

# DIAMOND JEWELLERY RETAIL

*A revolution is sweeping the world of retail and diamond jewellery retailers will need to evolve and adapt to compete effectively.*

## 2015 SNAPSHOT

The global retail sector is undergoing fundamental change, driven by a confluence of digital trends, changes in consumer behaviour and new operating models. Traditional retailers are having to adapt and evolve in the way they engage with consumers, and jewellery retailers are not immune to the effects of this revolution.

E-commerce – and Amazon® in particular (Fig. 7) – has reshaped many retail sectors by reinventing all aspects of the retail value proposition. The use of data to identify individual consumer preferences, and predict consumer behaviour, looks set to continue to fuel the growth of Amazon® and other e-retailers.

A wave of consumer trends – many enabled by new smartphone applications – is continuing to alter the retail landscape:

**01** Online sales of luxury goods are still a small proportion of total sales (six per cent in 2014) but ‘research online, purchase offline’ was estimated at 60 per cent of sales for international luxury brands. As such, the expectation is that this industry will fully integrate its online/offline experience by 2020, increasing its ability to reach consumer and achieve higher sales.<sup>11</sup>

**02** The rise of social media has made consumers’ engagement with retail brands a two-way interaction. Internet commentators vie for the attention of consumers with fast and interactive content in blogs or vlogs, at the expense of traditional media (eg The Sartorialist®, The Blonde Salad®) and many brands now use Instagram® accounts as shop windows (eg Barney’s® New York).

**03** The growth of mobile commerce is expected to drive exponential sales growth from mobile devices in the coming years. This is the next phase of development in the multi-channel sales trend.<sup>12</sup>

**04** Consumers are increasingly valuing experiences over products alone. As a result, vendors have started to incorporate ways to tell ‘brand stories’ and offer shoppers new experiences from in-store cafés and bars to more personalisation and customisation options.

**05** As with all retail, there is evidence in the diamond industry that US consumers are increasingly turning to non-traditional retail channels (eg Net-A-Porter®).<sup>13</sup>

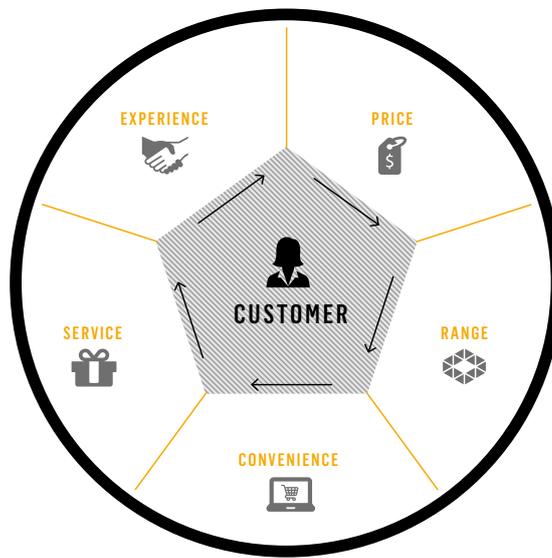
**06** Consumer demand for branded diamond jewellery has been on the increase for a number of years, as consumers’ needs for individualisation and self-expression are better met by brands than generic products. For retailers, brands provide an opportunity for differentiating their propositions.

One example of a fast-growing, non-traditional channel is Net-A-Porter®, the online fashion retailer which launched its fine jewellery category<sup>14</sup> in 2012. The company sells in 188 countries and caters to women purchasing jewellery for themselves.<sup>15</sup> “It used to be that people only wore jewels to the opera or a gala dinner,” says Sophie Quy, fine jewellery buyer at Net-A-Porter. “It was taboo to buy for yourself, but today women are self-purchasing and wearing their spoils all day, every day.”

Net-A-Porter stocks 44 different jewellery brands with price tags ranging from US\$100 to upwards of US\$50,000; it uses its shoppers’ data to provide its (mostly niche) brands with insights into customer preferences so they can strengthen their offering. From its launch in February 2012 to March 2016, Net-A-Porter’s fine jewellery category has grown by “some 350 per cent”.<sup>16</sup>

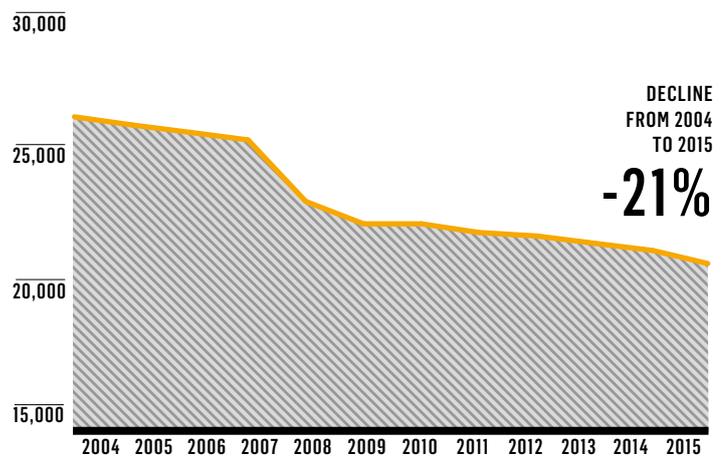
In summary, traditional jewellery retailers are having to face not only the challenges posed by fundamental changes to the retail and consumer landscape but also weaker growth and changing habits in China, India and other emerging markets. Alongside those changes, they have also had to deal with the effects of volatile foreign currency markets. For independent jewellers in developed markets, slow consolidation has continued (Fig. 8). The growth in new jewellery store openings in China and India has slowed in line with weaker demand growth, as reported in 2015’s *Diamond Insight Report*.

FIG. 7: AMAZON® RETAIL MODEL



Source: Eden McCallum

FIG. 8: NUMBER OF US JEWELLERY STORES



Source: US Bureau of Labor Statistics (BLS)



LOOKING AHEAD

Overall, jewellery retailers can take full advantage of the latest consumer trends:

- By defining their consumer targets and de-commoditising their offer through more branded and designed jewellery.
- By giving consumers access to a range of channels and brands, and allowing them to tell their own unique story through their diamond, via customisation and personalisation.

- By interacting with customers directly or through social media.
- By informing would-be buyers about the positive impact of diamonds on communities and countries where diamonds are mined and polished.

Retailers would also benefit from working more closely with their supply chain partners to improve the way they forecast demand, and to plan together sales programmes that will maximise returns,

minimise inventory imbalances and improve profitability.

The country-specific reports of the 2014 and 2015 *Diamond Insight Reports* (US, China, India), and the review of the US market and the global Millennial consumer in this edition of the *Diamond Insight Report* provide retailers and their suppliers with a wealth of insights to help them plan and focus on the most promising areas of growth for the industry.