



THE
DIAMOND
INSIGHT
REPORT
2020

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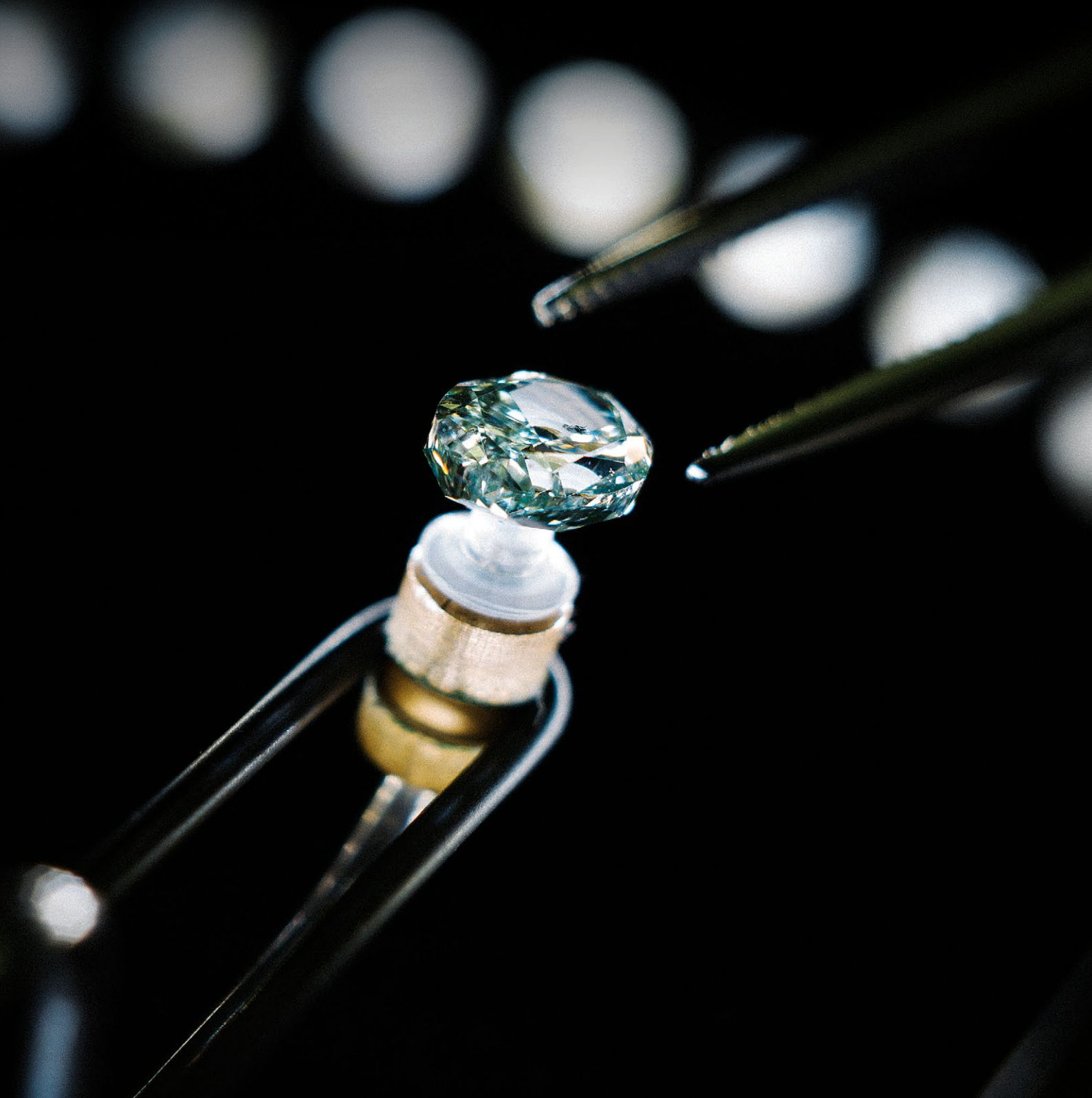
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"We have a history of outstanding resilience, and while this may be one of our biggest tests yet, the future is full of opportunity."

BRUCE CLEAVER
CEO, DE BEERS GROUP





“

For many consumers, the purchase of a diamond and all it stands for has taken on even greater meaning, due to the impact of lockdowns and an increased desire to show appreciation for loved ones through timeless gifts of nature.”

BRUCE CLEAVER

FOREWORD

BRUCE CLEAVER
CEO, DE BEERS GROUP



The COVID-19 pandemic has changed our lives in the most fundamental of ways – how we live, how we work, how we connect with others and the world around us. Some of these changes will be temporary, while others are likely to be long lasting.

Within the diamond industry, the pandemic has rapidly accelerated trends that were already underway, while also creating new trends as consumers seek meaning and emotional connection at a time when we are physically apart.

Since the start of the pandemic, De Beers Group has undertaken regular research to understand the consumer psyche as we move through the various stages of the crisis, looking at how it has impacted consumers emotionally and financially and in their purchasing attitudes and behaviours. This year's Diamond Insight Report collates the key insights from this research, highlighting the implications for the industry, including some unexpected opportunities, as we continue to navigate this period.

In particular, the report takes a look more deeply into two key themes that emerged from our research: establishing trust and connecting with consumers online, and how to succeed in retail's 'new normal'.

Most importantly, our research sought to understand how consumers have felt towards diamonds over recent months. Overwhelmingly, it found that throughout the pandemic, consumers have seen diamonds continuing to play an important and relevant role in their lives, while the openness to ongoing interaction with diamond jewellery brands has remained high.

In fact, for many consumers, the purchase of a diamond and all it stands for has taken on even greater meaning, due to the impact of lockdowns and an increased desire to show appreciation for loved ones through timeless gifts of nature that are a store of emotional and financial value.

Following the events of 2020, we can expect trends such as the rapid rise in online purchasing, desire for products with demonstrable ethical and sustainability credentials and an enhanced appreciation for the natural world to continue at pace within the diamond industry. Yet one constant also remains – people continue to treasure diamonds for their enduring ability to carry meaning and emotion, perhaps now more than ever.

The challenges that have emerged this year are far from over, but I continue to be inspired by the collective efforts of everyone in the diamond industry as we weather this storm together. We have a history of outstanding resilience, and while this may be one of our biggest tests yet, as this report outlines, the future is full of opportunity.

FLASH INSIGHT REPORT SUMMARY

Since March, De Beers Group has conducted regular consumer and retail research to guide the diamond industry. This summary is designed to help businesses navigate the effects of the pandemic.

ADAPTING TO OUR NEW NORMALITY

With the COVID-19 pandemic restricting movement, closing retail outlets temporarily and in some cases permanently, affecting jobs and incomes and curtailing weddings and other celebrations around the world, consumers' emotional and economic confidence was badly knocked in the first half of 2020. However, by August/September, the shock had receded.

China, which was first to be hit by the virus, is leading the way out of the crisis. In August, one in four (24 per cent) Chinese consumers said that they felt fully reconnected to their life, work and previous routine. Only 4 per cent remained pessimistic, compared with 8 per cent of US consumers and 12 per cent in India. Encouragingly, two-thirds of consumers in both India and the US feel they are returning to some kind of normal life and routine¹.

However, our research from June indicated that people are still seeking stability and reassurance. Across the US, India and China, the strongest consumer need across all markets is for emotional security. People commonly crave joy and optimism, and place importance on expressing connectedness and gratitude when so much is uncertain².

Although the pandemic is causing economic uncertainty, our research in August revealed that six in 10 US consumers say that their personal finances have not been affected.

Meanwhile, three-quarters reported feeling optimistic about their financial situation over the next three years. Indeed, since two-thirds of Americans cancelled travel plans in 2020, over 40 per cent of all consumers find themselves with extra disposable cash due to such cancellations³.

DEMAND FOR DIAMONDS CONTINUES

With the pandemic causing people to re-evaluate their spending, our findings from June showed that almost half (45 per cent) of US consumers are likely to buy fewer, better things this year. When it comes to gifts, over half (56 per cent) would like to give something meaningful (more than practical, fun, or functional) this holiday season. And 90 per cent of US consumers want to give a gift that will hold its value over time⁴.

Diamonds are uniquely placed to fulfil these requirements. Diamond jewellery reflects permanence and stability; it expresses true affection; and it provides unbridled joy to givers, recipients and those buying for themselves. Two in five (38 per cent) consumers choose diamond jewellery as the gift they most desire to give or receive, according to our research in July⁵.

Since travel, which has long been the main competitor to diamonds as a means of creating memories⁶, has been so restricted this year, the market for diamonds has benefited. Our research in August found that one in eight Americans would choose diamonds over other options to mark a special occasion⁷.

Importantly, consumers are open to marketing from diamond retailers. It is seen as a tie to normality, and even the most pessimistic customers do not reject the prospect of receiving communications from jewellers. Our July research showed that retailer sentiment had improved and most felt the fourth quarter would be strong.



BROAD APPEAL ACROSS CONSUMER TARGETS

In August, half of US consumers said their spending on jewellery was back to normal⁸. Importantly, four out of five shoppers intending to buy diamonds this holiday season purchased in the category in the last two years⁹, so past customers remain a key potential source of future demand.

In the US, our research in August found that three out of five men in higher income groups expect to purchase diamond jewellery for a significant other in the holiday season. In China and India, it is over four out of five. Equally, in China and India over four out of five higher income women intend to buy diamond jewellery for themselves. In the US, it is nearly one-third of women¹⁰.

In line with the findings of our 2018 Diamond Insight Report, young working Millennials continue to express the appetite to buy diamond jewellery, perhaps reflecting the fact that positivity is ranked as their number one emotional need, ahead of stability, according to our research in August¹¹.

HOW AND WHAT SHOPPERS WILL BE BUYING

Shoppers are prepared to return to shopping in-store, as long as health precautions are practised and evident¹². Reassuring them of the safety of the purchase process will be a top priority for retailer communications, but online channels inevitably remain an important way to browse and purchase.

In the current climate, customers who do have money to spend are being mindful of how they spend it: showy excess seems inappropriate. Our research in August and September showed that, as in other periods of crisis, many people are gravitating back to what they know and trust, making 'timeless' classics – such as solitaires – attractive through their association with solidity and security. Since consumers increasingly seek designs with a personal touch, 'classic-with-a-twist' pieces are likely to appeal¹³.

Younger consumers continue to show more interest in innovative designs, particularly if backed by a well-known brand¹⁴. As the emphasis on responsible and ethical production grows, especially among Millennial and Gen-Z consumers, brands will be well advised to consider transparency, authenticity and purpose as a key part of their strategy. Similarly, with diversity and inclusion high on the agenda, diamond jewellery that celebrates new types of union, life milestones or new forms of personal expression is likely to find an eager market.



Download the Diamond Insight Flash Reports at:
[www.debeersgroup.com/reports/insights/
diamond-insight-flash-reports](http://www.debeersgroup.com/reports/insights/diamond-insight-flash-reports)

FROM OUR GUEST CONTRIBUTORS

As the industry prepares for the holiday season, we've worked with expert guest writers to share their insights. Dr Jon Dodd, founder of UK-based user experience design consultancy, Bunnyfoot, shares how to be ready to connect with customers digitally, even in times of uncertainty.

ABOUT OUR GUEST CONTRIBUTOR

DR JON DODD, D.PHIL

BUNNYFOOT

Jon left an academic career as a Neuroscientist at Oxford University in 1999 to set up Bunnyfoot as a business focused usability consultancy. The premise was (and still is) to apply science and psychology to improve customer service and business outcomes. Bunnyfoot is now a boutique service and experience design consultancy with clients including De Beers Group, Forevermark, Boots, M&S, The Bodyshop, Barbour, Boden, Nestlé, Harrods and many more.



ESTABLISHING TRUST AND CONNECTING WITH CUSTOMERS ONLINE

It is an established truth that for significant purchases, like diamond jewellery, many consumers prefer to interact face-to-face at a physical store rather than online, and this is true even during the current COVID-19 pandemic.

The pandemic though has accelerated the use of online interactions ('zoom' is now a verb), and even those consumers who might have been previously resistant have now become more comfortable with online browsing and even purchasing. For retailers, it is now more important than ever that their website is not an afterthought to the physical store. It needs to establish trust (an absolute essential for any transaction but particularly an online one), and offer a version of what you provide physically in-store, on your website. Addressing this now will provide benefits for the upcoming holiday shopping season and beyond.

The following are some key considerations for retailers to ensure that their websites are ready to meet changing consumer needs during uncertain times.

FIRST STEPS: CREATING TRUST

There are 'rules' for establishing trust and communicating credibility online that are important now more than ever, but should be considered regardless of the impact brought about by COVID-19. Behaviour change expert BJ Fogg and his team at Stanford University produced online credibility guidelines based on three years of research that included over 4,500 people¹⁵. Although first published in 2002 the majority of the Stanford findings are relevant today, and are listed here along with other hints and tips:

ENSURE YOU COMMUNICATE QUALITY AT THE 'VISCERAL'/ EMOTIONAL LEVEL

Here first impressions count, and you must communicate positively with the non-conscious (but highly judgemental) emotional parts of your customers' brains. Key factors are:

- Professional look and feel – the layout, typography, spacing, and high quality product shots, etc. all have the ability to command immediate 'surface' trust. Your online presence should be of the same quality as your physical presence (for too many their online presence is a secondary consideration)
- Ease of use and usability – ensure the site is well organised, effective and efficient to use, and free from errors
- Quality copy and content – avoid meaningless, repetitive copy written specifically for search engines rather than humans; instead provide concise, structured, meaningful, accessible content (which will also perform well with Google search results)
- Up to date content – show the website (and presumably your business) is well maintained and cared for

DISPLAY THIRD PARTY VERIFICATIONS AND REVIEWS

What others say about you ('reputed' trust) carries more weight than what you say about yourself:

- Show professional affiliations, associations and industry awards
- Include reviews and customer endorsements/quotations, and be aware of what prospective customers are saying about your brand online outside of your site – many will search elsewhere for reviews for large purchases

HIGHLIGHT THAT A REAL ORGANISATION WITH REAL PEOPLE EXISTS

Many consumers will be uncomfortable buying from brands they don't know or a 'faceless' organisation:

- Make your physical address(es) easy to find on the site, include pictures and a map
- Name the people behind the store, include bios highlighting their roles and expertise, and consider featuring photos
- Consider extending the reach via blogs and social media presence

HIGHLIGHT YOUR REAL EXPERTISE AND EXPERIENCE

Expertise is the second essential component of credibility (in addition to trustworthiness):

- Provide thought leadership, expert opinion, and advice to customers. This could be via blogs, on social media, via call outs on product pages, or more direct and personal via online chat features on your website, Q&As, and even video calls
- Show 'longevity' if possible – for example, when the store was established, historic blog posts or company history or timeline

MAKE IT EASY TO GET IN CONTACT AND BE RESPONSIVE – AND DO SO IN A WAY THAT SUITS THE CUSTOMER

- Provide a variety of contact channels– email, phone, click to call, contact form, social media, live chat/messaging, and consider options like video chat
- Ensure responses, regardless of channel, are as immediate as possible – this means all channels must be checked very regularly, as customers demand immediate gratification, and attentiveness is expected



IMAGE
BRAND AMBASSADOR
ASSISTING A CUSTOMER
AT DE BEERS JEWELLERS

SOME IMPORTANT CONSIDERATIONS FOR SELLING JEWELLERY/LUXURY ITEMS ONLINE

When the physical product cannot be touched and experienced in-store then there are several things to consider online, including the following:

SIZING

This is a clear concern for many consumers when buying online, so to help with this:

- Provide clear size guides, reference size cues (such as ‘on-model’ pictures or other visual measurement tools/objects to indicate size). Some sites even provide ‘virtual’ try-on, where the customer is visualised wearing an item
- Ensure you have a clear and fair returns policy

DELIVERY

Delivery delay is one barrier to the immediate satisfaction that a customer could get in a physical store. Security and safety of delivery are also key consumer concerns.

- Ensure you are able to offer fast delivery options, as speed is important. Same day delivery, if possible, both produces (near) immediate satisfaction and reinforces personal service (especially if you deliver it locally yourself)
- If not delivering yourself then employ a trusted and well-known carrier that will ensure all of the appropriate safety and security measures are adhered to. Reputation of those you choose to work with is another important factor in trusting you
- Provide alternatives such as in-store collection and delivery to offices, and make sure you have an intuitive returns process to provide flexibility to the customer

SOME SPECIAL CONSIDERATIONS FOR COVID-19

In the current situation, retailers may want to consider providing some additional information and measures, specifically to reassure or accommodate customers whilst restrictions are in place and/or safety is a key concern. Indeed, some customers may never take the final step via a website, so, alongside communicating credibility and a range of product offerings, your website also needs to reassure consumers about a physical trip to your store. Consider the following:

ENSURE YOU SIGNAL PROMINENTLY THE SAFETY OF THE PHYSICAL ENVIRONMENT

- State the steps you are taking, ensuring you are in-line with local guidelines, and highlight where additional steps have been implemented. For example, this could be as a temporary ‘banner’ that inserts at the top of pages and persists across pages until closed by the user
- Consider some visual reinforcement of the safety steps with photos, where appropriate
- Consider a ‘by appointment’ arrangement to reduce numbers in-store – this can also add to a feeling of specialness/personal service
- Ensure that you highlight safe and easy collection (and/or delivery) methods

OFFER ALTERNATIVES TO A VISIT OR A ‘PRE-FILTER’ BEFORE A VISIT

- Consider offering one-to-one video calls (or equivalent) so you get to give a personalised service, offer advice and show your expertise without the need for a physical visit. Keep these real and authentic, not sterile; aim for the same personal connection as in a real visit
- Following a phone, video or chat consultation create a shortlist of potential products (which could be tried on in-store or potentially at home for selection)

In summary, focusing on the factors that communicate trust and taking a few extra steps to provide reassurance and anticipate customer needs will likely increase success in the immediate ‘challenging’ short term, but also build longer term positive engagement with your customers.

FROM OUR GUEST CONTRIBUTORS

As the industry prepares for the holiday season, we've worked with expert guest writers to share their insights. Leading trends consultancy WGSN provides insight into how to ensure that retail spaces meet consumers' expectations in an ever changing environment.

ABOUT OUR GUEST CONTRIBUTOR

WGSN

WGSN is the global authority on consumer and design trends, helping brands around the world create the right products at the right time for tomorrow's consumer.

WGSN's trusted consumer and design forecasts power outstanding product design, enabling customers to create a better future. Their services cover consumer insights, fashion, beauty, interiors, lifestyle, food and drink forecasting, data analytics and expert advisory.



IMAGE
INTERIOR OF DE BEERS
JEWELLERS WITH BRAND
AMBASSADOR

STRATEGIES TO SUCCEED NOW IN RETAIL'S NEW NORMAL

As stores around the world reopen, retailers are developing new strategies that meet safety requirements without diminishing customer experience in the 'new retail normal'.

The pandemic has triggered the worst global economic downturn since the Great Depression. The International Monetary Fund reports that the global economy is projected to contract by -4.9 per cent in 2020¹⁶. However, there are still reasons to be optimistic.

Retailers now have a number of tools and strategies they can employ to improve their forecast as well as customer experience, adjusting to customer needs and new shopping behaviours.

This holiday period brings added uncertainty around spend and what to expect for retailers. However, in the luxury sector, for those that remain financially well, the holiday season will be used to lift spirits and combat what has been a difficult year. Deloitteⁱ is forecasting an increase in holiday retail sales in the US of between 1 per cent and 1.5 per cent to reach US\$1.15trn from November to January, with e-commerce to increase by 25-35 per cent to as much as US\$196bn.

With that in mind, there are strategies that can be implemented to adjust to changing consumer needs now and moving forward.

SAFETY FIRST, BY DESIGN

Distancing and safety remain key concerns for consumers. Establishing your retail space as a trusted haven of cleanliness and safety will be crucial in making shoppers feel confident about entering and spending time in retail spaces.

IN-STORE NAVIGATION

One factor to driving safety throughout the in-store experience is clear navigation and pathways. WGSN has seen retailers get creative with in-store design, identifying savvy uses of natural materials such as wood or exposed concrete which contribute to minimal design. Adopting a minimal aesthetic will allow for fewer surfaces that can easily be wiped down and cleaned. Distancing barriers with a frosted sheen can offer a sense of calm while delivering protection. This heightens the aesthetic appeal whilst reinforcing safety measures.

ANTI-MICROBIAL DESIGN

While cleanliness is commonplace, using materials that have innate anti-microbial properties like copper for structures and displays adds an additional layer of safety and cleanliness to in-store space.

SANCTUARY SPACES

Specific to the luxury sector, we are tracking shoppers who require a sense of calm and relief during their retail experience, looking to spaces that offer escapism and relaxation. The use of soothing scents, muted pastel colours, soft lighting and natural materials can help achieve this state of calm.

PLANNING AHEAD

By Appointment (<https://www.byappointment.app/>) is a free app that is being trialled by luxury retailers such as Selfridges in the UK. The app prevents the need to stand in a queue via store appointment bookings, facilitating faster entry and a seamless, personalised service. Live Lineups (<https://livelineups.com/>) is a North American app that tracks wait times and helps people figure out the best time to shop. Initially used for grocery stores, this app is expanding to other retailers.

Source:

ⁱ Deloitte. (15 September 2020). 'A Tale of Two Holiday Seasons: As a K-Shaped Recovery Model Emerges, Consumer Spending Heavily Bifurcated.' New York.

THINK BEYOND THE IN-STORE EXPERIENCE

OPTIMISING OUT-OF-STORE

Reducing the number of shoppers in-store can lead to outside queues. Retailers should optimise this new moment in their customers' journey and provide entertainment or brand experiences to relax shoppers before entering the store. Glossier, a beauty brand in the US, has extended its in-store experience outside. With wait times up to 30 minutes, beauty ambassadors speak with customers – managing expectations and providing product samples to keep them engaged during the wait.

RESILIENCE AND OPTIMISM

COVID-19 has changed the way we operate as a society. Despite uncertainty and isolation, communities are banding together to overcome adversity. Retailers can use this opportunity to share a personal message of support, resilience and positivity. WGSN is seeing this emerge within Visual Merchandising designs spreading positivity and happiness to seek and boost moods.

EMBRACE THE PHYGITAL WORLD

SOCIAL COMMERCE

Since COVID-19, purchases made via social media have increased by 61 per cent in the US according to a Bazaarvoiceⁱⁱ survey. Consumers are spending considerably more time on social channels, providing an opportunity for retailers to connect and build relationships with shoppers before they make it in-store.

- Shoppers want to dig deeper into sourcing, design and product stories. Rich brand heritage and unique inspiration help capture the attention of consumers online. Global Web Index reported 87 per cent of US consumers and 80 per cent of UK consumers say they are consuming more content online since the pandemic. 17 per cent of audiences say they are reading more updates from brands.ⁱⁱⁱ This provides more opportunities for your brand and storytelling content to be seen in this space
- WGSN is observing strong retail success through Instagram shopping and live streams as well as educational content on TikTok. While the audience of the digital platform will determine where content should be shared, educational content serves the purpose of entertaining while immersing shoppers into the details behind brands

SEAMLESS EXPERIENCES

Seamless experiences will be key to the new normal for retail. However, the luxury sector needs to balance these experiences with trust and connection. With that in mind, retailers should look at streamlining elements of the consumer experience to limit physical contact. Private online consultations can help shoppers identify products before they visit the store. This reduces the physical time spent in retail spaces and anxiety while still building strong relationships. According to a survey by Shekel^{iv}, 87 per cent of US shoppers prefer to shop in-store with 'touchless or robust self-checkout options'. The use of contactless payments has skyrocketed since experts reported the virus can live on hard surfaces for up to 72 hours. As a result, implementing contactless payment systems can help to reduce anxiety and physical touchpoints in-store.

Source:

ii Bazaarvoice Blog. (15 July 2020). 'The Impact of Covid-19 on e-commerce by category.' USA.

iii Global Web Index. (April 2020). 'Coronavirus Research| Series 4: Media Consumption and Sport.' US & UK.

iv Bloomberg. (7 April 2020). '87% of Shoppers Prefer to Shop in Stores With Touchless or Robust Self-checkout Options During Covid-19 Pandemic.' Israel.

LOOK FOR OPPORTUNITIES THROUGH INNOVATION AND SIMPLICITY TO IMPROVE RETAIL EXPERIENCES IN THE FUTURE

AR-POWERED RETAIL

Augmented reality (AR)-powered retail strategies are blurring the physical and digital realms. The future of AR is not to replace human connection, but rather enhance it. AR tools in the jewellery sector provide customers with increased confidence, shortened paths to purchase and immersive experiences as they are able to try on designs for themselves. According to Shopify, 3D models in AR have been shown to increase conversion rates by up to 250 per cent on product pages. A 2020 study also found that nearly 40 per cent of UK shoppers have used AR or virtual reality to test or view a product before buying.¹ These tools can also be used on devices in-store to guide shoppers through product selection and attributes.

SHOPPING CELEBRATION DAYS

To engage with shoppers on a more frequent basis, retailers in China have successfully launched 9.9, 10.10 and 12.12 as key sales dates, or e-commerce festivals, following the success of the longer standing 11.11 shopping event. This year, the 9.9 shopping event was extremely successful, helping restore confidence in Asia. These events generate excitement, attention and sales. Events such as Amazon's Prime Day show how the 'e-commerce festival' concept is adopted internationally. Consider additional occasions or moments you can celebrate in the new normal.

Uncharted times breed unique opportunities for innovation and success. The retail space is experiencing a shake-up, and this is bringing positive, refreshing change. The adoption of technology and safety measures can be used to enhance the customer journey and product experience at a distance without having to sacrifice the human connection behind it.

Source:
¹ Data & Marketing Association. (18 February 2020). 'Future Trends: A New World of Experiences.' UK



THE SHAPE OF LUXURY BRANDS TO COME

ABOUT OUR GUEST CONTRIBUTOR

MARTIN RAYMOND

CO-FOUNDER OF THE FUTURE LABORATORY AND EDITOR-IN-CHIEF OF LS:N GLOBAL

THE FUTURE LABORATORY

The Future Laboratory celebrates its 20th anniversary in 2020. The founders' guiding desire was to offer businesses and brands new ways to use creative and qualitative insights about the future consumer; to create a robust methodology that shows practitioners how to successfully predict likely behaviours through intuition, observation and interrogation; and to deliver rigorously researched materials produced to the highest standards. The company draws on a workforce of more than 70 in-house experts, delivering the trends intelligence platform [LS:N Global](#) and custom projects through unique teams of journalists, writers, visual researchers and innovation analysts.

WHY WE DECIDED TO PARTNER WITH THE FUTURE LABORATORY:

The Future Laboratory founders' credo that the future is already in the present has helped demystify foresight. Their forecasting method, combined with a wide network of professionals and thinkers has enabled The Future Laboratory to become one of the world's most renowned and respected foresight consultancies. In the 2020 Diamond Insight Report, De Beers Group gives the whole of the diamond industry the opportunity to read about their views on the future of luxury brands. This insightful piece can give the industry some food for thought as they steer their businesses to capture the imagination of the post-COVID-19 aspirational and luxury consumer.



IMAGE
OTHERWORLD, LONDON

THE SHAPE OF LUXURY BRANDS TO COME

As COVID-19 accelerates changes already under way in the global luxury and retail sector, The Future Laboratory co-founder Martin Raymond looks at what this means for the future of consumers, shopping and the architecture of brands.

Domenico de Sole, chairman of Tom Ford International, is nothing if not succinct about COVID-19: 'The impact has been unbelievably painful.' It has, but in the long term it is likely to change global retail for the better, according to Bain & Co partner Claudia D'Arpizio, because 'the coronavirus crisis will force the industry to think more creatively and innovate even faster to meet a host of new consumer demands and channel constraints. There will be a recovery for the luxury market but the industry will be profoundly transformed.'

She's right, but we shouldn't blame all changes on the virus itself, as Reengineering Retail author Doug Stephens reminds us. Retail was already 'exploding and in freefall', he points out, with COVID-19 simply acting as an 'accelerant on an already burning platform'.

As The Future Laboratory findings suggest, the platform was primarily burning for two reasons – technology, and an increasingly vocal and self-actualising consumer – for that, read Generation Z and mid-20-something Millennials, who will make up 55 per cent of luxury shoppers by 2025, according to Bain & Co.

Kathryn Bishop, editor of The Future Laboratory's annual Luxury and Hospitality Futures report, is clear about the latter's impact: 'Millennial consumers have normalised products, moments and engagements that were once seen as crafted, curated and cultured, while Gen Z, who live, shop, converse and socialise online, now expect all brands to do the same – but on their terms.'



Millennial consumers have normalised products, moments and engagements that were once seen as crafted, curated and cultured, while Gen Z, who live, shop, converse and socialise online, now expect all brands to do the same – but on their terms."

KATHRYN BISHOP, FORESIGHT EDITOR, THE FUTURE LABORATORY

NEW RETAIL PARADIGMS

All of this is giving rise to more innovative and tech-based ways of doing business as brands race to respond.

Innovations include direct-to-consumer brands such as Millennial-focused watch brand Shinola or luggage and travel platform Away that use Instagram, TikTok and WeChat to speak to consumers directly; fast fashion retail rental offers where brands like H&M, Nuuly, Banana Republic Style Passport and Selfridges are turning the notion of ownership on its head; retail media studio models like US beauty brand Morphe, or Alexander McQueen's McQ retail platform that allows creatives to develop their own content that can be used to 'boomerang' the McQueen label into new markets via the fan networks and followers these co-partners already have.

Online Chinese retailer Secoo is also using live-streaming apps such as Kuaishou, along with existing fan bases, to drive direct-to-consumer luxury sales.

On one day in June 2020, the brand sold US\$14.8m (£11.3m, €12.5m) of products, including Louis Vuitton accessories, Prada bags and Armani watches, in less than five hours.

'Along with luxury live-streaming,' says Holly Friend, who heads The Future Laboratory's Youth, Media and Tech hub, 'we are also witnessing the rise of virtual reality pop-ups; peer-to-peer marketplaces; social media selling; the growth of resale and circular retail platforms such as US-based Depop, Letgo, Rohvi, ThreadUp and Mercari; even SMS service models developed by skincare brands like Versed or interiors store Burrow – all of which means that we have a plethora of ways to engage with even the most niche and future-facing consumers.'

And many of our established luxury brands are doing just that, she points out. Burberry's augmented reality (AR) shopping tool, for instance, lets people overlay and explore its products – sneakers, a handbag, an item of clothing – with links to purchase if they wish to do so, while Gucci uses Snapchat for sneaker try-ons, with users snapping and sharing how they look with their followers.

In the US, Ralph Lauren has taken a similar stance, with a mix-and-match wardrobe for a customer's Snapchat Bitmoji avatar that imitates the brand's real-world collections. As Snapchat head of fashion and beauty Selby Drummond tells us: 'The entire industry knows that AR try-on is going to be incredibly important to the future of commerce.'

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SELBY DRUMMOND
HEAD OF FASHION AND BEAUTY, SNAPCHAT

Along with AR, virtual reality is similarly democratising luxury with new kinds of experiential offers and retail opportunities, explains Andy Ku, creator of ADA, a fantasy-driven game that provides access to a simulated luxury lifestyle complete with chic virtual spaces and fashion to match from brands such as Dior, Prada and Marine Serre.

'The game upholds the tenet of scarcity by offering a limited number of brands' virtual garments on a play-incentivised first-come first-served basis – even when they cost only a few dollars to buy,' he says. And COVID-19, he believes, along with the way more luxurians are buying and socialising online, will drive this trend even further.



IMAGE
'PROJECT EARTH' BY
SELFRIDGES, LONDON

PROACTIVE CONSUMERS RISING

However, while technology is facilitating many of these changes, the real drivers behind such transformational shifts are Gen Z and mid-Millennial consumers who increasingly describe themselves as 'conscious', 'collaborative', 'creative', 'conversational' – and when they feel justified – openly 'critical' and 'cancelling' of brands that demonstrate poor global citizenry.

Equally happy to describe themselves as 'activists' – as the September 2020 issue of Vogue worldwide indicates – for them, this is an upbeat, all-encompassing term that refers to more positive views on everything from race to climate awareness rather than a word used to describe someone who is politically active.

As Dazed Media's The Era of Monomass report suggests, more than 60 per cent of the 3,510 Gen Z and Millennial consumers interviewed across 12 markets including India, China, the US and the UK share similar ideals, with all saying that they would find it difficult to engage with brands that demonstrate negative views about the many conscious consumption choices both generations now make.

Affluent Gen Z and Millennials are also demonstrating very clear views about wealth, affluence and the nature of luxury itself. According to China's luxury newspaper, Jing Daily, in the wake of COVID-19, Gen Z, Millennials and Chinese luxury shoppers, like their Western counterparts, are increasingly embracing more balanced views about consumption, sustainability and meaningful purchases.

This is a pattern echoed by The Future Laboratory's Communities, a network of Innovator and Early Adopter consumers that we interview on a regular basis. As 17-year-old Tanvi Uttamchandani from Mumbai told us, 'I think my generation will learn to appreciate what they have, rather than complaining about what they don't have. In the next three to five years, we will alter our consumption patterns wisely. We will think twice about what we plan to buy – is it a need or a want?'

According to deVere's banking group, older 30 and 40-something wealth owners and HENRYs (High Earners, Not Rich Yet) are demonstrating similar behavioural characteristics. Some 26 per cent of its clients from over 100 countries have sought environmental, social and governance (ESG) investments since May this year alone, says CEO and founder Nigel Green. 'The global pandemic has brought into laser-like focus how the health of our planet affects human health, which, in turn, affects the way we all live and work.'



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TANVI UTTAMCHANDANI, 17, MUMBAI

79%

of Gen Z believes that brands are never honest enough when talking about how environmentally friendly their products are, with 66 per cent of Millennials believing the same thing.

SOURCE: FUTERRA

And Gen Z, along with their older Millennial counterparts, are very much about making a positive, proactive and balanced contribution to how we live, work and protect our planet, affirms Nadya Powell, co-founder of brand and systems change-maker Utopia.

'Whenever I speak to a young person, they all want to be businesspeople and they have every respect for commercial credibility, but they don't feel it should be at the cost of the planet. Bigger than sustainability is the expectation that a business will behave really well. It's about belonging.'

Belonging perhaps, community certainly, and a brand's purpose without a doubt – or rather how brands demonstrate their purpose in relation to the mindsets and beliefs of consumers themselves. Why? As US brand reputation and PR management firm Edelman explains, nearly two-thirds of global consumers are now 'belief-driven buyers [who] choose, switch, avoid or boycott a brand based on where it stands on the political or social issues they care about'. In other words, if brands don't mirror their target audience's concerns, they are less likely to endorse them online or enter their stores.

IMAGE
'MEET YOUR SHOES'
BY ALLBIRDS, US

“

Whenever I speak to a young person, they all want to be businesspeople and they have every respect for commercial credibility, but they don't feel it should be at the cost of the planet. Bigger than sustainability is the expectation that a business will behave really well. It's about belonging.”

NADYA POWELL, CO-FOUNDER, UTOPIA

58%

of Millennials and Gen Z consumers would trust a brand more if it shared its challenges and 'work in progress' to become a better global citizen. Similarly, nearly half (46 per cent) of Gen Z say they look for more honest products when purchasing.

SOURCE: FUTERRA

'Brand purpose helps you continually re-orientate your core capabilities to remain relevant,' believes Scott Omelianuk, co-founder of HumanConsult.io, a consultancy that specialises in keeping brands relevant and agile. Or to put it simply, 'brand purpose is a means to help you understand why you matter to people'.

That said, Gen Z and 20-something Millennials are still equivocal about purpose, believing that some brands – perhaps with the exception of those like Patagonia, Everlane or Warby Parker, which have embraced 'purpose' from the time they were launched – are merely using it to drive value and market visibility rather than to instil values and embrace and imbed long-term change. As brand change and sustainability agency Futerra reveals, 79 per cent of Gen Z believes that brands are never honest enough when talking about how environmentally friendly their products are, with 66 per cent of Millennials believing the same thing.

And their instincts are probably correct if you take the findings of Business in the Community's Responsible Business Tracker into account: while 86 per cent of businesses it surveyed had a 'purpose statement', a shocking 83 per cent have yet to consider what this means across departments, or in terms of setting clear team goals or targets.

But this doesn't mean that we should abandon purpose altogether, merely that it needs to be framed in a more realistic, manageable and collaborative light – especially when speaking to target consumers. According to Futerra, which refers to this group as The Honest Generation, 58 per cent of Millennials and Gen Z consumers would trust a brand more if it shared its challenges and 'work in progress' to become a better global citizen.

Similarly, nearly half (46 per cent) of Gen Z say they look for more honest products when purchasing. More relevantly, as we discovered in our work on post-purpose branding earlier this year, many consumers – particularly Gen Z, Millennials and Gen X – while wary of brands that talk about purpose, are keen to listen to them, and engage in positive dialogue, debate and open collaborations if they embrace a more proactive sense of social betterment. So that means instigating positive change, delivering on it and constantly setting new targets to achieve, even if those targets come with a price.

As Unilever CEO Alan Jope more succinctly put it: 'Principles are only principles if they cost you something.' And to demonstrate this, he has already begun closing or selling brands that are environmentally damaging, or have a questionable social or ethical footprint.

Rising and established brands across beauty, fashion and jewellery such as Everlane, Reformation, Moyo Gems, Prada, Noah and Allbirds are following similar betterment pathways. Some are working with miner creatives who are pioneering ways of extracting gems from the earth, while others are using external auditors and oversight measures to ensure that their betterment principles are realised throughout their activities.

Prada, for example, has signed a US\$59m (£45m, €50m) five-year loan with banking group Crédit Agricole, against repayment terms that are conditional on the brand meeting key targets around sustainability – including environmental and societal goals – with interest rates reduced if these are achieved.

De Beers Group has likewise set betterment goals to operate carbon-neutral mines, develop ongoing partnerships with host communities, and implement ethical, environmental and social standards across its value chain, which currently cover more than 346,000 people. These standards are independently audited on an annual basis.

Similarly, footwear brand Allbirds has launched a global Carbon Fund and will impose a carbon tax on itself to ensure its business success incorporates eco-initiatives. For its Millennial founder Joey Zwillinger, the reasons are clear: 'If you don't measure your carbon emissions and pay for it, you're part of the problem.'

US cult streetwear brand Noah takes a more humorous, but equally honest and transparent approach. When it launched one of its jackets made from Econyl recycled nylon on Instagram, it did so with the following statement: 'We've said it before, and we'll say it again: we're not a sustainable brand. But this jacket is almost entirely recycled and cruelty-free. Sometimes you get lucky.'

DATA PHYGITAL BRANDING COMES INTO ITS OWN

Beyond COVID-19, we predict that, as markets re-adjust, this push to betterment (as opposed to purpose) will become even more manifest and key to the success of future conversations with customer mindsets – mindsets that will require you to be meaningful, agile, live, diverse, ethical, federated, gender-fluid, trans-friendly, hyper-accountable, community-focused, educational, but also essential, transformative and experiential in your brand pillars and executional offer.

Especially the latter, as online becomes the default way we engage with brands, and experience the way we live, breathe, contribute and collaborate with them as they become media, entertainment, educational, wellness hubs where the physical places they inhabit are transformed into collaborative rather than transactional spaces.

These phygital realms – a blend of the physical and the digital – like their online counterparts, will be increasingly dependent on advanced data analytics to deliver those hyper-bespoke, highly agile, wholly transparent products, services and brand experiences that consumers increasingly expect. It is a world, as customer service expert Leslie O’Flahavan explains, where ‘customers want their self-service to feel as seamless as a conversation with friends’.

But they also want the data they actively hand over to brands to work for them – or rather, for brands to work their data for them. So, if you are using their data to calibrate your pricing models, improve delivery cycles, hone designs, reduce manufacturing costs or make your logistics chains more circular and carbon-neutral, they will expect to be informed and rewarded for this.

According to Chris Miglino, CEO of digital marketing and consumer data management platform SRAX, ‘within the next three to five years, every consumer will own all of their information and get compensation for that information’ in terms of reduced charges on the clothing they rent, the products they buy or the net contribution using their data adds to a brand’s bottom line.

The rise of 5G, and the increased push towards live interactions and engagements between brand teams and consumers is also speeding up our ability to design products, as well as feel, see, touch, hear, even smell brands in the virtual realm as low-latency networks facilitate kinetics, haptics, synaesthetics and real-time rendering in ways that allow brands to become fully immersive entertainment ‘bubbles’.

Within the next three to five years, every consumer will own all of their information and get compensation for that information.

SOURCE: FUTERRA

54% of Millennials and Gen Z said they wanted to connect with brands that enhance their spirit and soul.

SOURCE: VICE/VIRTUE

Otherworld, a series of virtual chambers that allow you to touch, see, hear and feel a mysterious island paradise while engaging with friends in real time, already does this, while Virtual Super Land’s transformative retail happening at Fred Segal’s flagship store in Los Angeles recently used green screen technology to cleverly jump between the physical and digital worlds. Here, when shoppers pointed their phone’s camera at the clothes, the app animated items with renderings of solar systems, Renaissance sculptures and brand logos. The brand now uses augmented reality, virtual reality and mixed virtual reality as a core part of its consumer activation programme.

In a recent study by Vice and creative agency Virtue, 54 per cent of Millennials and Gen Z said they want to connect with brands that enhance their spirit and soul – brands, in other words, that offer a sense of meaning and hope, and better, more spiritual and ethereal ways to engage with them. But also, and perhaps more tellingly, as consumers become more proactive in designing these brands, they want brands to engage and communicate with them.

END NOTES

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2. [De Beers Flash Report 1, 10 June 2020](#)
3. [De Beers Flash Report 3, 19 August 2020](#)
4. [De Beers Flash Report 1, 10 June 2020](#)
5. [De Beers Flash Report 2, 6 July 2020](#)
6. De Beers 2020 Diamond Acquisition Study
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13. [De Beers Flash Report 4, 23 September 2020](#)
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GLOSSARY

Definitions for terms and abbreviations used within this report can be found on our website: www.debeersgroup.com/glossary

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DE BEERS UK LTD
20 CARLTON HOUSE TERRACE
LONDON SW1Y 5AN
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