THE DIAMOND INSIGHT REPORT 2018

DE BEERS GROUP

FORWARD-LOOKING STATEMENTS

DISCLAIMER

Note: Some figures may not add up to 100 per cent due to rounding.

CONTENTS

FOREWORD

Diamonds have been the ultimate representation of life's most meaningful demonstrations of love and commitment for generations.

However, with younger consumer groups – Millennials and Gen Z – starting to play bigger roles in the global economy, a number of questions arise: do love and relationships mean the same thing as they did to older generations? Is the role of diamonds within modern relationships changing, and if so, how? And how does the diamond industry need to evolve to ensure it reflects younger consumers' values?

These are among the questions we seek to address in this year's Diamond Insight Report, as it is clear that we are seeing subtle shifts in the consumer landscape.

The 'always on/always connected' nature of today's consumers – buying what they want when they want it – is resulting in changes to the typical decision-making and purchasing approach. Retailers across a range of industries are finding they need to rewrite the rule book when it comes to forging and maintaining connections with consumers. It is no longer a realistic option to place a product in a store front or on the home page of a website, run some traditional advertising and then simply sit back and wait. In a world where media consumption habits are in a state of flux, the marketing tropes of yesteryear cannot be relied upon as they once were.

With their focus on networks and instantaneous information sharing within an increasingly connected world, today's consumers want businesses to demonstrate they understand what truly matters to them. To meet this expectation, we need to listen closely to consumers, bringing with us innovative and thought-provoking propositions that set us apart from the rest.

Trust is a fundamental component of this. For younger consumers, what you do and how you do it is becoming just as important as what you sell and how you sell it, and paying lip service to 'doing good' simply isn't good enough.

It is a growing imperative that corporate responsibility and positive social impact should be at the heart of business strategies and the driving force behind every decision we make. And for consumers to trust an organisation's intentions, the expectation has moved from 'tell me' to 'show me' what you do to make the world a better place. The expectation is clear, and it's now down to us to prove to consumers that we are worthy of their trust.

But it seems one thing the industry does not need to prove to young consumers is that diamonds are the perfect symbol of love. Those in the diamond sector must recognise that love may now be expressed in many ways, and diamonds may also be used differently to symbolise it, but the connection remains as strong as ever.

This is our fifth annual Diamond Insight Report, and a lot has changed in those five years. However, with the younger consumer's desire for qualities that diamonds can perfectly embody – including love, connections, authenticity and positive social impact – the most exciting changes will be ahead of us if we seize the opportunity to shape the future of the diamond industry.

BRUCE CLEAVER
CEO, DE BEERS GROUP

EXECUTIVE SUMMARY

Rising global consumer demand in 2017 supported stability and growth in the diamond industry. Future growth, however, requires closer alignment of the industry's proposition with the needs of Millennials and Gen Z.

DIAMOND INDUSTRY VALUE CHAIN: STRENGTH ACROSS THE PIPELINE
Global consumer demand for diamond jewellery increased by two per cent in 2017 to US$82 billion, due to sustained robust growth in the US and a return to growth in US dollar terms in China. Currency volatility affected demand in other leading diamond-consuming countries: in India it moderated the fall in local currency, but in Japan it converted marginally positive local currency growth into decline.

Demand for rough diamonds reflected the positive developments at the consumer level. The midstream maintained sustainable stock levels throughout the year, despite the repercussions of demonetisation, the introduction of the Goods and Services Tax and tightening anti-corruption measures in India.

Diamond production increased in both volume and value terms in 2017, as the majors expanded output, and three newly opened mines boosted production.

Total diamond production in 2018 is expected to fall slightly from 2017 levels. The outlook for 2018 demand remains favourable in most countries, owing to strong macro-economic indicators and continued marketing investment from the diamond industry. However, this is subject to any potential volatility in global currencies and broader geo-political headwinds.

IN FOCUS: THE FUTURE OF DIAMONDS IS WITH MILLENNIALS AND GEN Z
Millennials and Gen Z are the most populous generations in the world today. Since their spending power is rising, they are important drivers of growth in the luxury sector and account for a considerable share of global diamond jewellery demand. While Gen Z are still too young to match Millennials' spending power, they are tomorrow's consumers and will increasingly affect the way marketers have to communicate with and engage their customers.

The diamond industry needs to understand the younger generations to keep diamonds relevant, but should regard Millennials and Gen Z as distinct groups. Millennials, who grew up during an economic boom, developed a sense of expectation. But now, in the West and Japan, they feel pessimistic about exceeding their parents' success and wealth, but in emerging economies, particularly China, great new opportunities have made them optimistic about surpassing the older generations. Gen Z, on the other hand, experienced the financial crisis at an earlier age, resulting in them being more individualistic and competitive.

Despite these differences, the two generations share certain characteristics:

– Love is meaningful to them
– They are digital natives
– They value authenticity, individuality and self-expression
– They are engaged with social issues

While valuing real love and committed relationships, the younger generations express that in new ways. This is particularly pertinent for the marketing of bridal diamond jewellery, since Millennials and Gen Z are the main customers and the segment represents over a quarter of diamond sales.

As digital is increasingly becoming fundamental to young generations' lifestyles, the diamond industry must embrace this. From initial contact right through to post-purchase experience, technology offers solutions such as omnichannel, virtual and augmented reality and the ultimate merging of digital and physical interactions.

Millennials and Gen Z are active in social causes, responsible consumerism and sustainability, so companies and brands need to show that they genuinely share these values, making a positive difference to the world, socially and environmentally.

The young generations are the present and future of the diamond industry: it is up to the diamond industry to adapt to their values, behaviours and way of life.

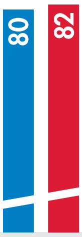
DOWNSTREAM

Global consumer demand continued to rise in 2017, driven by sustained growth in the US and increased demand in China.

2017 DIAMOND JEWELLERY DEMAND

2016 2017

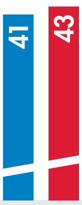
GLOBAL (US$BN)



+2.2%

Demand increased by two per cent in 2017 to US$82 billion, with the US once again the fastest-growing region. Consumer demand also rose in China but declined in the other main markets.

US (US$BN)



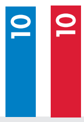
+4.2%

The US, which represents more than half of global diamond jewellery demand, was the main driver of global demand growth. Diamond jewellery sales increased by four per cent to US$43 billion, due to strong economic conditions and positive sentiment resulting from the late 2017 tax cuts.

CHINA (US$BN)

+0.9%

RMB (BN)	
2016	2017
64	66
	+2.7%



Consumer demand grew by three per cent in local currency and one per cent in US dollar terms – a more robust performance than in 2016 – as the economy strengthened and consumer confidence reached a 20-year high.

INDIA (US$BN)

-2.5%

INR (BN)	
2016	2017
192	182
	-5.5%

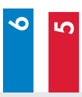
Consumer demand continued to decline in 2017, but at a slower rate than in the previous year. This was due to the government's demonetisation initiative, the introduction of the Goods and Services Tax and the continuing anti-corruption and anti-money laundering regulations.

The US was once again the fastest-growing region in terms of consumer demand. Demand increased in China, while growth in the other main markets declined.

JAPAN (US$BN)

-2.9%

JPY (BN)	
2016	2017
597	598
	+0.1%



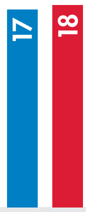
Demand from Japanese consumers was flat in local currency terms, but declined in US dollar terms due to depreciation of the yen against the US dollar.

GULF (US$BN)

-4.2%

Unfavourable macro-economic factors, particularly in Saudi Arabia, caused by low oil prices, limits on oil production and geo-political instability, contributed to a decline in consumer demand.

REST OF WORLD (US$BN)

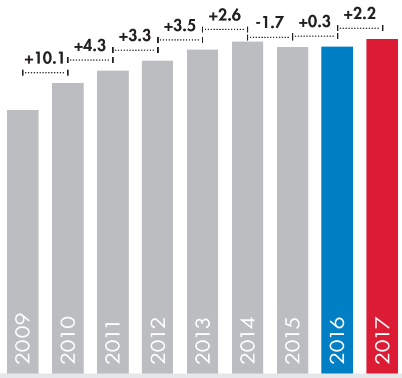


+2.1%

Sales in Rest of World increased by two per cent to US$18 billion due to strengthening macro-economic performance and currency appreciation against the US dollar, particularly in the Eurozone.

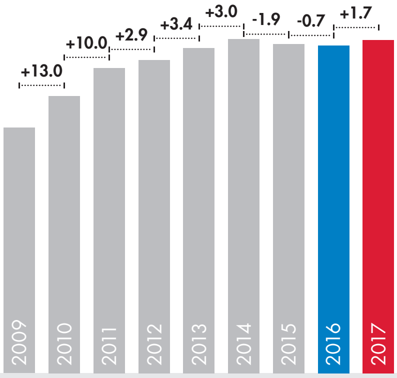
Note: Demand by consumers from each country, wherever diamonds were purchased.

GLOBAL DIAMOND JEWELLERY VALUE GROWTH (%)



2016
+0.3%
2017
+2.2%
US$82BN

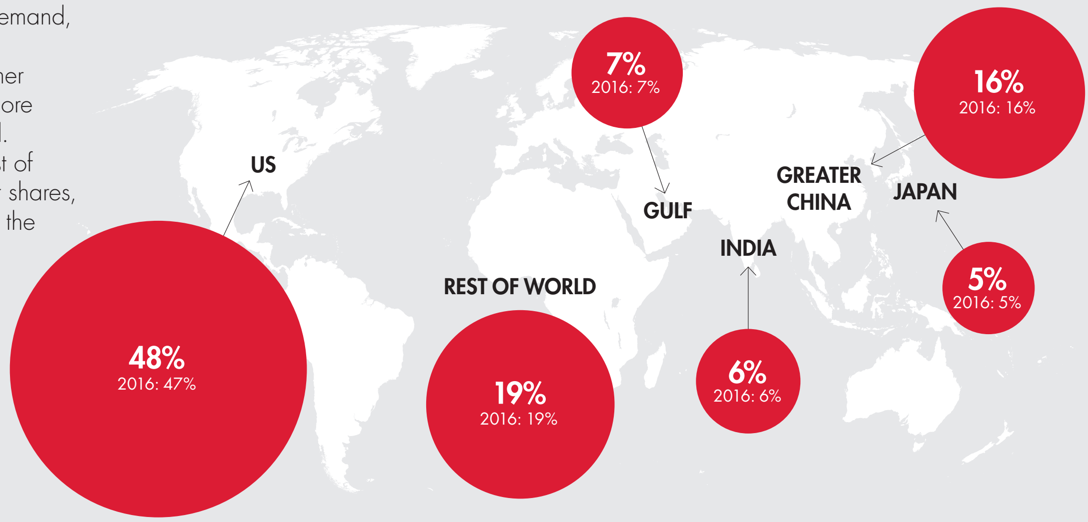
GLOBAL POLISHED DIAMOND VALUE GROWTH (%)



2016
-0.7%
2017
+1.7%
US$25BN

GLOBAL POLISHED DIAMOND DEMAND SHARE BY GEOGRAPHY

In 2017, the US gained share in polished diamond demand, since continued growth outpaced other consumer markets, which grew more moderately or declined. Greater China and Rest of World maintained their shares, while India, Japan and the Gulf lost some ground.



2017 CONSUMER TRENDS IN US AND CHINA

US

MORE DESIGN-HEAVY PIECES
Average retail prices of diamond jewellery increased, primarily driven by higher demand for design-heavy pieces.

SINGLE WOMEN'S SHARE GROWS
Single women increased their average spend on diamond jewellery, buying more pieces with multiple diamonds and a higher number of carats. Sales to single women continued to grow share of sales.

SELF-PURCHASING CONTINUES TO INCREASE
Self-purchase of diamond jewellery continued to rise – particularly among younger women – reaching one-third of all pieces acquired. The average amount people spent buying for themselves increased to the level spent on gifted pieces.

INCREASE IN AVERAGE ONLINE PRICE
The average price of pieces purchased online increased significantly, mainly due to omnichannel purchasing.

Source: De Beers Group-commissioned Diamond Acquisition Study, US, 2018.

CHINA

STRONG DESIRE FOR DIAMONDS
Diamond jewellery is women's most desired luxury gift. For the two-thirds of women aged 18–54 (68 per cent) it is one of their top two choices. Diamond jewellery is particularly desirable to single women, those aged 21–38 and those living in Tier 1 cities.

SELF-PURCHASING ON THE UP
As in the US, self-purchase of diamond jewellery is on an upward trend and now accounts for around one-third (32 per cent) of pieces acquired and more than a quarter (28 per cent) of value.

FEW DIAMONDS WORN DAILY
Less than two-thirds (63 per cent) of newly acquired diamond pieces are intended to be worn only on special occasions; just one-third are to be worn every day.

MULTIPLE ONLINE TOUCHPOINTS
One-third (34 per cent) of new diamond acquisitions are researched online. For each piece, consumers typically visit the internet three times, starting nine months before purchase.

Source: De Beers Group-commissioned Diamond Acquisition Study, China, 2017.

LOOKING AHEAD

The global outlook for 2018 remains favourable in most countries, owing to strong economic prospects, positive consumer sentiment and continued marketing investment from the diamond industry. Protectionism poses a potential longer-term risk.

US
US market expectations remain positive, with growth likely to remain steady.

CHINA
Stable growth is expected in China, owing to continued economic strength and consumer confidence.

INDIA
In India, rising inflation, higher interest rates and a weakening rupee may pose a challenge to consumer demand. Larger organised retailers are expected to continue to grow share of sales at the expense of smaller independents.

MIDSTREAM

Trading conditions continued to stabilise in 2017 after the short-term disruption from India's demonetisation programme.

INDIAN CUTTING AND POLISHING

ROUGH IMPORTS
Reflecting the higher level of rough diamond production in 2017, India's annual gross rough diamond import volumes increased to 195 million carats.[1]

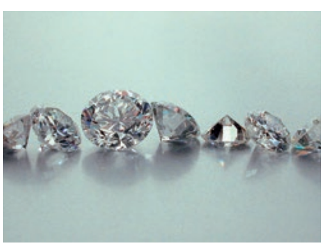
DEMONETISATION
The effects of the government's 2016 demonetisation programme had largely diffused by the end of Q1 2017, leaving manufacturing and stock conditions stable.

GOODS AND SERVICES TAX
Initial concern over the three per cent Goods and Services Tax (GST) regime on polished diamonds introduced in mid 2017 dissipated when the GST Council reduced the rate on diamonds and precious stones to 0.25 per cent in early 2018.

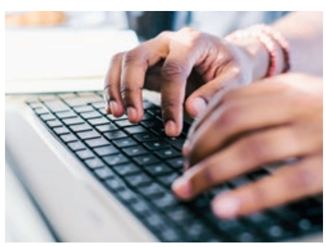
DEMAND IN 2018
After a positive Q4 2017 selling season, the midstream continued experiencing strong manufacturing demand at the start of 2018. However, businesses in this sector will need to continue adapting to the evolving landscape.

[1] Source: Kimberley Process statistics.

SUPPLY CHAIN INNOVATION



BLOCKCHAIN
Blockchain technology is being developed for the diamond pipeline by Tracr™, Everledger, TrustChain and Clara.



DIGITAL PLATFORMS
Midstream operators are increasingly using digital platforms to inform manufacturers and retailers of their polished inventory, allowing 'just-in-time' polished diamond sourcing and improving cash flow.

DIAMOND DETECTION
Laboratory-grown diamonds can more easily be detected at speed using equipment such as AMS™2 and SYNTHdetect™ from the International Institute of Diamond Grading & Research.

APPROACHING AUTOMATION
Midstream processes are becoming increasingly automated. For example, polishing from the Fenix system, and cutting and shaping technology from Synova (in development with De Beers Group).

IN-COUNTRY WEALTH CREATION AND SKILLS DEVELOPMENT

BOTSWANA
A new generation bringing knowhow, technology and working practices from India has helped mature the midstream diamond economy.

NAMIBIA
The 2016 sales agreement between the government and De Beers Group has boosted growth in manufacturing by increasing Namibia's supply of rough diamonds for polishing.

SOUTH AFRICA
Through a partnership between De Beers Group, the government and the diamond cutting industry, diamond polishers will benefit from a new Enterprise Development Project.

RUSSIA
KGK Diamonds established a cutting factory in Vladivostok which will employ around 400 people.

LOOKING AHEAD

BANK FINANCE
2018 is proving to be a year of transition in midstream finance. While some established providers of short-term working capital facilities, such as Standard Chartered, ABN AMRO and Antwerp Diamond Bank, have been withdrawing, new lenders, including ABSA and Standard Bank in South Africa/Botswana and National Bank of Fujairah in Dubai, are increasing their exposure to the sector.

NEW FINANCE
Equally encouraging is the steady growth of the committed funding instruments that now provide many leading midstream businesses with secure long-term finance. These include securitisations of midstream working capital assets, such as inventory and receivables, funded by capital market investors (eg mutual funds, pension funds and private equity), as well as the issuing of a semi-public bond.

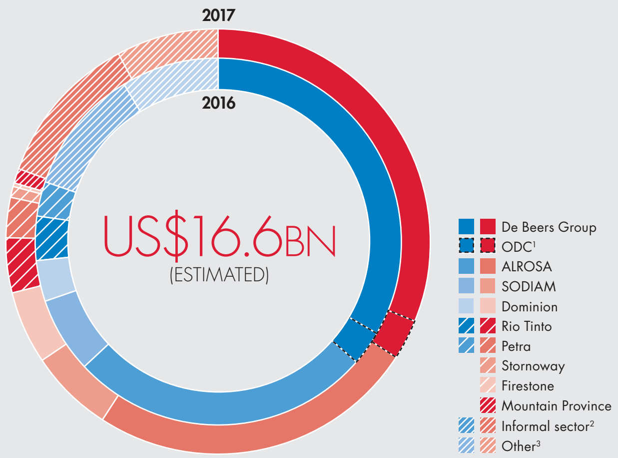
UPSTREAM

Diamond production increased in both volume and value terms in 2017, as the majors expanded output, and three newly opened mines ramped up production.

ROUGH DIAMOND SALES TO CUTTING CENTRES

(% VALUE BY PRODUCER)

Rough sales to cutting centres increased by two per cent, to US$16.6 billion. De Beers Group remained the largest supplier, but with a reduced share of 34 per cent (from 37 per cent in 2016). ALROSA's share also decreased in 2017 to 25 per cent of total sales (from 27 per cent in 2016).



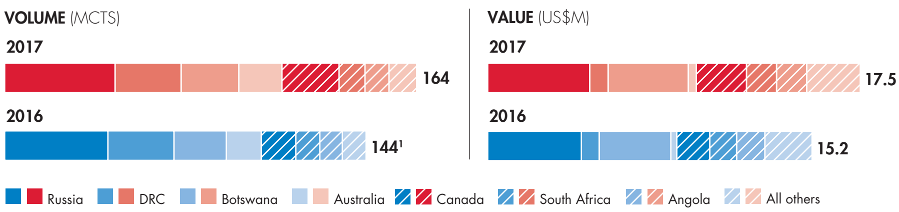
[1] Okavango Diamond Company sales, by value, are included in the De Beers Group share of sales estimate as sales from Diamond Trading Company Botswana.
[2] De Beers Group has lower confidence in estimates of informal production.
[3] Sales values are based on De Beers Group estimates where company reports are unavailable.

GLOBAL PRODUCTION

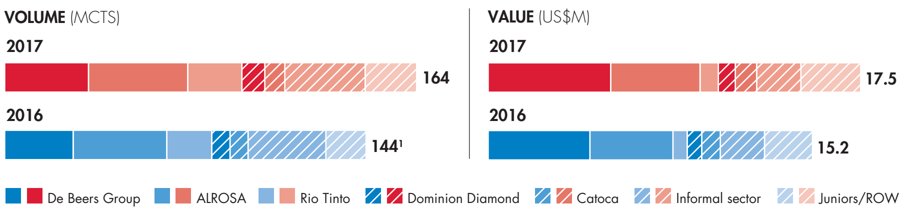
Global diamond production values are estimated at US$17.5 billion in 2017, a 15 per cent increase on 2016. In volume terms, production increased 14 per cent to 164 million carats. De Beers Group accounted for the largest increase in production volumes (+6.1 million carats), followed by Rio Tinto (+3.7 million carats) and ALROSA (+2.3 million carats). Russia retained its position as the largest producer country in carat and value terms.

[1] 2016 production has been revised down 1.7 million carats and US$180 million since the last edition of this report to reflect information not available at the time of publication.

ROUGH DIAMOND PRODUCTION BY COUNTRY



ROUGH DIAMOND PRODUCTION BY PRODUCER



LOOKING AHEAD

Sales of rough diamonds to cutting centres in H1 2018 were higher than the same period in 2017. ALROSA destocked seven million carats in the first half to report an eight per cent increase in rough diamond revenues. While De Beers Group's sales were lower in volume terms, sales values to cutting centres were maintained by higher prices and an improved mix.

Total diamond production in 2018 is expected to fall slightly from 2017 levels, due largely to ALROSA's suspension of operations at the Mir mine and Rio Tinto's guided fall in production at its operations.

Looking further ahead, production is expected to continue falling as new projects and expansions fail to replace lost output from closing mines. By 2025, several large mines will reach the end of their life, while only a few new projects are in the pipeline.

MAJOR NEW EXPECTED PROJECTS AND CLOSURES TO 2025

NOTABLE NEW DIAMOND PROJECTS

- **Diavik A-21** – 2018[1]
- **Verkhne-Munskoe** – 2018[2]
- **Zarya** – 2021[3]
- **Luaxe** – Unspecified

MINES APPROACHING END OF LIFE

- Argyle
- Voorspoed
- Victor
- Diavik
- Komsomolskaya

[1] Rio Tinto second quarter production results, 2018.
[2] ALROSA receives first diamonds from Verkhne-Munskoe deposit, eng.alrosa.ru, 2017.
[3] The open pit mine on Zarya Pipe deposit reached a depth of 100 metres, eng.alrosa.ru, 2018.

MILLENNIALS AND GEN Z: CAPTURING THE OPPORTUNITY

THE OPPORTUNITIES PRESENTED BY THE YOUNG GENERATIONS TO THE DIAMOND INDUSTRY ARE IN THREE DISTINCT AREAS:

1

Meeting their needs for love and commitment on their own terms

The love opportunity has many facets. Focusing on romantic and familial love will secure the health of about half of retailers' diamond jewellery sales.

2

Tailoring communications, messages and media to their natural behaviour and preferences

As digital natives, Millennials and Gen Z have an 'always on' communications attitude that allows them to live by the motto: I Want What I Want When I Want It.

3

Aligning company and brand purposes and social commitments with their priorities

Millennials and Gen Z care about society and are active in social causes. Organisations in the diamond industry have the opportunity to demonstrate the alignment of their purpose and behaviours with the values of young people to create genuine affinity.

INDIVIDUALITY, CREATIVITY AND INFORMALITY IN BRIDAL
The bridal opportunity, represented by diamond engagement rings and wedding rings, is strong both in the West and in the Far East, with Millennials and Gen Z sharing strong romantic visions of love, engagements and weddings, and affinity to the traditional commitment and eternity symbolism of diamonds.

However, staying relevant will require diamonds to meet other needs associated with these life events, namely for individuality and personalisation, originality, edginess, creativity, and inclusion of diverse cultures.

ENGAGEMENT WITH MEN
Non-bridal love gifting for the celebration of relationships can be strengthened by engaging with men as the main gifters around Christmas/Chanukah, birthdays and Valentine's Day.

OMNICHANNEL EXPERIENCE
Offering an omnichannel experience needs to become the norm for the diamond industry. Young consumers are looking for a full range of services, from inventory checking and setting up appointments, to purchasing and returns to be seamlessly available and interchangeable online and offline.

CONSUMER NETWORKS
Creation of consumer networks who are supporters and loyalists to diamond companies and brands is essential in influencing purchase decisions, but these need to be based on true, sometimes even negative, opinions, in order to create authenticity, trust and proximity.

INFLUENCERS
The use of influencers within such networks and on social media needs to be subtle and genuine, with influencers tagging brands rather than brands tagging influencers.

INSTAGRAM AND SNAPCHAT
Digital targeting will need to take stock of the fact that Facebook may still work for Older Millennials, but for Gen Z Instagram, Snapchat and YouTube are the top channels.

ORIGINALITY AND FUN
The attention spans of Millennials and Gen Z are short and the most effective ways of grabbing them is to appeal to their desire for fun and originality, by using humour and out-of-the-box thinking in communications.

AUTHENTICITY
True authenticity can only be perceived when companies and brands live the promises and values they claim to uphold by taking real action.

UNIQUE STORIES THROUGH PROVENANCE
In future, the young generations' feelings of social responsibility and desire for responsible consumerism will make it necessary for diamond companies to prove the integrity of their products, their provenance and the impact their value chains have across societies and the natural environment around the world. Telling the unique story of each diamond piece, be it through blockchain, fair trade sourcing or the contribution to sustainability programmes, will be the way to bring together individuality and social engagement for young consumers.

BEYOND BINARY
The young generations' liberal attitudes towards sexuality and gender identity require businesses in the diamond industry to move beyond binary approaches to these issues by avoiding gender stereotypes and venturing out of traditional relationship contexts.

IN FOCUS

THE FUTURE OF DIAMONDS IS WITH MILLENNIALS AND GEN Z

WHY DO MILLENNIALS AND GEN Z MATTER SO MUCH?

There are three powerful reasons why these two generations are important to diamond businesses today:

- They are bigger than the previous two generations
- They will soon have the highest spending power
- They represent more than two-thirds of total diamond jewellery demand value in the four largest diamond-consuming countries

In order to understand the size of the generations, it is necessary first to define them. The Diamond Insight Report 2016 defined Millennials as the people born between 1981 and 2000. Currently, most generational researchers define Gen Z as those born after 1996. For the purposes of this report, the generations have been defined as shown in Fig. 2[1].

Millennials and Gen Z represent almost two-thirds (64 per cent) of the world population (Fig. 1).

Looking at each generation in turn, as the Baby Boomers, who are the parents of Millennials, age and slowly reduce their consumption of some products and services, the Millennials are stepping in with their considerable numbers and increasing spending power. The size of the Millennial generation exceeds that of the preceding Gen X and, in many parts of the world, most notably the emerging economies of India and China, it outnumbers the Baby Boomers (the previous biggest cohort) (Fig. 2). Globally, Millennials represent 29 per cent of the total population or about 2.1 billion people, while all older generations combined account for 36 per cent. In India, Millennials, 31 per cent of the population, outnumber all older generations taken together (30 per cent).

***FIG. 1:* THE GENERATION NUMBERS, 2017**

TOTAL WORLD POPULATION

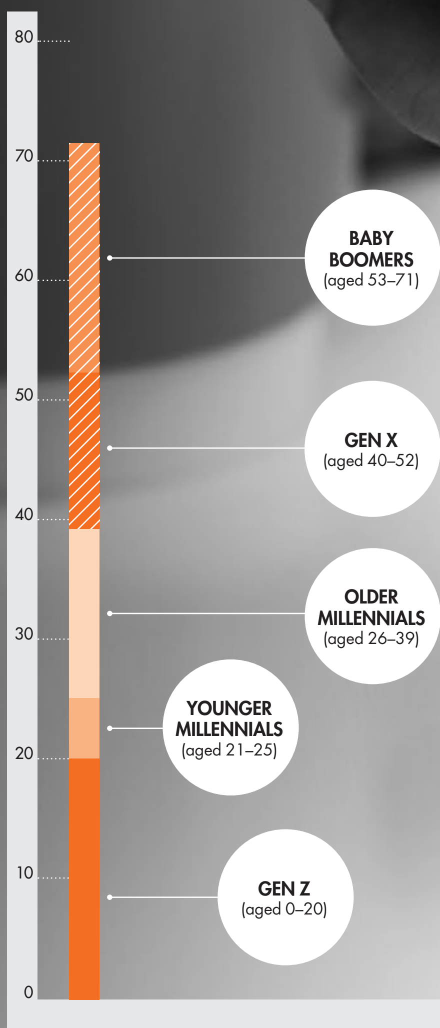
7.39BN

SHARE OF TOTAL WORLD POPULATION (%)

Gen Z (0–20)	Millennials (21–39)	Older (40+)
35	29	36
2.60BN	**2.14BN**	**2.65BN**

Source: Oxford Economics Forecasting, 23 July 2018.

***FIG. 2:* GENERATIONS**
(AGE IN YEARS)



IN FOCUS: THE FUTURE OF DIAMONDS IS WITH MILLENNIALS AND GEN Z
CONTINUED

MILLENNIALS ARE SET TO BE THE HIGHEST-SPENDING GENERATION FROM 2020

The spending power of Millennials is growing while that of Baby Boomers is declining. Millennial spending power is forecast to overtake Gen X permanently by 2020[2].

The growth in Millennials' spending power is expected to come both from their own earnings and inheritance. According to World Bank forecasts, Millennials' collective annual income will exceed US$4 trillion by 2030, while Accenture estimates that they will receive a transfer of at least US$30 trillion from US Baby Boomers during the next three decades[3].

MILLENNIALS, ESPECIALLY IN CHINA, ARE THE DRIVERS OF LUXURY GROWTH

The size and growth in wealth of Chinese Millennials make them a powerful consumer force. The World Bank estimates that the income of Chinese Millennials will overtake that of their US counterparts by 2035[4].

These facts make the Millennials 'core' consumers today for most businesses – including the luxury industry. UBS has estimated that Millennials account for 50 per cent of Gucci's sales and for 65 per cent of Yves Saint Laurent's[5].

According to Bain & Co, the China luxury sector has been driven by new consumers, mostly Millennials, who start buying luxury goods at a young age with relatively high frequency[6].

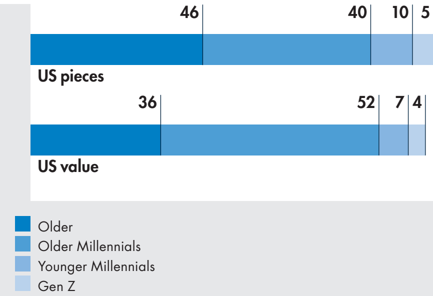
MILLENNIALS DRIVE ALMOST 60 PER CENT OF DIAMOND JEWELLERY DEMAND IN THE US AND NEARLY 80 PER CENT IN CHINA

For the diamond industry, Millennials are an important consumer segment, representing the bridal generation, with average age at first marriage of 24–30 in the main diamond-consuming countries[7]. Bridal diamond jewellery accounts for more than a quarter of the value of all diamond jewellery acquired by women in the US, China and Japan[8].

Beyond bridal, the overall share of Millennial demand as a proportion of total diamond jewellery demand among women aged 18–74 in the US, the leading diamond consuming country, is 50 per cent in volume (diamond jewellery pieces) and 59 per cent in value terms (Fig. 3).

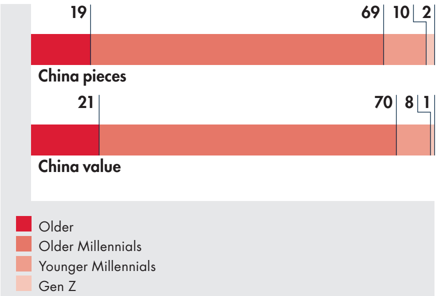
In China, the second largest diamond-consuming country, Millennials account for about four in five (79 per cent) of total diamond jewellery acquisitions by volume (pieces) and almost the same proportion (78 per cent) by value among women aged 18–54, who are deemed to be the main consumers of diamonds[9] (Fig. 4).

FIG. 3: MILLENNIALS AND GEN Z SHARE OF DIAMOND JEWELLERY DEMAND, US 2017
(%)



Source: De Beers Group-commissioned Diamond Acquisition Study, US, 2018 18–74-year-old women.

FIG. 4: MILLENNIALS AND GEN Z SHARE OF DIAMOND JEWELLERY DEMAND, CHINA 2016
(%)



Source: De Beers Group-commissioned Diamond Acquisition Study, China, 2017, 18–54-year-old women in city Tiers 1–3.

LOOKING BEYOND MILLENNIALS – GEN Z IS AN EVEN BIGGER COHORT

Gen Z, on the other hand, represent the consumers of the future. Only coming of age now, they will have a growing impact on what consumer businesses need to offer and how marketers need to communicate in the near future. The cohort is bigger than the Millennial generation, representing 2.6 billion or 35 per cent of the world population (Fig. 1). Of this group, 20 per cent live in India and a further 13 per cent in China, but nearly two-thirds (63 per cent) are outside of the top four diamond-consuming nations[10] (Fig. 5).

With its coming of age, Gen Z is becoming a consumer base worth capitalising on straight away. In the US, they already have US$200 billion in direct buying power and US$1 trillion in direct spending power as they command significantly more influence on household purchases than prior generations[11].

The participation of Gen Z as diamond consumers is still limited, as only a small proportion of this cohort are old enough to be considered as independent consumers. American women aged 18–20 acquired nearly five per cent of women's diamond jewellery pieces and four per cent of value in 2017 (Fig. 3). In China, this age cohort across city Tiers 1–3 were responsible for just under two per cent in volume and just over one per cent in value of the total diamond jewellery demand among 18–54-year-old women during the same year. (Fig. 4).

2.6 billion

Gen Z are bigger than the Millennial generation, with 2.6 billion, or 35 per cent, of the world population.

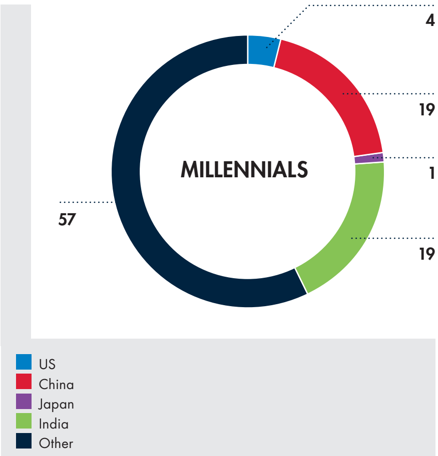
India is the youngest major diamond-consuming country, where Millennials and Gen Z account for 70 per cent of the population. The US and China have similar demographic profiles with 52 per cent and 53 per cent respectively, while Japan is the oldest, with only 39 per cent of the population aged under 40 (Fig. 1).

Not only are Millennials and Gen Z large proportions of the populations in the US and China, in terms of diamond jewellery demand they account also for a considerable majority of acquisitions. In the US, the two generations, including all Millennials and the adult Gen Z, accounted for 63 per cent of overall demand value in 2017, while in China, that proportion was even higher at 79 per cent[12]. Taken together, Millennials and adult Gen Z in these two countries accounted for almost 43 per cent of the total global demand for diamond jewellery in 2017[13].

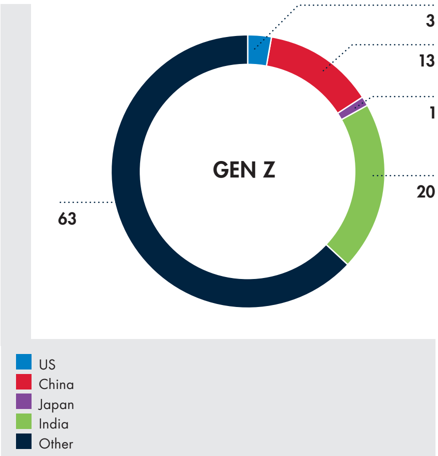
Overall, Millennials and Gen Z now account for more than two-thirds of total diamond jewellery demand value in the four largest diamond-consuming countries.

Understanding the views, preferences, personal and social values, and lifestyles of Millennials and Gen Z is therefore essential if businesses in the diamond sector are to succeed now and into the future.

***FIG. 5:* COUNTRY PROFILE OF MILLENNIALS AND GEN Z**
(%)



Source: Oxford Economics Forecasting, 23 July 2018.



Source: Oxford Economics Forecasting, 23 July 2018.

KEY MILLENNIAL AND GEN Z TRAITS

BRANDS NEED TO EARN THE TRUST OF MILLENNIALS…

…AND HELP GEN Z BUILD THEIR PERSONAL BRANDS

Millennials grew up during a period of economic boom, making them a collaborative generation, with feelings of entitlement. However, struck by the 2008 financial crisis, they became pessimistic about the future in the West, as they did not see a prospect of surpassing their parents' achievements and financial success. But, this was quite the opposite in the emerging Asian economies and especially in China where the fast growth of the economy created conditions for personal prosperity for the younger, better educated generations. This gave Millennials in China and India strong optimism and drive for self-realisation[14].

Gen Z, on the other hand, experienced the crisis, particularly in the West, at an earlier age, making them more individualistic, competitive and optimistic. Indicating their self-sufficiency and confidence, one in three Gen Z has the ambition to be an entrepreneur and one in 10 can see themselves freelancing or contracting[15]. For one-third, their main goal in 10 years' time is financial security[16].

As a result of the differences in the historical times in which Millennials and Gen Z grew up, Millennials became mistrustful – of big business and institutions, as well as of people in general. But that is not the case with Gen Z. They are much more trusting of other people than Millennials were at the same age[17] (Fig. 6).

A detailed comparison of the two generations (Fig. 7) points to some fundamental similarities in the areas of technology and digital where the differences are incremental, but also to important cultural differences where Gen Z are centred on personal success, while Millennials are more experiential. These learnings can help marketers target more precisely their product development and communications directed to these generations.

This leads to different challenges for brands. They need to build trust among Millennials before they can pursue growth, whereas, for Gen Z, they need to show what part they can play in helping them to be successful by building their personal brands.

***FIG. 6:* TRUST IN THE PERSON IN THE STREET**
(% GENERALLY TRUSTING THE MAN/WOMAN IN THE STREET TO TELL THE TRUTH)

MILLENNIALS IN 2002
Aged 15–22

36

GEN Z IN 2017
Aged 15–22

61

Source: Ipsos MORI, Beyond binary, The lives and choices of Generation Z, based on Ipsos MORI Verasity index.

Despite these differences, the two generations also share some traits:

TRAIT 1
Love is meaningful to them in many ways

TRAIT 2
They are digital natives

TRAIT 3
They value authenticity, individuality and self-expression

TRAIT 4
They are engaged with society and social issues

The following sections explore the implications for diamond retailers and brands of these four key generational traits.

FIG. 7: **MILLENNIALS VS GEN Z**

	MILLENNIALS	GEN Z
TECHNOLOGY	Tech-savvy	Tech-innate
	Multitask across two screens	Multitask across five screens
	Think in 3D	Think in 4D
	Weekly TV usage: 14.8 (average hours per week)	Weekly TV usage: 13.2 (average hours per week)
	Communicate with text: SMS/WhatsApp	Visually orientated: emojis
	Preferred social media app: Facebook	Preferred social media app: Snapchat
	Favourite website: Amazon	Favourite website: YouTube
	12-second attention span	Eight-second attention span
	Radical transparency: share all	Cyber-savvy: share cautiously
FINANCIAL HABITS	Student loans: delayed home-buying/marriage	Saving early: conservative view of debt
	Live at home/rent	Value financial knowledge/home ownership
VALUES	Now-focused	Future-focused
	Idealistic	Pragmatic
	'Me' generation	'We' generation
	Dependent	Independent
	Expectant	Persistent
LIFESTYLE	Experiential generation	Sober generation
	Values convenience and dining out	Value healthy, ethical food
	Harry Potter	The Hunger Games
	Share stuff	DIY/make stuff
	Armchair activists	Active volunteers
ATTITUDE TO WORK AND EDUCATION	Want to be discovered	Want to work for success/entrepreneurial
	Team orientation	Collective conscious
	Passive/traditional learning	Interactive/social/self-leaning

Source: Barclays, Equity Research, Generation Z: Step aside Millennials, June 2018, based on Sparks & Honey (2014), National Center for Biotechnology Information – US National Library of Medicine, Vision Critical (2016), Willis Tower Watson (2016), The Center for Generational Kinetics – 2017 National Gen Z Study, Zillow Group – Consumer Housing Trends Report (2017), Jean Twenge/Heejung Park – The decline in Adult Activities among US adolescents 1976–2016 (September 2017), Hartman Report: Gen Z Health and Wellness Study (2015).

TRAIT 01: LOVE IS MEANINGFUL IN MANY WAYS

Love is multifaceted and includes both romantic intimate feelings as well as feelings for family and friends. All of these love situations are relevant for diamond businesses and this section explores three aspects:

- *Romantic love and bridal diamonds*
- *Love gifting for non-bridal purposes*
- *Diamond gifting from Millennials and Gen Z to family and friends*

ROMANTIC LOVE AND BRIDAL DIAMONDS

TRADITIONAL NEEDS FOR THE BRIDAL OCCASION ARE DOMINANT…

Both Millennials and Gen Z are as traditional as older people when it comes to desire to be in stable relationships and to raise families. When Gen Z were asked to look forward 10 years (to when they will be 26 to 32), eight out of 10 said they hoped to be in some sort of committed relationship and half of those expect to be married with children[18].

However, the desire for committed intimate relationships among Millennials and Gen Z does not mean that they expect to experience these life events in the same way as their parents. In fact, their views are broader and allow for multiple non-traditional ways of developing relationships. Young people increasingly use online means to make first contact and start dating – use of dating sites and apps increased from 10 per cent of 18–24-year-old Americans in 2013 to 27 per cent in 2016[19]. Nevertheless, when it comes to 'real romance', they perceive that as possible only offline. There's no substitute for spending time together, and traditional romantic gestures remain important. In a study by Canvas8, 58 per cent of Americans aged 18–34 said that it was very important for their partner to make a romantic effort[20].

Innovative research commissioned by De Beers Group with Discover.ai, involving analysis of unstructured online data[21], to learn about younger generations' attitudes towards love and weddings showed a core of traditional emotional needs and expectations, centring on the celebration of lasting love and commitment (Fig. 8). This is the diamond industry's main proposition – reflected in consumer conversations using De Beers Group's world-famous slogan 'A diamond is forever' or phrases coined by the industry, such as 'A sign of time, effort and commitment' and 'A sign she is worth it'.

'For me, romance is the classic stuff – a nice home-made dinner, cuddling, going to the other person's favourite spot… or even surprising them with their favourite snack.'
28-year-old woman, New York, Canvas8 study 2017

'A romantic gesture would be going out of your way to do something special.'
20-year-old woman, New York, Canvas8 study 2017

Source: De Beers Group-commissioned Discover.ai study in UK, US, China and Japan, 2018.

…BUT FUN, INFORMALITY, UNIQUENESS AND PERSONALISATION OFFER A CHANCE TO DIFFERENTIATE

Besides preoccupation with sticking to tradition and the specialness of love, four new big themes emerged (Fig. 8) when Discover.ai analysed online conversations about love and marriage among Millennials and Gen Z:

– Reflecting a changing world

– Creating meaningful moments

– Inspiration and expression

– Personal meaning

High on the priorities for Millennials and Gen Z are to keep things informal and relaxed in a socially responsible way. These are areas which the diamond industry has not always addressed so well in the past.

They are looking to create magic and delight, not only for the bride, but for all involved in the event, in a unique and edgy way.

FIG. 8: **TRADITIONAL AND NEW THEMES ON THE ROLE OF DIAMONDS IN PROPOSALS AND WEDDINGS AMONG MILLENNIALS AND GEN Z**

Inspiration and expression
– designed to be as unique as you |
– different, unusual and creative |

Personal meaning
– a way to express individuality |
– natural, low key, informal |

Creating meaningful moments
– filled with magical moments |
– focused on delighting your guests |
– an announcement to the world |
– traditional so as to be more meaningful |

Reflecting a changing world
– a rejection of traditional ways |
– something special for the groom too |
– responsible, ethical and earthy |

Specialness and love
– a sign she is worth it |
– commitment to the loved one |
– perfection in all facets |
– celebrating love and romance |

Sticking to tradition
– a diamond is forever |
– a sign of time, effort and commitment |

US
China
Japan

Source: De Beers Group-commissioned Discover.ai study in UK, US, China and Japan, 2018.

TRAIT 01: LOVE IS MEANINGFUL IN MANY WAYS
CONTINUED

The diamond industry has an important opportunity to engage Millennials and Gen Z on bridal occasions by helping them to appreciate the uniqueness of every diamond and further to design unusual, creative and unique diamond symbols of their love and bond, while in the process also creating special experiences.

Young people have similar attitudes in all main markets, but those in China tend to have a more emotional, romantic and idealistic view of the celebration of love, a deeper respect for national traditions and for ethical and responsible behaviour, and, as in Japan, a desire for perfection in all aspects of the celebration. Consumers in China also display a more pronounced preference for edginess and creativity. Industry research[22] has revealed that in China beyond the actual bridal occasion, young people are concerned about keeping their love and commitment alive through more simple and understated everyday gestures. This points to further creative opportunities for businesses and brands that stretch beyond the traditional bridal solitaire ring.

'My present to him was some handmade cufflinks, one had the map co-ordinates for the bench where he proposed in Paris and the other had the co-ordinates of the barn where we would say our vows.'

'More than ever, our customers are choosing to be involved with the design process of their engagement ring.'

MILLENNIALS AND GEN Z SHAPE THE BRIDAL SECTOR

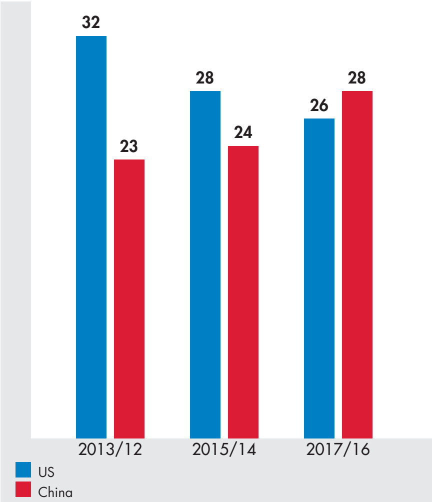
The traditional bridal segment represents over a quarter (27 per cent) of diamond sales, by value, in the main diamond-consuming countries (US, China and Japan)[23]. While this category's share of total diamond demand has been falling among US consumers over the past five years (Fig. 9), this has to be seen in the context of an overall increase in diamond consumption, and a growth in demand in the more discretionary non-bridal categories, particularly self-purchase, as the economy and consumer confidence have strengthened over that period.

By contrast, in China, the bridal share of diamond demand has been growing (Fig. 9), despite a decline in the average price of bridal jewellery. This is because the proportion of brides acquiring diamond jewellery is increasing in China. And the scope for further growth is still considerable, since in China nearly half (47 per cent) of all brides acquire diamond jewellery, compared with a rate of more than 70 per cent in the mature US market (Fig. 10).

Millennials and Gen Z are the main current and future purchasers of bridal diamond jewellery: they account for three-quarters (75 per cent) of the total value of diamond engagement rings acquired by Americans in 2017, while among Chinese consumers, the younger generations account for practically all bridal acquisitions in value terms[24].

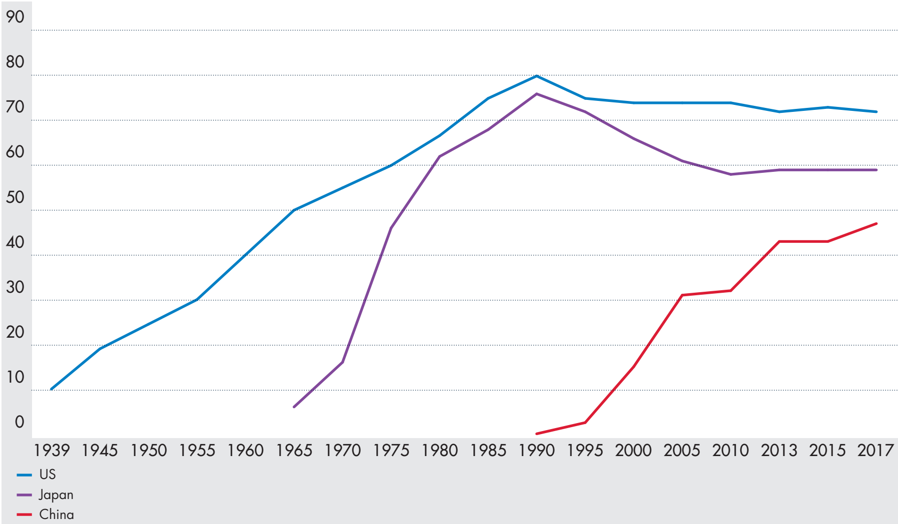
It is therefore critical to understand their tastes and desires, which reveal that diamonds continue to be the most desired precious gem among young people.

FIG. 9: **SHARE OF BRIDAL DIAMOND JEWELLERY DEMAND OVER TIME**
(% DIAMOND JEWELLERY VALUE SHARES)



De Beers Group-commissioned Diamond Acquisition Studies, US, 2014, 2016 and 2018; Diamond Acquisition Studies, China, 2013, 2015 and 2017.

FIG. 10: **THE ENDURING BRIDAL TRADITION**
(% OF BRIDES RECEIVING A DIAMOND)



Source: De Beers Group-commissioned consumer research.
Note: The metric in the US for 2013–17 is ownership of diamond engagement rings among women engaged in the respective year; Japan data is extrapolated post-2013.

47%
In China, nearly half of all brides acquire diamond jewellery, compared with more than

70%
in the mature US market.

27%
The traditional bridal segment represents more than a quarter of diamond sales, by value, in three main diamond-consuming countries (US, China and Japan).

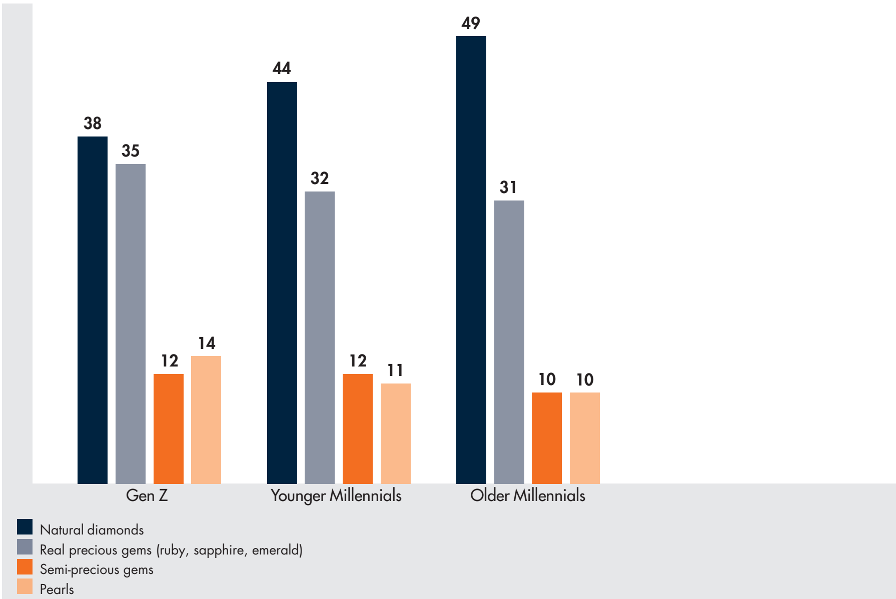
TRAIT 01: LOVE IS MEANINGFUL IN MANY WAYS
CONTINUED

DIAMONDS ARE THE PRECIOUS GEMS THAT MILLENNIALS AND GEN Z MOST DESIRE

Older Millennial females in the US choose natural diamonds above other precious gems as the precious jewellery they most desire. Among Gen Z and Younger Millennial women, current fashion trends have seen rose gold rise to the top. Most of these youngest consumers have yet to reach the level of affluence that will allow them to increase their active interest in diamonds, but even now diamonds are ahead of all other precious gems (Fig. 11). Diamonds therefore continue to present the greatest opportunity for retailers. However, the diamond industry needs to ensure that diamonds remain relevant to the youngest consumers by finding appropriate links to the needs and values that they hold.

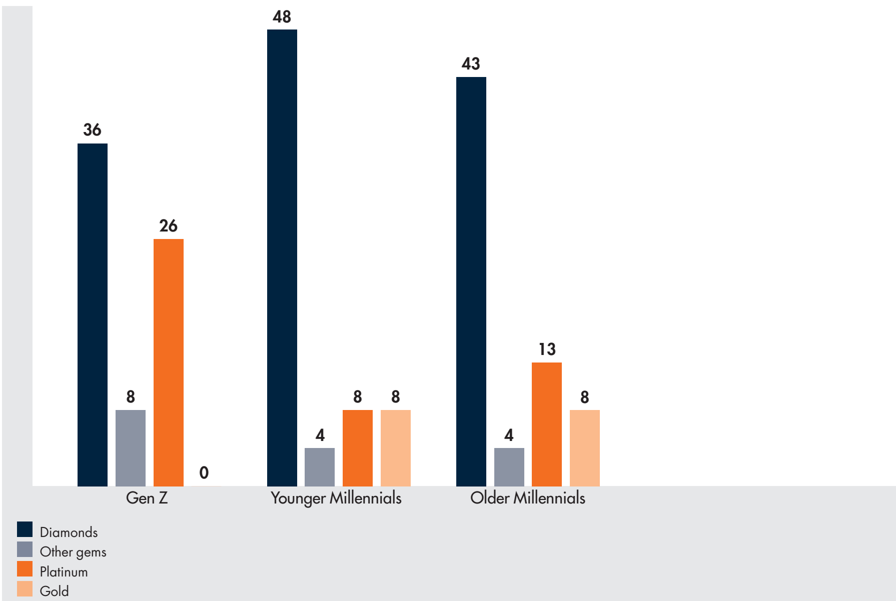
In China, there is no contest for women's jewellery preferences: diamonds win hands down with all the younger age groups (Fig. 12). Nearly half (48 per cent) of Younger Millennials and more than four in 10 (43 per cent) Older Millennials make diamonds their first preference. Among Gen Z, diamonds are the first choice of slightly fewer than four in 10 (36 per cent), with platinum jewellery coming second at more than one in four (26 per cent).

FIG. 11: **MOST DESIRED PRECIOUS GEM GIFT AMONG MILLENNIALS AND GEN Z IN THE US**
(% OF ALL WOMEN IN RESPECTIVE AGE GROUP)



Source: De Beers Group-commissioned Diamond Acquisition Study, US, 2018.

FIG. 12: **MOST DESIRED JEWELLERY GIFT AMONG CHINESE MILLENNIALS AND GEN Z**
(% OF ALL WOMEN IN RESPECTIVE AGE GROUP)



Source: De Beers Group-commissioned Diamond Acquisition Study, China, 2017.

MOST POPULAR BRIDAL RING TYPES

Rings containing diamonds only are the most popular choice for bridal occasions among Millennials and Gen Z in both the US and China. However, there are some notable differences between the two countries in other respects.

In China, there is a very strong preference for solitaire rings, which account for around nine in 10 (87 per cent) Millennial and Gen Z bridal acquisitions. Second most popular is a ring with a single diamond and other precious stones/pearls – but this is significantly less often chosen, accounting for just seven per cent of rings acquired for a bridal purpose (Fig. 13).

The vast majority of bridal rings acquired by Chinese young women contain platinum (96 per cent), while only a small proportion (four per cent) contain gold.

More than half (56 per cent) of the pieces that Chinese Millennials and Gen Z acquire for a bridal purpose are branded pieces, including both jewellery designer brands and retailer brands.

In the US, young women acquire a broader range of styles of engagement ring. The two most popular – each accounting for around two in 10 – are rings dominated by a centre diamond accompanied by smaller diamonds, and rings with a dominant central diamond in a 'halo' setting.

White gold is the most popular metal for engagement rings in the US and is found in just under half of pieces acquired for this purpose (45 per cent), followed by silver (19 per cent). Yellow gold and rose gold are the next most commonly used metals (14 per cent and 13 per cent respectively), and rose gold is increasing in popularity over time.

Branded pieces are even more popular with Millennials and Gen Z in the US than in China, accounting for around two-thirds (67 per cent) of bridal acquisitions.

This reflects a shift in the US towards more designed pieces that contain multiple stones and a variety of metals, while in China the more traditional choice of a solitaire ring made of platinum remains by far the most popular ring type.

FIG. 13: **TOP 3 MOST POPULAR BRIDAL RING TYPES AMONG MILLENNIALS AND GEN Z**
(% OF BRIDAL PIECES)

	1ST	2ND	3RD
CHINA ACQUIRED FOR BRIDAL PURPOSE	87 A ring with one diamond only – a solitaire ring	7 A ring with a single diamond and other precious stones/pearls	3 A ring with two or more diamonds and other precious stones/pearls
US DIAMOND ENGAGEMENT RING	20 A ring dominated by one centre diamond, also containing smaller diamonds	19 A ring dominated by one centre diamond in a 'halo' setting	16 A ring with one diamond only – a solitaire ring

Source: De Beers Group-commissioned Diamond Acquisition Study, US, 2018, and Diamond Acquisition Study, China, 2017.

TRAIT 01: LOVE IS MEANINGFUL IN MANY WAYS
CONTINUED

SIZE OF DIAMONDS

In China, the strong preference for solitaire wedding and engagement rings is reflected in the size of the largest stone and the total caratage of pieces acquired. Around half of pieces (approximately 47 per cent) have a largest stone of between 0.14 and 0.49 carats, and the total caratage tends to be the same (approximately 47 per cent), since most wedding jewellery has a solitaire setting.

In the US, larger stone sizes are more popular. Around a third (35 per cent) of diamond engagement rings have a largest stone of one carat or more. The preference in the US for pieces with a higher level of design, containing multiple stones, means that the total caratage of pieces is higher still, around six in 10 pieces (57 per cent) having a total diamond weight of more than one carat.

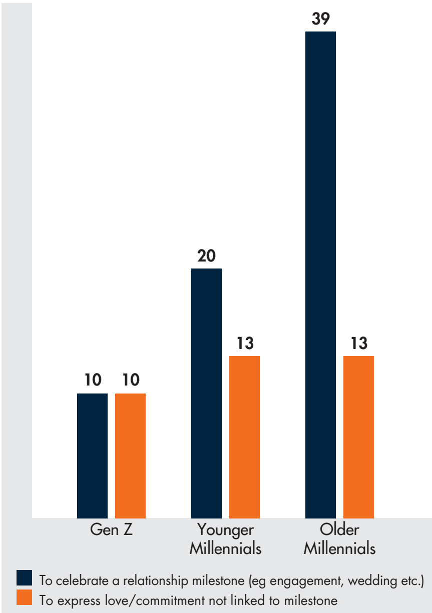
MOST POPULAR DIAMOND SHAPES

The younger generations prefer round-shaped diamonds to any other shape in both China and the US (56 per cent and 41 per cent of acquisitions respectively). However, in China, the second most popular shape is heart, reflecting the more traditional and classic view of romance and engagement among Chinese consumers. Heart shapes account for around one in five (22 per cent) bridal acquisitions by Chinese Millennials and Gen Z. By contrast, in the US, the second most popular cut is princess, which also accounts for around one in five pieces acquired (22 per cent). Cushion cuts are also popular in the US, accounting for just over one in 10 pieces acquired (11 per cent).

LOVE GIFTING FOR NON-BRIDAL PURPOSES

Over half (52 per cent) of US Older Millennial women first acquired diamonds through love (Fig. 14). Most of the time this was associated with engagement or marriage, but sometimes simply through romance with no connection to a relationship milestone. It is likely that Younger Millennials and Gen Z females will follow in their footsteps, as their diamond acquisition increases with age.

FIG. 14: **LOVE OCCASIONS FOR FIRST DIAMOND ACQUISITION AMONG US MILLENNIALS AND GEN Z**
(% OF ALL FEMALE DIAMOND JEWELLERY OWNERS)



Source: De Beers Group-commissioned Diamond Acquisition Study, US, 2018.

It's similar for Chinese women of these generations. However, first acquisition is even more often related to a relationship milestone than it is for Americans, especially among the older age group (26–38). This group is also more likely than their US counterparts to acquire a diamond as an expression of love unassociated with a relationship milestone moment.

Altogether, the love route into diamonds accounted for nearly three-quarters (72 per cent) of first-time Older Millennial acquirers in China, compared with about half (52 per cent) in the US. This again highlights the importance of the romantic symbolism of diamonds in China and the opportunity that exists for creating more love-related moments that Chinese young people can celebrate with diamonds.

DIAMONDS FOR ALL KINDS OF LOVE

Non-bridal love gifting is defined as non-bridal diamond jewellery given to celebrate or commemorate a relationship milestone (eg engagement, wedding, wedding anniversary) or for expressing love and/or commitment not linked to a relationship milestone. In the US, this kind of gifting accounts for 26 per cent of total diamond jewellery value in 2017[25]. Within this segment, Millennials and Gen Z represent almost half (48 per cent) of the value.

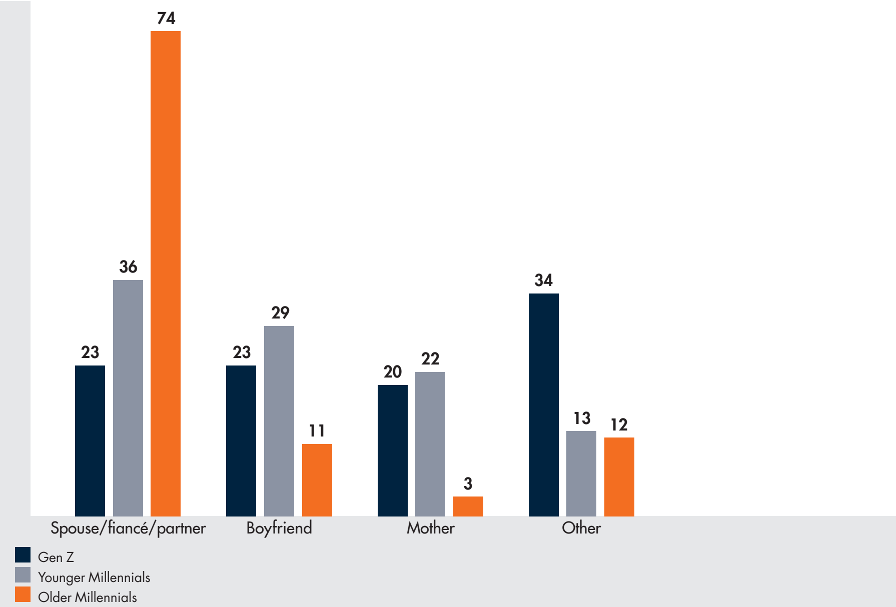
Spouses are largely responsible for non-bridal love gifting among Chinese Millennials (over 60 per cent of gifted pieces). Friends and the wider family are also an important source of gifting for love-related reasons, with about a third of gifted pieces[26].

In the US, mothers are involved in the celebration of romantic milestones, such as gifting for the occasion of a wedding, in their daughters' lives, particularly while they are younger. Women aged 18–20 are just as likely to receive diamonds from their mother as from their boyfriend or spouse for non-bridal life milestones. But as age increases, so too does the gifting by spouses, and the importance of mothers declines, particularly for the Older Millennials (Fig. 15).

72%
The love route into diamonds accounted for nearly three-quarters of first-time Older Millennial acquirers in China.

52%
Over half of US Older Millennial women first acquired diamonds through love.

***FIG. 15:* NON-BRIDAL LOVE GIFTERS TO US MILLENNIAL AND GEN Z WOMEN**
(% OF GIFTED PIECES)



Source: De Beers Group-commissioned Diamond Acquisition Study, US, 2018.

TRAIT 01: LOVE IS MEANINGFUL IN MANY WAYS
CONTINUED

Christmas/Chanukah, birthdays and weddings are the main occasions when US Millennials and Gen Z receive non-bridal love gifts. Christmas is the most common occasion for gifting to Gen Z, while birthdays are the most common occasion for Millennials. Sometimes there's no special occasion, with Older Millennials being most likely to receive diamonds unassociated with a specific event (Fig. 16).

Among Chinese Millennials, non-bridal love gifting is most often associated with birthdays – more than four in 10 gifted pieces. The two Valentine's Days (the international one in February and the Chinese traditional one in August) account for a similar proportion, while about one in 10 pieces is gifted for a non-specific love occasion[27].

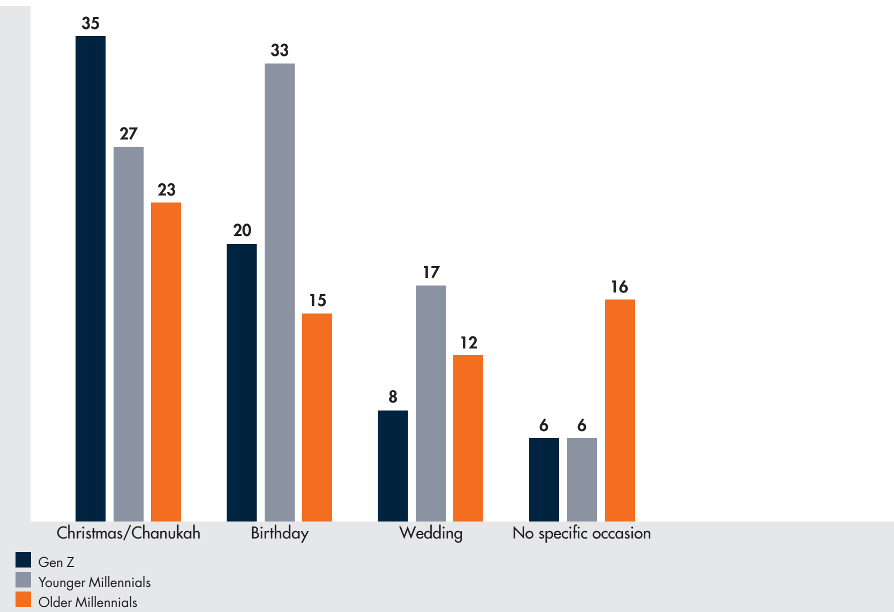
Pieces with diamonds only – whether rings, earrings or necklaces – are the types of diamond jewellery most often gifted for love to US Millennials and Gen Z outside of bridal. Rings are most popular for women under 25, but earrings are just as popular as rings for Older Millennials (Fig. 17).

Chinese Millennials receive love gifts that are mainly diamond-only jewellery, with greater preference for neckwear (about a half of pieces) and rings (about a third of pieces)[28].

26%
Non-bridal love gifting accounts for 26 per cent of total diamond jewellery value in the US, with

48%
of this segment attributed to Millennials and Gen Z.

FIG. 16: MOST COMMON OCCASIONS FOR US NON-BRIDAL LOVE GIFTING
(% OF GIFTED PIECES)



Source: De Beers Group-commissioned Diamond Acquisition Study, US, 2018.

FIG. 17: MOST COMMON TYPES OF DIAMOND JEWELLERY GIFTED FOR NON-BRIDAL LOVE OCCASIONS AMONG US YOUNGER WOMEN
(%)

	Gen Z	Younger Millennials	Older Millennials
RING WITH DIAMONDS ONLY	32	30	26
EARRINGS WITH DIAMONDS ONLY	25	27	27
NECKLACE WITH DIAMONDS ONLY	23	14	18
BRACELET	8	15	13

Source: De Beers Group-commissioned Diamond Acquisition Study, US, 2018.

DIAMOND GIFTING FROM MILLENNIALS AND GEN Z TO FAMILY AND FRIENDS

You don't have to be in love to give or receive diamonds: more generic love, as between family and friends, is also important.

One in 10 US Gen Z women has bought diamonds as a gift for someone else, and this rises to as many as one in five among Older Millennials (Fig. 18).

Who do they buy for? Mostly mothers, grandmothers, daughters and female friends (especially for Gen Z). Mothers are the most frequent beneficiaries; about half of American female diamond gift-buyers aged 18–24 buy for their mothers. This tails off among Older Millennials, who start switching to buying for their daughters (Fig. 19).

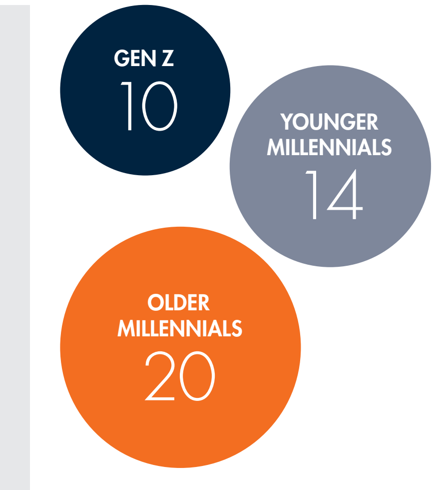
Gen Z are closer to their parents than Millennials were at the same age: almost two-thirds of them talk to their mothers about important matters at least once a week, compared with half of Millennials. They also confide more in fathers – but mothers remain the preference for important or intimate conversations (Fig. 20)[29].

Mother's Day and Christmas/Chanukah are the main occasions in the US when women buy diamonds as gifts. As women get older, the importance of Mother's Day declines in this respect: only 29 per cent of Older Millennials buying diamonds as a gift name it as the motive, compared with 39 per cent of Gen Z female gifters (Fig. 21).

Necklaces and earrings are the most popular types of diamond jewellery to buy as gifts in the US, each accounting for roughly a third of female Millennial gifters. Gen Z purchasers favour necklaces with more than four in 10 gifters (44 per cent) choosing them[30].

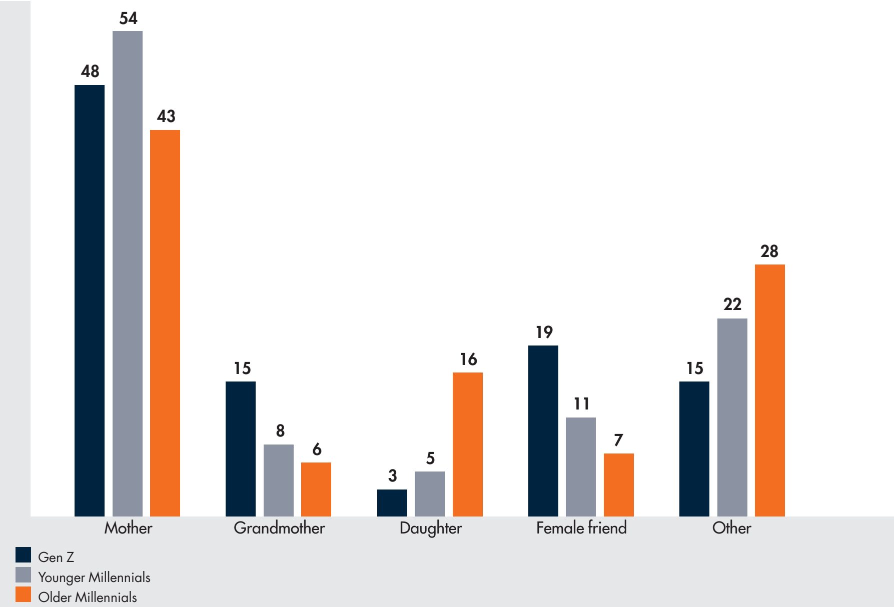
Love and diamonds are intertwined. But the needs, desires and preferences of Millennials and Gen Z are complex. Understanding them will help to unlock the myriad diamond-related opportunities they represent.

***FIG. 18:* US WOMEN WHO EVER BOUGHT A DIAMOND FOR SOMEONE ELSE**
(% OF ALL WOMEN)



Source: De Beers Group-commissioned Diamond Acquisition Study, US, 2018.

***FIG. 19:* RECIPIENTS FOR DIAMOND GIFTING IN THE US**
(% OF FEMALE DIAMOND GIFTERS)



Source: De Beers Group-commissioned Diamond Acquisition Study, US, 2018.

TRAIT 01: LOVE IS MEANINGFUL IN MANY WAYS
CONTINUED

***FIG. 20:* MILLENNIALS AND GEN Z CLOSENESS OF RELATIONSHIP WITH PARENTS**

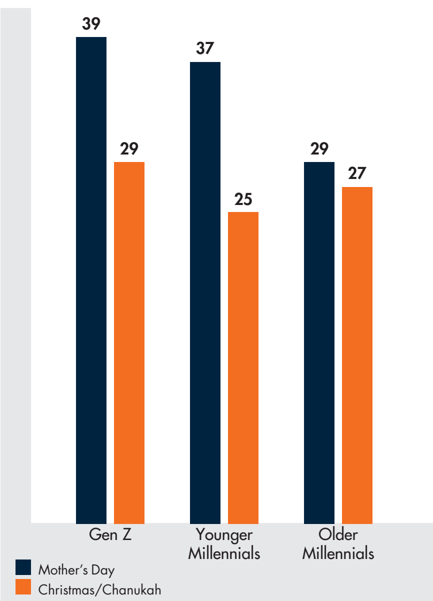
	Talk to **mother** about things. that matter at least once a week	Talk to **father** about things that matter at least once a week
Younger Millennials (aged 11–15 in 2002) (%)	51	31
Gen Z (aged 11–15 in 2015) (%)	64	45

Source: Ipsos MORI, Beyond binary: The lives and choices of Generation Z, based on British Household Panel Survey 2002 and Understanding Society, the UK Household Longitudinal Survey, 2015.

1 in 10
US Gen Z women have bought diamonds as a gift.

1 in 5
US Older Millennials have bought diamonds as a gift.

***FIG. 21:* OCCASIONS FOR DIAMOND GIFTING**
(% OF FEMALE DIAMOND GIFTERS)



Source: De Beers Group-commissioned Diamond Acquisition Study, US, 2018.

TRAIT 02: DIGITAL NATIVES

I WANT WHAT I WANT WHEN I WANT IT

GEN Z BRING A NEW MEANING TO OMNICHANNEL

While Millennials and Gen Z are well known for using online – and particularly mobile – as their main method of staying connected to news and information, this increasingly applies to shopping too. Gen Z is the first generation fully immersed in a multiscreen world and as such has higher expectations of seamless connectivity, with research showing that 60 per cent will not use an app or website that is too slow to load[31]. They are smart consumers and so hunt for value, valuing peer reviews, product specifications and vendor ratings within their decision-making process. They demand a seamless omnichannel offering which is responsive to online customer feedback and is functional on mobile platforms. Gen Z want innovative and immersive technology such as in-store digital features. Gen Z are taking digital to the extreme, blurring the boundaries between digital and physical to enter the 'phygital' 'always on' space. And it's all about instant satisfaction – I Want What I Want When I Want It[32].

In 16 developed and developing countries, 67 per cent of Gen Z shop in bricks and mortar stores, but 80 per cent say that their purchases are influenced by social media and 38 per cent are willing to shop using voice assistants[33]. This brings a whole new meaning to omnichannel, as illustrated in the Libert'aime™ by Forevermark™ case study (see page 28).

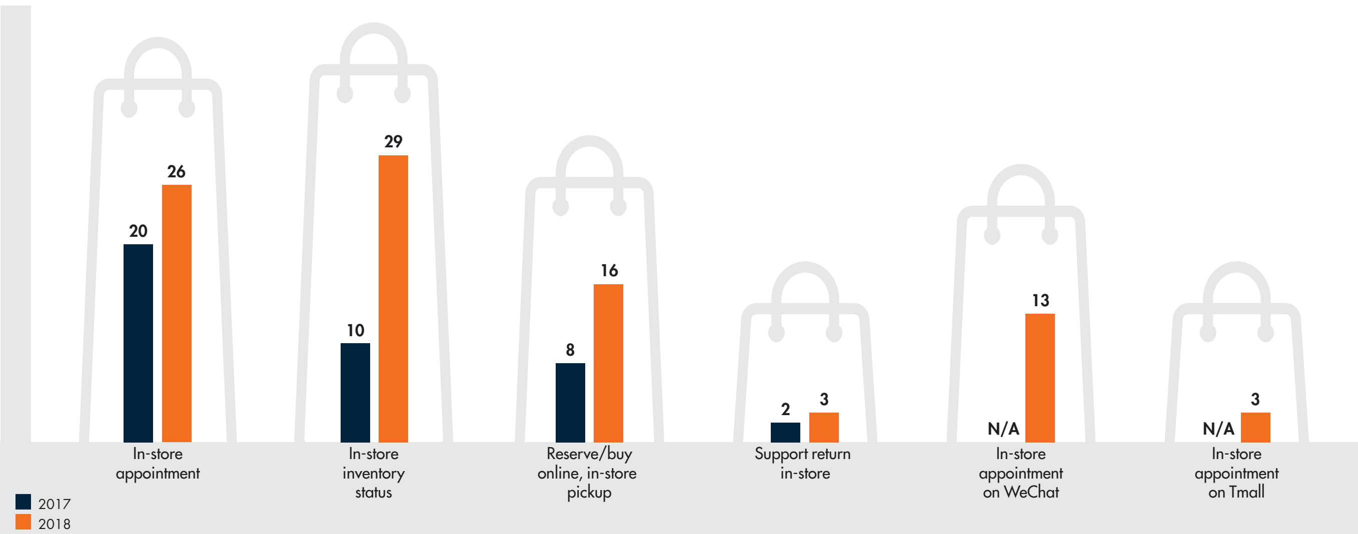
Brands therefore need not only to provide access to their products, services and communications on mobile, but also to shorten the timelines between product launches and availability to purchase, with a seamless, hassle-free process.

In China, the penetration of omnichannel in the luxury sector is relatively limited. The most widely used omnichannel function there is looking up stock levels online with nearly one in three luxury brands offering it (Fig. 22).

60%
of Gen Z will not use an app or website that is too slow to load.

80%
of Gen Z say their bricks-and-mortar store purchases are influenced by social media.

***FIG. 22:* OMNICHANNEL FEATURE ADOPTION IN LUXURY IN CHINA**
(% OF LUXURY BRANDS)



Source: Gartner L2 Digital IQ Index, Luxury China, July 2018.

TRAIT 02: DIGITAL NATIVES
CONTINUED

CASE STUDY

LIBERT'AIME™ BY FOREVERMARK™

Libert'aime™ by Forevermark™ is a new concept store in Shanghai by the De Beers Group diamond brand Forevermark™.

This new retail store concept was designed with the Millennial in mind, creating a modern, interactive consumer experience through a seamless omnichannel model, including the physical store, online platforms and WeChat social media platform.

The physical store contains interactive experiences such as a 3D diamond wall and a 'Magic Mirror', allowing consumers to generate shareable images wearing Forevermark pieces.

To target the 'self-purchase for everyday wear' opportunity, concepts such as the 'Diamond Bar' were created, displaying pieces suitable for daily use, both in price point and design. The omnichannel model allows Forevermark™ to refresh its product offering regularly by creating new jewellery designs based on an understanding of customer demand trends and purchase behaviour.

The collaboration with Chinese rising star, Timmy Xu Weizhou, on his Le Light collection, has seen considerable success on social media. The hashtag for the promotion received over 62.4 million views and 260,000 comments on Weibo, according to L2 Luxury China 2018 Report.

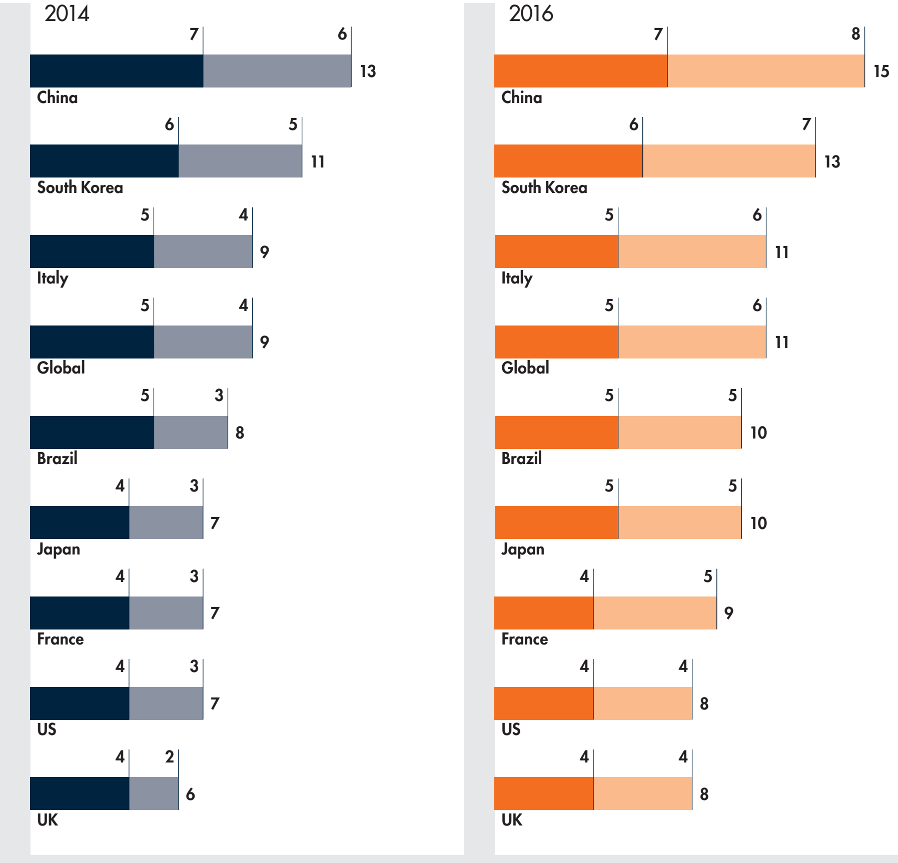
Libert'aime™ by Forevermark™: a new flagship store at HKRI Taikoo Hui in Shanghai.

DIGITAL TOUCHPOINTS ARE AN ESSENTIAL PART OF THE CONSUMER JOURNEY

Luxury purchases involve more touchpoints than ever before. McKinsey notes that the number is increasing across the globe – most noticeably in China where, before making a purchase, a consumer engages with 15 different touchpoints on average, half of these being digital (Fig. 23).

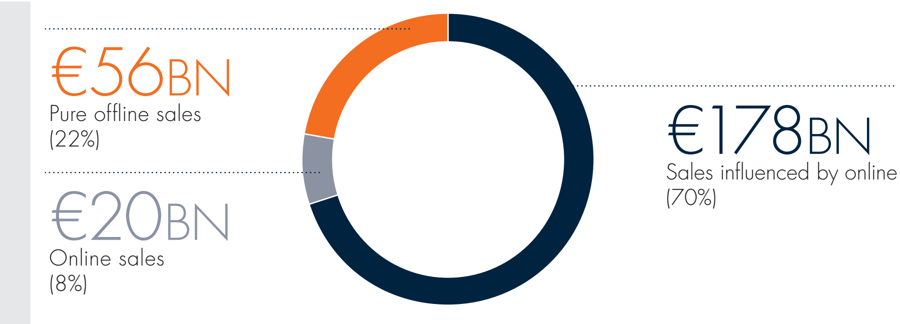
This growth in the influence of digital channels means 78 per cent of all luxury purchases today involve at least one digital touchpoint (Fig. 24).

FIG. 23: **USE OF DIGITAL TOUCHPOINTS – DIGITAL TOUCHPOINTS ARE MULTIPLYING**
(NUMBER OF TOUCHPOINTS IN THE CONSUMER DECISION JOURNEY)



Source: McKinsey & Company. Apparel, Fashion & Luxury Group. The age of digital Darwinism. 2018.

FIG. 24: **INFLUENCE OF ONLINE ON LUXURY GOODS SALES**
(SALES OF PERSONAL LUXURY GOODS[1,2])



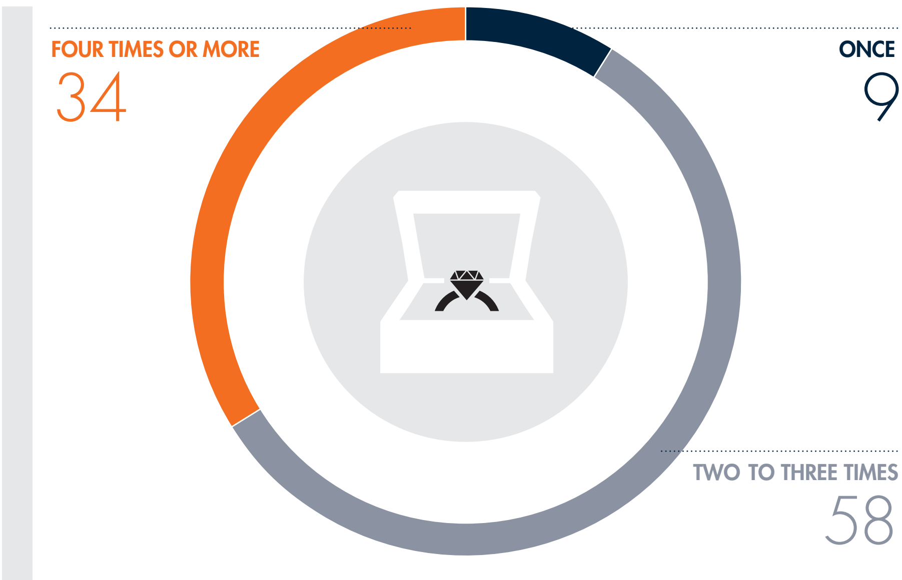
Source: McKinsey & Company. Apparel, Fashion & Luxury Group. The age of digital Darwinism. 2018.
[1] Apparel, footwear, accessories, jewellery and watches, leather goods, beauty and perfumes.
[2] Based on these markets: China, South Korea, Italy, Brazil, Japan, France, US and UK.

TRAIT 02: DIGITAL NATIVES
CONTINUED

Buyers of diamonds now engage more actively across a range of channels when they are researching their intended purchase or seeking inspiration – and this applies to all age groups. There has been a notable increase in the use of digital channels, particularly to learn more about diamond jewellery brands and designs. Over half of consumers in the US said they would definitely look online to browse designs of diamond jewellery – the same proportion who would now visit specialist stores to view the selection of diamond jewellery (Fig. 25).

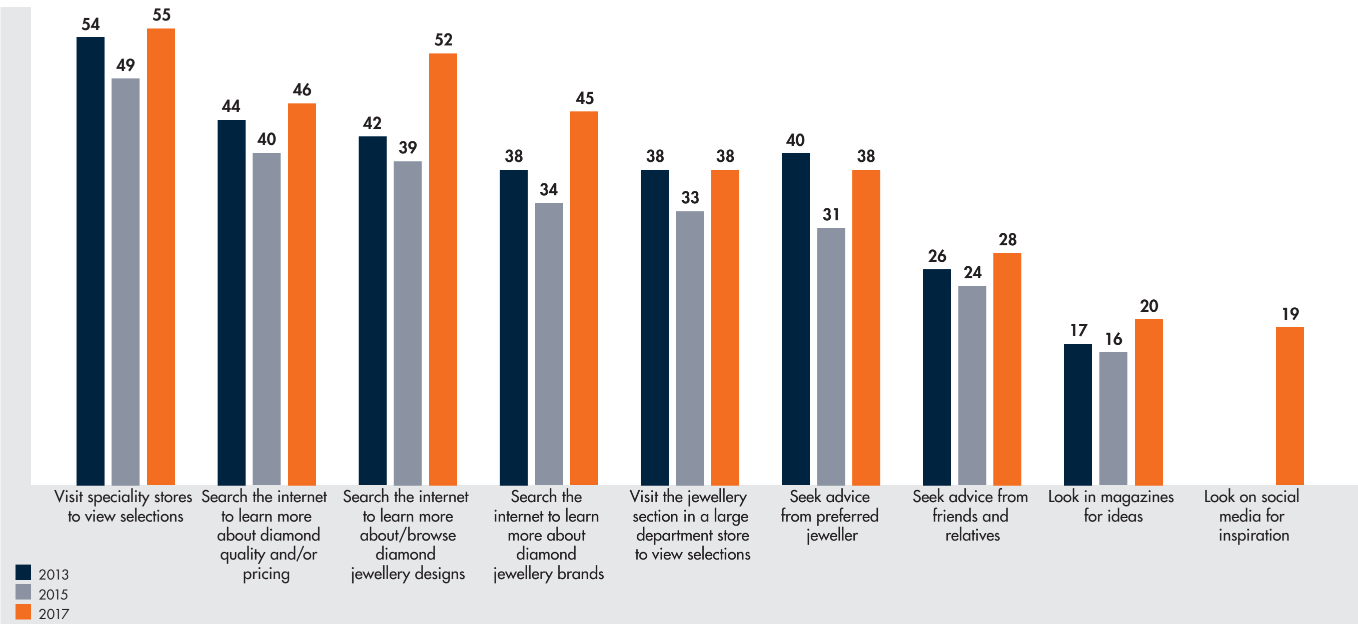
In China too, digital channels play a key role in the decision-making process. For the vast majority (92 per cent) of diamond jewellery acquisitions researched online, buyers make more than one web visit in preparation for their purchase (Fig. 26). As in the US, this is often to learn more about brands and jewellery pieces[34].

***FIG. 26:* FREQUENCY OF ONLINE VISITS AMONG CHINESE FEMALE ACQUIRERS (AGED 18–54) WHO USE ONLINE FOR RESEARCH PRE-ACQUISITION**
(% OF PIECES ACQUIRED)



Source: De Beers Group-commissioned Diamond Acquisition Study, China, 2017.

***FIG. 25:* METHODS USED FOR RESEARCHING DIAMOND ACQUISITIONS**
(% OF ALL US WOMEN AGED 18–74 SAYING THEY 'DEFINITELY WOULD'…)



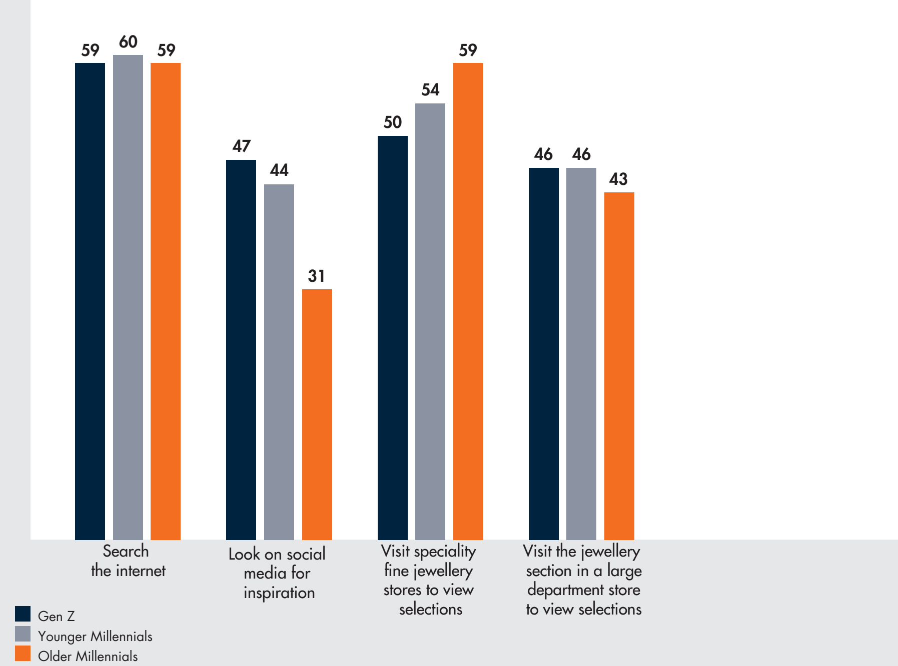
Source: De Beers Group-commissioned Diamond Acquisition Studies, US, 2014, 2016 and 2018.

Nearly all (98 per cent) Gen Z and Millennial consumers in China (aged 18–29) research their purchase through one or more channels before buying[35].

In terms of preparing to acquire a diamond, there are a number of commonalities across Millennials and Gen Z, with around six in 10 women aged 18–39 searching the internet prior to purchase to learn about diamond designs, quality, pricing and brands. Gen Z and Younger Millennials are more likely than Older Millennials to look on social media for inspiration prior to a diamond purchase (Fig. 27).

Diamond brands need to ensure that customer service is excellent and consistent across channels/touchpoints. On/offline experience needs to link smoothly and provide consumers with a consistent brand experience. While this is true for consumers of all ages, it's particularly important for the younger groups who expect to have a seamless experience, whatever time of day they engage with a brand.

***FIG. 27:* METHODS USED FOR RESEARCHING DIAMOND ACQUISITIONS AMONG US CONSUMERS**
(% OF RESPONDENTS SAYING THEY 'DEFINITELY WOULD'...)



Source: De Beers Group-commissioned Diamond Acquisition Study, US, 2018.

44–47%
of Gen Z and Younger Millennials are more likely to look on social media for inspiration prior to a diamond purchase than Older Millennials.

Around 60%
of Millennial and Gen Z women search the internet prior to purchase to learn about diamond designs, quality, pricing and brands.

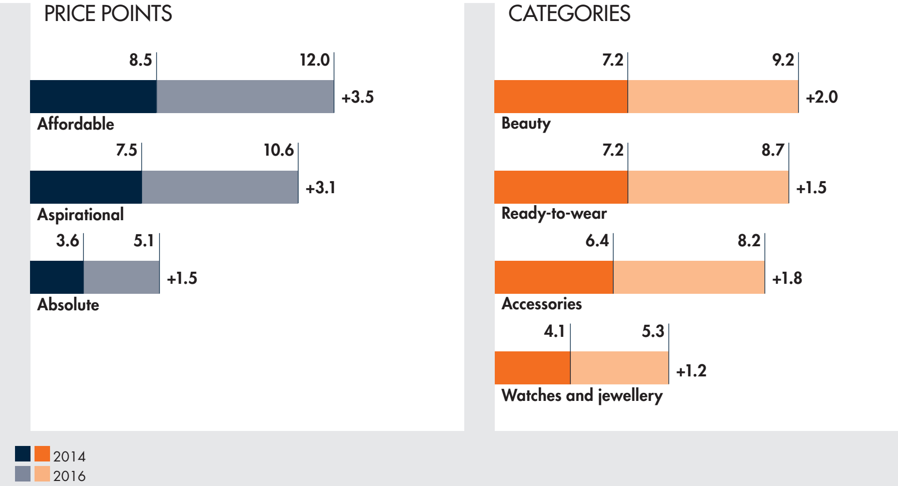
TRAIT 02: DIGITAL NATIVES
CONTINUED

FOR BUYING, NOT JUST FOR LOOKING

Consumers of luxury goods are not only researching online, but increasingly making their purchase there too. McKinsey reports digital sales growing across all segments and price points, including watches and jewellery, with the 'affordable' segment powering ahead fastest (Fig. 28).

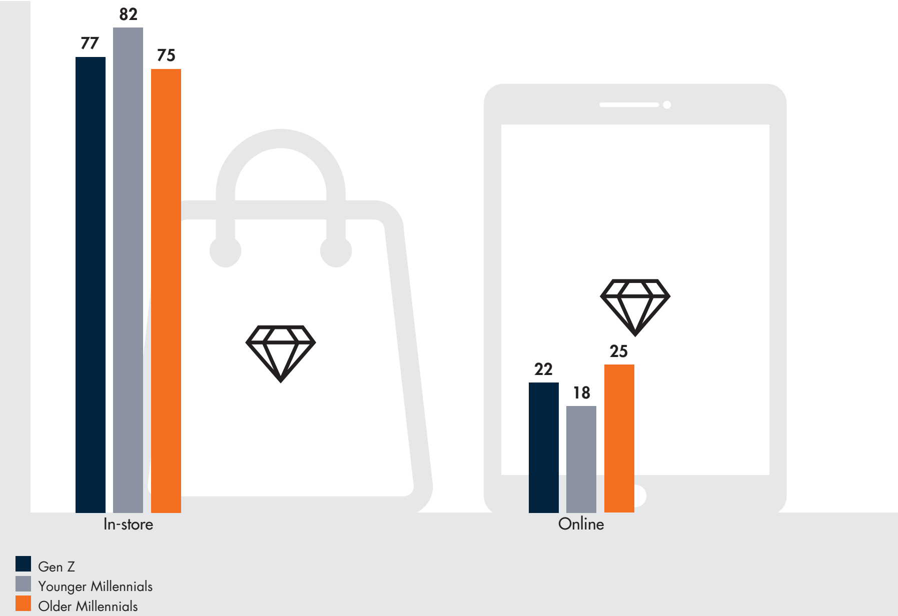
In the US, the online share of total diamond jewellery sales seems to be stabilising, with sales having increased only slightly from 18 per cent of all pieces in 2013 to 19 per cent in 2017. However, online acquisitions represent more than one in five (22 per cent) pieces of diamond jewellery acquired by Gen Z and a quarter of pieces (25 per cent) acquired by Older Millennials (Fig. 29).

FIG. 28: **ONLINE LUXURY SALES**
(% PENETRATION IN EACH CATEGORY)



Source: McKinsey & Company. Apparel, Fashion & Luxury Group. The age of digital Darwinism. 2018.

FIG. 29: **PURCHASE CHANNEL OF DIAMOND JEWELLERY PIECES IN THE US**
(% OF PIECES)



Source: De Beers Group-commissioned Diamond Acquisition Study, US, 2018.

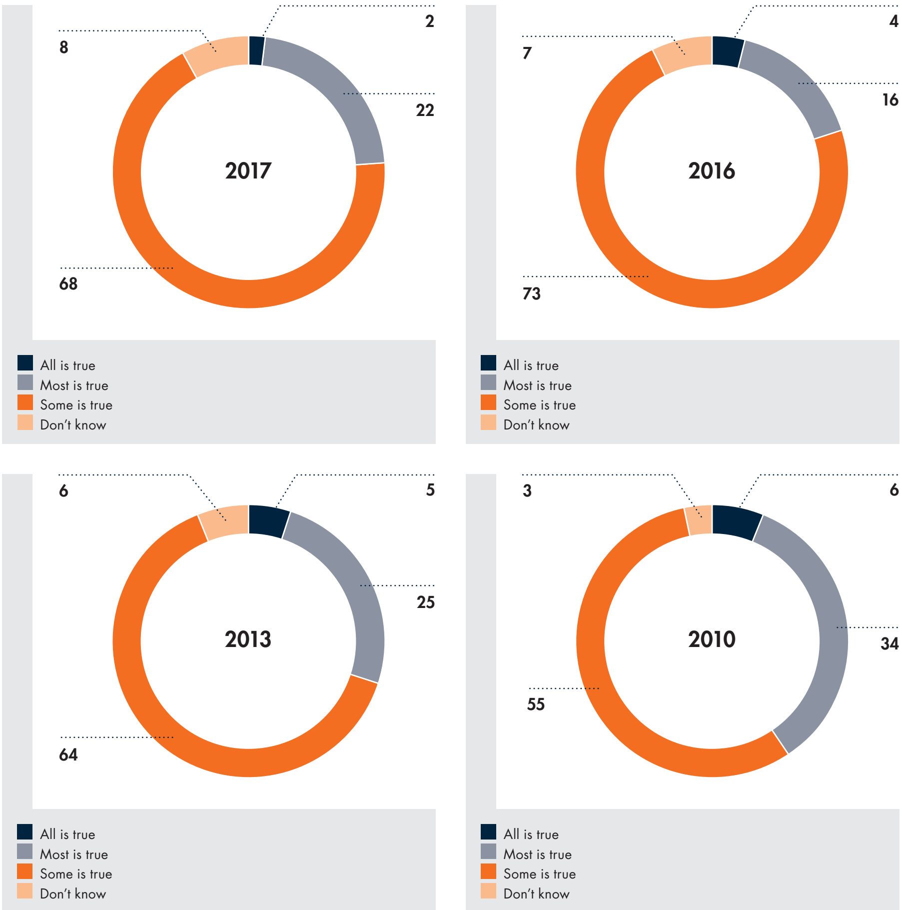
TRAIT 03: AUTHENTICITY

The younger generations are increasingly sceptical of institutions. Harvard University's Institute of Politics found that 88 per cent of Millennials said they 'only sometimes' or 'never' trust the press and 86 per cent of Millennials said they distrust Wall Street. Millennials were equally dubious of government, with 74 per cent saying they 'sometimes' or 'never' trust the federal government to do the right thing[36].

Trust in social media is limited and falling over time, as indicated by research from UK telecommunications regulator Ofcom (Fig. 30).

Gen Z are looking for honesty in communications[37]. This emphasises the need for marketing messages to be authentic if they are to be effective.

***FIG. 30:* BELIEF IN SOCIAL MEDIA CONTENT**
(SOCIAL MEDIA SITES OR APPS SUCH AS FACEBOOK, INSTAGRAM, TWITTER OR YOUTUBE: 12–15-YEAR-OLDS) (%)



Source: Ipsos MORI, Beyond binary, The lives and choices of Generation Z, based on Ofcom research.

88%
of Millennials said they 'only sometimes' or 'never' trust the press.

74%
of Millennials said they 'sometimes' or 'never' trust the federal government to do the right thing.

TRAIT 03: AUTHENTICITY
CONTINUED

WHERE ARE GEN Z ONLINE AND WHAT GRABS THEM?

Gen Z are even more likely than their Millennial predecessors to turn to social media, with nearly half (47 per cent) of Gen Z claiming they would definitely look at social media for inspiration, compared with just three in 10 (31 per cent) of Older Millennials (Fig. 31). Instagram and Snapchat are Gen Z's most popular social media channels – used by eight out of 10 and seven out of 10 respectively. Of those using Snapchat, 20 per cent log in to it more than 10 times a day[38]. Facebook, Twitter and Pinterest are considered older generations' media and of relatively less interest to Gen Z[39].

De Beers Group-commissioned consumer research in China has shown that the use of the internet on mobile devices among Millennial and Gen Z women for shopping is high – ranging from 53 per cent for Gen Z to 69 per cent for Millennials. The frequency with which young Chinese women use mobile internet for shopping or browsing on smart phones is more than once a week.

When researching a new diamond acquisition, Chinese young women most often visit the websites of international and local jewellery brands and retailers – 62 per cent of Gen Z and 73 per cent of Millennials. Search engines such as Baidu attract 68 per cent of Gen Z and 57 per cent of Millennials, while social media such as WeChat are used in this context by 23 per cent of Gen Z and 52 per cent of Millennials. Gen Z have a higher preference for discussion forums, such as bbs.vogue.com.cn, with 52 per cent using them for jewellery research, compared with 42 per cent of Millennials[40].

However, given their mistrust and scepticism, Gen Z do not take the accuracy of information on social media for granted. Half of them say that they are not affected by endorsements from vloggers and resort to online product reviews and the opinions of friends and family as the most important influences in buying behaviour[41]. They use social platforms to build and maintain their personal networks, and will use all their resources to research big purchases, cross-reference information and look for guidance.

When they view ads online, originality is what is most likely to attract their attention, closely followed by fun (Fig. 32).

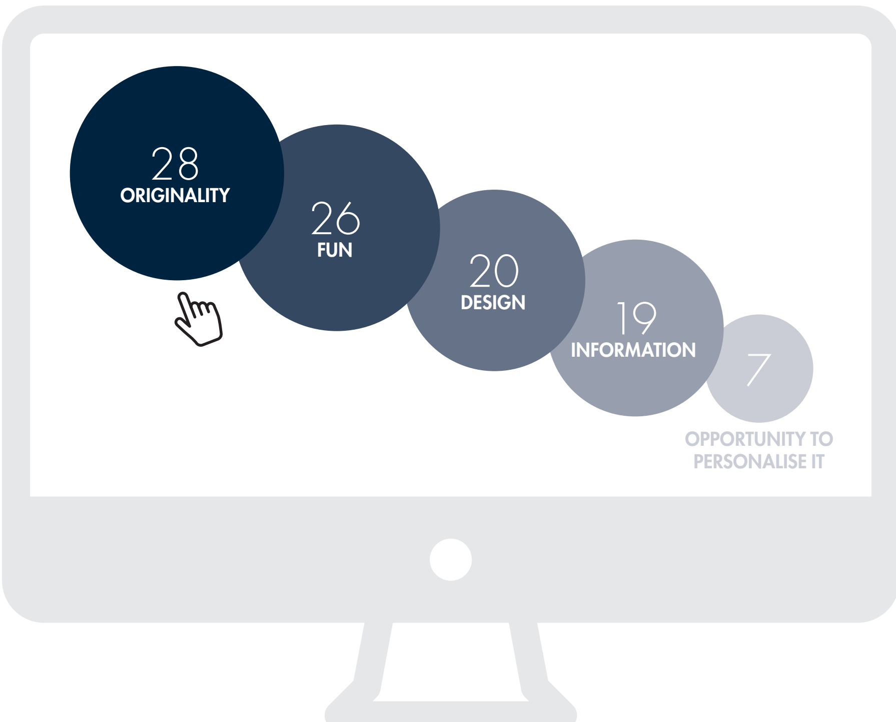
***FIG. 31:* USE OF SOCIAL MEDIA TO FIND INSPIRATION FOR DIAMOND JEWELLERY PURCHASE**
(% OF WOMEN IN EACH GROUP)

18–20	21–24	25–39
47	44	31

Source: De Beers Group-commissioned Diamond Acquisition Study, US, 2018.

70%
of Gen Z use Snapchat – 20 per cent of users log in to it more than 10 times a day. Instagram is also popular and used by 80 per cent of Gen Z.

***FIG. 32:* ORDER OF IMPORTANCE OF DIGITAL AD FEATURES**
(% OF GEN Z CONSUMERS)



Source: Research Now SSI study across UK, France, Germany, Italy, Australia, Canada and the US, 1,000 respondents per country aged 16–22.

THE VALUE OF INFLUENCERS

Gen Z want to see 'real' people like themselves reflected in communications – they have a wide appreciation of beauty and celebrate imperfection. Brands which embrace this in their communications are more likely to be seen as being in touch with consumers.

Partnerships between brands and influencers work if the right influencer is chosen and there is a good fit with their aesthetic and follower base. But if not, posting will be less productive. Posts by influencers tagging brands gain much more traction than when brands tag influencers. This is particularly striking in the watches and jewellery category, where brands saw an average of 18 times more engagement on influencer posts than brand posts (Fig. 33).

FIG. 33: **AVERAGE ENGAGEMENT LIFT ON BRAND POSTS VS INFLUENCER POSTS IN LUXURY IN THE US**
(% CHANGE, JULY – DECEMBER 2017)

BRAND POSTS TAGGING INFLUENCERS
28

INFLUENCER POSTS TAGGING BRANDS
509

BRANDS SAW AN AVERAGE OF 18 TIMES MORE ENGAGEMENT ON INFLUENCER POSTS THAN BRAND POSTS
18x

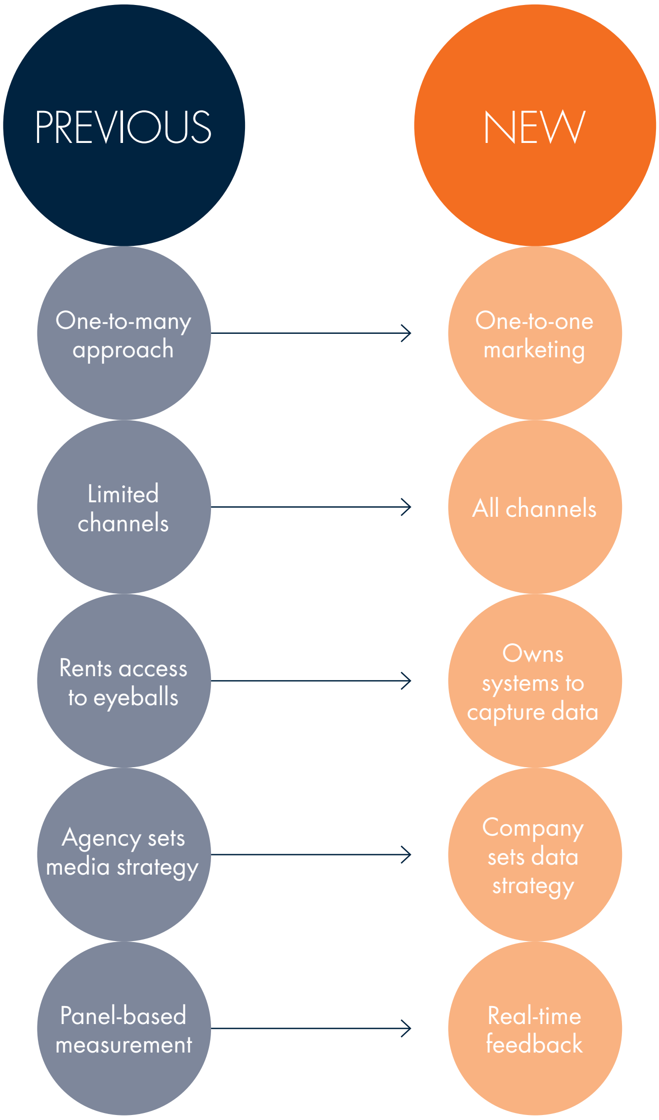
Source: L2 Luxury report – Social media – the luxury experience on social, April 2018.

TRAIT 03: AUTHENTICITY
CONTINUED

PUSH TURNS TO PULL

The old model of marketing was to 'push' information about new brands, products and designs to customers through broadcast channels – television, print advertising, outdoor advertisements and direct mail campaigns. Now customers know everything about products before they've even launched, through social media, influencers and reviews. These channels work to 'pull' consumers to seek out products and brands by drawing them in with engaging, relevant, entertaining and educational content which gives them an incentive to want to know more. No longer is it sufficient to supply the product alone: customers also want to buy into the experience and emotions that brands offer. Since digital enables customers to buy instantly and be constantly entertained, the bar is consistently being raised by their previous best experience (Fig. 34).

***FIG. 34:* SHIFTS IN APPROACH TO MARKETING**



Source: Salesforce.

INDIVIDUALITY IS THE NEW SEXY

Millennials have shifted their demand towards niche, local, original brands for two main reasons. One is their disenchantment with big business and institutions, which were perceived to have caused their hardship following the 2008 global financial crisis. The other is their desire to express their individual personalities through the products and services they buy. BCG estimates this shift to have cost large US consumer groups US$22 billion in sales between 2011 and 2016[42].

For Gen Z, 'individuality is the new sexy, which they need to embrace, express and in doing so they become the best version of themselves', says Victor Hugo, Jr, Global Brand Director, Axe, Unilever[43]. Due to their 'always on' digital mode of communication, individuals from Gen Z see themselves as personal brands, to be developed and marketed to the world. Traditional brands therefore need not only to create niche and customisable products, but also enable their consumers to become their advocates. They can achieve this if they can create networks grounded in openness and approachability. Brands need to allow consumers to participate on numerous levels beyond the pure act of purchase, enabling them to express broad views and generate experiences in the process[44] (see the Daniel Wellington case study, below). Marketing to Gen Z needs to take the form of creating close, honest and lasting online friendship circles with uninhibited conversations. Again, authenticity is king.

CASE STUDY

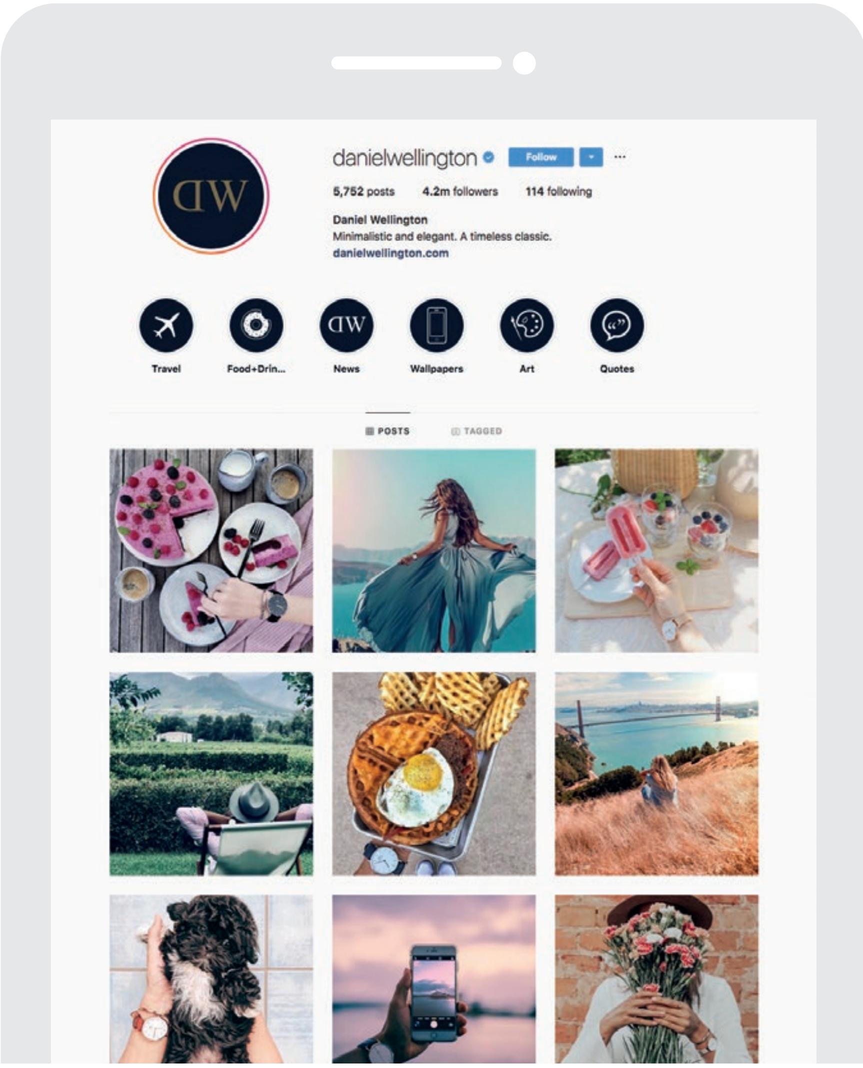
DANIEL WELLINGTON

Daniel Wellington, an affordable Swedish watch brand founded in 2011, grew its revenues by more than 4,500 per cent to US$180 million in just three years (2013–15)[1], selling over a million units per annum, and was ranked the fastest-growing private company in Europe by 2017. This was achieved largely by tapping into the Millennial and Gen Z zeitgeist and using its Millennial owner's expertise in social media.

Its winning approach was to encourage its users to upload images of their watches in interesting or unusual settings to Instagram. The brand would then feature one picture a day on its own account using a #dwpickoftheday hashtag.

This has helped generate 4.2 million Instagram followers today, and 1.5 million images tagged with #danielwellington. The brand is now stocked in 6,000 outlets in 75 countries[2], has stand-alone stores and even travelling 'pop-ups' where you can personalise your watch strap with a monogram.

Sources:
[1] INC 5000 Europe 2017, referenced in Daniel Wellington just hit an insane milestone, Business Insider, 2017
[2] Daniel Wellington the fastest growing private company in Europe — six Nordic rockets in Top 10, Business Insider, 2017

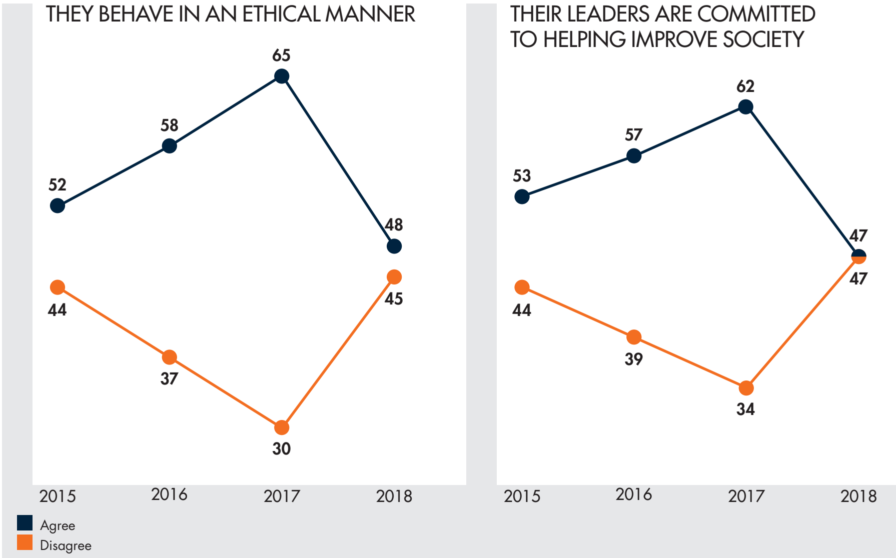


TRAIT 04:
ENGAGEMENT WITH SOCIETY AND SOCIAL ISSUES

Millennials' trust in big business has declined. Deloitte reports that fewer than half (48 per cent) in 2018 agree that corporations behave ethically, down from nearly two-thirds (65 per cent) in 2017 (Fig. 35). Similarly, there has been a drop in their belief that business leaders are committed to helping improve society: from 62 per cent in 2017 to 47 per cent in 2018.

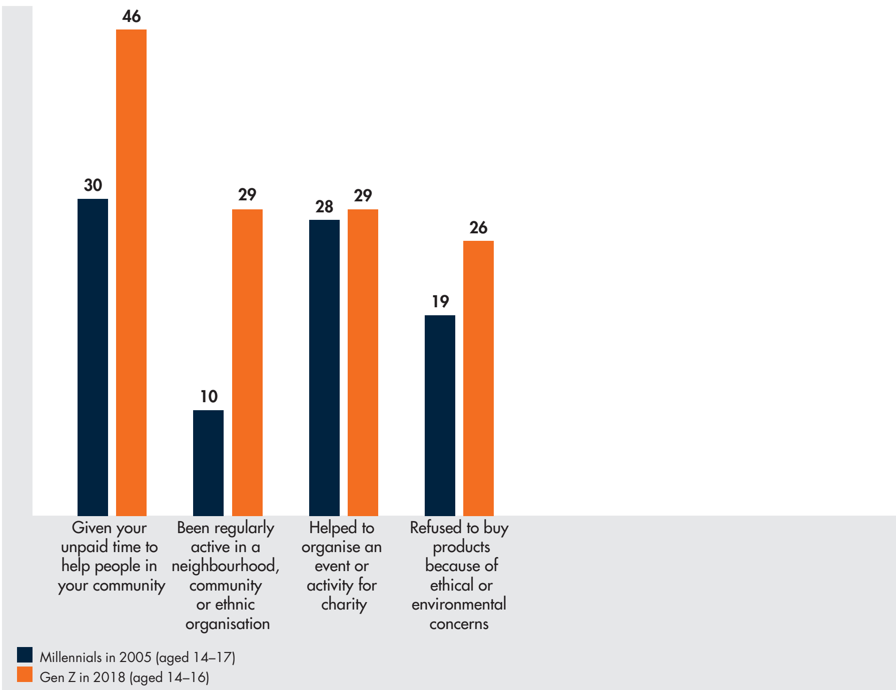
Gen Z are at least as active in social causes as previous generations, albeit sometimes in different ways (using technology)[45]. Compared with Millennials at the same age, Gen Z are more engaged in giving their unpaid time to help their community (46 per cent have done it) and a further 29 per cent have been regularly active in a neighbourhood, community or ethnic organisation. When it comes to ethical consideration affecting their buying behaviour, more than a quarter (26 per cent) of Gen Z are likely to refuse to buy products because of ethical or environmental concerns, the conditions under which they were produced or what they were made from (Fig. 36).

***FIG. 35:* MILLENNIALS' ATTITUDES TO BUSINESSES**
(% OF MILLENNIALS WHO SAY OF BUSINESSES...)



Source: 2018 Deloitte Millennial Survey, Millennials disappointed in business, unprepared for Industry 4.0.
Note: Total sample of 12,299 covering 36 countries, including the main diamond-consuming countries (US, China, India and Japan).

***FIG. 36:* ENGAGEMENT IN SOCIAL ACTIVISM**
(% WHO HAVE DONE THE FOLLOWING IN THE PAST TWO YEARS)



Source: Ipsos MORI, Beyond binary: The lives and choices of Generation Z, based on Young people's Omnibus 2018 / Nestle family monitor citizenship survey 2005.

48%

Deloitte reports that fewer than half of Millennials in 2018 agree that corporations behave ethically, down from nearly two-thirds (65 per cent) in 2017.

THE GENDER AGENDA

The liberal attitudes of the younger generations towards sexuality, gender identity and rejection of gender stereotypes affects what they are willing to buy. However, Gen Z are much less likely than Millennials to stick to gender-anchored products in accessories, apparel and cosmetics (Fig. 37).

Sixty per cent of Gen Z will support a brand if it stands for equal rights in respect of sexual orientation and race[46].

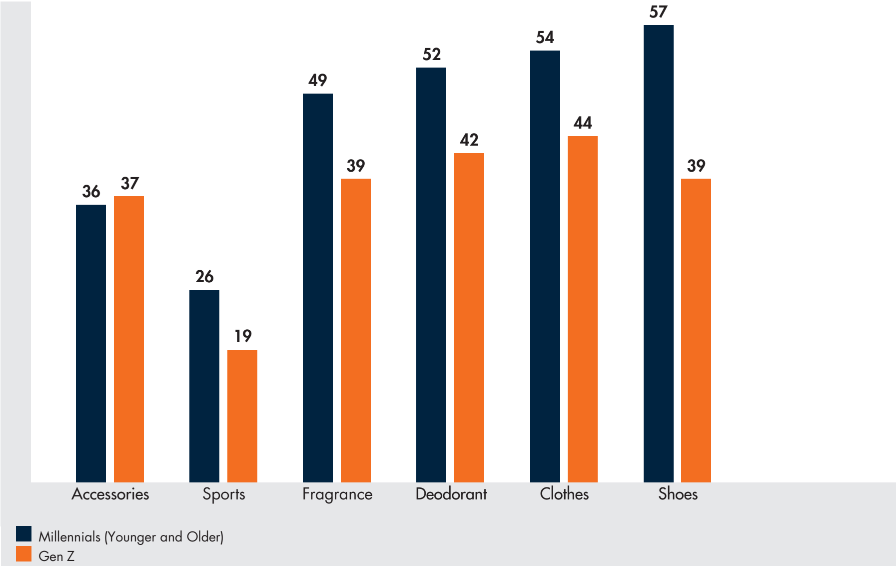
This highlights the need for diamond businesses to ensure they reflect the younger generations' outlook on gender issues. Marketing that promotes positive and progressive perceptions of both women and men can be expected to become increasingly impactful, and consumer advertising campaigns will need to avoid gender stereotypes and projecting unrealistic perceptions of physical form.

Initiatives such as the Unstereotype Alliance, launched by UN Women, and reference to the World Federation of Advertisers' Guide to Progressive Gender Portrayals in Advertising are likely to play an important role in guiding the actions of marketers so that they are consistent with younger consumers' expectations, and are more effective at removing potentially discriminative representations of different groups.

De Beers Group is drawing on the work of these two bodies as it develops guidelines and training for brand teams across its key markets.

60%
of Gen Z will support a brand if it stands for equal rights in respect of sexual orientation and race[46].

FIG. 37: PURCHASING OF PRODUCTS GEARED SPECIFICALLY TO OWN GENDER
(% AGREE 'I ALWAYS BUY PRODUCTS THAT ARE GEARED SPECIFICALLY TOWARD MY OWN GENDER, RATHER THAN NON-GENDERED PRODUCTS, WHEN IT COMES TO...')



Source: Ipsos MORI, Beyond binary: The lives and choices of Generation Z, based on JWT Intelligence, Study of youth attitudes towards gender in the US, 2016.

TRAIT 04: ENGAGEMENT WITH SOCIETY AND SOCIAL ISSUES
CONTINUED

HOW BLOCKCHAIN CAN ASSURE ETHICAL SOURCING

Gen Z's focus on ethical consumerism, coupled with this generation's desire for honesty and authenticity, and expectation of 'story-doing' instead of 'storytelling', highlights the need for businesses to be able to provide evidence of any claims about a product's ethical credentials. Businesses making ethical or eco-friendly claims without the ability to substantiate them are likely to be viewed increasingly cynically by younger generations.

One way the diamond sector is evolving to meet the expectations of younger consumers is by developing mechanisms to track diamonds as they pass through the value chain. The advent of blockchain technology offers the opportunity to provide assurance in a way that was not previously possible and several new initiatives aim to do exactly this, helping to meet Gen Z's desire for organisations to move from 'tell me' to 'show me'.

Blockchain is a highly secure technology platform that has been used for several years in many industries for a range of applications. Perhaps most famous as the technology that underpins cryptocurrencies such as Bitcoin, blockchain is of interest to the diamond sector for an entirely different reason: it provides the technology backbone to enable diamonds to be tracked through the value chain by recording data in a tamper-proof digital ledger that can never be erased. Each event or interaction is registered as a 'block' that represents unique information, data or characteristics about a diamond on its journey through the value chain. Each block must be validated by the blockchain community before it can be added to the blockchain, with the blockchain continuing to grow as each new block is registered. When 'chained' together, the blocks construct a complete digital record for each diamond.

Blockchain is therefore a hugely valuable way to provide consumers with enhanced assurance that the diamond they are buying is natural, conflict-free and has moved through legitimate channels at every stage of its journey. The issue of responsible sourcing is particularly important for emotionally significant purchases such as diamonds, and this has been highlighted by the speed with which the diamond sector has sought to embrace blockchain-based asset-tracking platforms.

De Beers Group announced Tracr™, the first diamond blockchain to span the entire value chain, in early 2018, while other platforms such as Clara, TrustChain and Everledger are in various stages of development and are also seeking to support transparency in the diamond pipeline.

Forever and ever

Gen Z live in the present with an eye on the future – consciously thinking about the day after tomorrow. This generation demands from brands that they behave well and care for the world. Sustainability is valued greatly. Brands therefore need to have a meaningful purpose, a greater goal beyond their commercial agenda. Gen Z find Corporate Social Responsibility ***storytelling*** *insufficient and expect companies to engage in* ***story-doing***[32].

Businesses making ethical or eco-friendly claims without the ability to substantiate them are likely to be viewed increasingly cynically by younger generations.

CASE STUDY

TRACR™

HOW DOES TRACR™ WORK?
One of the challenges of digitally tracking a physical product like a diamond, especially as it undergoes changes on its journey through the value chain, is to ensure that the digital record corresponds to the correct diamond at every stage. Tracr™ will make this possible by automatically creating a unique 'Global Diamond ID' for each diamond registered on the platform, storing individual attributes such as carat, colour and clarity, as well as up to 180 other unique data points. The system does this through integrating with the platform participants' existing record-keeping systems, allowing Tracr™ to consolidate the data into an unchangeable digital trail and assuring a diamond's traceability from rough to all its polished stones.

In addition to process tracking, Tracr™ will also match a diamond's physical properties to its digital identity with the help of data science and physical identification techniques. This double layer of assurance will underpin confidence in the goods tracked on the platform and help prevent fraud.

WHAT ARE THE BENEFITS?
One major benefit is that retailers will be able to provide consumers with full assurance that a diamond is natural, conflict-free and has travelled through a responsible supply chain.

There will be advantages for other stakeholders too. For example, diamond manufacturers stand to benefit from improved access to, and potentially a lower cost of, financing, as visibility and trust between the lending and borrowing parties improves. They will also have the potential to save money thanks to streamlined processes and reduced reliance on paperwork. Meanwhile, lenders will be able to leverage Tracr™ to detect fraud automatically, as well as cut costs through digitised documentation and Know Your Customer checks.

RESPONSIBILITY AND SUSTAINABILITY

Many businesses in the diamond sector have a strong track record when it comes to giving back to the countries and communities in which they operate, and implementing responsible supply chain practices. Examples include environmental management and conservation programmes; the establishment of far-reaching programmes for ethical business practices; the sustainable economic development success achieved in diamond-producing countries such as Botswana; and the development of programmes to raise standards in the informal parts of the industry.

A challenge for the sector is how to increase consumer awareness of the positive social, economic and environmental impacts created by diamond businesses. This is likely to be best achieved through:

– participation in branded offerings that highlight a commitment to sustainable development
– increasing the availability of information about sustainability initiatives on social media and online channels
– establishing more targeted sustainability programmes so there is consistent focus on a particular issue or location that aligns with the business's values

TRAIT 04: ENGAGEMENT WITH SOCIETY AND SOCIAL ISSUES
CONTINUED

DE BEERS GROUP – DIAMOND INDUSTRY ETHICAL AND SUSTAINABILITY INITIATIVES

CASE STUDY

ENVIRONMENTAL MANAGEMENT AND CONSERVATION PROGRAMMES

While diamond mining inevitably affects the surrounding area, De Beers Group is committed to ensuring it has a net positive impact on the environment. For every hectare of land used for mining, De Beers Group manages six hectares for conservation purposes, providing vital support for a range of threatened and endangered species.

Specific initiatives include: a groundbreaking research programme in De Beers Group's Rooipoort Nature Reserve in South Africa to help save giraffes threatened with extinction; and undertaking one of the largest elephant translocations ever recorded in southern Africa as part of a major conservation initiative focused on both protecting the welfare of wildlife in South Africa and helping restore Mozambique's elephant population. De Beers Group is also leading a pioneering research project that aims to achieve carbon-neutral mining at some of the company's operations within a decade.

An elephant at De Beers Group's Venetia Limpopo Nature Reserve in South Africa.

Diamonds being inspected at the International Institute of Diamond Grading & Research's facility in Surat, India.

CASE STUDY

LEADING PROGRAMMES FOR ETHICAL SUPPLY CHAINS

De Beers Group launched the Best Practice Principles (BPP) Assurance Programme in 2005, which covers professional, ethical and technical standards for the diamond industry, and made compliance a contractual condition of supply to De Beers Group's principal rough diamond customers and a requirement for all entities within De Beers Group. The programme also extends to customers' contractors, further extending the reach of the programme.

In 2017, the BPP Programme covered 2,950 business entities and 365,000 employees across 79 countries.

The diamond industry has also established initiatives such as the UN-backed Kimberley Process to address risks related to conflict diamonds, while the Responsible Jewellery Council is a key standards-setting and certification organisation within the sector that has more than 1,100 members complying with its requirements, spanning human rights, labour rights, environmental impact, mining practices and product disclosure.

In 2017, De Beers Group's BPP Programme covered:

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TRAIT 04: ENGAGEMENT WITH SOCIETY AND SOCIAL ISSUES
CONTINUED

CASE STUDY

ECONOMIC DEVELOPMENT IN BOTSWANA

When diamonds were first discovered in Botswana in the 1960s shortly after independence, the country was one of the poorest in the world. Thanks to wisely managed diamond resources, Botswana has had the third-fastest growing gross domestic product (GDP) per capita in the world since 1966. Diamonds contribute to Botswana's economy in a number of important ways:

– De Beers Group's partnership with the Government of the Republic of Botswana contributes around 25 per cent of the country's GDP
– Several leading diamond cutting and polishing businesses have established factories in Botswana, supporting thousands of jobs in the local economy and transferring skills to support economic development
– The diamond industry runs and supports a number of initiatives to assist enterprise development in Botswana, such as the Tokafala, and the Stanford Go-To-Market and SEED programmes. The latter, for example, provides management training, leadership team workshops and networking support to assist southern African leaders to grow their businesses, create jobs and help lead their regions to greater economic diversity and prosperity.

Around 25%
contributed by De Beers Group to Botswana's GDP.

Diamond industry-run and supported initiatives in Botswana:
– Tokafala
– Stanford programmes: Go-To-Market and SEED

Exploring enterprise development opportunities at one of the De Beers Group and Stanford SEED roadshows.

CASE STUDY

SUPPORT FOR FORMALISATION OF ARTISANAL AND SMALL-SCALE DIAMOND MINING AND TRADING

De Beers Group has developed a programme called GemFair™ to create a secure and transparent route to market for ethically sourced artisanal and small-scale mined (ASM) diamonds. The ASM sector represents a critical income source for many poverty-affected communities, but due to parts of the sector being largely informal and unregulated, it lacks access to established international markets and the ability to derive fair value for participants.

GemFair™ is therefore partnering with the Diamond Development Initiative for a pilot in Sierra Leone to improve standards. GemFair™ will use dedicated technology to record ASM production at mine sites that meet demonstrable ethical standards, with the aim of purchasing rough diamonds from approved locations while helping improve working conditions and livelihoods for those employed in the sector.


Washing diamonds at a mine in Kono, Sierra Leone.

De Beers Group's GemFair™ programme will use dedicated technology to record artisanal and small-scale production at mine sites that meet demonstrable ethical standards.

CONCLUSION

While the sector must continue to meet the needs of Gen X and Baby Boomers, the shift of consumer power to Millennials and Gen Z presents considerable opportunities to the diamond industry, provided it commits to understanding these generations and adapts its marketing approaches to incorporate the needs and priorities of young people.

The bridal occasion accounts for over a quarter of diamond jewellery demand among women. The need for romantic love and committed relationships is strong among both Millennials and Gen Z. A lot of them are happy to express the specialness of their wedding moments in traditional ways, which the industry is well positioned to support. However, a new focus on infusing the bridal occasion with less formality, more personal meaning, individuality and responsible consumerism requires a change of approach to include the right messaging, personalisation and creation of special experiences. This will help sustain bridal diamonds as the bedrock of the industry.

Love opportunities are not limited to bridal only, as love gifting for non-bridal reasons represents a further quarter of consumer diamond demand. This important opportunity involves Millennials and Gen Z both receiving and giving gifts of love. These are often intergenerational gifts and the ability to use compelling generational insights to link the older and the younger generations is key to success.

When it comes to the purchase process, Millennials and Gen Z, as digital natives, expect to be able to do the whole journey mixing online with offline. And they want the experience itself to be enjoyable. This makes a perfectly functioning omnichannel solution a must for the future.

Brands and retailers who provide original and entertaining websites, apps and communications will put themselves ahead of their competitors. A smart presence on social media, particularly Instagram and Snapchat, which enable the sharing of genuine influencer and consumer views, is the route to a coveted loyal customer network.

In future, successful diamond marketers will need to truly align their values with the social consciousness of Millennials and Gen Z, who favour ethical and responsible consumerism and reject gender stereotyping.

The fast advancement of digital technologies is making it possible for diamond businesses to demonstrate the integrity of their products by tracing them via blockchain technology through their entire journey to the consumer. The ability to show genuine commitment to environmental preservation and fair trade will be an increasingly important way of connecting with the young generations.

END NOTES

1 Where later in the report research data is shown for the US, the Younger Millennial age band is 21–24, while for China the Older Millennial age band is 26–38

2 The Financial Times, FT Big Read. Millennial Moment, 7 June 2018

3 Idem

4 Idem

5 Idem

6 Bain & Company, 2017 China Luxury Market Study

7 Currently, the average age of first marriage in Japan is 29.7 (Statistics Bureau, Ministry of Internal Affairs and Communications, Japan. 'Statistical Handbook of Japan 2014', p. 18, Table 2.8 'Mean Age of First Marriage'), in the US it is 29 for men and 27 for women (Lydia Anderson & Krista K. Payne, National Center for Family & Marriage Research, Bowling Green State University, Median age at first marriage, 2014), in China it is 24.9 (2010 Population Censorship, Table 5–4, Chapter 5, Part 1) and in India it is 24.1 (Average age at Marriage – India, MedIndia, 2011)

8 De Beers Group-commissioned Diamond Acquisition Studies, US, China and Japan, 2014–2018

9 Research undertaken in city Tiers 1 to 3, where demand for diamond jewellery is concentrated

10 Oxford Economics Forecasts, 23 July 2018

11 Barclays, Equity Research, Generation Z: Step aside Millennials, June 2018

12 Based on different definitions of the total potential diamond market: in the US 18–74-year-olds, in China 18–54-year-olds

13 De Beers Group estimates based on Diamond Acquisition Studies, publicly available information and analyses

14 See broader discussion of this in The Diamond Insight Report 2016

15 A study conducted by Research Now across seven developed markets

16 Pete Cape, Ten things you need to know about Gen Z, Research World, No 70, May/June 2018, based on Research Now SSI survey of 7,000 people aged 16–22 in Germany, France, Italy, UK, Canada, Australia and the US

17 Ipsos MORI, Beyond binary: The lives and choices of Generation Z

18 Pete Cape, Ten things you need to know about Gen Z, Research World, No 70, May/June 2018, based on Research Now SSI survey of 7,000 people aged 16–22 in Germany, France, Italy, UK, Canada, Australia and the US

19 Pew Research Center, 2016, as quoted in Canvas8, What does romance look like for GenY?, Profile, February 2017

20 Canvas8, What does romance look like for GenY?, Profile, February 2017

21 The study covered 134 online sources across the US, UK, China and Japan on which unstructured text was analysed resulting in the discovery of a number of themes with a range of springboards each to inspire new thinking and potential ideation. The springboards were further tested for 'energy' or level of resonance with 2,400 people aged 16–38 equally split between the four countries and also equally split within each country by Gen Z and Millennial age groups: 16–20, 21–25 and 26–38. The 'energy' of the ideas was tested using the swipe left or right voting technique applied among others on the Tinder app and most familiar and appealing to the younger generations

22 DPA-commissioned research on the expression of 'Real is Rare' in China, 2018

23 The Diamond Insight Report 2017

24 De Beers Group-commissioned Diamond Acquisition Study in the US, 2018, and in China, 2017

25 De Beers Group-commissioned Diamond Acquisition Study, US, 2018

26 De Beers Group-commissioned Diamond Acquisition Study, China, 2017

27 Idem

28 Idem

29 Ipsos MORI, Beyond binary: The lives and choices of Generation Z, based on British Household Panel Survey 2002 and understanding Society, the UK Household Longitudinal Survey 2015

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31 Barclays, Equity Research, Generation Z: Step aside Millennials, June 2018

32 Joeri Ven den Bergh & Katia Pallini, Marketing to Generation Z, Research World, No 70, May/June 2018

33 IBM, 2017/Yes lifecycle marketing, 2017/ Accenture, 2017, as quoted in Canvas8, Gen Z generational snapshot 2018

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35 Idem

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37 Pete Cape, Ten things you need to know about Gen Z, Research World, No 70, May/June 2018, based on Research Now SSI survey of 7,000 people aged 16–22 in Germany, France, Italy, UK, Canada, Australia and the US

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46 Barclays, Equity Research, Generation Z: Step aside Millennials, June 2018

GLOSSARY
Definitions for terms and abbreviations used within this report can be found on our website:

www.debeersgroup.com/glossary

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