

# De Beers Consultants

Marketing 70-381

Group 4B

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### **Executive Summary**

As the De Beers Consulting Group, we are the sole consultants for the De Beers diamond product lines. We have members from backgrounds of finance, marketing, entrepreneurship, information technology, human-computer interaction, computer science and biology. With our diverse background, we are confident that we can market and exploit the full potential of the diamond industry.

After an analysis of the history, current market and company situations, we conducted a survey on surveymonkey.com in which we targeted potential consumers to verify our hypothesis of lack of brand awareness of the De Beers diamonds. In accordance with our hypothesis, we surely found that consumers were very unaware of the De Beers brand. Also, we found that consumers took into consideration the issue of conflict diamonds when purchasing. In addition, our findings indicate that synthetic diamonds could pose a potential problem to the De Beers Company.

After analyzing all the results of our primary and secondary research, we propose a new strategy to exploit potential opportunities, increase the brand image, and raise brand awareness and combat conflict and synthetic diamonds. Throughout this Marketing Plan, we will state our findings from our research and explain in detail our proposed strategy for the De Beers Company.

### **History of De Beers**

The De Beers' history began with the first diamond rush at Klipdrift, near the Orange and Vaal rivers between 1869 and 1871. The majority of the diamonds were founded inland by two brothers named Johannes Nicholas de Beer and Diederik Arnoldus de Beer. They then discovered that diamonds could be found on their farm, Vooruitzigt, in 1861. When the diamond rush became more public in 1871, the de Beer brothers sold their farm to Dunell Ebdon & Co.

Although the De Beers brothers sold their farm to Dunell Ebdon & Co, Dunell Ebdon & Co. still named the company De Beers due to the names of the two brothers and their farm, which started the mining of the kimberlite, a rock containing the diamond substance. During this time, a man named Cecil John Rhodes and his brother Herbert became significant figures in the diamond rush of 1871. Due to the wide range of the mining that was taking place within their territory, the Rhodes brothers partnered up with Charles Rudd, who was also seeking diamonds during that period, and eventually formed the De Beers Mining Company in 1880.

De Beers was officially founded in 1888 in Southern Africa. Today, De Beers consists of more than 40% of the world's diamond production. Not only does De Beers produce 40% of the diamonds, but they also have factories located in 25 different countries.

### **About Diamonds**

Diamonds were discovered in 1859 on the Northern Cape of South Africa. Since then, diamonds have become extremely popular with the increased supply and the advancing technology that enabled exquisite cutting and polishing finishes. Diamonds are natural gems that can only be harmed by other diamonds and a few others stones. Given all these factors, diamonds have become a true luxury good and De Beers was able to embrace this luxury market.

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### **About De Beers**

De Beers thrives on one company purpose, its mission statement, which is *to be driven to turn diamond dreams into a lasting reality*. De Beers is a company that aims high and dreams big. They have two objectives: to unlock the full economic value of their leadership position across the diamond pipeline and to make diamonds a reality to everyone by increasing global partnerships, by employing skilled and committed people, and by relying on the emotional value of their diamond product.

Within their company, they hold themselves accountable to five main values: be passionate about their product and their company, pull together and unite their strengths, build trust within all their corporate relationships, show they care through service and contributions to communities and shape the future through their ability and willingness to take risks.

De Beers also has three principles around their purpose, vision and values. They hold themselves to high standards making sure they take responsibilities for all their actions including long-term consequences. They also create a better standard of living for the countries they reside in with their product. Through employment of the nations' citizens, they take an active part in campaigning and contributing to the HIV/AIDS cause in Africa, fighting to eliminate the world's conflict diamonds, and ensuring that stakeholders are informed about their performances even through third party scrutiny.

### **Operations**

De Beers is the world's most efficient diamond company due to their expertise and large capital investment in exploration, mining and distribution. They are responsible for about 40% of world diamond production by value and 45% of rough diamond distribution.

The De Beers exploration focuses on South Africa, Botswana, Namibia, Tanzania, Russia, and Canada. At these places, mining companies extract diamonds from solid kimberlite. All diamonds that are produced are sold through the Diamond Trading Company (DTC). All diamonds that are distributed come from managed companies, primarily De Beers Consolidated Mines, joint ventures with governments, such as Debswana, Namdeb, and Williamson Diamonds Limited, and purchases from Russian mining group, Alrosa.

After rough diamonds are obtained, they are sorted based on shape, size, color, mutability, and quality. The DTC sorts and distributes 45% of the world's rough diamond supply. The DTC exclusively sells to 93 client companies called "Sightholders." These sightholders are responsible for trading rough and polished diamonds, polishing rough diamonds, manufacturing and selling diamond jewelry. The sight holder companies are contracted with De Beers to price, market, and manufacture the diamonds according to the De Beers regulations.

Processing takes place in 30 countries but is concentrated in 5 locations: Antwerp, Johannesburg, Mumbai, New York, and Tel Aviv. India processes 55% by value of the world's diamonds. Wholesalers and retailers manufacture the diamonds into jewelry. Manufacturers are located close to consumer markets and are required through contract to follow De Beer manufacturing regulations. After manufacturing, the jewelry goes to one of the 200,000 worldwide diamond jewelry retail outlets where the diamonds are sold. Every diamond sold by De Beers Diamond Jewelers (DBDJ) retail outlets is conflict free. DBDJ requires a guarantee from suppliers that diamonds purchased are from legitimate sources that do not fund conflict.

### **De Beers Marketing Strategies**

De Beers began advertising for diamonds in the United States in 1939. Originally, the directors of De Beers hesitated to advertise because they were afraid that advertising for diamonds would cheapen them. They worked with N.W. Ayer to research why people bought diamonds and ultimately put together the ad campaign. In conducting research, they discovered that people did not buy diamonds for high fashion, as they previously thought, but as a symbol of love. As a result, this concept has been the center of many campaigns. In 1947, the tagline “A Diamond Is Forever” was coined. The “A Diamond Is Forever” campaign continued all the way until the 1990s.

The diamond as a symbol of love strategy was particularly important for several reasons. First, they marketed for the entire diamond industry, instead of for De Beers themselves. At the time, they held a monopoly over the diamond industry, so marketing for the entire industry did not help any competitors, but in the future, it became a problem. Second, De Beers managed to create the illusion that diamonds are rare by selling them at very high prices and marketing them as a special occasion purchase when in fact, diamonds are not rare. Finally, by marketing diamonds as a symbol of love, they started the tradition of diamonds being given as an engagement ring.

De Beers used several other subtle techniques to reinforce the connection between diamonds and love to the consumers. They had romantic scenes in movies rewritten to include diamonds. They actually gave diamonds to celebrities to give to their significant other to use as signs of indestructible love. De Beers would also place stories and photographs in magazines and newspapers of celebrities with diamonds being used as a symbol of love. Also, they used fashion designers to talk on radio shows about trends toward diamonds. Finally, De Beers commissioned famous artists like Picasso and Dali to paint pictures for their advertisements in order to convey the idea that diamonds are unique and rare works of art.

In 1963, De Beers hired J. Walter Thompson to assist in the development of new marketing and advertising plans. Through their market research, they concluded that the decision to buy a diamond is not spontaneous. In fact, the lead-time to buy a diamond is about nine to eighteen months. In order to attract consumers to this luxury purchase, they divided the market into two kinds of purchases.

The “occasion purchase” was a campaign targeted mostly at men. Engagement rings fall into this category. De Beers also began promoting a three-stone anniversary ring using the tag line, “for your past, your present, and your future.”

The “celebrating women” campaign was targeted at both men and women. They advertised with humorous ads in men’s magazines and even during football games to encourage men to celebrate their partners. They used a second campaign that focused on empowering women to buy themselves diamonds. The “right-hand ring” can be bought to celebrate an achievement and is an important campaign because it expanded the target market.

Finally, De Beers continues to use celebrities to market diamonds. They place diamonds on celebrities at high profile events such as the Oscars or Fashion Week or the Grand Prix Series.

### **Present and Future Challenges**

After analyzing the De Beers’s operations and markets, we have identified four challenges that De Beers is currently facing or will potentially face in the future. We think the biggest problem

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that De Beers faces presently is the association of diamonds and funding conflicts in Africa. This issue was brought to the attention to a big portion of the population due to the recent release of the movie, *Blood Diamond*. We think that customers could be deterred from purchasing diamonds due to this issue, and this in turn could lead to a significant decrease in De Beers' diamond sales.

We believe the other major issue De Beers should address is the problem of lack brand awareness of De Beers. De Beers has always advertised for the diamond industry as a whole, but they should now concentrate on creating a brand name for themselves, since they have lost considerable market share starting in the early 1990s to other mining companies such as Alrosa, Rio Tinto and BHP Billiton. The decrease in market share was caused due to the increase in overall market size and so more companies started producing diamonds. De Beers no longer is the only major diamond producer in the world.

Synthetic Diamonds are possibly the biggest threat that De Beers has ever faced, and this threat will become a reality within the next five to six years. After years of careful research and experimentation, scientists have finally discovered how to create Synthetic Diamonds, which are man-made diamonds that are indistinguishable from natural diamonds. Companies have been manufacturing industrial Synthetic Diamonds for years, but they have only recently discovered how to create Synthetic Diamonds of the same quality and value of natural diamonds that are used in jewelry. In 2006, the Diamonds Council certified Synthetic Diamonds as real diamonds.

Experts predict that it is just a matter of another five to six years that companies will be able to manufacture Synthetic Diamonds at an economical scale. Synthetic Diamond producers have two advantages over De Beers: firstly they have an unlimited amount of production capacity as compared to De Beers since they just have to create the machines to manufacture the diamonds and De Beers has to excavate diamonds from mines all over the world. Secondly, the cost of manufacturing Synthetic Diamonds is expected to be considerably less than the cost of mining diamonds the old fashioned way. Hence, Synthetic Diamond manufacturers could be the first real competition that De Beers has ever had to face. De Beers has already taken a few small steps to prepare themselves for the introduction of Synthetic Diamonds, but we feel that they will have to do much more in order to prevent Synthetic Diamonds from becoming the market leader.

Apart from the future competition they will be facing from Synthetic Diamonds, we feel that currently De Beers is not exploiting all the markets it could. De Beers has not made its presence known in Europe, Australia, and the Middle East. Europe is potentially a very large market for diamond jewelry, but jewelry has never been properly marketed there. This could potentially account for why the USA alone accounts for 52% of diamond jewelry sales. With the rise of Eastern Europe and their economies growing at high rates, Europe could be a very lucrative market. Australia and the Middle East are both relatively high income markets and if diamond jewelry is properly marketed within these regions, we feel diamond jewelry sales could tremendously increase. De Beers should replicate what it did in America in the beginning of the new millennium with the advertising of diamonds. Since then, jewelry sales in America have increased by 25%. There are potential risks with entering new markets, of course, such as high costs, and the potential of failing to penetrate the market. But we feel that there is always going to be demand for diamonds, and with the right marketing strategies, we can satisfy this demand. Increasing advertising has proven to be very successful, so there seems to be no reason why it shouldn't work in these markets too, as a big portion of the population in these regions is affluent.

### **Market Situation**

There are two major trends occurring in the diamond industry that will affect De Beers. First, there is a shift towards online shopping, and secondly, women are becoming self-purchasers.

Consumers are becoming increasingly comfortable spending large amounts of money online. In the past, people have liked to know and trust their diamond salesman and buy their jewelry with a personal experience in a jewelry store. But now, we are able to purchase so much online, why not buy diamonds online as well? According to BlueNile.com, the largest online jewelry retailer, the average price spent on a diamond engagement ring from their site was \$5600 in 2004. The national average in the United States at that time was \$2300. This is a major difference indicating that not only are people willing to purchase diamonds online, but they are willing to spend more money when buying online. De Beers.com has averaged over 200,000 people on their site per month over the course of the past year, an increase from previous years. They report that most of these visitors are within their target demographic: women, ages 18-34. These women visit the site to design engagement or “right hand rings” and email their designs to friends. This is good for De Beers because not only are these women unknowingly advertising De Beers to their friends, it also makes consumers think of De Beers retailers, a relatively new venture for De Beers.

The second trend in the diamond industry is that women are becoming self-purchasers. Perhaps the combination of women’s rise in the workplace and the “Right Hand Ring” campaign by De Beers, women are empowered and encouraged to buy jewelry to celebrate among themselves. This shift is great for the industry because self-purchasing women are another segment to target diamonds towards, which can only lead to more sales.

### **Product Situation**

De Beers offers diamond products to manufacturers. In the year of 2006, De Beers reported \$6.15 billion in sales of their Diamond Trading Company (DTC), which is a 6% decrease from 2005, \$6.54 billion. De Beers attributed their decline in DTC sales to the reduced Russian supply to the DTC. Also, they saw an increase in financing costs and margin pressure to the pipeline demand. In addition, there was a lack of liquidity of the pipeline demand. They also reported a 6% decline in their diamond sales from \$7.05 billion to \$6.63 billion. Their net earnings increased 32% from \$554 million to \$730 million. De Beers is able to leverage the fact that they own over 40% of the world’s diamonds to price their diamond products. Manufacturers and other buyers must purchase the De Beers products with the stipulations and prices that De Beers sets forth. Since pricing of the De Beers diamonds is not public data, the information cannot be disclosed within this report.

### **Competitive Situation**

De Beers has four major competitors: Alrosa, BHP Billiton, Rio Tinto, and Aber. De Beers has about 50% of the market share of the industry’s rough diamonds, Alrosa has roughly 20%, and BHP Billiton, Rio Tinto, and Aber each have less than 10%.

BHP Billiton, Rio Tinto and Aber are not primarily diamond mining businesses. They mine other minerals and materials such as coal, iron, and copper, and generally only mine diamonds because they already have the resources and tools set up for diamond mining from their other mining interests. There is little additional cost to them to mine diamonds in addition to what they already mine. Aber is a rather large competitor of De Beers because they have a large ownership in Canada’s mines. Aber has deals set up with retailers such as Tiffany’s and Harry Winston to supply them exclusively. This is a significant opportunity that De Beers is missing out on.

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Alrosa is really the only competition that comes close to De Beers in terms of market share and sales. They mine about 20% of the world's diamonds, and in 2006 had sales of \$2.5 billion. This was 10% growth for Alrosa, whereas De Beers lost 1% in sales with \$6.15 billion. Alrosa mines 100% of Russia's diamonds. They have a distribution agreement with De Beers selling some of their diamonds to the Diamond Trading Company. However, Alrosa recently announced that they are going to gradually stop selling to the Diamond Trading Company. They are planning on following a similar business plan to that of De Beers by marketing and selling their own brand of polished diamonds, as well as selling rough diamonds. This will certainly be detrimental to De Beers because it will result in more rough diamonds on the market. De Beers currently has much control over the rough diamond market, because they buy up other mining company's rough diamonds and then sell over 40% of the world's rough diamonds to manufacturers and other diamond suppliers. Now Alrosa will be able to do this as well, and with 20% of the market share, they are a significant threat.

### **Distribution Situation**

After the diamonds have been discovered from the mine fields, they get sorted and distributed through a subsidiary, the Central Selling Organization, to individuals and companies which are known as the Sightholders. Because De Beers have a strong reputation in the diamond industry, the mines and purchase agreement ensured De Beers to handle approximately 40% of the world's rough diamond sales.

The reason why De Beers owns 90% of the world's rough diamond sales is because De Beers wants every one of the diamond dealers to be their sightholder. De Beers offers diamond dealers a package of value added services, which draws in attention of the dealers apart from the other suppliers. Apart from the benefit of having access to more than 40% of the world's rough diamonds, the four C's of the Supplier of Choice Strategy established the Diamond Trading Company.

The Diamond Trading Company was formed and renamed from the CSO after combining with De Beers Consumer Marketing Division. It can be stated that almost the majority of the diamonds are distributed through DTC now and thus are the focal distributor for De Beers. The DTC sorts and values about two thirds of the world's annual supply of diamonds. DTC is responsible for obtaining rough diamonds from the De Beers Group mines. As for the value added support service mentioned before, the DTC provides support services for its clients. It includes marketing, training, business planning, and market research. Because of this, De Beers has a strong research and development division and the powerful use of the Forevermark logo and the phrase "A Diamond Is Forever." This is one of the ways De Beers succeeds in reaching its customers.

The way De Beers shows a solid importance of each distribution channel is by being committed to maintaining the identity of diamonds in the consumer's eyes. This is another way De Beers's product/service reaches the customers. Through the establishment of a code of professional and ethical standards, this ensures the consumers that their diamonds are natural, conflict free, not synthetic, and highest standards. Also, because there is a small percentage of conflict diamonds (about 1%); the DTC wants to reassure their sightholders and the end consumers that their diamonds are conflict free and do not favor child labors.

In reference to De Beers's distribution and placement process, it is not available in stores, direct mail, or on the internet. This is because De Beers has a strict restriction on who can purchase the diamonds from them. The process of getting approved by De Beers is tedious; however, once the

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clients or the purchasers becomes part of De Beers sightholders, then they can start receiving rough the diamonds after signing an invoice. Then the diamonds gets distributed through DTC and shipped over to the manufacturers, 'their sightholders', throughout the world. This is how De Beers distribute their rough diamonds to their manufacturers, who are their direct customers.

### **Macro-environment Situation**

The HIV/AIDS epidemic in Africa strongly affects the De Beers workers, and thus, the performance of De Beers. The epidemic can slow down the production line, which calls for additional workers. Currently, HIV has affected over 3,100 De Beers' employees and the turnover in workers is constantly increasing. De Beers predicted that there is an approximate 3.4% increase in workers being affected by HIV every year. In order to protect against such risks, employers are trained and encouraged to follow universal precautions to prevent accidental HIV exposure in the workplace. This is one of the greatest challenges that De Beers currently faces in improving their lost-time-injury frequency rate.

On a positive note, De Beers entered the Canadian market, which may in the future improve the performance of their company, brand or product. They have embarked on four major mine building projects, which accounts for almost \$2 billion dollars. Snap Lake, Victor, SASA, and Voorspoed are their potential projects that could influence the performance of the company, brand, and product in the future. Furthermore, De Beers' economy is very steady due to its large possession of diamonds around the world. However, the pricing of the diamonds cannot be changed because the diamonds are traded in a free market. Currently, De Beers is investing heavily in expansion and approval for more mining in certain regions. De Beers is trying to expand in India, Canada, and Australia. De Beers believes that expanding to these areas will help the economy grow and increase the market share by 20%.

Recently, there have been several issues surrounding synthetic diamonds. Through our new marketing strategies, we would like to implement the awareness of cultural versus synthetic diamonds. Currently, there are no regulations on the production of synthetic diamonds. This could potentially affect the sales of De Beers' natural diamonds. This is why De Beers must act quickly and implement our marketing plan quickly, before synthetic diamonds become popular.

Lastly, although De Beers faces a challenge due to HIV/AIDS, De Beers has a strong relationship with the Unions, giving them a highly developed production line. This provides De Beers with a stable working environment.

### SWOT Analysis

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<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"><li>-Owns over 40% of the rough diamond Industry</li><li>-Able to influence prices when selling to manufacturers</li><li>-Owns over 50% of the US diamond market share</li><li>-High quality</li></ul>	<ul style="list-style-type: none"><li>-Low brand recognition by consumers</li><li>-Association with conflict diamonds</li><li>-High production costs</li></ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"><li>-New available markets explorations in Europe, Middle East and Australia</li><li>-Can increase brand recognition by marketing De Beers</li></ul>	<ul style="list-style-type: none"><li>-Increase entry of competition</li><li>-Association with conflict diamonds</li><li>-Synthetic/Cultural Diamonds</li></ul>

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### Primary Research

In order to create a marketing plan for De Beers that will counter problems they are facing, we are going to carry out primary research in the form of a consumer survey. The objectives of this survey are to learn what kind of presence De Beers has in the minds of diamond consumers, if they enjoy any sort of brand loyalty, and what kind of consumption patterns De Beers can expect of synthetic diamonds. Also, we are hoping to learn about the demographics of the typical diamond consumer through this survey.

We have decided to carry out a survey instead of any other technique because we believe this will give us the best idea of what consumers think and know about De Beers and its problems. This is the most feasible method of research because there is very limited historical data available to the public about De Beers' past. We surveyed students and faculty at Carnegie Mellon and although we realize that students are not necessarily part of the diamond purchasing market, we nonetheless expect most of them to be at some point and so it is important to know future customers' thought process. Also, young students are very aware of brands, so they will serve as good indicators to discover whether or not De Beers has effectively branded to the students. At the same time, we need to know the purchasing patterns of De Beers' current market and so we are also surveying the faculty to discover this.

### Results

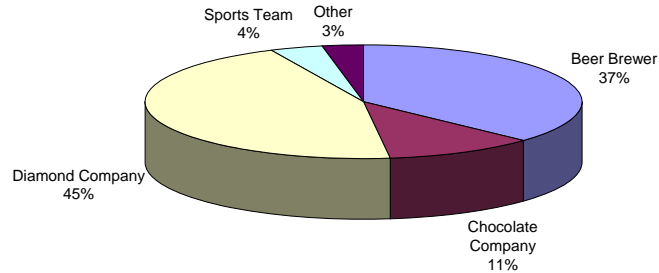
We carried out a survey using [www.surveymonkey.com](http://www.surveymonkey.com), and we emailed the link to our survey to students, faculty, and friends of parents. The majority of our respondents were in the income bracket of \$50,000, so almost all of the respondents are or will be potential customers.

Our results show us that from our surveyed population, less than half the respondents knew what De Beers does, as you can see in Fig.1. And only 3% of respondents look specifically for De Beers's diamonds when purchasing diamonds, as you can see in Fig.2. This shows us that De Beers has very low brand awareness in the general public. And we need to address this problem,

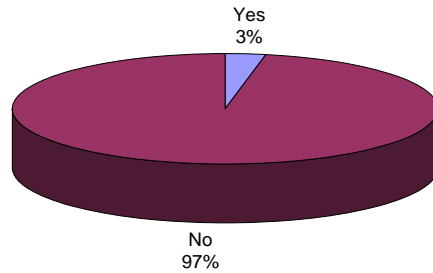
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since as consultants our major goal is to have consumers ask for De Beers's diamonds when they are purchasing diamond jewelry.

**What does DeBeers do?**  
**(Fig.1)**

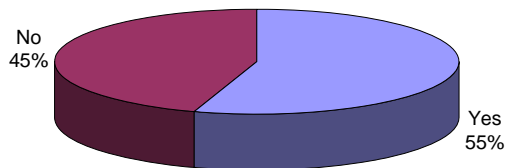


**Do you look for DeBeers diamonds when purchasing diamonds?**  
**(Fig.2)**



Our results also show us that 55% of consumers would be willing to purchase synthetic diamonds over natural diamonds if they were priced cheaper, as shown in Fig.3. This is a worrying result for De Beers, since this means that the introduction of synthetic diamonds could lead to the decrease in prices of all diamonds, or a decrease in sales of natural diamonds, or both. This means that we need to start campaigning and to instill the idea in the consumer's mind that natural diamonds are more superior in quality and should always be preferred over synthetic diamonds.

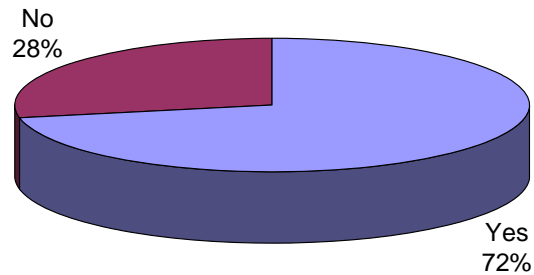
**Would you purchase a synthetic diamond instead of a mined diamond if it were cheaper?**  
**(Fig.3)**



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We also learned that 72% of respondents have been deterred from purchasing diamonds due to the conflict diamond controversy, as shown in Fig.4. This proves to us that the conflict diamond issue is playing a role in consumer's purchasing decisions and this issue needs to be addressed to prevent sales from decreasing and to prevent sales from being stolen by a competitor who is not known for involvement with conflict diamonds.

**Has the conflict diamond controversy deterred you from purchasing a diamond?  
(Fig.4)**



Our results also show us that in terms of competitor brand knowledge we are much better off. Since 0% of the respondents knew of diamond mining company other than De Beers.

### **Positioning Statement**

For high fashioned individuals who are brand conscious, we offer the highest quality diamonds because we hire employees who care about the stories that each diamond has to tell.

### **Target Market**

With the recommended plan, we hope to target the individuals in the exploration regions. We want to continue to target the online market with the current trend as well as the women to continue the women as self-buyers trend in these regions. With some of our proposed plans, we hope to target highly fashion conscious individuals. Also, we believe that the target will continue to be in the age range of the current buyers.

### **Marketing Mix**

As consultants to De Beers, we have created a marketing mix that will address the problems and opportunities De Beers is facing and will be facing in the near future.

### **Product**

Firstly, the general product that De Beers offers is already one of excellent quality, so we do not want to change their basic product. However, we do suggest that with the new diamond laser engraving technology available, we would advise De Beers to imprint a small logo into the diamond that can only be viewed with an eyeglass. This will be a very subtle but effective strategy in branding De Beers diamonds. When consumers purchase a diamond they will know

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who produced their diamond and eventually we want them to associate the imprinted logo with the excellent quality that only De Beers offers.

### **Pricing**

We do not intend to change the price of the products because diamond prices are subject to market conditions and contracts that we cannot alter.

### **Placement**

Channels for distribution should remain unchanged for the most part. The current situation is extremely profitable for De Beers and is the most risk averse distribution channel as each purchaser of diamonds is bound by contract to continue to purchase De Beers diamonds for a set amount of time and at any price. However, we do suggest that De Beers increase the amount of retail jewelry stores it has in all the major fashion capitals of the world. Currently there are only 5 De Beers jewelry stores in the world, but if they are able to reach a bigger portion of the affluent and fashionable community, De Beers' sales will increase, and they will even be able to receive free publicity through celebrity magazines if they are seen purchasing De Beers jewelry in these stores.

### **Promotion**

According to our survey, consumers generally do not know what De Beers do. Part of this brand awareness problem can be attributed to De Beers's previous advertising campaigns. In these older campaigns, De Beers marketed for the diamond industry, but did not attach their name to any of the ads. So consumers were encouraged to buy diamonds but knew nothing about where their diamonds came from or what company had mined them. We want to increase the brand awareness for De Beers by continuing to advertise for diamonds as a luxury good and exploring new markets, but we want to clearly attach the De Beers name to this new advertising campaign. We want consumers to have an unmistakable impression of the superior quality of a De Beers diamond, and when they walk into a retail jewelry store, we want consumers to ask for and intend on purchasing a De Beers diamond. We want to achieve this by increasing advertising in print and media, but also host more fashion shows and cultural shows. This way we can reach out to our target market (the highly affluent and fashionable) more directly as they are the kind of people that attend these shows. This will help to get the DeBeers name out there. This will also prove to be an effective advertising technique in Europe as these kinds of shows are very popular and highly publicized. We intend to increase advertising in all the target regions: Europe, Middle-East, and Australia.

Another channel we plan on using to increase De Beers' brand knowledge is through the sales force. We intend to provide incentives for salespeople to mention to customers that a particular diamond has been produced by De Beers. We want consumers to be aware of De Beers as the premium diamond producer, so if they hear about De Beers more and associate the company with excellent quality, then they will believe that a De Beers diamond is the best diamond to purchase.

Another problem that we have uncovered in our survey process was that the consumers who are aware of De Beers have a poor brand image of the company. They associate negative things with the De Beers name, such as monopolists or blood diamonds. These associations are valid, because first of all, in 1994 De Beers and General Electric were involved in an antitrust lawsuit, and then again in 2005, De Beers was the target of several class action lawsuits and had to settle by paying \$295 million, and had to agree to comply with anti trust laws of the United States and refrain from acting as a cartel with sight holders and third party producers.

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Also, De Beers has faced some bad public relations with the release of the movie, “Blood Diamond.” After carrying out initial market research, we found that many consumers are aware of the conflict diamond issue and take this into consideration when purchasing diamonds. In order to ensure that sales are not affected by this issue, De Beers must counter any negative public image they might have as a result of the recent publicity surrounding conflict diamonds.

We would like to ameliorate most of these problems that De Beers is facing through advertisement campaigns that highlight the charitable work that De Beers does in Africa, and by promoting the new phrase: “*Every diamond has a story, what’s yours?*” We feel this tagline will create the impression in the consumer’s mind that De Beers diamonds have a story, they help Africans alleviate themselves out of poverty by providing them with a stable income. We hope that with this campaign will create awareness of De Beers the company and the fact that they are a positive influence on society rather than a negative. We also hope that this campaign will encourage consumers to buy only natural diamonds because of these very reasons. We suggest using print advertising and television advertising to get our message out. Print is an excellent medium through which we can reach our target market most effectively. This is because we can concentrate all our print advertising in magazines and newspapers that our target market reads. For example, we want to target the fashionable and the affluent section of society, and this section of society tends to read magazines such as *Vogue*, *GQ*, and *The Wall Street Journal*. Television is an excellent medium to reach the largest amount of people; this is extremely helpful in increasing brand awareness in the general population.

In order to prepare for the introduction of synthetic diamonds into the market, we advise De Beers to start competitive advertising as soon as possible and to imprint into the consumer’s mind that natural diamonds are a superior product. Natural diamonds have a heritage and a story. We would like to do this by effectively showing in advertisements where the diamond comes from and how the natural process it goes through helps in improving the quality of the diamond. We feel that the increased brand awareness will also help in competing with the synthetic diamonds.

### **Budget and Costs**

New costs will certainly be incurred from our new marketing strategy. For example, in order to increase advertisements, there must be an influx of magazine and TV ads, in addition to other indirect methods of advertising, such as fashion and cultural shows. Below, Figure 5 shows the estimated cost to be \$470 million for our new marketing strategy.

**Figure 5: New Marketing Strategy Projected Costs in 2007**

<b>New Marketing Strategy</b>	<b>Costs in 2007 (\$ in millions)</b>
Endorsements	\$50
Fashion Shows	10
Cultural Shows	10
TV ads	10
Magazine Ads	40
Research and Development	350
<b>Total Cost</b>	<b>\$470</b>

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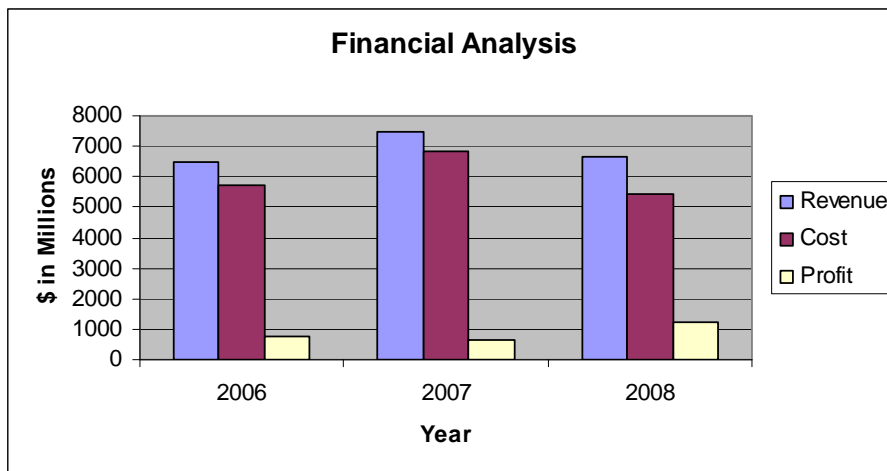
Figure 6 shows the current sales revenue, cost, and profit compared to the projected revenue, cost, and profit in 2008. Profits increase significantly by 36% from 2006 to 2008 as a result of the implementation of the new marketing strategy. In addition, costs in 2007 increase from 2006 due to the costs associated with the increase in advertisements. However, the costs decrease in 2008 after 2 years of implementation. The initial increase in costs causes profits to decrease slightly, but after a year of implementation, profits increase.

**Figure 6: Projected Net Income with New Marketing Strategy**

(\$ in millions)	Projected Net Income With New Marketing Strategy		
	2006	2007	2008
<b>Total Sales Revenue</b>	<b>\$6500</b>	<b>\$7450</b>	<b>\$6680</b>
<b>Total Sales Cost</b>	<b>5737</b>	<b>6830</b>	<b>5425</b>
<b>Gross Profit</b>	<b>763</b>	<b>620</b>	<b>1255</b>

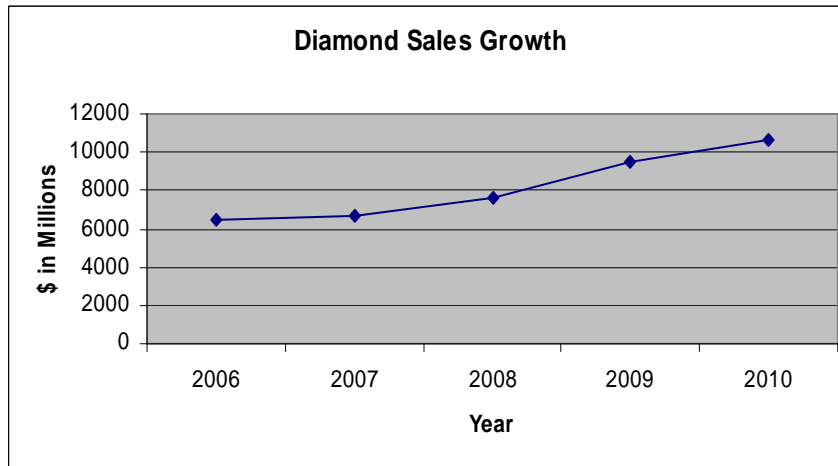
Figure 7 shows the increase in revenue and costs and a decrease in profits after the first year of implementing the new marketing strategy. However, after it has been in place for 2 years, revenues and costs drop and profits increase.

**Figure 7: Financial Analysis of New Marketing Strategy**



The figure below shows the increase in projected diamond sales growth. Diamond sales growth is predicted to almost double from \$6.3 billion to \$10.7 billion in 2010. This significant increase in sales is due to the successful new marketing strategies that helped to increase brand awareness and open markets in other countries and continents.

**Figure 8: Projected Diamond Sales Growth**



### **Action Plan**

As a De Beers consulting group, there are several marketing strategies that we are planning to implement. In order to increase awareness, revenue, and brand recognition, we came up with the following action plan. We are planning to advertise in Europe, Australia, the Middle East, and of course in the United States. Lastly, because people do not yet know the difference between cultural and synthetic diamonds, we are going to increase awareness regarding the difference between these two after establishing solid brand recognition for De Beers.

Before the new plan is implemented, there will be a constant research and development for De Beers. This endeavor will start promptly and last throughout the duration of De Beers' implementation process. Our research and development team will continuously be looking for new ways to improve and come up with new and better ways to market toward the consumers. Because this implementation is done continuously throughout the year, it will consume much of the cost from our limited budget. We are expecting about \$350 million dollars for research and development; however, this also includes the cost of exploration, which is not a new cost.

We recommend that De Beers starts advertising the "Every diamond has a story. What's yours?" modified version of "A Diamond Is Forever" campaign, as soon as possible. One of the biggest problems that De Beers faced in the past was the lack of brand recognition. Although De Beers owns 50% of diamond sales in the U.S. and 40% of diamond productions in the world, not many people have heard of "De Beers" as a leading diamond company. In order to amend this; we need to quickly put out De Beers' name boldly into the market. Through the "story" advertising campaign, we are planning to give people the insight about a De Beers diamond's heritage, and bring back the memories people had of "A Diamond Is Forever" campaign, which was a great success in the past.

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The faster we implement this advertising campaign, the better result we can expect for De Beers. We are planning to start this campaign early in our action plan. This campaign will dedicate its advertising for De Beers starting in month 3 until month 8. We believe that six months of intense and constant advertising on TV and Magazine Ads should familiarize customers with De Beers' diamonds, and bring back the memories they had with the "A Diamond Is Forever" campaign.

We believe that coming up with the new commercials on TV and in magazines are an extremely effective ways to reach the public, specifically our target market. We will be putting on "Every diamond has a story. What's yours?" commercials on air for six months duration and create appealing ads on most popular magazines like GQ, Vogue, Cosmopolitan, BusinessWeek, People, InStyle, and etc. This advertising campaign should cost about \$50 million dollars. Furthermore, these are not the only advertising methods we will be implementing.

In order to create high brand knowledge about De Beers Diamond Company, we are planning to concentrate on four main regions. We are strictly looking into brand knowledge in the U.S., Europe, the Middle East, and Australia. We are planning to implement these at the same time, month 4, but a longer brand knowledge in the U.S. until month 12, because we believe that De Beers needs to spend a longer time in the US, focusing on disassociating from conflict diamonds. In Europe, Australia, the Middle East, or in the United States, we are going to increase brand knowledge through celebrity endorsements, fashion shows, and cultural shows. The estimated cost is about \$70 million dollars and through this, we are expecting people to be aware of De Beer's diamonds and its brand recognition through these different advertising campaigns.

Implementation of the comparative advertising will begin in month 6 while De Beers is still in the brand knowledge and advertising stage. Comparative advertising with synthetic diamonds also falls under the cost of advertising campaign mentioned above. As mentioned previously, De Beers is expecting cultural shows to have a strong impact on De Beers' consumers and keep the interest of the current De Beers' customers. The awareness of cultural versus synthetic diamonds should last until month 14.

We believe that implementing all of these new marketing strategies in our action plan will show De Beers as a well known diamond company. We hope to go about this action plan to change De Beers and to show awareness of De Beers as being the greatest diamond company.



### **Risks and Controls**

With the influx of a growing market, there is a possibility that new competitors may drive the market price down. However, with De Beers' standing as the market leader with over 40% of the rough diamond market, De Beers will successfully be able to combat the competition. We propose to increase advertisements so that we can retain customers through brand loyalty and brand awareness. We want to make our consumers brand conscious when purchasing diamonds.

With the introduction of synthetic diamonds, these man-made novelties may gain popularity and eat away at the De Beers' market share. To control this situation, we recommend that De Beers increase the media coverage on "real" diamonds, using comparative advertisement. We want to increase the "real" diamond image and adversely affect the synthetic diamonds through it. Also, we will continue to research consumer mindsets through surveys and interviews. Through this, we hope to strategically win over the customers who are swayed towards the synthetic diamonds.

There is also a possibility that the market that we have foreseen as untapped potential may not be as profitable as expected. To ensure that it is profitable, we recommend monitoring sales in the exploration regions. Also, if these markets are not profitable, we propose to search for more opportunities and markets elsewhere.

Lastly, diamond costs are volatile and always have been. Although this is a risk, since the diamond prices are set by the free market, De Beers cannot do anything to affect the price. However, De Beers has successfully engaged this problem using contractual agreements that lock consumers in a binding agreement to continue to purchase De Beers diamonds regardless of price. Therefore, we believe that De Beers should continue to handle the situation as they currently are leveraging their status as the market leader.

## Appendix

### De Beers Marketing Survey:

1. What does DeBeers do?

- Beer brewer
- Chocolate company
- Diamond Company
- Sports team
- Other

Page 2 description: A synthetic diamond is chemically identical to a mined diamond, the only difference is that a synthetic diamond is machine made in a factory and a mined diamond is created through a natural process that takes place over millions of years.

2. If a 24 karat diamond costs \$1000, how much would you pay for a 24 karat identical cultural diamond?

- More than \$1000
- \$1000
- Less than \$1000

3. Would you purchase a synthetic diamond instead of a mined diamond if it were cheaper?

- Yes
- No

4. Do you consider who mined the diamond you purchased or will purchase?

- Yes
- No

5. Do you look for DeBeers diamonds when purchasing diamonds?

- Yes
- No

6. Have you and/or do you intend to purchase diamonds in the future (distant future)?

- I have bought
- I intend to buy
- I do not intend to buy
- I do not know

7. Has the conflict diamond controversy deterred you from purchasing a diamond?

- Not at all
- A little
- Moderately
- Very much
- A lot
- N/A

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8. What is your age?

- 18-24
- 24-34
- 35-50
- 51-70
- Other

9. What is your gender?

- Female
- Male

10. What is your income level?

- <\$50,000
- \$50,000-\$100,000
- \$100,000-\$200,000
- >\$200,000

**Sources**

1. [http://www.diamondvues.com/2005/01/debeers\\_reports.html](http://www.diamondvues.com/2005/01/debeers_reports.html)
2. [http://www.debeersgroup.com/NR/rdonlyres/D4D9A900-5AEC-46A1-9EDB-76CF446D9839/1475/Pres100206\\_Results1.pdf](http://www.debeersgroup.com/NR/rdonlyres/D4D9A900-5AEC-46A1-9EDB-76CF446D9839/1475/Pres100206_Results1.pdf)
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