

DIAMOND INSIGHT FLASH REPORT #2

◆ JULY 6 · 2020

De Beers Group is working actively in the face of the COVID-19 pandemic to understand the consumer perspective and monitor how this evolves as we pass through the stages of the crisis.

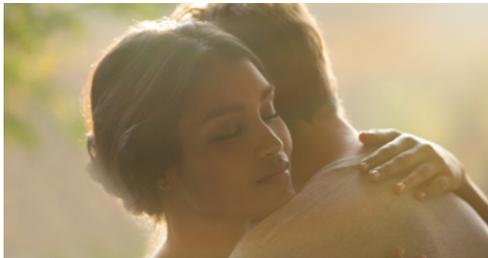
To augment our existing research program, we are conducting additional consumer, retailer and supply chain touch-bases to understand the pain points and the opportunities for partners large and small across the pipeline.

In March 2020, we launched a weekly quantitative survey to collect data on the attitudes, behaviors and expectations of consumers in the US. Once a month we also conduct a deep dive into diamond-specific attitudes. The latest survey was completed on June 22.

With our second monthly insight report, we are continuing to track US consumers but widening the focus to include the experiences of retailers.

HEIGHTENED EMOTIONAL STATE AS UNCERTAINTY CONTINUES

In an online study of the general population age 18+ in the US, we see Americans continuing to live in a heightened emotional state as they emerge from, and in some cases re-enter a second stage of, COVID-19 lockdown. Generally, consumers are showing increased unease. State re-openings significantly grew as a point of concern this week, and 42% of Americans believe the COVID-19 peak is at least 6 months away – the largest proportion observed in this category since research began. Spending on cleaning products is at the strongest level observed to date.



Since last month “increase in appreciation for the things I take for granted” has increased, from 20% to 26%. **Awareness of and gratitude for one’s life and relationships are ever more top of mind.**

GROWTH IN GRATITUDE FOR RELATIONSHIPS AND INTEREST IN CLASSICS AND MEANINGFUL GIFTS

72%

Preference for
“timeless classics”

In jewelry and fashion we’ve seen an uptick from 69% to 72% in a preference for “timeless classics” in the items desired and purchased. This holiday season, people rate “meaningful” as the most important quality in gifts they will give to their loved ones, with “sentimental” ranking second, so we continue to see emotional gifts viewed as more appropriate than more “fun” or “practical” ones this year.



Diamond jewelry also performed higher than in Wave 1 as the most desired gift, with 38% planning to give or desiring to receive, versus 32% last month. Luxury and designer accessories were a distant second with 22% indicating desire. Women are increasingly also thinking about diamond jewelry as a versatile accessory, with an increase in describing it as a luxury item with “everyday wearability” from 9% in Wave 1 to 22% in Wave 2. With higher income and married respondents, positivity towards diamond jewelry increases further.

38%

Diamond jewelry
“the most
desired gift”

RETAILER SPOTLIGHT

Throughout the month of June we worked to deepen our understanding of the consumer landscape and had a series of conversations with a number of key retailers around the country. We've seen a wide array of experiences and challenges, with rules and regulations implemented not only by state but also by county and city, and sometimes even by mall property. Most retailers were caught off-guard with little to no time to prepare for lockdown as cities abruptly closed businesses. Many retailers shut their doors while holding repairs, with partially complete custom orders and receiving and shipping paralyzed. Nevertheless, the strongest among them have continued to innovate to survive.



The universal factors were pure hustle and resilience, the ability to maneuver with agility, and ingenuity in dealing with challenges. And as they have emerged from lockdown, many are noting a great deal of pent-up demand, very strong engagement ring business, a substitution of upgraded jewelry gifts for summer travel, and a stronger season than normal for graduation gifting.

KEY TAKEAWAYS AND TIPS

Communication:



Communication with everyone, from vendors to employees to customers to other local retailers, and even jewelers in other parts of the country, is critical in the exchange of information. A retailer in the Northeast commented: "We were able to prepare somewhat for the recession in 2008 because it was slow in coming. We saw it coming and prepared. This was literally just shut it down. There was no time to react. The time to react was immediately following. **We made sure we were in communication with our vendors and with our clients, because we knew we'd**

come through this... Vendors were very exposed – they had merchandise out and money owed, and we reassured them. And told our customers – we're here, we're going to be here, we're solid. People are anxious, especially the people who have left their jewelry or watches with you for repairs or upgrades. We reassured with regular updates on what we were doing. You can't give up and just board up."

Other retailers also commented on the need to stay in communication with staff, whether they are furloughed or working from home, providing reassurance and guidance and managing uncertainty about the future.

Community involvement:

Be deeply embedded in your community in a visible way. Retailers whose employees helped out in the community by donating blood, volunteering or going above and beyond to be helpful to customers felt these efforts would be paid back in community goodwill. Some have worked hard to create lines of communication with city council members and other local and state government officials, and were able to advocate for themselves as well as understand better what was happening.

Flexibility:

Many shifted their selling strategies quite dramatically on a dime – reaching out to customers and responding to inquiries via chat tools online, texts, livestreaming events and digital contests and games. Website revamps that might normally have taken months happened in weeks or days. **Digital events, special promotions and good old clienteling resulted in winning sales, with several retailers commenting that customers noticed and appreciated that they had gone the extra mile to win their business.**



Care for staff:



The retailers doing the best were ones who felt invested in their employees. Though many did furlough employees and work 70+ hour weeks themselves, the intent to create a safe working environment in store for their employees when they returned was a constant. Many kept their employees on and, with the same mindset of flexibility, changed their positions so that what needed to get done, got done – even if the scope of responsibilities changed. Training was also key – retailers invested in training employees during downtime to become better experts on products, to understand how to manage aspects of website maintenance, marketing or social media, or simply on how to maintain new standards of hygiene and sanitation in stores once re-opened.

What do retailers think the future holds? “The greatest fear is uncertainty. What will happen in the remainder of the year in terms of the economy as the stimulus fades away, consumer confidence, and new outbreaks.” **Most, however, feel that they will have a very strong fourth quarter if there is not another significant outbreak.** And in terms of their own buying? Almost all of the retailers we spoke to said they would be returning to trade shows – and buying purposes were secondary. The primary purposes mentioned were to network, connect with likeminded other jewelers, learn, and deepen relationships they already had with vendors. Currently, eagerness to return to industry gatherings far overrides anxiety about large groups.



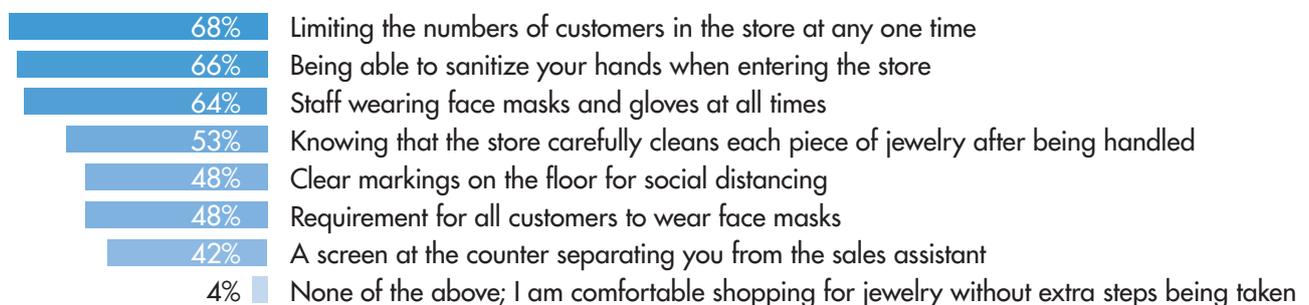
PULSE SURVEY

In addition to the ongoing research, once a month we also check in with 500 consumers in the US to understand what they are thinking and feeling as we make our way through the COVID-19 crisis. This month we wanted to know how consumers feel about the jewelry shopping experience in the current context.

Independent jewelers are the second most-trusted channel to make the most effort to ensure that the in-store shopping experience is safe and secure for the customer, with 21% of consumers choosing this channel. The number one most-trusted channel was department stores, with 39% of consumers choosing this channel.

There are a variety of measures stores should provide to help customers feel safe. Only 4% of respondents felt they were comfortable shopping without appropriate safety measures.

The most important safety measures that stores should provide to customers



62% of consumers prefer to buy diamond jewelry at their local independent jeweler over buying online, as the in-store experience allows them to get expert advice and personal attention. This is on the provision that the environment in store is safe. For people over 25 years of age, this number increases to 65%, but even GenZ and Millennials preferred the in-store experience over online, at 59%.

HAVE A QUESTION YOU'D LIKE TO INCLUDE IN OUR PULSE SURVEY?

Send it to flashreport@debeersgroup.com and we'll aim to include it in an upcoming survey.