

JEWELRY

Diamonds facing increased demand, disruption

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Lab-grown diamonds are in a position to disrupt the luxury jewelry sector. Image credit: Diamond Foundry

By SARAH JONES

MADRID Lab-grown diamonds are driving an ongoing debate in the jewelry business, as companies cannot reach a consensus on the positioning and purpose of these synthetic stones.

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While some consumers have embraced lab-grown diamonds for celebratory pieces such as engagement rings, some designers see them as a material that can only be used for fashion styles. A panel at the FT Business of Luxury Summit moderated by *How To Spend It* editor Gillian de Bono sought to clarify the state of the diamond business, which is seeing growing demand and disruption.

"When you're thinking of fine jewelry, it's not just about the diamonds or if it's lab-grown," said Laura Chavez, founder of jeweler **Lark & Berry**. "It's really about the craftsmanship and the design and what you're putting into the jewelry.

"You can't just say it's a diamond and that makes the jewelry fine," she said. "So I really think it can be anything, because it's literally the same product."

Diamond demand

Jean-Marc Lieberherr, CEO of **Diamond Producers Association**, noted that while 2017 was strong for diamond production, the mining of diamonds is expected to decline by 3 percent every year over the next decade. However, demand is high, and there is significant potential in markets such as India and China, which today accounts for only 16 percent of diamond sales.

The technology to develop diamonds in a lab has been around for a long time, but it was only more recently that it was possible to produce manmade gem quality stones.

De Beers has long created its own diamonds to use industrially, such as creating cutting tools. Last year, the company decided to begin using its synthetic process to produce consumer-facing stones with a new brand.

The company's created diamonds label Lightbox aims to increase De Beers' market share in more accessible jewelry priced below \$500. In contrast to the more complex pricing structure for natural diamonds, which is on a

curve that reflects the increasing rarity and effort needed to unearth bigger stones, Lightbox has a linear cost structure for buyers.



Lightbox Jewelry is more affordable compared to De Beers. Image credit: Lightbox Jewelry

Even though **De Beers Group** has entered the lab-grown category, the company's chairman of Forevermark and executive vice president, consumer and brands Stephen Lussier noted that it sees these diamonds as different from mined stones, with less of an enduring value. Instead of doing sentimental pieces such as engagement rings, Lightbox focuses on jewelry that is more fashion focused.

Mr. Lussier said that part of the decision to found Lightbox came from watching what De Beers felt was misinformation in the lab-grown market, such as the idea that manmade stones are greener.

Additionally, Mr. Lieberherr quoted a Harris Poll that found that approximately two-thirds of consumers say that real diamonds are mined.

In contrast, Lark & Berry's Ms. Chavez has seen her customers embrace lab-grown stones for engagement rings. The company did not launch with rings, but it responded to a demand with an engagement line.

[View this post on Instagram](#)

Time to shine with our #culturediamonds #shinedifferent #diamonds #larkandberry #ring #earrings
#diamonddisruptors #becultured

A post shared by Lark & Berry Fine Jewellery (@larkandberry) on May 18, 2019 at 5:44am PDT

Instagram post from Lark & Berry

While the jeweler thought that most of her business would come from millennials, the prime customer base is 35 to 50.

Part of the appeal for consumers towards lab-grown stones is the difference in price. Mr. Lussier said wholesale lab-grown stones are about 20 percent of the cost of mined diamonds.

Jeweler **Stephen Webster** collaborated with Swarovski on a collection using lab-grown diamonds. Similarly to De Beers, he sees the partnership collection as different from his own lines.

The jeweler also noted that synthetic diamonds enable designers to create in a different manner, such as a 100 percent stone ring by Marc Newson and Sir Jony Ive. He also sees the potential for using lab-grown stones as accents in his own pieces, since his creations are designed to be worn rather than stored as an asset in a safe.



Ring created by Sir Jony Ive and Marc Newson. Image credit: Sotheby's

Mr. Webster compared lab-grown diamonds to the rise of the music synthesizer in the 1960s. While the technology became more readily available, it did not supplant live music.

Ongoing debate

As consumers seek out more transparency in the brands they do business with, the Diamond Producers Association looked to shed light on the positive effects of mining with a research project.

DPA tapped Trucost to conduct an independent study that looks at the socio-economic and environmental impact of diamond production, which is accessible to consumers via a dedicated Instagram account and Web site. The trade organization's Total Clarity Report values DPA's net impact as \$16 billion, an amount that reflects the employment, community and ecological benefits of mining ([see story](#)).

One of the areas that DPA's report covers is its conservation efforts.

Ms. Chavez noted that both sides seem to want to do good, but that lab-grown stones mean not having to displace wildlife with digging.

Mined diamonds are facing increasing competition, as two-thirds of millennials who are shopping for an engagement ring are considering lab-grown stones.

While only 9 percent of consumers knew about lab-grown diamonds in 2010, today more than half of shoppers are

aware of these alternatives. According to a report the International Grown Diamond Association commissioned from MVI Marketing, about a quarter of millennials are planning to buy lab-grown stones, looking to get more bang for their buck ([see story](#)).

However, Mr. Lussier believes that lab-grown diamonds will become cheaper over time, similarly to other technology products and synthetic rubies and emeralds. These other synthetic stones started out closer in price to naturally found gems, but costs diverged quickly.

"The opportunity is to make sure that [a lab-grown stone] represented for what it is, and sold in a way that the consumer won't feel when they look back five years from now that 'Jeez, I spent \$20,000 and now the same thing is in the store for \$300, I'm not sure how good I feel,'" Mr. Lussier said. "So that was really one of De Beers' purposes for entering this.

"We know where the market's going to end, and it's a matter of making sure that the consumer interacts with that in a way where we want the consumer not to feel [let down]," he said. "What's our fear? We fear they could exit the whole category because they felt that they had an experience that was not a good one for them."

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