



Written by Ehud Arye Laniado

Ehud Laniado is principal at Mercury Diamond, specializing in rough and polished diamonds.



The Virtue of Real is Rare

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I want to congratulate the Diamond Producers Association (DPA) for developing a generic marketing plan for promoting diamonds in the consumer markets. The plan is heralded by a new slogan: “Real is rare. Real is a diamond.”

The new slogan was met with some criticism, but not by me. The market has been calling on miners for several years to take the lead on generic diamond marketing and this is exactly what they have done. The miners are also the ones financing the campaign, so they deserve our thanks.

The new campaign will come online nearly a decade after De Beers ended the very successful “A diamond is forever” campaign. It will fill a void that has resulted in a decline in the perception of diamonds in the eyes of the consumer and the subsequent drop in expenditures on diamond jewelry.

This decline in consumer interest has hit the diamond pipeline hard in recent years. Prices of polished diamonds have been declining and the volume of trade in the wholesale sector of the diamond pipeline has shrunk. Rough diamond sales surged in the first quarter of 2016, but this was disconnected from real market demand and has thus fizzled out since.

In light of this drop in business activity – a direct result of declining consumer demand – the new campaign is good news. Even if some feel it is too little, too late, we should remember that every thousand mile journey starts with a single step.

Continuity, not replacement

Some may feel that the new slogan is replacing the old one, but that does not accurately explain of the situation. I see it rather as a natural evolution of the previous slogan, a continuation of the momentum, rather than a replacement.

“A diamond is forever,” helped sell hundreds of billions worth of diamonds over the years, and aptly fit the message of the era. It underlined that a diamond is a unique creation of nature, resilient to outside forces and enduring – a great symbol of love and marriage.

A diamond may be forever, but we know that we humans are not. And so, we hand diamonds down from one generation to the next together with the legacy of love they symbolized, as well as a relatively steady monetary value. This slogan promoted more the emotional element of buying a diamond and less the rational.

The times have changed

It worked well because the times were different. At first, it was mainly men in their twenties who bought diamonds for their fiancés. On top of their desire to prove their commitment to love, buying a diamond also demonstrated their financial commitment to the relationship and constituted a basis of trust.

Buyers also needed to place their trust in the retailer. The average local diamond jeweler was often recommended by a relative who bought their diamonds from the same retailer. He was trusted to provide a good recommendation and a nice diamond at a fair price. Over the years, the role of the local neighborhood jeweler declined, and the modern grading system was developed in its wake to support trust and fair trading. In the 1940s, GIA established the 4Cs – to this day, the standard for evaluating diamonds’ characteristics.

The times have, however, changed. Providing information on four basic areas of evaluating a diamond – cut, carat, color and clarity – has become just the starting point for consumer information in the age of large data, demand for proven ethical standards and sourcing, and easily gathered price comparisons. This change in consumer mindset requires a new marketing approach too.

Today, consumers want to know a lot more about the journey a product makes, starting with the origin of the raw materials. To be clear, not a romantic story about the journey, but the nuts and bolts of it. Are laborers paid fairly? Does the producing country receive a just share of the revenue? Was every stage of the production, manufacturing and wholesale conducted legally?

Consumers want to be able to compare prices and understand the differences between two diamonds that have the same 4Cs but different prices. They want to know that they have access to information that explains every aspect of the diamond’s value – even if they don’t end up accessing it.

If we don't address these new demands from consumers, we may lose many of them. This is because today's consumer, while considering a diamond purchase, may also be considering alternative purchases: jewelry set with other gems, different luxury items or spending on experiences. If we don't provide the necessary foundation to support diamond purchases, consumers may simply choose to spend their money on something else.

In this context, the return of a relevant generic diamond marketing campaign is a blessing. "Real is rare. A diamond is real" fits the changed social attitude and naturally takes the torch from "A diamond is forever."

And still, we have a long way to go.

Moving forward with the new slogan

When most consumers buy a diamond, they are thinking about a single purchase only, and they are thinking of it as an expense. We need to change these two perceptions as well. Diamond jewelry should be considered not only for marriage but for when celebrating other important life events.

The second perception could be harder to change, but is still essential for the health of the diamond industry. Spending on a diamond is not an expense but the acquisition of an asset. One of the characteristics of this asset is that it is rare, and the economy of [rarity](#) is the basis of its economic value.

The new slogan immediately addresses the rarity of natural diamonds. People have always been interested in owning items that are rare, we have always treasured and been awed by rare creations. Rare objects are desired and tend to carry premiums. In this way, diamonds are treated as such just like rare cars, wines and art.

The rareness of the higher-end objects in these categories – art, cars and diamonds – creates value and hence resale value, and resale value creates a market. That is what we are aiming for. This market is new, exciting, full of promise and goes hand in hand with today's consumer demands. It requires providing more information, the information and its sources must be transparent, inclusive, detailed and easily available.

The parameters of this budding market are different from those of past diamond sales. It is very rational in nature and much less dependent on emotion. At its core, the issue is that any person who wants to make an investment will look for something that is real and has a real value. In diamonds, this "real" value is a diamond's rareness. It is rare because of its characteristics and because it is hard to find. Many exploration projects do not result in a commercial resource. Even when found, it is difficult to extract diamonds and this fact further adds to their rareness.

The natural diamonds mined today were created up to billions of years ago. The unstable environment and physical conditions that are near impossible to recreate, are also what make natural diamonds rare. The skill needed to polish a diamond is also unique and requires many years of training to master. Diamonds are, beyond a doubt, rare.

Some note that the 130 million carats extracted every year prove that diamonds are not rare. Don't be confused by the quantities. Only some 20% of the extracted stones end up as gem-quality polished diamonds. Furthermore, a proportion of these goods are not high quality. The few of them that are high quality are so scarce that they are rare.

Consider it from a different perspective. The total wholesale value of annual gem-quality polished diamond sales is estimated at \$18-22 billion, depending on the year. The total value of global handbag and [purse sales is estimated at \\$106 billion](#). The video game industry is estimated at [\\$91.5 billion in 2015](#) Pet food sales around [the world increased 4% to \\$70 billion](#) and in the [US alone surpassed \\$23 billion in 2015](#). Nike's footwear sales alone totaled \$18.3 billion in 2015.

This is to say that the diamond industry is not only relatively small, but even give the high value that some diamonds have, there are so few of them that pet food, Nike footwear and handbags each are far more common and widely available.

With regard to diamonds for wealth preservation (not for jewelry), the stones in question exist in even far smaller numbers of availability than pet food or Nike shoes, and the cost of holding on to a diamond is near zero. Of the ~\$20 billion in annual gem-quality polished diamonds, less than half (by value) are fit for wealth preservation. A \$10 billion-a-year sector is indeed a small one, another testimony to the rareness of diamonds.

Some may argue that the new slogan was drafted with lab-grown goods in mind and that over time, lab-grown will substitute natural diamonds. So where is the rarity then? First of all, just like gravity, lab-grown are here to stay. They are a fact of life, so there is no point trying to diminish them. Secondly, lab-grown may compete with some gem-quality diamonds, specifically those typically set in fashion jewelry. They do not have what it takes to compete with high-end diamonds, especially because they do not meet the first criteria: rarity.

If the diamond market is to rise to the occasion, support the DPA with its marketing effort, create a new market for natural diamonds, emphasize the rareness of diamonds, provide transparent information about the diamond and offer historic price data based on the 4Cs and irregularities, then we stand a chance of taking this industry forward. This will ensure the longevity of diamonds, and in doing ensure the industry's livelihood, by bringing new sources of revenue and investors who specialize in rare objects and are interested in diamonds.

That is why a diamond is real and rare and forever. The two slogans complement each other. The first slogan was a first step in a thousand mile journey. The new slogan is another step forward, as we are deep into this journey, on our way to evolving it into an asset that retains its value for generations to come. As such, it won't be limited to jewelry or a display of financial means, but it will rather become an economic tool.

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