



## **HOW THE DE BEERS GROUP LAUNCHING A LAB-GROWN DIAMOND JEWELLERY BRAND WILL CHANGE MARKET DYNAMICS – A GA PERSPECTIVE**

De Beers Group's 'Element Six' has been a world leader in lab-grown diamond technology for more than 50 years. Still, the Group's announcement it will be entering the lab-grown diamond jewellery space with the launch of its own brand has come as a surprise to many.

The Group said it will be launching a new company called Lightbox Jewelry that will begin marketing a new brand of laboratory-grown diamond jewelry under the Lightbox name in September, offering consumers high-quality, fashion jewelry designs at substantially lower prices than existing lab-grown diamond offerings.

Lightbox will launch in the US and will initially be available to US-based consumers through the Lightbox e-commerce website, with retail partnerships to be announced later.

### **So, how will this affect market dynamics?**

#### **Reduced price of lab-grown diamonds across-board & a commoditising of sorts:**

According to the De Beers announcement, Lightbox lab-grown diamonds will retail from \$200 for a quarter-carat stone to \$800 for a one-carat stone. This pricing policy is interesting because with natural diamonds, the price (quality being similar) multiplies severally as the size increases. With Lightbox's Lab-Grown diamonds, two 0.5 carat stones equaling to 1 carat would be at  $\$400 \times 2 = \$800$ . Likewise, four 0.25 cent stones equaling to 1 carat, would value at \$800.

This type of commoditizing is possible with lab-grown diamonds because it is possible to create uniform sizes on demand, as well as uniform quality. Pricing of earth mined diamonds is very complicated mainly because no two diamonds are the same, and there's not much control on quality or sizes.

Even though De Beers says it will only be selling its lab-grown diamonds through its own retail brand, its low pricing will inevitable push prices down from other manufacturers, widening the gap between natural and lab-grown diamonds.

#### **Creating a distinct product category at long-last:**

The widened gap between the two products on account of the widened gap in price, will at long last create a distinctly separate product. Lab-grown diamond jewellery will sell as high-end, yet affordable fashion jewellery now. At its earlier high prices, it was struggling to find its niche in the market. People will be less hesitant to buy the product now. Up to now, people found it expensive, and did not see a resale value in the investment. At lower prices, resale will not be a relevant consideration in purchase.

According to Bruce Cleaver, CEO, De Beers Group, "Our extensive research tells us this is how consumers regard lab-grown diamonds – as a fun, pretty product that shouldn't cost that much – so we see an opportunity here that's been missed by lab-grown diamond producers".



With a name like De Beers openly getting into lab-grown diamonds, other existing players who were hesitant to be vocal about business operations in the space will more than likely come out and even expand operations.

Diamonds will now finally be for everyone!

### **De Beers to control prices?**

It's hard not to recall the days when De Beers controlled pricing of natural diamonds. While it's true that it seems like the Group will be a big determiner of prices in the near future, there are a lot of other manufacturers of lab-grown diamonds and so new brands are likely to spring up in the space. Still, De Beers has huge expansion plans, and so, if it is the biggest player, it may very well be in control of prices.

According to Steve Coe, General Manager, Lightbox Jewelry, "To support Lightbox, De Beers Group is investing a total of \$94 million over four years in a new Element Six production facility near Portland, Oregon, adding to Element Six's existing UK-based facilities. Once fully operational, the plant will be capable of producing upwards of 500,000 rough carats of lab-grown diamonds a year."

However, as of the moment, the Group says it does not intend to sell to other jewellery brands.

The upside of De Beers' imminent control over lab-grown prices, is that it will manage to retain exclusivity of natural mined diamonds.

### **New business vertical for diamond manufacturers:**

Especially for companies with large existing manufacturing facilities that may be running below capacity, the expected growth in the lab-grown diamond jewellery market, will open new opportunities to scale up manufacturing.

Getting into lab-grown diamonds manufacturing gets rid of a lot of problems faced in the past with regard to dealing with earth mined diamonds. This includes financing, being forced by mining companies to stick to contracts and overstock in times of low demand, high investment costs because of expensive products and higher sales turnover times, etc.

### **Less fraud:**

Not only has there been a lot of fraud with regard to mixing of lab-grown diamonds with natural mined diamond parcels, one thing that has not got much attention is the fact that there could also be a lot of cheating consumers by selling other cheaper synthetics as lab-grown diamonds. De Beers' move, namely that Lightbox lab-grown diamonds of 0.2 carats or above will carry a permanent Lightbox logo inside the stone, will mitigate both these problems to a large extent, especially if other lab-grown manufacturers follow suit and start inscribing their produce. Invisible to the naked eye but easily identified under magnification, the logo will clearly identify the stone as lab-grown and also serve as a mark of quality and assurance that it was produced by 'Element Six'.

Steve Coe, General Manager, Lightbox Jewelry, commented. "We've learned from our research that there is a lot of confusion about lab-grown diamonds – what they are, how they differ from diamonds, and how they are



valued. Lightbox will be clear with consumers about what lab-grown diamonds are and will offer straightforward pricing that is consistent with the true cost of production”.

**Creative Products:**

According to De Beers, to start off with, the line will bring something new and innovative to the jewelry sector, featuring pink, blue and white lab-grown diamonds in a selection of accessibly-priced earring and necklace designs.

Looking to the future of the overall market, there will be a huge bandwidth of colours, shapes and sizes to work with. Even new creative cuts are likely to be developed. Quality will be actually superior to natural mined!

**No issues with Excess Stock, as production will be demand based:**

With control over sizes and quantities, production will correspond with demand. As an example, wedding season can see production for mainly bridal jewellery (larger sizes, or as per trends). Production can even be led by design. Jewelry designers can now place orders for colours, sizes, etc, essentially adopting an imagination with little or no limits!

**An increase in jewellery demand:**

Mindsets attune to environmental hazards associated with mining will now start buying jewellery. Demand for jewellery will no longer be a big concern.

**Mix & Match:**

Maybe one can use a mix of mined and LGD in jewelry, for example, the centre stone can be lab-grown and the rest mined, to make a piece wallet-friendly for a consumer. This will help generate more business.

**In conclusion:**

It’s hard to know for sure why De Beers has had its finger in the pie of lab-grown diamond technology from get-go (industrial & now gem-quality), and why now it has decided to scale up manufacturing to such an extent and to launch its new brand in the lab-grown jewellery space. Other companies like Swarovski have been operating in the space, but not to such a large extent.

To keen observers of the industry, it seems like getting into lab-grown diamonds to such a scale offers a vantage point in various areas: A complementary commercial opportunity for De Beers Group; A leap into the future, being a first-mover in the space to a large extent; Lowering prices of lab-grown diamonds / jewellery so as to create a larger gap between its natural counterpart, in which the Group still has the largest stake.