

DIAMOND INSIGHT GLOBAL SENTIMENT REPORT

◆ AUGUST 10 · 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, as well as the weekly and monthly surveys behind our Flash Reports, we have conducted a quantitative consumer sentiment study in three consumer markets to ascertain how people are feeling around the world and their attitudes towards diamonds at this time. Our respondents included 2,800 women and men across the US, China, and India, aged 20–65, with a household income of at least \$75,000 per annum in USA, RMB15,000 per month in Tier 1 cities, RMB10,000 per month in Tier 2 cities and RMB7,000 per month in Tier 3 cities in China, and INR200,000 per month in India. The research was conducted in late June–early July.

While there are some differences around the world depending on the stage of the pandemic regionally, there are also some interesting similarities globally. In this report, we'll take you through the themes that help us understand how, when, and why we should be speaking with consumers about diamonds in the lead-in to the holiday season.

LIFE IS DIFFICULT, BUT NORMALITY AND CONFIDENCE ARE BEGINNING TO RETURN

When asked to self-identify their current financial, health, educational and social situation in terms of routine and emotional comfort, consumers see themselves as being in a moment of change and unpredictability, which impacts consumer confidence. However, we are beginning to see adjustment by consumers to their “new normal.”

This is being led by China, with 85% of Chinese respondents feeling at minimum they are settling into a new routine that is starting to feel familiar. 24% of the total sample said they are fully reconnected to their life and work and back to their previous routine.

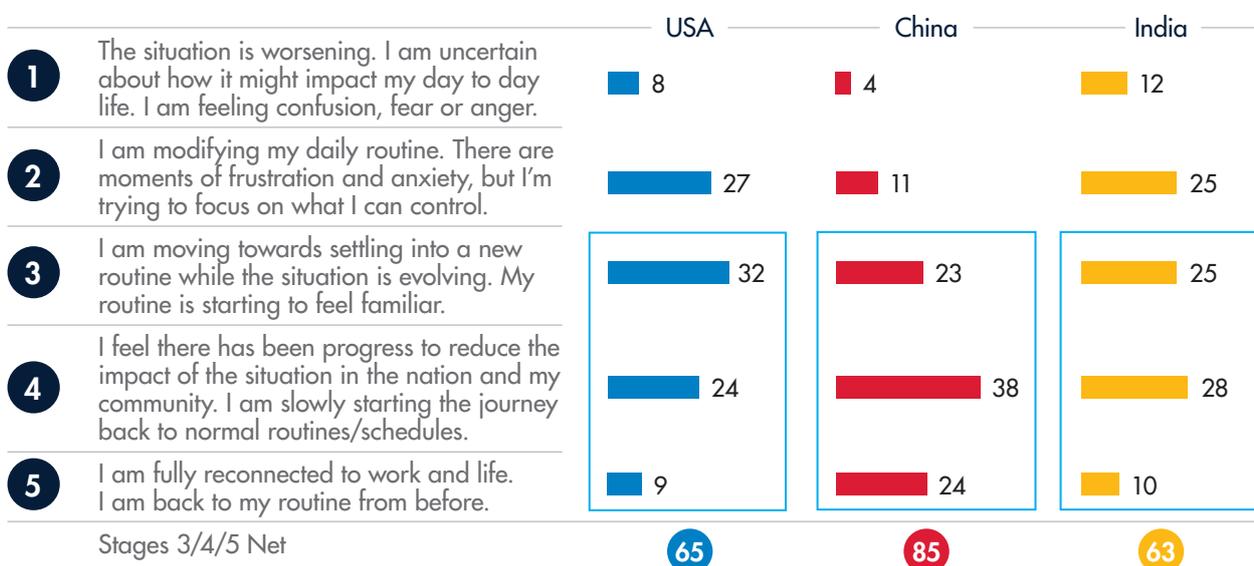
As expected, in the US and India, confidence is relatively more fragile, as these countries have been hit by the pandemic more recently. A quarter of respondents in these markets feels they are modifying their daily routines, focusing on what they can control despite moments of frustration and anxiety. **Positively, in both of these markets two-thirds of consumers said they are returning to some kind of normal life and routine.**

Only a minority of consumers are far more pessimistic, believing that the situation is deteriorating. In the US this group represented only 8% of the sample; in China just 4%.

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COVID-19 SENTIMENT STAGES (PERCENTAGE)

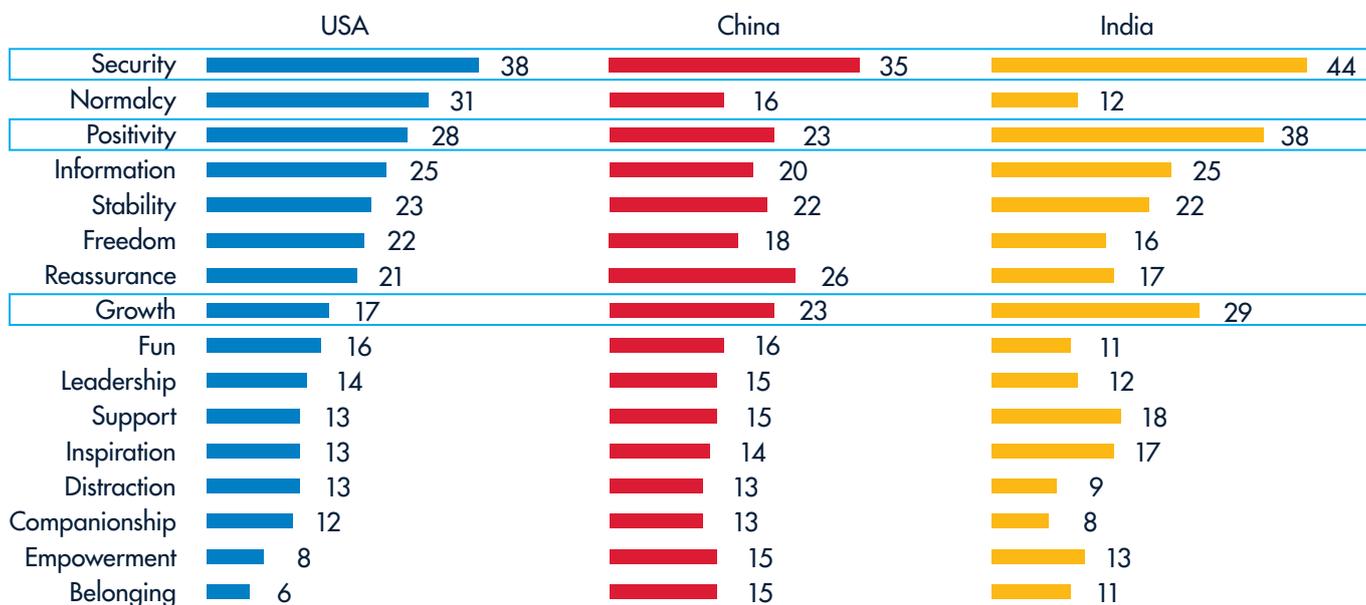


A CRAVING FOR SECURITY AND CONTROL, BUT ALSO POSITIVITY AND GROWTH

Another remarkable similarity between different national groups is the response to the question, What are the top three things that you need right now? The strongest stated consumer need across all markets is security – no surprise in an unstable situation.

However, in all markets, positivity is also very high on the list. Life has not stopped. People are looking for glimmers of hope amongst the negative news. They also strongly need and want to feel growth. This need is common globally and particularly pronounced amongst the high growth economies of China and India.

EMOTIONAL CONSUMER NEEDS (PERCENTAGE)



DIAMOND CONSIDERATION REMAINS STRONG, ESPECIALLY FOR REPEAT PURCHASERS AND YOUNG WORKING MILLENNIALS

In all markets, the gifting and wearing of diamonds are inextricably linked with celebrations, family and loved ones. This no doubt contributes to the resilience in purchase expectations we see across all markets. Purchase interest for the festive period is very high in China and India, and strong in the US.

In the US, almost 60% of men expressed an intention to purchase for a significant other for the holidays, while nearly a third of women stated they intended to buy diamond jewellery for themselves. In China and India, over 80% of men and women are very or quite likely to purchase diamond jewellery for a significant other or for themselves during the festive season.

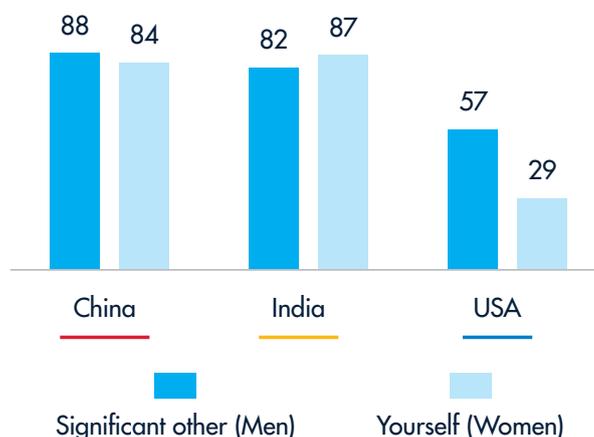
High levels of intent and expectation to acquire diamond jewellery during key festive seasons for gifting, bridal or self-purchase are driven by under-35 professionals.

These consumers tend to be of middle affluence and work full-time. Over 80% have children at home. For this group the engine of life continues; amongst Indian and US respondents particularly, positivity, not stability, is ranked as their number one need.

Over 80% of those intending to spend in the category have either self-purchased or gifted diamond jewellery in the past two years, indicating that the intrinsic and extrinsic benefits of diamonds are valued and understood. This is an important reminder that in an industry based on personal connections and relationships, we should give time and attention to our past customers.

HOLIDAY DIAMOND JEWELLERY PURCHASE INTENT

% Very likely/Quite likely



THE GIFTING MINDSET: MEANING AND BEAUTY

When we asked consumers to prioritize factors for festive gifting, consumers in all markets agreed that **“how special the recipient feels”** is the most important factor in choosing a gift. Second order factors included both **“how useful/practical it is”** – no surprise in the current climate – along with the more profound **“how it shows a connection to the recipient.”**

This echoes other pieces of research we have undertaken during the pandemic, in which 56% of US consumers expressed the importance of gifts being meaningful, in preference to them being practical, functional or fun.

Another insight the study provides about diamond consumers in particular offers a further indication of which attributes of a diamond will be most important this year. Amongst our group of consumers who intend to acquire diamond jewellery for the festive season in the US, India and China, **“how beautiful it is”** becomes a more important factor than for the broader population.

The desire for these two attributes in a gift – meaning and beauty – aligns squarely with the core messaging territory for diamonds; very few products can bring a combination of meaning, connection, beauty and making one feel special in the way that a diamond can. **Holiday communications to consumers should highlight both the long-understood power of diamonds to convey emotional meaning and the inherent beauty of nature’s miracles, which together result in powerful feelings for both giver and recipient of joy and positivity – feelings that consumers sorely miss and want right now.**

Meaning
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holiday gifting

A TIME FOR TIMELESSNESS: FEWER, BETTER AND MORE TRUSTED THINGS

In every market, consumers’ interest gravitated towards classic pieces, with simple solitaires at the apex of aspiration. With so much uncertainty and change around us, **timeless classics such as diamond solitaire earrings, necklaces and rings have strong appeal as proven designs.**

There is a subset of consumers – largely those who feel their lives are returning to normality and with higher household incomes – who are **interested in experimenting beyond familiar classic designs.** These consumers exhibit a **greater interest in diamond jewellery brands**, highlighting the critical role that brands play in de-risking design innovation by adding a critical level of trust and reassurance to the shopping experience.



CREATE A SAFE ENVIRONMENT AND KEEP ENGAGING

Diamond consumers intend to browse and shop both online and offline regardless of retail channel, from large chains to local independents, with a slight preference for offline purchases in most channels. Our US Flash Report data indicates consumers aspire to the right in-store experience, confident in their personal safety in a secure environment, so it is important to invest in health and safety measures such as limiting the number of customers in store at a time, providing hand sanitiser, requiring staff and customers to wear masks, cleaning jewellery after handling, using floor markings to encourage social distancing, and using dividers at the counter.



Regarding communications, **the majority of consumers want and expect a dialogue with diamonds.** Respondents who are becoming more comfortable with their new routines are most open to hearing diamond jewellery marketing messages. However, even the small fraction of our respondent sample who feel the most uncertain about the current situation did not reject the prospect of receiving marketing communications about diamonds. This is most certainly a reflection of the happiness and excitement that the diamond category can provide, and the readiness of consumers to feel the joy and optimism that diamonds can bring into their lives.