

CASE STUDY 18 Jun 18

DIAMOND FOUNDRY: SYNTHETIC GEMS WITH ETHICAL APPEAL

As consumer demand for transparency impacts all sectors, the diamond industry is facing calls to be more open about the provenance of its gems. By emphasizing the ethical and environmental advantages of lab-grown stones, Diamond Foundry is changing how people feel about synthetic bling.

Location **United States**

Featured Experts

Paul Zimnisky

Paul Zimnisky is an independent diamond industry analyst and consultant. Based in New York City, he has worked in the capital market industry for over ten years, holding roles as a metals and mining analyst, arbitrage trader, exchange-traded fund developer, and consultant.

Author

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Marjory Drevet is a trend forecaster and editor based in London. She created research and development site The Trend Eye, where she features insights and news about upcoming trends.

Highlights & Data

- Diamond Foundry's lab-made gems are almost identical to mined diamonds, but come without any worries over the carbon footprint or child labor
- The lower prices and ethical advantages of synthetic diamonds may appeal to Gen Yers in particular
- While the lower price of man-made diamonds makes them more accessible, some choose to buy mined stones for sentimental reasons
- The global synthetic diamond industry is expected to be worth **\$28.6 billion** by 2023, growing from **\$14.7 billion** in 2014 (*Crystal Market Research, 2017*)
- Gen Yers account for **45%** of diamond purchases in major markets worldwide (*De Beers, 2017*)
- **73%** of Gen Yers say they'd be willing to spend more on sustainable products (*Nielsen, 2015*)

Scope

Under the right circumstances, a natural diamond can form within a matter of hours – but the act of

discovering them is a lengthy and toxic process. [1] Silicon Valley's Diamond Foundry aims to sidestep the diamond industry's murky ethics and environmental impact, producing perfect stones that take all of two weeks to grow.

When it comes to man-made gems, Diamond Foundry founder Martin Roscheisen says that seeing is believing. "If you ask people abstractly whether they would buy a synthetic diamond, people tend to be disinclined," he explains in an interview with Luxury London. "But that's like asking someone in 1990 whether they would buy an electric car at a time when the only electric cars in existence were golf carts. When people see our diamonds in a store and understand their cultivation, there is zero resistance. Cultivated diamonds are simply a better product all around." [2]

Diamond Foundry's stones are created in labs that recreate the intense heat and pressure that form diamonds beneath the surface of the Earth. The result is almost indistinguishable, possessing the same optical and gemological properties as mined diamonds. [3] Much like people will pick organic food for both health and ethical reasons, Roscheisen claims that they may turn to lab-grown gems for quality as well as morally-sound production. [2]

As maturing Gen Yers invest in fine jewelry and buy engagement rings, the diamond industry is starting to recognize this demographic's demand for transparency around mining and the production chain. "Our research shows millennials... have different priorities when making purchases," says Sahag Arslanian, the director of the Arslanian Group, a diamond-trading house. "They have values that will have them ask 'where does this come from.'" [4] With its synthetic production process, which uses solar power, Diamond Foundry can provide a guarantee of ethical and eco-friendly provenance that natural diamond brands simply can't.



Lab-grown gems offer a guilt-free indulgence

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Context

According to a report from Crystal Market Research, the global synthetic diamond industry is

expected to be worth \$28.6 billion by 2023, growing from \$14.7 billion in 2014. [5] This growth is, in part, set to be driven by a broader consumer base as lab-grown gems can cost 10-30% less than mined diamonds, making it possible for more people to wear diamonds on a less occasional basis. [4] It's a shift in behavior that can be related to the cultured pearl boom of the 1920s. "Globally, pearls [benefited from] a strong branded business and that's why they outperformed," says Paul Zimnisky, a New York-based diamond analyst. [6]

Recognizing the potential of the synthetic market, De Beers released its first collection of synthetic diamonds in May 2018, starting from \$800 a carat. Giving it the pejorative term 'fashion jewelry', the brand effectively undercut smaller-scale producers like the Diamond Foundry while also signaling man-made diamonds' entrance into the mainstream. [4] "Given the fact they have a subsidiary company developing synthetic diamonds, it's an opportunity for them to kind of take control of the industry and steal the direction that they wanted to go, which is one that differentiates it from the natural diamond industry," says Zimnisky. "The lab-created industry was advancing at a rate that was becoming too concerning, so [De Beers] decided to step in and get involved in a way that they thought was the most strategic." [6]

"[Diamond Foundry's] end game is to perfect production capability," Zimnisky adds, pointing out that De Beers' move into 'fashion jewelry' is not as big of a threat as it seems. [6] Speaking to *Wired*, Diamond Foundry's chief scientific officer, James Butler, notes that while the uniqueness of natural diamonds may be valuable when it comes to jewelry, it's a hindrance for industrial purposes. "If you want to use a diamond device for your iPhone, you'd want to make millions that were identical," he says, referring to their potential to replace silicon semiconductors. "If you're mining diamonds, how do you find a million that are all identical?" [3] So, while giants like De Beers may edge out synthetic diamonds in the luxury world, and though consumers continue to prize the imperfections that make natural gems unique, operations like Diamond Foundry may well change the course of the tech industry through their relatively quick and cheap production processes.



Gen Yers want to buy with a clear conscious

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Insights and opportunities

[Canvas8 - Diamond Foundry: synthetic gems with ethical appeal]

When it comes to consumer perception, Zimnisky says that “it seems as if younger generations do like the product.” Yet sentimentality may still overtake value for money, especially with big-ticket purchases. “When it comes down to picking out an engagement ring, it seems like the majority still want a natural diamond – that’s important to them. They want their significant other to spend more money on them to be honest.” [6]

Despite this lingering desire for natural gems, Gen Y could prove to be a highly receptive audience for synthetic diamonds. According to De Beers, they account for 45% of diamond purchases in major markets including the US, China, and India. [7] And as this generation is the most likely to ‘self-gift’ – 27% say they typically buy themselves presents over Christmas – ethical, eco-friendly, and relatively cheap synthetic stones could prove to be an appealing indulgence. [8]

“We grew up with an overflow of cheap products,” says Lilian Von Trapp, a fine jeweler based in Berlin. “Millennials are conscious about sustainability and buying products that last longer than their mass-produced counterparts.” [7] Indeed, a Nielsen report from 2015 found that 73% of Gen Yers would be willing to spend more on sustainable products, and considering the ethical concerns relating to natural diamonds (i.e. the carbon footprint of mining and usage of child labor), synthetic is well-suited to these conscious consumers. [9] As jeweler Noor Fares notes: “Today the consumer considers the craftsmanship behind the piece. Millennials are buying with a conscience.” [7]

diamondfoundry.com

Related behaviours

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Sources

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4. 'De Beers' entry into synthetic diamonds shakes up lab stones producers', *The National* (June 2018)
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6. Interview with Paul Zimnisky conducted by author
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8. 'A surprising number of Americans are 'self-gifting' this holiday season' , *MarketWatch* (December 2017)
9. 'Consumer-goods' brands that demonstrate commitment to sustainability outperform those that don't' , *Nielsen* (October 2015)

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