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JCK Special Report: New Realities in the Diamond World

JCK attended The Annual Rapaport International Diamond Conference 2009 yesterday in New York, an event that provided a forum for international industry leaders and attendees to discuss and debate opportunities in the global diamond market.

By Jennifer Heebner, Senior Editor -- JCK Online, September 11, 2009

Some 215 attendees filled the auditorium of The Times Center yesterday to hear an impressive lineup of international diamantaires, bankers, representatives of nongovernmental organizations, and others discuss developments in the diamond world.

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The theme of the daylong seminar: how to take advantage of the global crisis to grow your business.
In his welcome letter to attendees, organizer and chairman of The Rapaport Group, Martin Rapaport, urged participants to "accept and embrace change as opportunity," and to "make every possible effort to increase our ability to think strategically." To facilitate these efforts, he enlisted bankers, New York diamond dealers, NGOs, and the U.S. State Department, as well as Indian retailers and U.S.-based association heads, to address key issues on the minds of many in the jewelry industry.

For example, recession in the United States continues to threaten investment in the diamond industry, according to Des Kilalea of RBC Capital Markets, who questioned whether liquidity would be present to finance exploration after the recovery and wondered if the industry would see a rush to recover rough. "Diamond miners are your new competition," he said. "Your supplier is becoming your competition. The outlook for recovery is muted; [industry] will not see 160 million carats a year mined again for 10 years."

Even with a recovery, the industry needs to invest more heavily in marketing. "Diamonds need a Got Milk? campaign much more than milk does," noted Christopher Ellis, of Consensus Advisors, who cited statistics revealing that a third of American homes have lost significant value.

Suggestions for retailers came from bankers like Ellis, who advised jewelry store owners to differentiate products from chains, streamline amounts in cases, rely less on memorandum, stop thinking of inventory as a "piggy bank," beef up sales training, turn more inventory, and provide customers a compelling reason to buy from their stores and not Blue Nile.

Rob Broedelet, of ABN AMRO, advised jewelry retailers to practice self-discipline and realize opportunities for cash payers. He claimed that some banks are withdrawing jewelry industry support from the United States and noted that capital is limited and costs more, and levels of trust and credit insurance are diminished. "Loyalty must not be a financial burden," he said, with memo relationships in mind.

Ellis warned that the contraction in specialty stores may not be over and said sales reside at 2004 levels. Plus, discounting causes market distraction, so it's not a sound long-term strategy.

He advised conservative measures, such as budgeting for sales at levels lower than last year. Consumers are still reeling from years of overspending-a move Ellis compared to a hangover. "Consumers ... won't be slugging martinis again right away."

Representatives from two Indian manufacturers and retailers, Tarnishq and the Gitanjali Group, shared their strategies for growth in diamond jewelry sales. (India is seeing increases of 20 percent annually.) Measures include massive marketing and branding campaigns targeting specific regions of India, well thought-out product lines that appeal to the values and cultures of Indian consumers, and successful uses of Bollywood stars and cricket players in advertising.

C.K. Venkatraman, of Tanishq, advised his American counterparts to turn stores into oases for American women who shop as a means of stress relief; he also suggested they employ customer design contests and use jewelry experts-instead of salespeople-on store floors. Tanishq's shops in Chicago and New Jersey employed these practices before the new enterprises succumbed to the financial crisis.

Gitanjali's Mehul Choksi blamed at least some of America's problems on memo. He even revealed that 80 percent of inventory at his U.S. chains Samuels Jewelers and Rogers Jewelers, are on memo-a figure he aims to rectify by replacing merchandise with his firm's lines.

"We're not in a crisis," said Rapaport, summarizing some of the retailer-specific points. "A crisis suggests that we're going to see a return to where we were. We're not-we're going to a new reality ... where conspicuous consumption is bad, and sustainable values and transparency in profit are in."

Traditionally held during the week of September 11 in support of the New York diamond and jewelry industry, all conference proceeds are donated to Jewelers For Children and the nonprofit Fair Trade Diamond and Jewelry Association. For more information, log onto diamonds.net/idc.

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