

# Rise from the rough: The growing demands on the brown diamond market

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## Abstract

*Only 10 years ago, consumer demand for brown diamonds was nearly non-existent. To industry experts, brown diamonds were known as 'industrial grade diamonds' or low-grade stones with little value. Today, however, a product that once had very little real and perceived value has become desirable among consumers due to the power of strategic marketing and advertising. By analysing historical and current information on the brown diamond industry, this paper discusses the current challenges and opportunities for these stones.*

## Keywords

*branding, perception, celebrity endorsements, brown diamonds, 'chocolate diamond' fashion jewellery, bridal jewellery, Le Vian®, Le Vian® Chocolate Diamond™, HERSHEY'S KISSES® Jewellery*

## INTRODUCTION

In 1987, an 0.95-carat red diamond was auctioned at Christie's for almost \$1m. This high price for less than a carat created an international media sensation, which in-turn fuelled higher demand for such diamonds, and heralded the start of the 'Fancy Diamond Era'.

The term 'fancy diamonds' refers to the deep shade of colour within these stones.<sup>2</sup> Part of their attraction is their rarity; only one out of every 1,000 diamonds is considered fancy. Today, coloured diamond prices are continually increasing with no sign of slowing down.<sup>3</sup>

While coloured diamonds are revered, brown diamonds do not have the same prestige as other colours, due to their relative abundance. Yet, the availability of brown diamonds poses the largest financial reward. In a typical mine, brown diamonds account for approximately 15 per cent of diamond production. Certain mines produce a significantly higher percentage of brown diamonds, however; for example, brown diamonds comprise 80 per cent of production in the Argyle Mines in Australia.<sup>4</sup>

Until ten years ago, public demand for brown diamonds had been minimal. This

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paper analyses the recent increase in the public's interest by reviewing its history and discussing the current challenges and opportunities.

### **A LONG ROUTE TO RECOGNITION AND REVERENCE**

While common in early Roman jewellery during the 3rd century, the popularity of brown diamonds throughout history has been low.<sup>1</sup> In the 17th century, the famous French gem hunter and explorer Jean-Baptiste Tavernier took multiple trips to India in search of exquisite diamonds. Tavernier acquired a fortune by trading diamonds; one of his better known customers was King Louis XIV of France.<sup>5</sup> During his journeys to India, he visited several diamond mines and managed their production. Upon visiting the Gandikota Indian mine, however, Tavernier found only brown diamonds and considered these diamonds of lesser quality. Tavernier believed mining for brown diamonds was not worthwhile and immediately shut down the mine.<sup>6</sup>

During the last century, there were several moments when brown diamonds were brought into the limelight for a short period. These instances were fleeting and did not create a long-term impact.

In 1937, for example, a 65.7-carat golden-brown diamond was displayed at the Paris World Fair; its mere size attracted the attention of the press and attendees. After the World Fair, the diamond was exhibited at the American Museum of Natural History. In 1991, the diamond was sold for only \$1.3m.<sup>7</sup> Compared with other diamonds of similar carat size and quality, the value of the brown diamond is significantly lower. For example, on a per-carat basis, this diamond's price was only 2 per cent of the value of the famous red diamond sold by Christie's in 1987.

In the 1960s and 1970s, two of the most famous icons of the era were Jackie Onassis and Elizabeth Taylor. Both wore brown diamonds, and their penchant for stylishness drew immediate media attention to the stones.

Jackie Kennedy received a marquise-cut brown diamond engagement ring called the Lesotho III from Aristotle Onassis.<sup>8</sup> After her death, the ring, which was appraised at \$600,000, fetched \$2.3m at Sotheby's in 1994.<sup>9</sup>

In 1974, Richard Burton gave Elizabeth Taylor a cognac diamond ring and earrings for their tenth wedding anniversary. Elizabeth Taylor wore the brown diamond set that year to the Oscars.<sup>10</sup>

Although brown diamonds received publicity from these events, there were several reasons why they did not facilitate a long-term demand. These reasons include branding confusion, negative perception and pricing concerns.

### **Branding confusion**

Baumgold Bros., a leading diamond-cutting and fine jewellery importer popular in the 1950s and 1960s, purchased and cut numerous brown diamonds including the famous Earth Star, a rough stone converted into a 111.59-carat pear-shaped gem (Figure 1). To garner interest in these brown diamonds, Baumgold Bros. rebranded these diamonds as 'champagne, amber, cognac, and chocolate'.<sup>6,11</sup> Subsequently, others followed their lead and created additional shades, including clove, coffee, caramel, cappuccino, mocha, espresso, cinnamon and even tobacco.<sup>12</sup>

While the technique may have had some initial success, it continues to create mass confusion among the public. People are unsure of the actual name of these stones. For example, when searching online for 'chocolate diamonds' or 'brown diamonds',



**Figure 1** The Earth Star

Wikipedia is the number one site visited.<sup>13</sup> Forty-two per cent of people searching for 'brown diamonds' visit Wikipedia to learn more about them.<sup>14</sup> When people are conducting a Google search for brown diamonds, they are trying to increase their understanding of the product.<sup>15</sup>

Two-thirds (64 per cent) of shoppers research before making an in-store jewellery purchase. These shoppers are primarily informed online (67 per cent).<sup>16</sup> This provides an opportunity for other companies to educate consumers about brown diamonds. By providing this information, the company will be perceived by the public as a credible leader in the industry.

While there is an additional educational site other than Wikipedia (Rio Tinto's 'Champagne Diamond Center'), it has not been updated since 2012 and provides information strictly about champagne-coloured diamonds. Currently, there are no paid media pushes to drive traffic to the site.<sup>17</sup>

### **Negative perception**

Consumers question the value of brown diamonds because the stones are common.

As mentioned, brown diamonds represent approximately 15 per cent of diamond production,<sup>4</sup> and are often smaller and of lower quality.<sup>18</sup> Prior to 1996, due to their abundance and lacklustre colour, De Beers used brown diamonds solely for industrial purposes.

Industrial diamonds are needed for abrasive material on cutting wheels, drill bits, machine bearings, glass-cutting implements and grinding and polishing powders. This has created the confusing perception that all brown diamonds are only of industrial grade, as many brown diamonds are small, oddly shaped and of lower quality.<sup>18</sup> This has led to a negative perception about incorporating brown diamonds into the jewellery market.<sup>19</sup>

### **Pricing concerns**

Brown diamonds were brought to the masses in 1986 with the grand opening of the Argyle diamond mine in Western Australia, owned by Rio Tinto.<sup>20</sup> The mine did not have the same quality of diamonds as De Beers, as 80 per cent of the diamonds produced were brown in colour. As a result, Argyle decided to create a market for small brown diamonds. The quality difference is highlighted by the fact that an average carat from Argyle was worth only \$11 compared with \$100 in the Jwaneng Mines, a partner of De Beers, in South Africa.<sup>19</sup>

Consequently, De Beers did not want to miss out on the opportunity. In 1996 the company flooded the market with brown diamonds that were previously used only for industrial purposes. This decreased the overall price of brown diamonds by 25 per cent.<sup>21</sup>

Adding to the pricing concern is the industry's inability to furnish an unbiased quality assessment. Brown diamonds were not previously graded by GIA or any other

third-party diamond assessment source. As a result of these issues, consumers have been discouraged from seeing these diamonds as a suitable investment.

## HOW 'WORTHLESS' BROWN DIAMONDS BECAME DESIRED DIAMONDS

### The standardisation of brown diamonds

To rectify this confusion about the value of brown diamonds, Rio Tinto's Argyle Mines developed a seven-level grading system. Consequently, C1 represents the lightest colour, known as champagne, and C7 represents the darkest hue, known as cognac. Cognac is often considered a fancy diamond as it is the most opaque shade of brown.<sup>22</sup> Thanks to the newly developed rating system, the public finally has a standardised system to understand the value of these diamonds. This system may be perceived as biased, however, because it was produced by Argyle, one of the largest suppliers. It is imperative that a third-party grading system be easily available to the public in order to ensure a higher level of credibility.

### Incorporating design

Ninety-three per cent of people surveyed consider that design is the most important attribute when purchasing jewellery. Young adults, as well as women, are even more likely to believe this.<sup>21</sup>

The Argyle Mines saw an opportunity to promote brown diamonds through design. To bridge design with brown diamonds, the Argyle Mines Company created competitions. The events focused on designing jewellery pieces with brown diamonds. The contests created publicity and sparked prestige for these diamonds; the winning jewellery designs were

showcased on celebrities during the 2012 Academy Awards.<sup>22</sup>

### Social media

Social media, when used as a marketing tool, can enable jewellery designs to be seen quickly by the masses, and often create consumer desire to emulate these fashion statements. When celebrities wear brown diamonds, the public quickly learns about the fashion statement through blogs, Facebook, Pinterest and other social media tools. Prior to the internet, celebrities' jewellery and fashion choices were not as widely seen by the public.

### LE VIAN® ENTERS THE MARKET

Le Vian®, a fine jewellery company, saw an opportunity to work with the plentiful supply of brown diamonds from Rio Tinto's Argyle Mines.<sup>20</sup> In 2000, Le Vian® trademarked the term 'chocolate diamond' to introduce its brown diamond jewellery line. The jeweller branded the diamonds as 'chocolate' to evoke an emotional connection with the consumer. Le Vian® wanted the target audience to crave brown diamonds similarly to the way consumers desire chocolate desserts.<sup>23</sup>

Le Vian® partnered with Signet Jewelers, the owner of Kay Jewelers and Jared Jewelers and now Zales Corporation®. Signet's branding initiatives differentiate the company from other jewellery companies because, unlike Signet, few other companies invest heavily in marketing initiatives, especially national television spots. In fact, Signet states in its 2013 financial report that its advertising effectiveness is one of the company's largest achievements.<sup>24,25</sup>

To build awareness and sales, Signet spends almost 7 per cent of its sales on marketing, which includes \$224m in overall advertising for Kay and Jared products.<sup>26</sup>

By partnering with Signet Jewelers, Le Vian® was able to leverage the company's advertising capabilities.

As a result of the partnership with Signet Jewelers, Le Vian® made an investment of over \$100m on advertising chocolate diamonds to generate brand awareness.<sup>23</sup> The media spend included over a thousand airings of television commercials, paid searches (up to \$17,000 *daily* spend), and hundreds of placements in targeted print media.<sup>27-30</sup>

Le Vian®'s branding technique and consistent messaging paid off. With virtually no-one searching online for 'chocolate diamonds' in 2007,<sup>31</sup> today the term is searched online almost 400,000 times a year.<sup>32</sup> Google garners over 213,000 search results for the phrase 'chocolate diamonds'.<sup>33</sup> In addition, the term 'chocolate diamonds' is now searched online 17 times more than 'brown diamonds'.<sup>33</sup> Interestingly, when searching for 'chocolate diamonds', Wikipedia is one of the top organic search results. Wikipedia does not 'recognise' the term 'chocolate diamonds', however; rather, it defaults and redirects to an informational page on 'brown diamonds'.

Another successful example is HERSHEY'S® KISSES Jewelry, launched

in 2009 (Figure 2). A non-existent keyword in 2009, today 'HERSHEY'S® KISSES Jewelry' is a common Google search term. In fact, 1,140,000 results are returned when searching Google for 'HERSHEY'S® KISSES Jewelry' in 2014.<sup>34</sup> HERSHEY'S® KISS Jewelry now sells in thousands of US department stores, such as Macys, Kohls, independent jewellery stores and on hundreds of online shopping sites, including Amazon.com.

### LEVERING THE BROWN DIAMOND TREND

Due to this and Le Vian®'s marketing campaign, the perceived value of brown diamonds has significantly increased. For example, Le Vian® sells bridal rings with chocolate diamonds that are priced up to \$20,000.<sup>35</sup>

Curiously, while Le Vian® has brought awareness to brown diamonds, people often do not associate chocolate diamonds with the brand. The term 'chocolate diamonds' is searched online almost three times more than Le Vian®.<sup>32,36</sup> The consumer uses the term 'chocolate diamonds' generically, providing the opportunity for other brands to utilise the increased awareness.

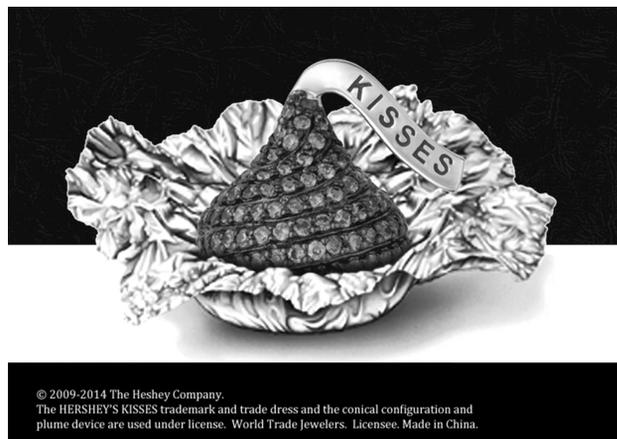


Figure 2 Advertisement for HERSHEY'S® KISSES Jewelry

Given that Le Vian® trademarked ‘chocolate diamonds’, a jewellery brand that positions itself as the educator may benefit from consumers seeking to learn more about the stones. These brands can explain to consumers that ‘chocolate diamonds’ is simply another name for brown diamonds. Utilising social media allows consumers to continuously engage, educate and excite the consumer throughout the decision-making process of purchasing jewellery.

Other jewellery companies may also want to help set up a third-party diamond valuation source that informs consumers about the quality of these stones. Currently, the primary assessment tool was developed by the mine where the stones are primarily produced, creating a conflict of interest. When an impartial assessment tool is developed, the true value of these diamonds may finally be confirmed. This valuation system can help overcome the negative connotations that come with brown diamonds.

With the success of the Rio Tinto competition and consumers’ increasing interest in designed pieces, it is vital to continue to create and promote designed jewellery pieces. There is an opportunity to link brown diamonds with well-known fashion designers or brands to promote these designs. These affiliations can help provide more interest in brown diamond jewellery pieces.

By incorporating these marketing initiatives, opportunities will emerge for other jewellery companies to leverage the brown diamond trend initiated by Le Vian®.

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