

## **NCDIA Basel Speech**

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I am delighted to have been invited to speak today here in Basel on behalf of Rio Tinto Diamonds. It is a pleasure to be celebrating something which is at the same time both new and also very familiar. New because the Natural Color Diamond Association is a new organisation and this is its first event in Europe, and familiar because the NCDIA was set up to communicate to a wider audience the beauty of something which has been around a very long time – natural color diamonds.

When Rosy Blue and Michael Werdiger invited Rio Tinto Diamonds to be a member of the Association, we accepted immediately because we have a long-standing history and interest in the product. Rio Tinto's involvement in natural color diamonds goes back to the early 1980s through its ownership of the Argyle mine in Australia, which has been one of the largest producers of natural color diamonds for the last two decades. The colors which Argyle produces are primarily a variety of brown shades and the rare and famous pinks, which are the mine's signature stone.

There are of course other types of natural colored diamonds, the most known being cape yellows, but as these are actually rather limited in Rio Tinto's diamond production I will focus today on an area where we have some expertise, which is brown diamonds.

Every year the Argyle mine produces between \$150M and \$200M of brown rough diamonds depending on production levels. We estimate that there is in total approximately \$500M of this type of product entering the world rough market. When converted into polished and then mounted in jewellery, brown diamonds probably represent at least 7% of the total retail value of diamond jewellery worldwide, or between \$4B and \$5B annually. Not an insignificant amount, and broadly comparable to the total value of fine jewellery containing colored gemstones sold in the US retail market every year.

To put this into further perspective, since 1986 the Argyle mine alone has produced nearly \$3B of natural brown-colored rough diamonds along with, of course, billions of dollars of white diamonds and hundreds of millions of dollars of pink diamonds. That \$3B of brown rough equates to jewellery with a retail value of \$25 - \$30B. This is approximately the total amount of diamond jewellery sold in the US retail market last year, and is the reason why I stress that natural colored diamonds are already an established if unsung pillar of world diamond demand.

So why the need for the Natural Colored Diamond Association? Well, as so often in life, as an industry we are occasionally incapable of seeing the true value of things with which we are very familiar and it is worth taking a step back to remind ourselves of what treasures we might have hidden in our midst. And for this I must commend Rosy Blue and Michael Werdiger, who had the vision to establish an Association dedicated to the promotion of this beautiful but sometimes neglected product category.

Research has revealed again and again that the consumer's perception of natural brown diamonds is positive. When asked, the following words are used by consumers to describe them:

**Distinctive, exotic, subtle, unique, elegant, exclusive, trend-setting, rich with warm natural tones.**

It was this kind of consumer research which led Rio Tinto in the mid 1980s to brand Argyle's brown diamonds as champagnes and cognacs, capitalizing on their powerful association with status, good taste, refinement, romance and a desire for the finest natural things in life. It was also at this time that Rio Tinto conceived of a scale of color shades to grade brown diamonds, the C1 to C7 scale running from the lightest champagnes to the deepest cognacs.

Over the years Argyle has run a wide range of champagne diamond promotional activities, from fashion shows and jewellery design competitions to in-store media events and retail staff training days. It is for this reason that we welcome the formation of the NCDIA and why it is natural for us to be an early supporter and member. The NCDIA fits neatly with Rio Tinto's own strategy for the promotion of champagne diamonds and we welcome having companies of the stature of Rosy Blue and Michael Werdiger as partners in these activities.

Rio Tinto's marketing activities have tended to focus on the US market, including the recent natural color diamonds dresses made for the Oscars which we will be hearing more about today. But we are delighted to see a revival of interest in the Japanese market led by Kashikey, and are hopeful, as I speak here in Basel, that we will be able to increase our promotional activities in Europe as well.

I have talked a lot about diamonds of color this morning, but I would not wish to neglect the other half of the NCDIA's intent, and that is to promote natural diamonds. Over the next few years we will undoubtedly see the increased intrusion of synthetic diamonds into the diamond marketplace, as advances are made in the technologies of high pressure high temperature fabrication and chemical vapour deposition. Many if not most of these synthetic diamonds will be colored in one way or another. The scale of this challenge should not be underestimated by the natural diamond industry but it must also not be exaggerated. The industry, by focusing on issues such as detection technology, disclosure standards in the trade and marketing-led differentiation of the natural diamond, will be able to maintain consumer confidence and build an even stronger future for our product. I am sure that the NCDIA will play an excellent role as one of the platforms on which we can seek to build that future.

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