

What's in a Terminology?

GIA's LAB-GROWN REPORT: YAY OR NAY?

By: Diamond World News Service | May 3 2019 2:36PM |



The mined diamond industry is currently torn about GIA's decision of revising its lab-grown diamond reports. While a segment feels that this would actually help in building consumer confidence, some others believe that this move could possibly kill the industry, especially in India. Can merely dropping the word 'synthetic' change the perception people have of lab-grown diamonds? Vijetha Rangabashyam finds out.

Last July, the 'natural' diamond industry was infuriated. It is quite ironic that we have to use the word 'natural' every time we speak of the mined-diamond industry when it is in fact the only diamonds we have known and cared about for centuries. But that is not the case anymore. Lab-grown diamonds are here to stay and they seemingly make for a good business prospect – this is part of how technology has been disrupting the more traditional way of running things in not just jewellery but every other business. The industry has acknowledged this, mostly. But it is posed with a bigger problem with agencies like the Federal Trade Commission (FTC) changing its jewellery guidelines to protect the interests of the consumers. To what extent and how far do the changed guidelines help the consumer make an informed decision about the kind of diamond he or she wants to buy is an issue we will deal with a little later in the story.

Eight months after FTC's sweeping changes in the terminology regarding diamonds and its lab-grown counterpart, the Gemological Institute of America (GIA) too has changed its lab-grown diamond reports by dropping the word 'synthetic'. The industry can't say that it didn't see this coming. GIA had to change its report to align itself with FTC's guides; it was just a matter of time. The miners and natural diamond manufacturers are divided on the issue as always – while some are ostensibly welcoming the change with arms wide open, some believe that this is an abject blow for the industry, sort of a death warrant.

What's the change anyway?

In 2007, GIA first introduced the Synthetic Diamond Grading Report. Twelve years later, GIA has opted for dropping the word synthetic and calling it the Laboratory-Grown Diamond Report. Effective July 1st 2019, the report will still include the standard GIA colour, clarity and cut grading scales for reference purposes. However, it will use descriptive ranges instead of a detailed scale that it uses for natural diamonds. It will continue to use Colourless, Near

Colorless, Faint, Very Light and Light to report the colour grades for laboratory-grown diamonds, rather than the letters used to report the colour grades for natural diamonds. For example: D,E and F lab-grown diamonds will be graded colourless, G,H and I will be near colourless and K,L and M will be Faint.

The clarity of lab-grown diamonds will be graded as Flawless, Internally Flawless, Very Very Slightly Included, Very Slightly Included, Slightly Included and Included as opposed to VVS1 and VVS2; VS1 and VS2; SI1 and SI2; and I1, I2 and I3 used to report the clarity grades for natural diamonds. For example: SI1 and SI2 lab-grown diamonds will be graded as Slightly Included.

The GIA in its lab-grown diamonds report will also mention whether it is a diamond produced by CVD (Chemical Vapour Deposition) or HPHT (High Pressure High Temperature) treatment and the fact that it may include post-growth treatments to change the colour.



Nirupa Bhatt, MD, GIA, India & Middle East

Why the change?

Since July last year, the GIA has been conducting extensive research with consumer focus groups to understand what the consumer really expects from a grading report it offers. The research concluded that there was still a fair bit of confusion regarding the difference between natural diamond and labgrown diamond. “We used ‘synthetic,’ as well as ‘laboratory-grown’ and ‘man-made,’ in our reports because those were the terms approved by the U.S. Federal Trade Commission (FTC) to describe manmade diamonds. The FTC changed the guidelines for approved terminology in July 2018, and we are following those guidelines. The mission of the FTC is to protect consumers. GIA has worked with the FTC for many decades, both providing technical input and also following the guidelines,” says Nirupa Bhatt, MD, GIA, India & Middle East.

Protecting consumers’ interests has been FTC’s and GIA’s claim for so many years. The GIA is also fully aware of the demand for lab-grown diamonds considering its increased availability in the market in various qualities and sizes and so consumer awareness of the same has been the need of the hour. Since FTC’s amendment, the GIA too has been looking into revising its lab-grown reports to best protect the consumers’ interests and in fact, there was considerable deliberation on whether man-made diamonds needed grading reports after all. “As a mission-driven, public benefit Institute, GIA believes in the absolute importance of disclosure. That’s why the GIA Laboratory-Grown Diamond Report will include this

statement – “This is a man-made diamond produced by CVD (Chemical Vapor Deposition) or HPHT (High Pressure High Temperature) growth processes and may include post-growth treatments to change the color,” adds Bhatt.

The impact in India

FTC’s revised guidelines has caused diamondaires many headaches – now with GIA’s changes, the issue of lab-grown diamonds has become a migraine. While the consumers in the U.S. are getting increasingly curious about lab-grown diamonds because of its price points, the natural diamond industry here in India is battling several fights at a time. The competition from lab-grown diamonds in the U.S. will be a tough one to tackle and considering India is one of the biggest exporters of cut and polished diamonds to the U.S., a section of the industry believes that the change in lab-grown reports will markedly affect the demand for natural diamonds. “Day-by-day it is getting tougher to carry forward the natural diamond business. 150 Signet stores have already been shut in the U.S. and this is mainly because of synthetic diamonds. I started sending my diamonds for grading to GIA 3-4 years ago and I stopped within one year. We invest so much money and we put in so much effort in cutting and polishing the diamonds, then why should some other institute grade it and set the pricing?” says Mehul Dungrani, MD, Varni Gems.

A handful of diamond manufacturers have already approached the grading labs to retract their changes, failing which they are even considering not sending their diamonds for grading to international gemological laboratories like the GIA and HRD. “I don’t think there has been that much of a change from what they used to do earlier. GIA is the premium-grading lab in the industry and the industry will continue getting its diamonds graded from them,” says Ankit Shah, Director, Ankit Gems.

The market is already inundated with several alternatives like cubic zirconia, Swarovski crystals, American diamonds and now we have a new addition in the form of lab-grown diamonds. If the consumer is well informed about what is what, he is bound to buy the product that fits his pocket. “I don’t think the impact on the industry will be much. The U.S. is right now enamoured by this new product also because of its aggressive marketing. But a natural diamond will always be a natural diamond. Our industry is highly dependent on GIA for grading; many of us get our diamonds graded by GIA. The top 10 diamond companies in Bharat Diamond Bourse have started their own synthetic diamond companies because they are seeing the opportunity it presents. When that is the case how can we stop GIA from grading these synthetic diamonds as they are? The real problem is when synthetic diamonds are passed off as natural and with this revised report, I think consumers will have clarity and they can buy whatever product they want after having all the information,” says Dharmesh Kheni, Partner, Param Exports.



Ankit Shah, Director, Ankit Gems

“Lab-grown diamonds are here to stay and I think our industry in totality should accept that. GIA is still calling it manmade diamonds as opposed to using the word synthetic and I think the difference between manmade and natural is quite stark. Today the lab-grown diamond market is still only at 1.5 per cent. In Asia, people are not bothered about lab-grown diamonds as much– if you look at a brand like Chow Tai Fook for instance, the stores are almost always present at a luxury hub in all the main markets. If they start selling lab-grown, then there is no way they can afford to continue to sell from those places,” says Nilesh Chhabria, COO, Finestar Diamonds.

Over-the-top reaction

The diamond industry in India is presently faced with many issues, lab-grown diamonds being a fraction of it. Rough prices are higher than polished diamonds, financing doesn't come easily and add to that a flaccid economy – the demand for natural diamonds in general has come down. “There is a lot of misunderstanding regarding this issue in the industry. All that GIA has done is drop the word ‘synthetic’ and instead they are going to use ‘labgrown’ which is true – it is actually a lab-grown diamond. They are not trying to encourage the synthetic diamond market. Merely dropping the word synthetic is not going to affect the industry. As it is, very few companies go to GIA for getting synthetic diamonds certified. People are also reacting this way because they have not really understood the revised report properly,” says Vijay Shah, Director, J.B. and Brothers Group.

Having an overreaction is in fact normal when there are so many challenges to deal with. However, in a situation like this, reading between the lines is essential. “I think the industry is blowing the issue out of proportion. While giving the lab-grown report, GIA is also going to specify that it is a man-made diamond produced using such and such a treatment. In fact they are using a completely different grading method,” adds Ankit.

Diamond manufacturers feel that dropping the word synthetic will immensely affect their exports to the U.S. But on the other hand, some people in the industry also believe that those who want to buy natural diamonds will never go for the lab-grown offering. “People are worried for sure - the manufacturers in Surat feel that this can affect the industry because people care about what GIA does because at the end of the day it is a nonprofit organization and it does what it does after thorough research and because it feels it's the right thing to do. Instead of having knee-jerk reactions about the whole thing, I think what is necessary is a sit down conversation between the trade and GIA and see how both these entities can work together because GIA too needs us,” adds Nilesh.



Piyush Patel, Director, Dharmanandan Diamonds

Are consumers getting the whole truth & nothing but the truth?

It seems that lab-grown diamond companies are making hay while the sun shines. Recently, the FTC sent eight letters to jewellery marketers warning them that some of their online advertisements of jewellery made with simulated or laboratory-created diamonds may deceive consumers, in violation of the FTC Act.

In the letters, it expressed its concerns that some of the companies' advertising fails to conform to the current version of the guides, and may therefore deceive consumers. Specifically, the staff points out examples where the advertising might imply that a simulated diamond is a lab-created or mined diamond, or that a lab-created diamond is a mined diamond, or where required disclosures about the source of the diamonds are not proximate to the individual product descriptions.

The problem begins with terminologies. If lab-grown diamonds are mass-produced in large manufacturing units or factories no less, then one could argue why they are called lab-grown? Will dropping the term 'synthetic' alone give consumers the full picture about the difference between labgrown and natural diamonds? We can't really be sure.

Pricing – the main factor

While the lab-grown and natural diamond industries will go head-to-head in this big, bad battle, everything will come down to pricing as it always does. "I heard that lab-grown diamond roughs currently exist by the kilos in the market. So I think the price of lab-grown diamonds is going to further come down. What has happened to the pearl industry? The price of natural pearls has only gone up over time but the price of artificial pearls have come down drastically that today you can buy them in vast quantities with very less money," adds Vijay.

"It all depends on how aggressively the labgrown diamonds are priced. Consumers while purchasing a diamond always at the back of their minds consider the return value. A labgrown diamond at US\$ 800/carat is not a good investment. Additionally, it will add US\$ 100+ for the certification. A mere change in the certificate will not make any difference. The customers sooner or later are bound to lose confidence in the lab-grown diamonds," says Piyush Patel, Partner, Dharmanandhan Diamonds.

We need to think long and hard about how we are going to market natural diamonds to consumers, as that is the only way to make diamonds a priority in their minds. “In a situation like this, we manufacturers have to show solidarity, which we are currently lacking,” adds Mehul.

The price factor may result in an abundance of lab-grown diamonds in the market and we may witness a repeat of what has really happened with American diamonds. What we really should focus on is to be ten steps ahead of the lab-grown diamond industry when it comes to promotion. “I don’t see prices of lab- grown diamonds increasing, People prefer it as a fun product and it may replace simulants. The industry needs to show firmness during this time and not panic,” adds Piyush

Gemological Institute of America

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GIA Laboratory-Grown Diamond

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