DE BEERS GROUP

DIAMOND INSIGHT
FLASH REPORT#5

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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.

CONSUMERS ARE RESIGNED YET RESILIENT IN THE FACE OF COVID

Our tracking of the COVID-19 pandemic impact on American consumers has been ongoing since March 20. In the latest wave, conducted at the end of September, the nation has yet to emerge from the threat of COVID, with rates rising in late October in the majority of U.S. states. Americans seem to have resigned themselves to the long haul with COVID – our data shows that people's expectations of the peak being soon or already over are dramatically diminished, and most think it's at least six months away. Still, Americans have shown resilience and ingenuity in dealing with the public health crisis.

Consumer optimism on personal finance and the financial position of the United States is slightly lower than at the beginning of the pandemic; however, expectations continue to be strong that in the longer term (next three years), the country and the economy will bounce back. In this wave, we observed the greatest level of unemployment yet reported, as well as lower levels of spending. Yet optimism about personal health is higher than in previous waves, coincident with less concern about repercussions of COVID-19 should Americans contract the virus.

Below are additional key insights identified from our latest study:

- The promise of an imminent COVID-19 vaccine may have influenced Americans' views on their health, as a growing number of Americans have an optimistic outlook on their personal health – especially within the next six months.
- As Americans become more confident about their health, they express higher levels of comfort being in public areas. Restaurants (for take-out), gas stations and bakeries show the most positive shift.
- There has been an increase in consumers saying they are spending less than normal. This was driven by non-essential items, including travel, cars, electronics and jewelry. Reasons for this include the highest rates of unemployment self-reported in this survey to date, the end of unemployment benefits, and delays in a second stimulus check. The only category on which the majority of Americans (52%) say they are spending more than normal is cleaning supplies.
- Four in ten people report that there has been a negative impact to their finances, the greatest proportion we have seen to date. This is particularly true among women and those under age 50.
- This wave brings a significant increase in intent to give **meaningful, practical and homemade gifts** for Holiday 2020, though likelihood to give/receive diamond jewelry is on par with the previous wave. Diamond jewelry remains #1 choice amongst consumers of "most desired gift to give/receive" when presented with a competitive set.
- The strongest drivers of demand for diamond purchases and gifts center around romance and commitment to spouse/partner.
- Amongst both men likely to purchase and women wanting to receive as a gift, the top reasons were that diamond jewelry is: *romantic, a symbol of commitment*, and *will make her/me feel special.*

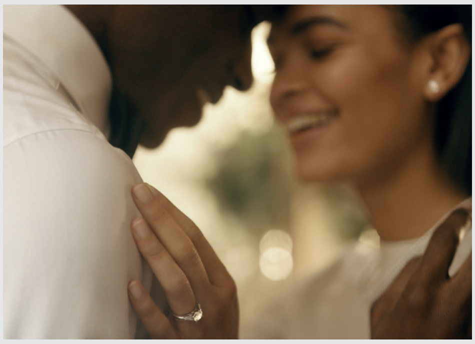
WILL YOU MARRY ME… NOW?!

This holiday season, fine jewelry retailers are reporting that their diamond sales are strong, with bridal being the primary driver for consumer demand. Strong anecdotal evidence shows that engagements are up over the period since COVID hit in Spring 2020, and jewelers say more couples than ever are choosing diamond engagement rings – eschewing industry concerns that the difficult economy would impact the bridal market.

Trend Insight

We asked relationship therapist and author of forthcoming book *Us: The Power of Moving Beyond Me and You*, Dr. Terry Real, about this trend. Dr Real said, "COVID is drawing people closer together. COVID is like a thick, heavy, weighted blanket: You're stuck there with whoever is under the blanket with you -- and it's having very fascinating effects."

As renowned psychologist Esther Perel noted on the podcast *Pivot*, "Disasters generally operate as an accelerator in a relationship. It means that life is short, mortality is hitting you… Either people say, 'Life is short, let's get married, let's have babies. What are we waiting for?' Or on the other side, 'Life is short. I've waited long enough, I'm out of here.' And so we've known that there is generally a spike in divorce and a spike in marriage and babies that follow disasters." Many couples have isolated together and indeed grown closer.



But why get engaged or married now, and not wait until the world has returned to normal? Dr. Real says, "Part of the reason people are getting engaged during COVID is because there is so much distance between them and their community. The personal intimacy is there, but there is tremendous distance from their regular community. They want to re-engage. The couple is intimate but thirsty for outside stimulation, for an environment to hold them beyond them. Engagement is a way of re-engaging with the outside community." Dr. Real commented that engagement is one of the few remaining rituals that unite the private and the public: "For a young person to have a performance that's witnessed, a performance of your love that's witnessed, is like water in the desert in this culture. The ring is that performance. Especially now."

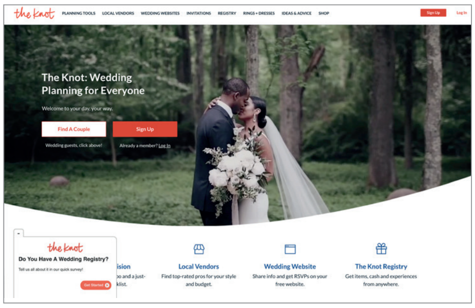
And jewelers say that despite difficult economic times, they are seeing consumers spend more than ever on diamond engagement rings. Interviews with independent jewelers around the country reveal that consumers are spending more, notably often upgrading in color, cut and clarity rather than caratage. Our informal survey shows that not only are customers spending more, they are often choosing simpler, more classic designs. Jewelers note that round diamonds and round edged fancy shapes of better qualities are dominating their bestsellers, and that designs have become simpler, with customers less interested in extra pavé and melee embellishments. While halos are still selling well, generally jewelers are seeing engagement ring customers opt for more conservative looks.

While rounds remain the most popular choice, multiple jewelers reported difficulty keeping ovals and cushions in stock and said that they would be stocking inventory most heavily in these shapes as well as rounds for the holidays, because they feel confident that they will sell. Jewelers also report seeing more requests for classic solitaires or solitaires with simple baguette accents. Several speculated that customers are continuing to spend on diamond engagement rings despite the economic environment because they are spending less on elaborate weddings and/or honeymoons, and because there is a new level of emotion around the idea of making a commitment to the relationship in a time of heightened uncertainty and fear.

Strong business in bridal jewelry isn't confined to the independent jeweler level. Signet Corporation has observed a similar wave nationally, with its Jared and Kay franchises in particular noticing such a strong desire in couples to get engaged or married right away that their staff is getting in on the action in new and unorthodox ways. Employees ordained to perform weddings have been facilitating in store engagements and weddings, pulling together impromptu ceremonies that have been highly emotional for both customer/celebrants and employees. *See sidebar below: The In-Store Wedding Phenomenon.*

THE PANDEMIC IS RE-SHAPING PRIORITIES, FROM RELATIONSHIPS TO RING STYLES

In an effort to more deeply explore attitudes to commitment and engagement in a COVID-19 world, De Beers Group collaborated with engagement and wedding website *The Knot*.



In an online, national survey, fielded the week of October 26, *The Knot* checked in with 360 female consumers who are in serious relationships and planning to get engaged on how COVID has affected them.

Just over half of respondents say that COVID-19 has had a moderate to significant impact on near-term life plans, such as where they'll live, buying a house, or finding/changing jobs, for them and their partner. Twenty-one percent say that COVID-19 has had no impact on near-term plans.

Planning the engagement

Overall, how much has COVID-19 impacted plans for the upcoming year for you and your partner, such as where you'll live, buying a house, finding/changing jobs or getting engaged?

It has significantly impacted our near-term plans	18%
It has moderately impacted our near-term plans	34%
It has slightly impacted our near-term plans	28%
It has not impacted our near-term plans	21%

In terms of getting engaged, about one-third say they believe their engagement will happen later than planned due to the COVID-19 pandemic, but only 11% believed the pandemic would result in spending less on a ring.

Of those who think the pandemic accelerated their engagement plans, reasons given are represented by the following comments:

- "The pandemic has forced our relationship to progress at a much faster rate than 'normal' life would. It has made both of us prioritize marriage sooner rather than later."
- "It made us feel more sure that we could be together long term because we experienced living together earlier than expected!"
- "It caused us to really evaluate what is important in our life and what our priorities are, and while we had always been priorities in each other lives it made us realize how much more of a priority we are to each other than just about anything else."

The In-Store Wedding Phenomenon

Signet reports that in Kay and Jared stores around the country, employees have seen customers coming in who are not only purchasing engagement rings, but asking for help coordinating proposals and weddings. Employees nationwide have become licensed to conduct weddings so that they can help their customers close the "private/public" need for recognition and approval noted by Dr. Real, by officiating weddings in stores.

One story to highlight: Tim Weyendt, the store manager and employee for 19 years at a Jared in Houston, Texas, reported: "We've had engagements before, but we've never had a wedding before. One of my associates is an ordained minister. He helped a couple who said, 'We have a marriage certificate, we want the next step.' He jokingly said, 'I'm an ordained minister.' They both loved the idea. They said, 'That would actually be amazing – especially versus something like going to a courthouse, where it's not personalized. We'd love it if you could be part of that.' Our employee said he'd love to. They jokingly said, 'The sooner the better – we have the marriage certificate!' Within a couple of minutes we formulated a plan. Everyone on staff did something – we all got involved in it. One person ran for flowers. Another was put in charge of traffic flow for customers. Our shop manager sized up his ring 3.5 sizes… amazing from a jeweler standpoint – he took it from a 10 to a 13.5 in matter of 15 to 20 minutes. Someone ran the traffic in the foyer area, to allow for the ceremony to take place. We had friends and family of the couple on their phones as we did the wedding on video. We shot it on iPhone, put together a video with light editing, and gave them a copy. The entire staff got involved and so excited! Traffic in our store on Saturdays is usually nonstop; it got quiet just literally long enough! It was one of those things that was just meant to be. What an experience! You can't hug in COVID times, but we gave them air hugs!"

Right now, women are more likely to have thought a lot about their engagement ring (54%) than other aspects of the future like the wedding (32%) or honeymoon (15%), supporting jewelers' hypothesis that engagement ring sales are strong because wedding/travel budget is being diverted to the ring.

Females are more likely to say they have thought "a lot" about their engagement ring (54%) than the proposal (44%) or wedding (32%).

54%
Thinking about the ring

15%
Thinking about the honeymoon

Researching the ring

In terms of doing research on engagement rings, online search is the predominant means of exploration. Most females have looked online for ideas/inspiration (86%) and saved examples of ring styles/designs they like (85%) within the past year. Presently, only a quarter of respondents say they have looked in store at a physical location.

In the past year, have you done any research on engagement rings, even if casually? Please select any of the following that you've recently done.

Looked online for ideas/inspiration	86%
Saved examples of ring styles/designs that I like	85%
Researched costs of engagement rings	61%
Talked to my partner about ring preferences	56%
Looked up information about diamonds/stones ("4Cs", etc.)	46%
Looked in store for ideas/inspiration	25%
Asked friends/family for advice or suggestions	19%
Other	2%
I haven't done any research	2%

Selecting the ring

Please rank the 5 features most important to you regarding engagement ring(s), starting with the most important as #1

	Most important: #1 or #2	Included in top 5
Shape of stone (cushion, oval)	56%	89%
Style/setting of the ring (halo, solitaire)	41%	84%
Size of stone (carat)	18%	65%
Type of metal (platinum, gold)	17%	62%
Quality of stone (cut, clarity, color)	20%	59%
Price/value	18%	58%
Type of stone	15%	41%

The features most important in a ring right now to consumers are the shape of stone (56%) and the style/setting of the ring (41%). The top five important features chosen are the shape of stone, style/setting of the ring, size of stone, type of metal, and quality of stone.

Additionally, those who dropped hints to their partner about the ring were most likely to share hints about their preferences regarding style and stone shape. Notable is diminished interest in carat size, a trend that seems to pre-date the pandemic but may be being accelerated by it. In other research from *The Knot* this year, size of the ring ranks 7 out of 8 for both proposer and proposee in terms of importance, while it ranked fourth in 2017.

Half of respondents expect to be somewhat involved (51%) in selecting engagement rings by hinting at preferences. About four in ten expect to be involved in the selection of engagement rings (42%). They want to shop with their partner or tell them the style ring they want. Very few say they will be either very involved (4%) or not at all involved (4%).

How involved do you expect to be in the selection of engagement ring(s)

Very involved, I will purchase or participate in purchasing	4%
Involved, I want to shop with my partner or tell them the style I want	42%
Somewhat involved, I will hint at preferences	51%
Not at all involved	4%

Making the proposal

And in keeping with the movement away from public spaces and towards intimacy and the safety of a small circle, a solid majority of respondents say their ideal proposal would be one person proposing to the other (98%), planned ahead of time (69%) and in a private place (70%). Just over half would like just the two of them present (54%), though 21% would like family/friends present and 25% have no preference. Only 6% would like the proposal to occur in a public place. Interestingly, in *The Knot's 2019 Jewelry and Engagement Study*, 40% of recently engaged said the proposal happened in a public place.

Finally, thinking about your ideal proposal, which of the following would you prefer?

Location	
In a private place	70%
No preference	24%
In a public place	6%
Whether it's planned	
Planned ahead of time	69%
No preference	21%
Spontaneous	10%
Who proposes	
One person to the other	98%
No preference	2%
Joint proposal	1%
Who is in attendance	
Just the two of us present	54%
No preference	25%
Family/friends are present	21%