

DIAMOND IN THE ROUGH

A thesis submitted in partial fulfillment
of the requirements for the degree of

MASTER OF BUSINESS ADMINISTRATION

to the faculty of the

DEPARTMENT OF MARKETING

of

THE PETER J. TOBIN COLLEGE OF BUSINESS

at

ST. JOHN'S UNIVERSITY

New York

by

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Date Submitted 5/12/2022

Date Approved 5/12/2022

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ABSTRACT

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This thesis examines the origin of diamonds, the diamond trade, and the perception of the diamond industry. I intend to explore the relevance of diamonds, especially engagement rings, to the Millennial and Gen Z generations. This thesis sets out to understand the social, economic, environmental, and financial costs of the diamond trade. Additionally, it aims to answer the following questions: what is a diamond, where does it come from, and why do people still want one? Is there a generational shift in the perception, desirability, and sentimental value of diamonds particularly around the engagement ring?

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INTRODUCTION

Diamonds are a widely considered a universal symbol of purity and love. The diamond is a precious stone that has traditionally signified the top accomplishments in people's lives and therefore is often gifted to loved ones at birthdays, graduations, and engagements. The engagement ring is a traditional symbol long associated with one's commitment to marriage, often considered one of the most sacred sacraments. The size of the diamond set in the engagement ring along with the clarity and cut is a visible symbol of the social status of the couple entering into a marriage commitment. Millennials in the age group of 25 to 41 and Gen Z-ers in the age group of 20 to 25 are the next target customers of the diamond industry as they come into marrying age. This thesis will review the origins of diamonds, the purchasing methodologies of the Millennial and Gen Z generations, and present relevant findings on the future of the diamond industry.

THE PRODUCTION OF DIAMONDS: A HISTORICAL AND SCIENTIFIC OVERVIEW

DIAMOND COMPOSITION

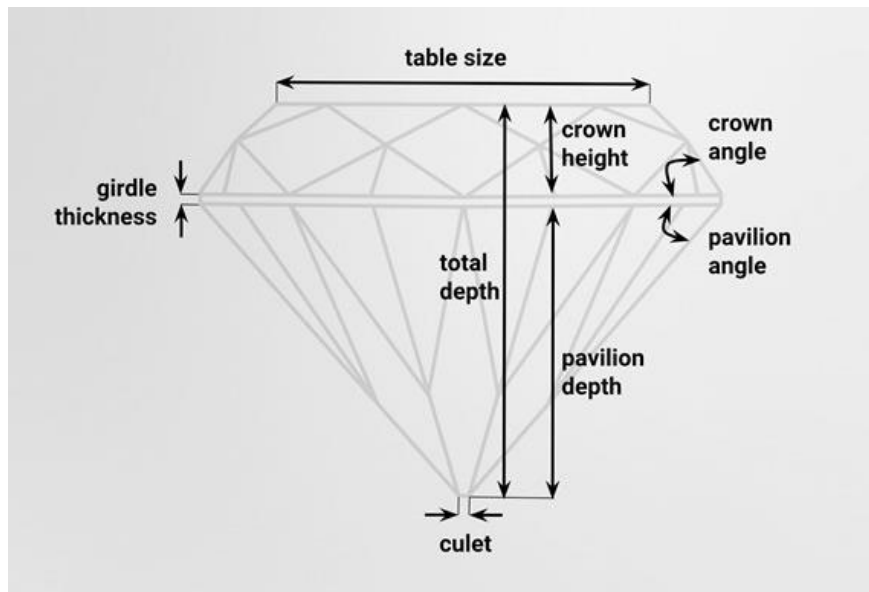
The word “diamond” is derived from the Greek word for indestructible, *Adamas*. It is the only gem known to man that is made of purely crystallized carbon as a single element, often containing small traces of impurities. Diamonds are believed to have been first formed one to three billion years ago and are only found buried about 100 miles below the earth’s surface (Only Natural Diamonds n.d.). Diamonds are completely made of carbon atoms, chemical composition – C, crystallized in a cubic isometric arrangement. A cubic isometric arrangement is a crystal system where the unit cell is in the shape of a cube or sturdy crystal lattices, containing a series of points arranged in a specific pattern with high symmetry. This simple and triangular shape is found in crystals and minerals. Diamonds are made of carbon similar to coal and graphite. They are formed at very high temperatures and by high pressure found deep inside the mantle of the earth. Diamonds then shoot to the surface by way of subterranean volcanic eruptions. A rough diamond has an irregular shape and has a milky, soapy, and yellowish shade (Only Natural Diamonds n.d.).

Diamonds are considered to be the hardest natural substance on earth. They are chemically stable, very good thermal conductors, optically dispersive, and reflective. The hardness of this gem makes the diamond ideal for industrial applications. Almost half of the world’s mined diamonds are considered rough diamonds and are used for industrial purposes. The major industrial application of rough diamonds includes computer chip production, construction, machinery manufacturing, mining services (such as drilling for mineral, natural gas, and oil exploration), stone cutting, stone polishing, and transportation systems (such as infrastructure and vehicles) (Minerals Yearbook 2014).

Gem-quality diamonds have scintillation, brilliance, and dispersion. Scintillation refers to reflective flashes of white light on the surface or the sparkle of the diamond. The bounce of light on a diamond is referred to as brilliance. Diamonds are optically dispersive of light, separated by individual colors as they pass through the stone similar to a rainbow. This reflectiveness gives diamonds the rainbow effect known as fire in diamond trade terms.

TABLE 1

GIA Diamond Anatomy



Source: GIA

BLOOD DIAMONDS: DIAMOND MINES AROUND THE WORLD

Prior to diamonds being mined primarily in South Africa, the majority and most significant diamond mining was conducted in Brazil and India. In March 1869, a diamond measuring 83 ½ carats was discovered in Cape Town, South Africa. The minerologist Schalk van Niekark paid five hundred sheep, ten oxen and a single horse for the stone (Meredith 2008, p. 17). The rock was taken to Cape Town to famous jeweler Gustav Lilienfeld, who confirmed the authenticity of the diamond and baptized the diamond the Star of South Africa (Bergstein 2016). This diamond was then resold to a nobleman, the Earl of Dudley, for more than double the price. This sale set off widespread media coverage at the time raving about the size and quantity of stones being discovered in South Africa. By 1870, the American “Gold Rush” had become increasingly unprofitable for miners as gold mines in California were depleting, so miners from America, Australia, and all over the world began to descend on South Africa for their next treasure hunt (Campbell 2002, p. 109).

Diamond mines and reserves are now found all across the world. However, as of 2020, Russia’s diamond reserves had surpassed all diamond mining countries and were considered to be the largest, estimated to have approximately 650 million carats. The Russian diamond reserves are the largest worldwide followed by those in Botswana, the Democratic Republic of Congo, South Africa, and Australia (Statista 2022). It’s important to note that Russia mined 15 million carats of diamonds in 2021 and the Democratic Republic of Congo produced 11 million carats of diamonds during that same year. The demand for rough diamonds, both industrial and polished, has steadily increased worldwide. The industry is expected to mine more than 292 million carats by 2050

(Jamasmie 2020). Smaller diamond mines can be found in Canada, North America, and South America. In the United States, the only diamond-producing mine is the Crater of Diamonds Mine located in Murfreesboro, Arkansas which is largely mined by recreational prospectors.

Russia has an important presence in the diamond mining industry and the country has a heavy influence in South Africa. The fact that Russia holds the largest diamond reserves in the world and is increasingly involved in the South African diamond mining industry is alarming. The ethical, economic, and environmental concerns associated with Russia, the Democratic Republic of Congo, Botswana, and South Africa are part of the perception problem associated with the diamond industry. On May 4, 2020, *The New York Times* reported Russia's military influence and economic control has been steadily growing in the Central African Republic's diamond mining and trading industry (Searcey 2020).

The Kimberley Process is an organization described as “a multilateral trade regime established in 2003 with the goal of preventing the flow of conflict diamonds” (Kimberley Process n.d.). The main objective of this certification organization is to apply the Kimberley Process Certification Scheme, or KPCS, a document under which the organization implements safeguards on shipments of rough diamonds and works to certify them as conflict-free. One of the main initiatives of the Kimberley Process is to remove conflict diamonds from the global supply chain. The organization defines conflict diamonds as “rough diamonds used to finance wars against governments across the world” (Kimberley Process n.d.).

In 2013, the Kimberley Process designated stones from the Central African Republic diamond mines as “blood diamonds”. The term “blood diamonds” refers to

diamonds that could not be sold or traded on the global market because of the devastating effects the mining of the diamonds had on war zones in Central and South Africa including heightened human rights abuses and poverty. The Kimberley Process effectively blocked the trade of diamonds from the Central African Republic to world markets. In 2019, the Kimberley Process designated specific areas of the country as compliant with the process and authorized the sale of diamonds from a small region of the country. However, this region was quite small in comparison to the larger region, in which most mines were designated as “blood diamond” mines and consequentially the stones from those mines were not authorized for sale or trade. Diamond mining is incredibly important to the economic infrastructure in the Central African Republic as the country is located in a landlocked portion of Central Africa. About 71 percent of the population of the Central African Republic lives in poverty (World Bank 2021). The country’s infrastructure, including the electrical grid, is extremely limited. However, the region is rich in natural resources such as timber and diamonds, which are the area’s largest exports (Lwanda 2016).

The Central African Republic is desperate to regain its good standing with the Kimberley Process and be allowed access to the legal and profitable diamond trade once again. *The New York Times* reported that in October 2017, one year after France concluded its own peacekeeping mission and disengaged from the Central African Republic, the Central African Republic President at the time, Faustin-Archange Touadéra, traveled to Sochi, Russia. President Touadéra met with Russian leaders to ask them for help in controlling the violence and lawlessness in the mining industry as well as providing security against the illegal diamond trade (Searcey 2020). Russian leaders negotiated those

conditions with President Touadéra and in exchange for Russia's security services and financial assistance Russia would be allowed to form its own diamond mining and refining company in the Central African Republic. One month later, Russia formed its own diamond company, Lobaye Invest as well as the security firm Sewa Security Services which is closely affiliated with Yevgeny Prigozhin. Prigozhin is one of the wealthiest and most influential advisors to Vladimir Putin and is a childhood friend. Prigozhin and Putin both grew up in Leningrad, Russia. Prigozhin is widely known as a criminal and has spent significant time in jail. He has gained power and wealth by creating companies and services invoiced to the Russian government. He is believed to have funded Russian mercenaries to seize an oil refinery in Syria during the U.S.-Iraq conflict in 2018 that resulted in hundreds of deaths. Prigozhin is leading the Russian security forces as well as the Russian diamond company Lobaye in the Central African Republic. Prigozhin personally attends some conflict negotiations and exerts undue influence on the military, government, and mining industry in the country (Harding 2019). The Russian forces are also training the Central African Republic's military troops. Russia has partnered with criminal and violent rebels to gain access to areas where diamonds have been designated as "blood diamonds." Russia has actively participated in the lawlessness and violence brought to the region. Russian forces have also inflicted terror and violence on its citizens. Russia's goal was and continues to be to gain wealth and influence in the region by obtaining access to the diamond mines in an effort to trade globally. The Russians operate mines that are abundant in gems designated as "blood diamonds" by the Kimberley Process. The country operates and controls a smuggling corridor through Sudan, Chad, and Cameroon (Searcey 2020).

Russia's current war and illegal invasion of Ukraine is an example of the volatility of the diamond trade and the concern about "blood diamond" funded wars globally. Violent, unethical countries and regimes illegally supply diamonds to consumers worldwide. There is a high possibility of funding wars with the proceeds and profits from the purchase of a single diamond engagement ring. Russia has taken advantage of the United States' hands-off policy in Africa and has influenced and controlled the profitable diamond trade in Central and South Africa through militarization.

U.S.-based jeweler Tiffany & Co. recently announced that the company will stop buying diamonds mined from Russia. "Tiffany has paused the sourcing of all rough diamonds from Russia, as well as serialized diamonds of Russian origin regardless of where they are cut and polished," a Tiffany spokesperson said in a statement to *Barron's* (Kay 2022). Similarly, Signet Jewelers, which owns Zales and Kay Jewelers in the United States, announced the company has told suppliers it will no longer buy metals and diamonds of Russian origin as early as 2022 (Biesheuvel and Neumann 2022). Brilliant Earth, a U.S. company that specializes in sourcing conflict-free diamonds and produces Lab Grown Diamonds, was one of the first jewelry companies to remove all Russian diamonds from its website (Fedow 2022). In March 2022, U.S. President Joe Biden banned the import of rough-cut as well as cut and polished diamonds from Russia and Alrosa as a sanction against Russia in response to the Russian invasion of Ukraine. According to Grace Kay of *Business Insider*, "Russian diamonds make up about 30 percent of the world's rough diamonds and the majority of the gems are mined by Alrosa, a Russian state-backed company, according to the US Treasury" (Kay 2022).

DIAMONDS ARE FOREVER: DE BEERS INFLUENCE ON THE DIAMOND INDUSTRY

Cecil Rhodes was born in 1853 in Bishop's, Hertfordshire, England. Cecil was a child with weak lungs and respiratory health problems made worse by the cold and wet climate of England. His father could not afford his Oxford schooling anymore and at the request of his older brother Herbert Rhodes, Cecil embarked to South Africa to work on the family cotton farm. Cecil arrived in South Africa in 1865, happy to be out of his father's home and hopeful that the dry climate of South Africa would improve his health. Soon after arriving both Cecil Rhodes and his brother left cotton farming to take part in the booming diamond mining business in South Africa. Cecil purchased a couple of mining plot rights at the De Beers diamond mine. This was where the De Beers Consolidated Mines name originated from, and the diamond conglomerate began (Bergstein 2016). The De Beers Consolidated Mines Corporation is one of the largest international diamond mining, diamond refining, industrial diamond manufacturing, and diamond retail companies in the world. De Beers mines diamonds in Botswana, Namibia, South Africa, Australia, and Canada. De Beers operates in 35 countries and is the largest distributor of diamonds in the world (Khan 2021).

The international corporation, The De Beers Group of Companies, was founded in 1888 by Cecil Rhodes and is headquartered in London, United Kingdom. De Beers has established itself as the leading diamond mining and refining source for diamond retail and industrial manufacturing. De Beers is one of the seven diamond international leaders in the formerly known Diamond Producers Association. In 2020, the Diamond Producers Association was rebranded as the Natural Diamond Council, or NDC, in an effort to reposition the diamond industry for younger audiences (Graff 2020).

The Natural Diamond Council members include De Beers Group, Dominion Diamond Mines, Lucara Diamond, Petra Diamonds, RZM Murowa, and RIO Tinto (PR Newswire 2020). The new NDC initiatives include promoting the desirability of diamonds to a younger generation through digital platforms and innovative content that reaches global audiences. An important part of this initiative is to change the “blood diamond” narrative to a more environmentally conscious and ethical diamond mining industry. The NDC has replaced the original ‘Real is Rare’ advertising campaign and launched a new marketing campaign titled ‘Only Natural Diamonds’ in an effort to appeal to Millennial and Gen Z customers interested in purchasing sustainable and ethically sourced diamonds. The “Real is Rare” campaign was not a well-received campaign. The message was not clear as to what was real or rare and therefore created an unfavorable marketing result (Freedman 2020).

In 1948, De Beers launched what is considered the most successful and iconic advertising campaign with their slogan, “A Diamond is Forever.” Frances Gerety, a copywriter at N.W. Ayer & Son Advertising Agency in Philadelphia was tasked with coming up with an advertising campaign for De Beers. In 1999, Advertising Age named the De Beers “A Diamond is Forever” campaign slogan, the slogan of the century (Greiff 2015). The concept of the advertising campaign was to equate the indestructible gem with an indestructible marriage. This campaign also asked the following questions: How can three months’ salary last forever? Isn’t three months’ salary a small price to pay for something that lasts forever? A Diamond is forever. With this campaign, De Beers succeeded in commercializing love, romance, and marriage into a commodity. The diamond ring was no longer only for the rich. The diamond engagement ring became a

must-have for anyone getting engaged to be married. By 1985, 80 percent of all brides were choosing diamond engagement rings (Brinig 1990). J. Courtney Sullivan of *The Washington Post* stated:

The tagline represents an ultimate (and ultimately impossible) promise: If you buy this object, your love will never end. Without a diamond, Gerety's message seemed to warn, that there's no such thing as forever. The warning worked. In 1951, Ayer informed De Beers that "jewelers now tell us 'A girl is not engaged unless she has a diamond engagement ring.' The same year, eight out of 10 American brides got a diamond. That number has stayed relatively consistent ever since. (Sullivan 2014)

The following De Beers advertising campaigns promoted diamond anniversary bands and special occasion diamond rings as well. This advertising campaign increased De Beers diamond sales between 1939 and 1979 from \$23 Million to \$2.1 Billion in the United States alone. Uri Friedman of *The Atlantic* stated:

"Over those four decades, the company's ad budget soared from \$200,000 to \$10 million a year. De Beers and its marketers proved extraordinarily adaptable at molding public perceptions. When the U.S. engagement market seemed tapped out, a new campaign promoted the gift of a second diamond as a way to reaffirm romance later in marriage." (Friedman 2015)

De Beers is considered a pioneer in the industry by establishing the unwritten rules of purchasing a diamond engagement ring. In 1940, De Beers and the Gemological Institute of America or GIA, established the 4Cs diamond grading system for the industry. The 4Cs include Color, Clarity, Cut, and Carat Weight (Gilbertson 2016). The GIA is the most recognized and respected non-profit diamond review laboratory. The GIA has

implemented a standardized grading system for the impartial review of the quality, authenticity, and certification of diamonds. The GIA Diamond Grading report will confirm the authenticity and quality of the diamond. Additionally, the GIA Diamond Grading report will establish and document ownership of the diamond proving useful if the diamond is ever resold. The GIA Diamond Grading Report also details the specific characteristics and qualities of a diamond. The report includes the cut grade of the diamond. The cut grade is determined by the face-up appearance, craftsmanship, and design of the stone. The word carat comes from the carob seed, a small uniform seed used in early gem trading to balance scales and determine weight. The carat weight is listed to the nearest hundredth of a carat. The clarity is determined by examining the diamond at ten times the magnification for inclusions or blemishes that may be minerals, liquids, or solids trapped in the stone. The report will also plot the inclusions found in the diamond. The color grading determines the absence of any color in the diamond. The clearer the diamond the more valuable it is deemed. The GIA Diamond Grading Report includes the shape, cutting style, measurements, polish, fluorescence, symmetry, finish, depth, and crown angle as well as comments on any additional diamond characteristics not mentioned (GIA n.d.).

The diamond report is critical when purchasing a diamond engagement ring. It is considered the blueprint of the diamond detailing specific characteristics of the diamond's shape, the 4C's review, measurements, and a plot or map of each individual diamond. It also provides an impartial evaluation, proof of authenticity, and quality. GIA accredited jeweler, Nellie Barnett stated "not only does diamond certification determine the quality of the gem, but it then communicates the diamond's qualities in a way that helps consumers understand what they are buying" (Kliest 2021). The cost for a GIA Diamond report

depends on the size of the diamond to be evaluated and the price ranges from \$85 USD and upwards for a one-carat stone and up, depending on the size and weight. Additionally, each diamond has a unique GIA identification number. Once the customer has the GIA identification number the customer could identify and potentially find all of the jewelers selling the same diamond at different price points. The New York Diamond District, for example, can therefore facilitate the transaction.

In Table 2 the GIA Identifying Report Number is an example of the identifying number that is lasered on every diamond that has a GIA report issued. The laser inscription links the diamond to its specific report data, via the report number that GIA inscribes on the diamond's girdle. The GIA number can be cross-checked on the GIA Report Check online database containing the diamond's grading details. The diamond's physical report will also reference the GIA number. The number is viewable under ten times magnification with a simple jeweler's loupe. In addition to the report numbers GIA will also inscribe short messages or logos, upon request (GIA n.d.). The GIA Identifying Report Number along with the GIA Diamond Report are important assessments in an effort to provide transparency in the market as consumers look to purchase diamonds that are authentic and ultimately traceable.

TABLE 2

GIA Identifying Report Number



Source: GIA

AN EMOTIONAL PURCHASE: CONSUMER BEHAVIOR AND PSYCHOLOGICAL PERSPECTIVE

The sentimental and emotional value in the purchase and in the giving or receiving of a diamond engagement ring is still a major milestone for couples engaged to be married. The engagement ring has both symbolic and real value as a signal of commitment to a long-term relationship (Brinig 1990 and Tushnet 1998). The value of a diamond is largely emotional and in time sentimental to many families as jewelry, especially engagement rings, become heirlooms and are passed down from generation to generation. “People buy a diamond only a few times in their lives, if not once” (Sullivan 2018).

The unofficial rule for spending two-or-three-months’ salary on an engagement ring was established after the De Beers campaign in 1948. The social pressures of the size, cut, and price of the diamond engagement ring was growing with successful and widespread advertising from the diamond industry via television commercials and radio advertisements. Scott and Yelowitz’s (2010) study found that individuals’ actions signal their predispositions and therefore have an influence and effect on social status. The study focuses on the groom’s decision process in purchasing an engagement ring. The study notes that although the price difference for a slightly smaller diamond is considerable, the groom will most likely purchase a whole carat weight instead of a less expensive fraction of a carat. Also, the groom will most likely conform to the two-to-three-month salary expected cost of an engagement ring in an effort to be perceived by his fiancée, her family, and social group as a good prospect for marriage (Scott and Yelowitz 2010). B. Douglas Bergheim’s model of conformism states that grooms are “willing to conform because they recognize that even small departures from the social norm will seriously impair their social status” (Bernheim 1994). Traditional gender roles and behaviors play a significant role in the

psychology behind the purchase of diamond engagement rings. Sentimental value is also associated with engagement rings as diamond rings become heirlooms to be passed down from generation to generation as a testament to a family's social standing, stability, wealth, and economic stature. According to a 2020 survey conducted by Bain & Company on consumer sentiment "consumers continue to value diamond jewelry as a desirable gift and a key element of marriage" (Linde 2021). In addition, for U.S. consumers sustainability and social consumerism "influenced diamond purchase decisions with social impact being the top sustainability concern" (Linde 2021).

A CUT ABOVE THE REST: THE SUSTAINABLE SET

Diamond gem laboratories have been hard at work to create an alternative option for the environmentally conscious consumer concerned with sourcing sustainable diamonds. These options are otherwise known as Lab Grown Diamonds or LGDs. Lab Grown Diamonds are also made of carbon however, they lack the earth qualities infused in natural diamonds, as well as the status and prestige of an earth-grown diamond (PR Newswire 2021). Earth-grown diamonds are rare, precious, and unique gems that were created billions of years ago. Alternatively, it is important to note that although Lab Grown Diamonds are man-made, they have the same properties as mined diamonds. The two main technologies that produce Lab Grown Diamonds are HPHT or otherwise known as high-pressure high temperature and CVD or otherwise known as chemical vapor deposition (Chrisandina 2018). The HPHT process, which requires high-pressure and extreme temperature, is costly and is considered an older process. The CVD method is a newer, recently developed method that is more compact and cost-effective. The diamonds produced by the CVD are graded Type II diamonds and can be considered extremely rare. These diamond creating processes have been described as “creating diamonds in two weeks in a microwave” by critics of Lab Grown Diamonds. Lab Grown Diamonds are graded and certified using the same process as mined diamonds.

Notably, lab-created diamonds are priced 20 to 30 percent less than mined diamonds (Anhut 2022). This gives the customer the ability to purchase a larger carat weight with the perfect color, clarity, and cut within the same budget. A Lab Grown Diamond is an excellent alternative for a price-sensitive consumer or a consumer looking

for a sustainable diamond alternative such as a Millennial or Gen Z-er. However, the Lab Grown Diamond industry has a perception problem that will be difficult to overcome.

De Beers recently launched the Lighthouse Jewelry division for Lab Grown Diamonds in May 2018 in an effort to create a line of jewelry with a more accessible price point and a new commercial opportunity for younger consumers. The CEO of the Diamond Producers Association pointed out that De Beers was positioning the Lightbox Jewelry Lab Grown Diamonds as "low-cost pretty stones and not for what they are not - real diamonds, rare, precious and inherently valuable" (Esty 2018). Additionally, Pam N. Danziger, for *Forbes* magazine, noted "In a particularly telling word cloud illustrating some 1,500 consumers' response to the question "What comes to your mind when you think about lab-grown diamonds?", the terms "Artificial" and "Fake" generated the largest font size among U.S. consumers" (Danziger 2021). Similarly, Purinton's (2012) study for the *Journal of Business and Behavior Science* on consumer attitudes regarding artificial diamonds concluded that attitudes towards artificial diamonds set in engagement rings are mainly unfavorable. Purinton's survey was conducted at a Northeastern college with 193 usable survey responses from 84 males and 104 females. Most written responses on artificial diamonds included the words cheap, fake, and deceitful. Survey respondents noted that fake diamonds essentially represented fake feelings. A 21-year-old female survey respondent wrote, "Even if it is small, it's better than a fake one." in reference to her personal preference for receiving a diamond engagement ring versus an artificial diamond (Purinton 2012). Market research indicates that not all sustainable goods are well received in the market. A key indicator of consumers' willingness to purchase a sustainable alternative is the social acceptance and desirability of the product (Luchs, Naylor, Irwin, et

al. 2010). De Beers reported that “47 percent of consumers did not agree that lab-grown diamonds are "real", but they are still interested in buying them because they are cheaper than mined diamonds, and are viewed as fun and fashionable" (PR Newswire 2021).

Brands are pivoting their marketing strategies to meet the Millennial and Gen Z consumers’ sustainability concerns and expectations in retail and manufacturing as well. Brand marketing towards Millennials and Gen Z consumers must include an additional 3Ps in the brand’s marketing matrix in order to address sustainability. The proposed 3Ps for Millennial and Gen Z marketing include Preservation (Environment), Public (Society), and Performance (Economy) which add to the traditional 4Ps of marketing: Product, Price, Place, and Promotion (Fuxman, Mohr, Mahmoud, et al. 2022). The new 3Ps are critical in addressing the Millennial and Gen Z generation’s environmental concerns regarding a sustainable product cycle from sourcing raw material to the sustainable and ethical manufacturing and logistics processes.

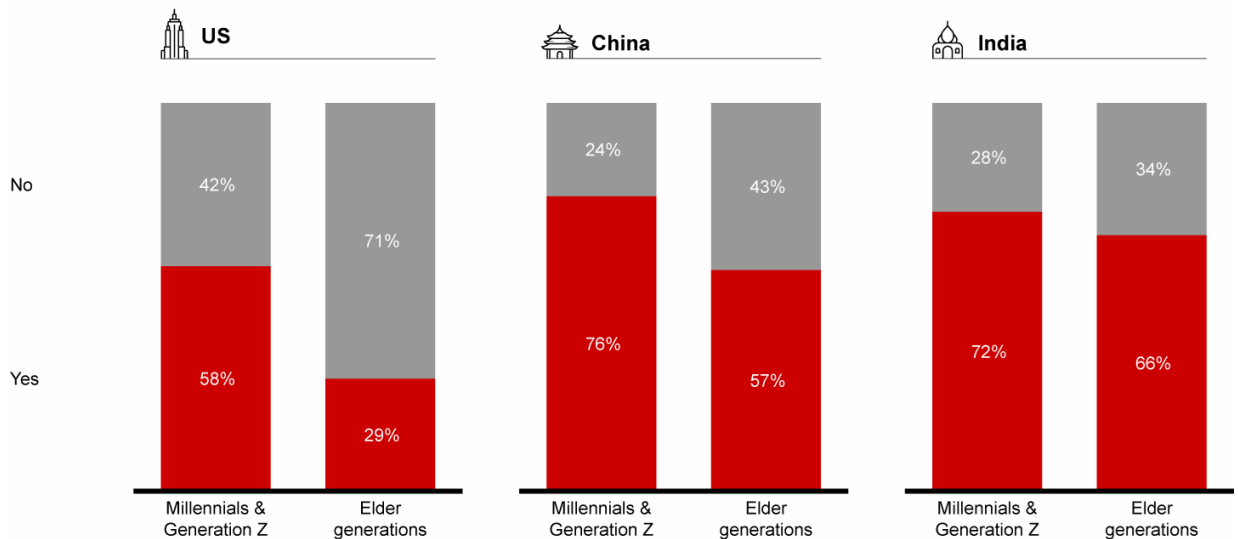
Millennial and Gen Z consumers will account for more than half the U.S workforce in 2020 and will be 75 percent of the workforce by 2025 (O’Boyle 2021). Additionally, this segment of consumers is willing to spend more on sustainable products and brands. The Gen Z consumer especially demonstrates a willingness to shift to sustainable alternatives in luxury goods and jewelry. There continues to be a positive attitude towards items perceived as “green” or sustainable and an increased intention to purchase sustainable products. Perceived value is a key factor in marketing strategies. The perception of receiving a benefit while purchasing a product creates a positive purchasing experience based on the consumer’s sustainability expectations. There is a willingness by the Gen Z consumer to spend more on luxury goods and jewelry, such as diamonds that

are sustainably sourced, because they perceive that their sustainability expectations are being met (Arora and Manchanda 2022). In addition, the survey question results in Table 3 *Sustainability Factors on Purchasing Behavior* concludes that U.S. Millennial and Gen Z consumers take sustainability factors into consideration more often than older generations when purchasing diamond jewelry.

TABLE 3

Sustainability Factors on Purchasing Behavior

Do you consider sustainability factors (impact on environment and local communities) when making a decision to purchase diamond jewelry?



Notes: Prompted question; 100% of panel bought/received diamond jewelry within last 24 months; represents respondents who did not rank sustainability as one of the top 3 important characteristics of diamond jewelry
 Source: Bain online consumer surveys in the US (N=496), India (N=530) and China (N=501) in November 2020

Source: Bain & Company

Although there is a generational shift towards purchasing sustainable goods and products, Millennials and Gen Z consumers currently in their early to mid-to-late twenties are faced with the unluckiest economic times of a generation (Van Dam 2020). The Covid-19 Pandemic and subsequent economic crisis is only the latest catastrophic event to stifle the economic growth of these two generations. Millennials have been shaped by September 11th, the war in the Middle East, a recession, and a pandemic. This generation has come to

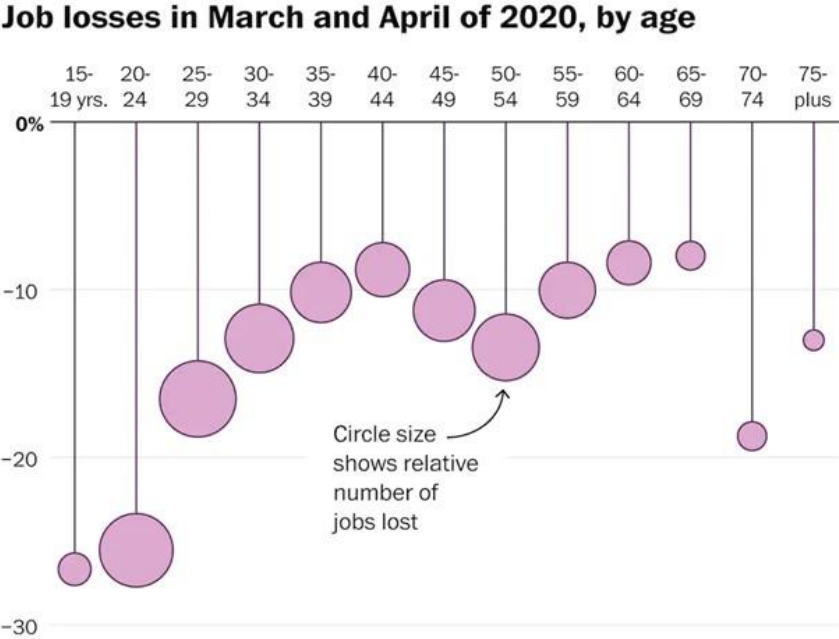
age in difficult financial times, and many are held back by lower job wages and fewer opportunities for economic growth. Many Millennials have not yet recovered from low wages and college debt, therefore delaying milestone events like marriage, having children, and purchasing a home (Hess 2022). Additionally, Millennials have little to no equity, savings, or housing net worth. “Millennials will bear these economic scars the rest of their lives, in the form of lower earnings, lower wealth, and delayed milestones, such as homeownership” (Van Dam 2020).

According to a report from lab-grown diamond brand VRAI, the Covid-19 pandemic has caused diamond consumers to reassess the cost and sustainability of diamond purchases. The VRAI report states that the pandemic “has sparked attention and action toward social and environmental issues” (Kavilanz 2022). The Covid-19 pandemic has moved most retail jewelry businesses online (Linde 2022). The pandemic has also accelerated the rate at which Millennial and Gen Z consumers shop on digital platforms. The Millennial and Gen Z generations are accustomed to making online purchases due to the perceived ease and perceived practicality of digital shopping platforms (Mondol, Salman, Rahid, et al. 2021). In an effort to find the best price for a diamond, Millennials are turning to *Rare Carat*, a website that uses tools and algorithms to compare diamonds offered across multiple retailers (Sullivan 2018). *Rare Carat* founder, Ajaj Anand, described his search engine as the *Kayak* of diamonds or the diamond version of the Kelley Blue Book. The *Rare Carat* search engine compares prices across several online diamond retailers like Blue Nile, James Allen, Brilliant Earth, and Costco (Bergstein 2016). Millennials and Gen Z shoppers are extremely savvy at conducting cost-comparative research online. In fact, many Millennial engagement ring shoppers prefer to do their

research online in order to be well informed before walking into a store to make a purchase. Younger consumers have come to rely more on social media, digital, and mobile platforms as sources of information rather than relying on salespeople in-store (Netsuite 2019). The Millennial and Gen Z generations prefer to shop online where they can receive “contactless” service over having face-to-face interactions with salespeople at brick-and-mortar retailers. The convenience of shopping online is a major driver for younger consumers when making a purchase (Kim, Jang, Choi, et al. 2021). Ultimately, seven out of eight shoppers go off-line to purchase a diamond ring, opting for traditional retailers (Bergstein 2016).

TABLE 4

Job Losses in March and April of 2020



Source: Labor Department via IPUMS
THE WASHINGTON POST

LUXURY HOUSES: INNOVATION AND SUSTAINABILITY

Luxury jewelry houses continue to innovate and bring forth creative marketing campaigns in an effort to reach a more diverse, inclusive, and younger demographic. In January 2020 during Couture Week in Paris, France Louis Vuitton showcased its famed Soweto diamond. The Soweto diamond is the size of a tennis ball and covered in black carbon. Louis Vuitton's Soweto diamond is approximately 1,758-carats and the second-largest rough diamond ever found. The brand has a partnership with HB Antwerp, a Belgium-based stone-cutting specialist and diamond craftsmanship company. HB Antwerp will take a year in planning a high-tech and innovative approach to scan the Louis Vuitton stone with a view to potentially plot-out future cuts of the stone (Spencer and Templeton 2020). Louis Vuitton's Executive Oded Mansori expressed that "the design was not yet complete and that not a single cut would be made until the design was finalized." Louis Vuitton plans to offer clients made-to-order, custom-made diamond designs cut from the stone in the shape of the house's monogram, a rounded flower, and a star-shaped motif. It is estimated that the Soweto diamond could yield a 900-carat stone (Spencer and Templeton 2020).

In a bid to capture a younger and more diverse consumer, Tiffany & Co. in 2020 announced a collaboration with streetwear clothing brand Supreme. The collaboration marks another step in Tiffany & Co.'s efforts to broaden its appeal since the company was acquired by luxury conglomerate LVMH and presents the opportunity for the company to expand beyond the old-fashioned and traditional image long associated with the jeweler. LVMH had previously partnered with Supreme in a collaboration with Louis Vuitton that re-energized the brand and garnered positive results (Socha 2021).

Additionally, Tiffany & Co. has partnered with Beyoncé and Jay-Z as brand ambassadors to appeal to younger consumers. Tiffany & Co. is positioning the brand to appeal to the Millennial and Gen Z consumers of marrying age to maintain the company's market share in the growing diamond engagement ring market. Research indicates that marketers perceived return on investment from celebrity partnerships outweighs the high advertising costs of securing the celebrity endorsement (Agrawal and Kamakura 1995).

On September 9, 2021, Tiffany & Co. launched the "About Love" campaign featuring Beyoncé and Jay-Z. Beyoncé became the first African American woman to wear the famous Tiffany & Co. yellow diamond. Only three women had worn the iconic Tiffany & Co. 128.54 carat yellow diamond in the past most notably Audrey Hepburn. The Tiffany & Co. diamond was originally discovered during a digging excavation in South Africa in 1877 at the Kimberley Mine and purchased by Charles Tiffany for \$18,000 dollars. "Beyoncé and Jay-Z are the epitome of the modern love story," stated Alexandre Arnault, Executive Vice President of Product and Communications, in a press release. He continued, "as a brand that has always stood for love, strength, and self-expression, we could not think of a more iconic couple that better represents Tiffany's values" (Tiffany & Co. 2022). As part of the advertising campaign, Beyoncé released her version of the famed song "Moon River" made famous in the classic movie *Breakfast at Tiffany's*. As an important part of the partnership between the Carter's and Tiffany & Co. and as an extension of the campaign's "About Love" theme, Beyoncé and Jay-Z worked alongside Tiffany & Co. to present the Love Scholarship program in conjunction with BeyGOOD and the Shawn Carter Foundation. The scholarship will benefit five Historically Black Colleges and

Universities or HBCUs. The campaign is targeted at a new more diverse audience and a demographic of younger consumers (Tiffany & Co. 2022).

In an effort to engage with the Millennial and Gen Z generations concerned with conservation and sustainability, Tiffany & Co. recently launched the Diamond Source Initiative. This initiative provides transparency to the ethical sourcing of Tiffany & Co. diamonds. Consumers will be provided the diamond's documentation with the region or country of origin of all newly mined registered diamonds exceeding 0.18 carats (Sidell 2019). The diamond jewelry documentation will be available to customers at the Tiffany & Co. stores (Sidell 2019). The Diamond Source Initiative has been created at a pivotal time for Tiffany & Co. with the emerging market for Lab Grown Diamonds. The market for Lab Grown Diamonds continues to grow, particularly among the Millennial and Gen Z generations who are concerned with the origins and sustainability of mined diamonds (Bhasin and Chandra 2019). In 2019, Alessandro Bogliolo, Tiffany's Chief Executive Officer, expressed "Younger consumers want to know more about where their product came from and how it came to be. Luxury consumers particularly want to know that information" (Sidell 2019). Tiffany & Co. is committed to diamond mining sustainability, the ethical sourcing of diamonds, and documenting diamond origins.

Tiffany & Co. has also launched the "Not Your Mother's Tiffany" advertising campaign in an effort to change the perception of being an old-fashioned company and to modernize the brand. Tiffany & Co. continues to innovate and is currently working on the most expensive piece of jewelry the company has ever offered. The Tiffany & Co. 80-carat oval diamond was mined in Botswana under sustainable and ethical guidelines set by the company. The unveiling of the 80-carat oval diamond is set to coincide with the grand

opening of the new flagship renovation scheduled to be completed in Spring 2022. Tiffany & Co. has a focus on sustainability by creating innovative designs with diamonds sourced and mined ethically. Tiffany & Co. has not released the price the company paid for the diamond (Sidell 2021). Tiffany & Co.'s status as an American Heritage jeweler, specifically for diamond engagement rings, could be a differentiator for the brand in a wider global market set to compete with European jewelry brands (Vale 2021).

Although the luxury jewelry houses have made important strides and have set initiatives to ensure transparency and sustainability in the diamond industry, there still exist concerns from Millennials and Gen Z-ers about the sources of natural mined diamonds. Consequentially, many diamond companies have launched lab-created alternatives. In January 2020 during Couture Week in Paris, France Markus Langes-Swarovski spoke about Swarovski's launch of the brand's own Lab Grown Diamonds initiative. "Couture, fashion is one of the art forms we want to celebrate - the craftsmanship, that's why we thought that Paris Couture Week is an appropriate platform." said Markus Langes-Swarovski at the launch also noting:

"A diamond is a diamond, the only difference is the genesis, the rest is a hundred percent diamond, it has the same physical, optical and chemical properties, same hardness, same fire, same brilliance. I think it's interesting to give people choices, even as a high jeweler in Place Vendome," he added. (Spencer and Templeton 2020)

Pandora, a jewelry company which is based in Copenhagen, Denmark has announced it will no longer use mined diamonds. Pandora makes more jewelry than any other company in the world (Valinsky 2021). The jewelry giant has been plagued with

issues about unethically sourced diamonds and ultimately has made the decision to stop using mined diamonds altogether in its designs. Pandora announced the company will only be using lab-created diamonds and the company has committed to a reduction of carbon emissions in the manufacturing of the lab-created diamonds. The company is currently utilizing 60 percent renewable energy in the production of lab-created diamonds and is targeted to go to 100 percent renewable energy in 2022 (Wienberg 2021). "They are as much a symbol of innovation and progress as they are of enduring beauty and stand as a testament to our ongoing and ambitious sustainability agenda," Pandora's CEO Alexander Lacik, said in reference to Lab Grown Diamonds. "Diamonds are not only forever, but for everyone." Lacik told BBC News that synthetic diamonds can be made for as little as "a third of what it is for something that we've dug up from the ground" (Lewis 2021).

DIAMONDS IN THE AGE OF SOCIAL MEDIA AND THE IMPACT ON POP CULTURE

The widespread use of social media, particularly Instagram, has influenced engagement ring trends and has also influenced marketing strategies and campaigns (Harris 2020). Social media interactions between luxury brands and consumers provide immediate valuable insights into how marketers can tailor online advertising strategies to best reach the intended consumer (Meire, Hewett, Ballings, et al. 2019). It is impossible not to notice the carat weight and diamond size of an engagement ring especially when promoted on social media platforms. When a high-profile celebrity gets engaged it is widely celebrated news promoted by digital media outlets all over the world. A common trend amongst celebrities with large budgets is opting for a unique and one-of-a-kind diamond engagement ring. On April 8, 2022, actor Ben Affleck proposed to singer and actress Jennifer Lopez for the second time with a rare green diamond engagement ring. “The natural green diamond center stone is an 8.5-carat cushion modified brilliant-cut. It was sourced by Ilan Portugali of Beverly Hills Diamonds. The gem is set in a platinum ring featuring a custom-shaped pair of trapezoid step cut diamonds” (Fasel 2022). Although emeralds and fancy colored diamonds have been gaining popularity in recent years, a green diamond is considered one of the rarest and most unique types of diamonds because of the scarcity of green diamonds in the market (Maitland 2022).

According to the Gemological Institute of America, green diamonds are extremely rare and are usually found in South America and Africa. From 2008 to 2018, diamonds with a “pure” green, blue, or red color made up less than 0.07 percent of all diamonds the Gemological Institute of America received for grading worldwide (Davis 2022). In an article published in *Gems & Gemology* in 2018, Christopher M. Breeding, Sally Eaton-

Magaña, and James E. Shigley wrote that “green diamonds are the result of structural defects from radiation exposure, or nitrogen, hydrogen, or nickel impurities.” Therefore, it is no surprise that experts in the field speculate that Jennifer Lopez’s green fanciful colored engagement diamond ring cost upwards of millions of dollars. Brian Denney, of *Gems of Note*, estimated that Jennifer Lopez’s rare green-yellow diamond to cost around \$1 million per carat, for a total price tag of \$8.5 million (Davis 2022). This is not the first time Ben Affleck had purchased a fanciful colored diamond engagement ring for Jennifer Lopez. The actor famously proposed to the singer and actress in 2002 with a light pink 6.1-carat diamond ring from Harry Winston before the couple called off their engagement in 2004 (Fasel 2022).

De Beers, the largest diamond jewelry company known for its rare colored gems, currently does not have any green diamonds available for purchase. The De Beers website explains that only a handful of green diamonds come to the market each year (Fasel 2022). The company goes on to add that a natural green diamond’s color does not develop until the end of its journey to the earth’s surface. The color comes from natural irradiation or the intense color change that develops after being exposed to the earth’s radiation, usually caused by alpha particles. Absorbing red and yellow light causes the diamond to reflect a green hue, however, this process is usually confined to a very thin layer at the surface of the original rough diamond so it’s very rare that the green color will be present throughout the diamond. Marion Fasel, the author of *The Adventurine*, stated:

“Call me romantic, but somehow this description of a diamond gaining its green color at the end of its journey to earth makes the stone feel just right for Ben and Jen who rekindled their love affair after over 20-years apart.” (Fasel 2022)

Celebrity engagement rings have created a source of inspiration for buyers via social media, especially on Instagram. Industry retailers indicate that Instagram is a major source of inspiration and a search tool for diamond ring engagement ring trends (Harris 2020). Consumers are continuously generating online content about what goes on in their lives and specifically during major life experiences, such as engagements and weddings, generating “a real-time record of their perceptions, thoughts, and feelings” (Tonietto and Barasch 2021). Marketers have budgeted significant resources to social media influencers to deliver the brand’s marketing messaging and advertising objectives via social media platforms (Tonietto and Barasch 2021). Influencers are an important strategy for advertising as brands continue the digital transformation to bring retail online. Influencer marketing is informative, accurate, and creative in reaching consumers. Celebrity influencers working in partnership with luxury brands are critical in delivering the diamond industry’s marketing content to millions of followers. Micro-influencers who are not necessarily celebrities will continue to be important in reaching everyday social media users (El Qudsi 2022). Social media has influenced social norms on consumer behavior by widening the user’s interactions to larger audiences (Melnyk, Carrillat, and Melnyk 2022).

In a study about prestige-seeking consumer behavior, Franck Vigneron and Lester Johnson noted that prestige is the perceived value of an item based on the benefit the consumer perceives he or she will receive from owning it. “The consumption of prestige brands is viewed as a signal of status and wealth, and whose price, expensive by normal standards, enhance the value of such a signal (perceived conspicuous value)” (Vigneron and Johnson 1999). In this study, perceived prestige is influenced by social and personal

interactions, consumer motivations, and socio-economic conditions. The study identifies the following five values of perceived prestige related to five consumer motivations.

The first value is the Veblen Effect. The Veblen Effect is defined as perceived conspicuous value. This is an outward, visible display of wealth and power usually expressed in designer clothing and expensive jewelry. The second value is the Snob Effect. The Snob Effect is defined as perceived unique value expressed as one-of-a-kind, limited supply items that are obtained before anyone else. These items lose perceived value when the item becomes available by price or availability to the general public. The third value is the Bandwagon effect. The Bandwagon Effect identifies consumers with social and emotional motivations and would be more likely to purchase similar jewelry, for example, as the reference or aspired group that the consumer is trying to belong to. The Bandwagon Effect is strongly tied to the conformity motivation to fit in and the hedonic motivation which is the pursuit of pleasure and avoidance of pain (Cho, Kim-Vick, and Yu 2021). Vigneron and Johnson's (1999) study also concludes that bandwagon motivation is closely related to social-economic values and self-expression. The bandwagon effect is an important factor in the purchasing behavior of the Millennial and Gen Z generations, especially in relation to buying luxury goods. "A symbol such as a popular luxury product, that significant others consume too, may increase consumers' social benefits (reward) and decrease the possibility to be considered members of low social classes (punishment)" (Kastanakis and Balabanis 2012). The fourth value is the Hedonist Effect. The Hedonist Effect is an emotional motivation of pursuit pleasure and happiness and the avoidance of pain. This effect demonstrates that the consumer essentially makes purchases for happiness and enjoyment. This motivation is closely tied with the motivation to fit in. The fifth and

final value of perceived prestige related to the five consumer motivations is the Perfectionist Effect. The Perfectionist effect highlights the consumers' motivation is quality. This consumer is concerned with purchasing only high-quality items and brands.

The Bandwagon Effect is demonstrated in the 2018 YouTube Docuseries *Ice Cold* as hip-hop artists discuss why it is important to own diamond-paved items of jewelry. For hip-hop artists, diamond jewelry is a symbol of social status, belonging, and success and therefore is considered a stamp of approval within the music industry. The motivation behind the luxury consumer is closely associated with “conspicuous consumption” or the need to stand out or be noticed and “status consumption” in an effort to reach the social standing of the aspired group (Dogan, Ozkara, and Dogan 2020). Diamond-pave jewelry is also a visible status symbol and serves as an inspiration to up-and-coming generations who look up to hip-hop artists. Diamond jewelry has heavily influenced the hip-hop industry. The YouTube Docuseries *Ice Cold*, produced by the rap group Migos, documents the relationship between diamond jewelry and its significance to those in socio-economic backgrounds. Wearing diamond jewelry is a reimagined notion of status and wealth as well as an expression of personal style. Diamond chains and bracelets are often referred to as micro-pave and are usually gold or silver chains covered in diamonds. Hip-hop artists and the music industry have an impact on the future consumers of the diamond industry by setting trends and therefore creating a bandwagon effect (Tauer 2021).

CONCLUSION

The premise of this thesis was to research the origin of a diamond and how this knowledge has shaped the decision-making process of purchasing an engagement ring for the Millennial and Gen Z consumer. The purchase of an engagement ring was initially shaped by mass advertising like the De Beers “A Diamond is Forever” campaign first launched in 1948. Advertising continues to influence the Millennial and Gen Z generation’s perception of diamonds. The societal pressure associated with unwritten rules, like the cost of the diamond engagement ring which should be at least three months’ salary and the diamond should be naturally mined and therefore real, has long been influenced by advertisers.

According to Iain Davies, Zoe Lee, and Ine Ahonkhai in an article for the *Journal of Business Ethics*, in 2012 consumers’ consideration for ethical purchases was a significantly lower factor when purchasing a luxury jewelry item in comparison to other product categories such as fashion. “This is indicative of ethics not really being perceived as an issue in luxury purchases (the Fallacy of Clean-Luxury)—or perhaps more accurately the ethical impacts of luxury brands have less intensity for consumers during decision-making” (Davies, Lee, and Ahonkhai 2012). The study concludes that “ethics simply do not rank very highly in the consumers’ priorities when buying into luxury brands” (Davies, Lee, and Ahonkhai 2012). However, in 2009, De Beers reported that there is an ethical consumption category likely to emerge in the luxury segment. De Beers’ predictions were correct as a decade later a new luxury market segment emerged focusing on sustainability. Consistent ethical messaging is required to generate a generational shift in ethical considerations when purchasing a luxury item. Luxury consumers view the purchase of

high-quality, long-lasting luxury items to be a form of sustainable consumption. This is due to the durability and retained retail value of the item (Sun, Belleza, and Paharia 2021). The quality and functionality of luxury items must be maintained when offering an ethically sourced alternative to maintain the perceived prestige of the luxury item. “Millennial consumers have high-value consciousness and significant concerns related to both environmental sustainability and social responsibility” (Beninger and Robson 2017).

The impact of the Millennial and Gen Z economic stagnation perpetuated by catastrophic events like September 11th, the Covid-19 pandemic, and the 20-year war in Iraq and Afghanistan has given way to more practical matters such as paying down debt and earth conservation. Millennial and Gen Z consumer surveys conclude that engagement rings are still considered highly valuable when celebrating milestone events such as marriage and wedding anniversaries. This perception will not be going away anytime soon.

In conclusion, there is a generational shift in the perception of the diamond industry. The social engagement requirement has changed to meet the economic environment of the average Millennial and Gen Z consumer in the United States. The Millennial and Gen Z consumers are highly aware of the socio-economic impact of diamond mining which has resulted in human rights violations, poverty, and violence. The effects of diamond mining have resulted in geological devastation in many regions of the world where the diamonds are mined. Organizations like the Kimberley Process have denounced regions where “blood diamonds” are mined in war-torn regions of Africa and across the world. The work of these organizations is critical in shining a light on the diamond industry that is fraught with crime, corruption, and violence. Alternatively, Lab Grown Diamonds provide an excellent alternative to earth-mined diamonds. Although Lab Grown Diamonds have the

same quality certification as earth-mined diamonds, the Lab Grown Diamond industry has a perception problem that will be difficult to overcome. Survey respondents' first thoughts about lab-created diamonds are unfavorable. The emerging diamond market needs a departure from the times of Cecil Rhodes in an effort to change perceptions to a new generation of consumers towards a more earth-friendly alternative. De Beers and the diamond industry are working to reach Millennial and Gen Z consumers via social media, digital media, and online platforms as advertising continues to shape consumer perception. Creative and innovative advertising will position the diamond industry as responsible and sustainable. The diamond industry must do more to ensure the ethical sourcing of diamonds and provide lab-created diamond options if it is to remain relevant to younger consumers interested in purchasing ethical and environmentally sustainable diamonds. To conclude, a diamond is forever both in its physical composition and also in consumers' perceptions of status, everlasting love, and accomplishment.

RESULTS OF SURVEY AND ANALYSIS

Survey 1: Wedding Wire - How to Buy an Engagement Ring Like a Millennial

Questions

Where should I shop for the ring?

Do I really have to spend three-months' salary on the ring?

Do I have to buy a diamond ring?

Survey 2: The Knot - The Knot 2021 Jewelry & Engagement Study

Key Findings

Shoppers Favor In-Store Ring Purchasing

Ring Aesthetics are Changing, But Diamonds are Forever

Methodology

The Knot 2021 Jewelry & Engagement Study was conducted in November 2021 among more than 5,000 adults who got engaged between January 2021 to November 7, 2021. All respondents were adults aged 18-54 who provided their emails to The Knot Worldwide. Respondents were from a variety of locations around the U.S.

The results of the popular wedding site surveys conclude that the majority of the consumers purchasing an engagement ring will make their purchase at brick-and-mortar stores. According to the survey by Wedding Wire, 50 percent of Millennials surveyed will be purchasing an engagement ring at a brick-and-mortar store. Alternatively, the Wedding Wire survey highlighted that one in four Millennials will purchase an engagement ring online. Nearly 40 percent of Millennial survey respondents said they actually paid less than two-months' salary on their ring, while 34 percent said they spent more than two-months' salary. Lastly, the Wedding Wire survey concluded that one in three Millennials will be

purchasing an engagement ring at a large jewelry retailer similar to Jared and Zale's and only one in three Millennials will buy an engagement ring at a local jewelry store. (Tynes, 2019) The Jewelry and Engagement survey conducted by The Knot noted that in 2021 67 percent of engagement rings were purchased in-store. Both the Wedding Wire and The Knot surveys asked respondents about Lab Grown Diamonds and received the following results: 70 percent of the Millennial respondents to the Wedding Wire Survey said they would be buying a diamond ring while only 10 percent of Millennials opted for "other" gemstones. The Knot's Jewelry and Engagement Survey results highlighted that one in four engagement rings purchased in 2021 had a lab-grown center stone. However, the preferred engagement ring stone for the survey respondents was the natural diamond.

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