

Rapaport Diamond Conference Looks to the Future

By Margo Deangelo

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RAPAPORT... "Your future success is going to depend on your ability to think," stated Martin Rapaport, chairman of the Rapaport Group, at the opening of the annual Rapaport International Diamond Conference (IDC), which took place on September 10, 2009 in New York City. Grouped by topic, speakers from around the globe gave presentations on every aspect of the industry, including take-home advice. ([View all presentations and videos from the conference.](#))

"Less than 1 percent of all kimberlites have ever become an economic mine," explained Des Kilalea, director of the London Equity Research division at RBC Capital Markets. He wanted the audience to understand that few firms are eager to invest in diamond exploration due the slim chance of a big payoff and the ongoing threat of recession in the U.S. His long-term forecast is for shortages in rough supply.

"There's so much noise out there about an imminent recovery and a lot of it is just noise," declared Christopher Ellis, managing member and president of Consensus Advisors. However, he concluded that retailers "should be able to make money if they can figure out their balance sheets." He added that wholesalers who make strategic downstream investments are "something we're very keen on at the moment."

Rob Broedelet, head of the Americas and Canada region of the International Diamond and Jewelry Group at ABN AMRO bank, cautioned, "We expect that interest rates will come up very quickly in the next two to three years." Regarding rising rough prices, he stated, "ABN AMRO is concerned with that development and we are not financing it."

C.K. Venkatraman, chief operating officer (COO) of Tanishq, the flagship brand of Indian jewelry company Titan, looks to stores that are popular with younger shoppers for inspiration. At Apple stores, bookstores and perfume counters, customers can try products without pressure to buy. He posed the question "Can we have a philosophy for jewelry salespeople so they are not commission sharks?"

Mehul Choksi, chairman and managing director of Indian manufacturer and retailer Gitanjali Group, proclaimed that retailers will have to integrate backward and manufacturers will have to integrate forward to survive in today's marketplace. He also advised exploring growth opportunities in China and India as well as investing aggressively in marketing. "I personally feel that you could see three times more sales in the U.S. with the right marketing," he said.

Recessions "are not bad if you know how to take advantage of them" Rapaport asserted. Emotional and financial security are the new "ultimate luxury," and diamonds can be sold as both, he explained. Rapaport stressed that the future belongs to "free, fair, transparent, competitive markets" and all industry players should prepare themselves.

Representing the "47th Street Perspective" were Ronald J. Freidman of the Diamond Manufacturers & Importers Association of America (DMIA), Moshe Mosbacher of the New York Diamond Dealers Club (DDC) and Hertz Hasenfeld of Hasenfeld-Stein. "Lately it has become fashionable for other diamond centers to look for ways to bring liquidity to their market," Freidman noted. He spoke of government aid to India and Russia "instead of paying down debt and other healthy measures." He warned of "the possibility of a bubble." Mosbacher extolled New York City as "especially well equipped" to handle larger, higher value diamonds and called the city a "buyers' market" due to local competition. Hasenfeld declared that "the days of excess inventory are over," stressing that New York is a city of innovation.

The final session was a heated panel discussion about human rights and the diamond industry. "It seems that on this topic we are in furious agreement with each other," quipped Robert Headley, COO of Jewelers of America (JA). Cecilia Gardner, president, chief executive officer

(CEO) and general counsel of the Jewelers Vigilance Committee, stressed the Kimberley Process' (KP) progress in stemming the trade of conflict diamonds. But Ian Smillie, chairman of the Diamond Development Initiative, and Georgette Gagnon, director of the Africa division at Human Rights Watch, pointed out that many of the most egregious human rights violations taking place in the diamond industry today are not covered under the KP's definition of conflict diamonds.

"The diamond industry is not alone in wrestling with these issues," observed Brad Brooks-Rubin, the special advisor for conflict diamonds at the U.S. State Department. He recognized that the KP cannot bring such problems to an end on its own and he committed to ensuring that the U.S. government will focus attention on human rights. Martin Rapaport suggested the formation of a new diamond industry group that could certify the protection of human rights beyond the limitations of the KP.

During a break, attendee Gabriel Alves of Yamron Jewellers said he learned that "It takes a champion to sell now. We need to find new ways to do marketing." Consultant Amy M. Curran commented, "Everyone has to reinvent."

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