shoppers are online.	Opportunity to adopt B2B as well as B2C Internet business to access customers regardless of geography.
Competition	Traditional structure of small-to-middle- size independent retailers is under pressure from large, international brands such as Chanel, Dior or Jean-Paul Gaultier, Esprit, and Mont Blanc.	Fewer customers with greater bargaining power. The need to satisfy and manage customer needs has become a key requirement for all jewellery manufacturers.

The need to satisfy and manage ultimate customer needs has become a key requirement for all jewellery manufacturers.

Octonus Cycle

Innovation

Exciting new cuts designed and launched at 'New Cut Expo'

Cut Auction Rough diamond planning Software selects rough for unique added value branding

SUPPL



Diamond supply pipeline replaced by diamond demand cycle



Manufacturer or designer decides on new fashion trends

Sell unique branded diamonds



Retail / e-tail sales & service agents (like watches, cars) sell with visual quality tools Agent

Branding