CHAPTER I

DIAMOND JEWELLERY INDUSTRY – AN OVERVIEW
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“Beauty lies in the eyes of the beholder

- Plato

Diamond a mere stone from the bosom of the earth has commanded attention and attracted rich and affluent eyes for ages. But not all have understood or possessed knowledge about the stone completely. This chapter will familiarise with diamond jewellery, its time line evolution and its current industry profile which will be sailed through World, Indian and Kerala scenario. This will elucidate the vasteness and prospect of diamond jewellery in the minds of human race.

Diamond is the crystalline form of carbon and it is the hardest known substance known to mankind. The process of diamond formation begins 100 miles underground where tremendous heat and pressure crystallize carbon into rough diamonds. Pit mining is the most common way to recover diamonds. The first step in processing diamonds is breaking the ore by crushing. Rough diamonds are sorted for cutting, sawing, or for industrial use. Diamonds are sorted in thousands of categories according to weight, colour and clarity. The sorted diamonds are then separated for cutting. After the diamonds are finely cut, they are sold to jewellery makers and diamond wholesalers.
The quality of a diamond is determined by the four C’s. The four C’s are cut, colour, clarity and carat which is also the fundamental elements to enumerate the value of a diamond. The Cut is the factor that determines the brilliance of a diamond. The better a diamond is cut, the more sparkle it will have. The cut influences the overall beauty of diamonds. When a diamond is cut with the proper proportions, light is refracted out of the top of the diamond explicitly. Secondly, comes the diamond’s colour grade which refers to ‘the lack of colour’. The more colourless the diamond, the higher quality grade it will receive. Colour shows itself in a diamond as a pale yellow. This is why a diamond’s colour grade is based on its lack of colour. Thirdly the clarity of a diamond is based on the number, location, size, and type of inclusions found in the stone. Almost all diamonds have tiny imperfections. Diamonds with few or no imperfections receive the highest clarity grades. Fourthly, the carat is a weight-measuring unit equal to 0.2 grams. It is the internationally used unit to measure the weight of diamonds. Diamonds of the same carat weight can vary in size.

Ordinary customer is unaware of the actual parameters in understanding the proper diamond. The diamond retailers are providing certifications. A diamond certificate is a grading report, or diamond quality document created by a team of gemologists. The diamond is examined, measured, and scrutinized using trained eyes, a jeweller’s loupe, a microscope, and other industry tools. A certificate includes an analysis of the
diamond’s dimensions, clarity, colour, polish, symmetry, and other characteristics. The Gemological Institute of America, or GIA, is an independent, non-profit organisation which is considered as the world's foremost authority in gemology. When a diamond is carrying GIA certificate, the consumer is assured that the stone has been analysed by an unbiased gemologist who upholds the highest standards of integrity, science, and professionalism. The International Gemological Institute, or IGI, is another independent gemological laboratory in the world, with locations in all major diamond centers. IGI's mission is to provide reliable diamond and fine jewellery certification. American Gemological Society is also a US based laboratory renowned for their scientific approach and research into diamond cut grading. Instead of using an alphabetical rating system, AGS uses a scale of 0-10 for rating a diamond’s characteristics. The certifications help the consumers to ratify their purchases and for future purposes.

In India diamonds have a long historical background. Diamond in its natural form were found in India some 8000 years ago along the Krishna and Godawari rivers\(^1\). Because of its physical texture, diamonds were used to adorn religious icons. From earlier times itself, diamonds were associated with wealth, status and well being. Some historians state that India was trading in diamonds as early as the fourth century BC. The international trade of diamond began around 1000 yrs ago when the traders bought diamonds

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from India and sold to Arabs\textsuperscript{2}. Later these stones were cut and polished before being sold on the European continent to Kings and Lords. Today diamond possession signifies wealth, status and dignity of the person possessing them.

In earlier cultures, diamonds were associated with invulnerability, lighting, magic, healing, protection and poisoning.

Earlier in English and other European regalia and jewellery pearls were prominent in adorning the royal outfits and crown. But by the 16\textsuperscript{th} century, diamonds become were widely used owing to their brilliance and fire. Within the 100 years of time, diamonds began to get appeared in the royal outfits and Jewellery of both men and women. By the 17\textsuperscript{th} century the Lords and Rich men began using diamond showing their wealth. The story of the modern diamond market traces back to 1866 in the African continent, with the discovery of diamonds at Kimberley in South Africa.

The discovery of diamond deposits of unprecedented richness in South Africa changed diamond from a rare gem to one available to anyone who could afford it. In 1871, the production from South Africa exceeded one million corals for the first time. In 1888, De Beers the world’s largest diamond miner and distributor was founded by British Imperialist Cecil Rhodes\textsuperscript{3}. De Beers owned and controlled a significant portion of the world’s rough diamond production mines and channels of distribution. The company

\textsuperscript{2} Hari Chauhan. (2005). Indian Journal of Traditional Knowledge , Vol. 4(2)
and its subsidiaries own mines that produce about 40 percent of annual world diamond production. Diamond Trading company, a subsidiary of De Beers held over 80 percent of world’s rough diamonds. But now it is less than 50 percent\(^4\). The diamonds they mined were bought to India for cutting and polishing. Every nine out of ten diamonds in the world are processed in India.

De Beers remains the largest seller of rough diamonds in the world by value with a share of 34 per cent. This also includes the three per cent of global rough diamond sales made by DTCB (Diamond Trading Company Botswana, a joint venture of De Beers Group and the Government of Botswana) to ODC (Okavango Diamond Company, the Government of Botswana’s diamond trading company). ALROSA is the second largest supplier, accounting for 24 per cent of global rough diamond sales. Other major suppliers included SODIAM, which organises the trade of Angolan diamonds, with a seven per cent market share, Dominion Diamond Corporation, with a five per cent market share; Rio Tinto, with a share of four per cent; and Petra Diamonds, with a three per cent share. In carat terms, global production declined in 2014 by approximately three per cent. The largest producing countries by volume were Russia with 27 per cent; the Democratic Republic of Congo with 19 per cent; Botswana with 17 per; Canada with nine per cent and Australia with seven percent.

\(^4\) World Gold Council, Press Release, Bangalore, 31 March 2011
The fastest growing consumer market since 2014 was the United States with a seven percent increase in diamond jewellery consumption. Growth in polished diamond consumption was more mixed in the major diamond markets because of the weakness of some currencies against the USD. Indian demand increased by three per cent in local currency terms, while two per cent growth in local currency was achieved in Japan and the Gulf region. The main growth areas globally were for smaller diamonds below 0.18 carats. The Diamond Insight Report 2014 assessed the competitive position of diamond jewellery against other luxury categories, particularly in the US, keeping in mind that competition had been strong and increasing since the 2009 recession.

**Indian Diamond Jewellery Market**

India has always associated diamonds with divinity. Religious icons were decorated with diamond jewellery in India. According to Indian mythology and belief diamonds were considered as bringers of fortune. People believed that possession of diamond can earn more fortune by the power invested in them. They were considered more precious and powerful that every caste were controlled and restricted to certain specific colours of diamonds. Only the ruling king could possess diamonds in all colours.

Diamond production in India can be traced back to the 8th century BC. When the first ever diamond in the world was mined in India. Some of the most famous diamonds of the world like the Great Moghul, Kohinoor, Pigot
etc. were of Indian Origin. After having produced from mines the diamonds flourished in India both on eastern and western sides of the country. India was the only source of diamonds till 17th century prior to their discovery in Brazil, South Africa, Russia etc.5

Indian craftsmen were the first to unlock the secrets of diamond cutting. Even though the cutting didn’t include the faceting and polishing as common today. Most of the ancient Indian diamonds were flat acts. They were mostly very large stones since the mines at Golconda in Andhra Pradesh were hand dug. By 9th century the mining of diamonds got exhausted in India.6 Later it was during the Mughul rule, the diamond jewellery trade and possession increased in India.

Indian gems & jewellery industry is the leading foreign exchange earner, as well as one of the fastest growing industries in the country. The market for gems and jewellery worldwide has grown steadily over the last few years but slowed down during the global economic recession in 2011-2012. The hub of India's jewellery industry is Mumbai that receives the majority of the country's gold and rough diamond imports. Mumbai has a considerable number of modern, semi-automatic factories and laser-cutting units. Most of the diamond processing, is undertaken in Gujarat, (primarily in Surat,

6 ibid
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Bhavnagar, Ahmedabad and Bhuj) and in Rajasthan (Jaipur) with Gujarat contributing to 80% of the total diamonds processed in India.

India is having a highly dynamic consumer market for diamond jewellery, which has grown rapidly over the last two decades. This is fuelled by a number of factors like the fast expanding economy, a widening consumer base and a culture where precious jewellery plays an intrinsic role in social occasions and family traditions. Diamond jewellery shopping in India are normally consultative processes, in which women are the main decision makers, taking the opinion of family and friends. Retailers also play an important role in providing reassurance and advice. Diamond jewellery is an ‘aspirational’ product in India and is more desired than any other luxury products. The level of ownership and desirability is particularly high among the upper-upper and upper-middle class, while diamonds remain an aspirational product for the much larger middle income segment. The highest proportion of diamond jewellery purchasers in India is located in Tier 1 cities (nearly 60 per cent) and in the north of India (nearly 50 per cent). Gold is the most preferred jewellery by South Indians. With global gold prices soaring and the rupee depreciation adding to returns for Indian investors, gold has effortlessly conquered most other investment options in recent years. Gold for instance has delivered a 24 per cent return over a five-year period and 20 per cent over a 10-year period. In India’s rural population, a deep affinity for gold
goes hand in hand with practical considerations of the portability and security of jewellery as an investment.

The jewellery retail landscape has changed drastically over the past 15 years, with the number of stores selling diamond jewellery is growing much faster than the average growth in all jewellery retail sector. While the jewellery retail system continues to be dominated by small, family-run independent jewellers, the small proportion of chains contribute a disproportionately high share of total sales value of diamond jewellery. As disposable income continues to grow, more Indian women will be able to access diamonds. Women tend to start purchasing diamonds when their annual household income reaches US$5,000-6,000. The upper-upper and upper-middle women will drive high-value demand for diamond jewellery in future. Gold plays a central role in Indian culture, including as a way to transfer wealth to offspring. Given the image of diamonds as a symbol of eternity, there is potential for diamond jewellery in future.

Kerala Diamond Jewellery Market

Kerala has always liked its gold. But now the dazzle of diamonds has threatened to take the luster off the yellow metal as the state is fast emerging as a major diamond market in the south. Kochi is enjoying the second position in diamond sales next to Hyderabad. Kerala registered over 15 per cent growth in the sale of diamonds as against the previous year. In 2014, diamond sales touched Rs 400 crore in the state. The purchasing power of the Kerala
consumer is high when compared to those in other states. Today, we are having customers who are willing to spend as much as Rs 5 lakh on diamond jewellery. Earlier, one could come across such customers only in Mumbai, Delhi and Bangalore. Though this newfound love for diamonds has not yet had an impact on the gold market, industry analysts feel that soon diamond jewellery would pose a threat to the gold market. People have realised the worth of diamond jewellery. Besides, their taste and preference are changing with the time, especially those of the younger generation.

Diamonds are a woman’s best friend in Kerala seems to agree, increasingly preferring trendy delicate diamond jewellery to heavy gold ornaments due to soaring prices of the yellow metal. The diamond jewellery business has seen about 30% growth in sales in 2015-16, top jewellers in Kerala says there is a gradual shift in consumer preference towards diamonds, but that the south Indian market is still largely a gold market. Working women and IT professionals are not into heavy gold ornaments, which can be mostly worn only during weddings and cannot be used regularly. New designs and patterns are being created every day and new trends are being launched every quarter to flatter customers.

Kerala will be the largest Consumer State of diamonds in the country for the next decade. The buying trend of diamonds in the country has an average growth rate of 17 per cent, with 9.3 per cent being that of the last year with Kerala being the largest consumer of gold. It would only be an easy
enough, as it switches its buying trend. This new genre of jewellery has triggered a new development. New designs and patterns are being created every day and new trends are being launched every quarter to woo customers.

The strong NRI population and high per capita income compared to other states are the advantages of the state. But the gold business in the state is concentrated mainly in the unorganised sector. In a span of five years gold prices have increased by 238 per cent. But experts in the field say that escalating prices did not pull back customers from buying gold.

Besides, the astrological importance in which these stones are held, as means to good luck is another reason. But whatever be the reason, it is evident that the number of jewellery stores on the city roads unfailingly possesses an `exclusive diamond jewellery' counter. Working women and IT professionals are not into heavy gold ornaments, which can be mostly worn only during weddings and cannot be used regularly. Kerala women used to wear heavy gold ornaments, but demand for 10 to 15 sovereign gold necklaces has come down and women now prefer lightweight jewellery in gold and diamonds. Gold jewellery sales has gone down by 10-30% throughout the state, with interest in diamonds picking up from Kasergode to Thiruvananthapuram.\(^7\)

New designs and patterns are being created every day and new trends are being launched every quarter to woo customers. Diamonds, which were

\(^7\) Giri Rajan B (August 6, 2011), “Great problem is the uncertainty” Malayala Manorama, p.6.
\(^8\) Ibid
earlier thought to be beyond the common man’s reach, are now available in an amazing price range from Rs 1000 to Rs 3 crore. A diamond necklace and a pair of earrings can be purchased for Rs 1 lakh\(^9\). However, in spite of this great diamond demand, many in Kerala remain apprehensive of investing in them.

Intensive advertising campaigns and increasing purchasing power of consumers have helped develop a market for diamonds in Kerala, which was barely in existence two decades ago. The 100 % buy back scheme for diamond jewels is also drawing customers. People are now willing to offer even upto Rs 10 lakh for diamond jewels. So, it seems, an existing trend of buying gold jewellery is being steadily replaced by dazzling diamonds. And Kerala is treading on this shiny, new diamond studded track.

Anyway the future of diamond jewellery industry is found scintillating, as the expected growth rate for the industry in India is 8% to 9 % in mid term. Also the country is transitioning from an emerging diamond market to a more mature market due to, increasing urbanization, middle-class expansion and influence of the western culture. A diamond is a girl’s best friend’, holds true in the contemporary world like never before. Matched with Indian ethnicity and beauty, the precious stone is on a roll, with more and more customers attracted towards it. The retail revolution has opened the floodgates for national and international brands to make in roads into the Indian market,

\(^9\) Karats, A Quarterly Newsletter for the Gem & Jewellery industry by the jewellers’ association, Bengaluru December 2011 - vol 1 issue 3
luring the customers with creativity and innovation. This has made branded jewellery, the new market mantra, which promises to suit the needs and budget of every Indian.

Diamond jewellery industry as a whole is a growing luxury product which has a huge market in India, especially Kerala. But the purchase of diamond jewellery is not on the utility of diamond jewellery but because of certain behavioural and psychological reasons. All such attributes, satisfaction derived will be discussed in the following chapter.