

The Success of De Beers' Marketing Activities in Japan

By Keith Ives

De Beers and its commitment to Japan

In 1966, the decision was taken to expand De Beers' consumer marketing activities to Japan. With just 2% of the world's population, Japan already had 6% of global gross national product and its dynamic economy was growing faster than the developed economies of the West. With substantial sales of consumer durables, cars and jewelry, there were clear signs that an increasing proportion of Japanese consumers had sufficient discretionary income to buy luxuries and were prepared to do so. And yet, only 4% of global diamond sales were made to Japan in 1966. The time seemed ripe for diamond jewelry to be actively promoted.

In the last 30 years, the share of the world diamond market held by Japan increased from 4% in 1966 to 28% in 1995. This is a dramatic rise by any standards and fully justifies the faith De Beers placed in the Japanese market.

Factors contributing to market growth

What were the key factors in bringing about this growth?

1. The Japanese economy

The Japanese economy has been turbulent in recent years with the emergence of the 'bubble economy' in the late 1980s followed by stock market declines, falling land values and the longest recession in Japan's post-war history. But, in the longer term, the enormous growth seen since the 1960s, helped by Japan's great ability to adapt to changing circumstances, has clearly been a crucial element. For a country with 2% of the world's population, Japan today accounts for an astonishing 18% of global GNP.

Exchange rates too have played a significant role. The yen has more than tripled in value against the dollar since the 1960s. By a happy coincidence, De Beers sells its diamonds in dollars and

this has meant that diamonds have been far cheaper in Japan in local currency than in any other major consuming country. The strong yen has periodically created problems for the economy and trade, but on balance it has boosted demand for diamonds. It has also boosted dollar income for De Beers. Japanese imports of polished diamonds are 12 times higher in U.S. dollars than they were 20 years ago (Chart 1).

2. A strong jewelry culture

Initial market research indicated a strong existing and potential market for jewelry products. Pearl buying was deeply entrenched in Japanese culture and, for a number of reasons including a shortage of the natural product, cultured pearls had been widely sold for over 40 years. Watches were popular and there was a healthy demand for colored stones.

Diamonds were considered expensive and were being purchased only on a limited scale. However, motivational research indicated a strong latent desire for the stone.

Not surprisingly, there were differences in the way that diamonds were bought and given in Japan when compared with

buying patterns in the West. For example, in the majority of cases, diamonds were bought in Japan by women—with little or no involvement on the part of a man—very different from the West where the man or the couple play a large part in the purchase (Chart 2).

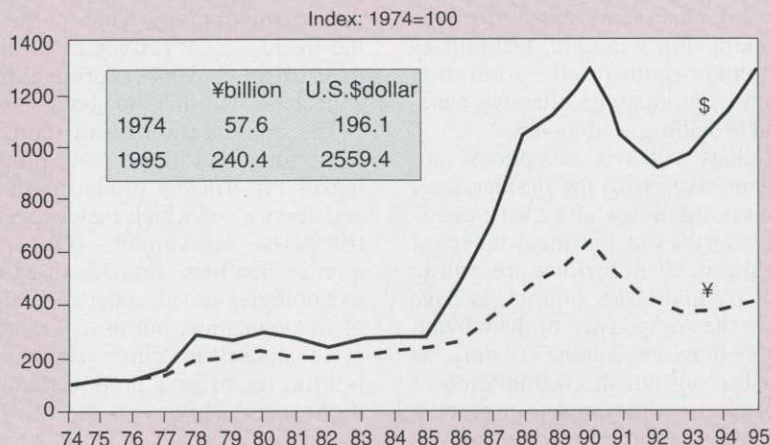
But in general, diamonds appeared to have basic properties similar in many ways to those perceived in other markets—lasting value, beauty, prestige, purity.

3. A dynamic and receptive trade

In the course of the development of the pearl and watch industries in Japan, a dynamic jewelry trade was built up. There were a number of branded manufacturers, including watch manufacturers such as Citizen and Hattori Seiko, with extensive distribution networks; department stores such as Mitsukoshi, Takashimaya, Isetan and Daimaru; and a large number of high-quality retailers. All these organizations had developed designs which suited the local market, and were prepared to devote substantial amounts of their own funds to promotion.

Indeed, the only country that has

Chart 1. Japan—Imports of Polished Diamonds



matched Japan in terms of the willingness of the jewelry trade to spend large sums of money on advertising and promoting diamonds is the U.S.

Perhaps the most important quality the Japanese industry has displayed is its responsive attitude to new ideas. What De Beers has always found in Japan—to an unsurpassed degree—is that the trade will put enormous effort behind any new marketing concept, whether it be its own or one from De Beers, if it believes that the concept has a fair chance of working and increasing its profits. This open-minded approach was made particularly clear at the outset by the willingness of Japanese consumers and the jewelry trade to adopt products and customs which were working well in the West.

4. De Beers consumer marketing

In a competitive world, the philosophy behind De Beers' marketing programs is to increase sales of diamonds by conducting campaigns which persuade or remind consumers of those intrinsic factors which make diamonds desirable. Under this overall umbrella, a key way of achieving the aim of increased sales is by building on existing market segments and by creating new ones.

Market segments promoted by De Beers

There are a number of case histories of successful campaigns where De Beers has promoted specific market segments.

1. Engagement rings

The first and probably most successful campaign in Japan was the launch of that hitherto Western product, the diamond engagement ring.

In 1967, research commissioned by De Beers in Japan indicated that 60% of Japanese brides acquired an engagement ring but only 6% of them acquired a ring with a diamond in it. Most of the remainder contained colored stone 'birthstones' or pearls.

Diamonds were perceived to be highly desirable but price was an obstacle. Moreover, the U.S. platform of diamonds being a romantic gift appeared on the face of it to be inappropriate in a market where

the woman made the purchase and where the majority of marriages were still arranged (*omiai*). It seemed unlikely that commercials depicting a romantic exchange of the ring, which had worked so well in the U.S., would work in Japan.

In the event, these proved not to be major obstacles. It was found on testing various advertising approaches that the 'gift of love' concept, treated in an appropriately Japanese way by local art directors and copywriters, was a compelling theme for Japanese brides-to-be (and women in general). The mood of the advertising was liked and it had a strong aspirational appeal. The women knew it

annually. The diamond engagement ring case history is the best and clearest example of the success of the De Beers and jewelry trade campaigns in Japan.

2. Diamond engagement ring average prices

The engagement ring market is finite, circumscribed by the number of marriages. De Beers has always been acutely aware that revenue would fall, even with high acquisition rates, if average prices were not maintained. Prices, expressed in real terms, did in fact fall during the early 1970s after the first oil shock. A fall in average price was also on the cards as the

level of acquisition widened to embrace a wider range of socio-economic groups.

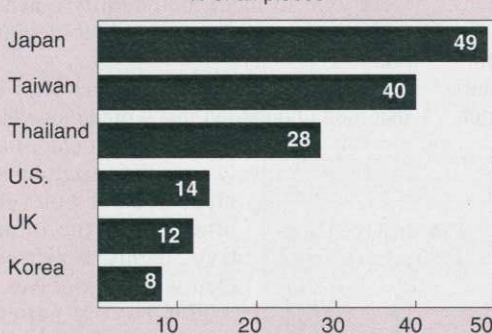
The retail price is affected by the cost of polished diamonds, the gold or platinum content (and other stones if present), design costs, setting costs and wholesale/manufacturing/retail mark-ups. Through product selection and sales skills, the retailer is the key player in determining the price paid by consumers.

Nevertheless, De Beers decided in the late 1970s to look for a way of setting price guidelines which would be inflation-proof. It also discovered

from its market research that prospective purchasers were keen to obtain guidelines about the price they should pay for an item which was going to last a lifetime and which would commemorate the most important event in their lives.

The method that De Beers and its advertising agency in Japan, J. Walter Thompson, hit on was to suggest in their promotion that the prospective bridegroom ought to consider spending three

Chart 2.
Women's Self Purchases—1995
% of all pieces



did not happen that way but wished it would. The diamond became the embodiment of the dream.

The higher price was justified by the special mystique that diamonds have taken on over centuries. The colorless nature of the stone also imparted an aura of 'purity,' an important feature since it reflected the purity of the bride herself.

The campaign struck an immediate chord with the trade and with consumers. Leading jewelry manufacturers and retailers joined the De Beers campaign directly, and indirectly through their own promotions. From the low figure of 6% in 1966, an impressive 76% of the 800,000 Japanese brides marrying in 1994 acquired a diamond engagement ring.

This one market segment now provides over ¥200 billion to the industry

	Average prices paid for diamond engagement rings		
	¥ thousands (current prices)	¥ thousands (1980 prices)	Index (1980=100)
1980	276	276	100
1985	314	275	100
1990	387	314	114
1995	370	282	102

months' salary on the ring. This was higher than the amount then spent but it was a figure which participants in the market research group discussions had mooted and in practice some rejection and 'trading-down' was to be expected. The majority of the retail trade supported the scheme in their own promotional activity.

In the event, De Beers' research showed that the average prices paid for diamond engagement rings in 1980, when the campaign started, and subsequently were as follows in current and real terms:

The main aim of the campaign was to maintain average prices in real terms at a time when the acquisition rate was increasing and thereby extending its coverage of lower incomes. The above table illustrates that this aim was met. Indeed there was a bonus in the late 1980s as consumers paid more on average, culminating in a 14% real increase in 1990 compared with 1980.

Prices returned to the earlier norm during the 1990s, reflecting the difficult trading conditions during the recession which

be a wonderful potential market but it was recognized at an early stage that most of the brides' mothers did not possess a diamond and this was a huge market to be tapped.

In the event, De Beers' research indicated that most married women, once they felt they had the economic leeway to buy diamond jewelry, were willing to go ahead and purchase it themselves, without waiting to be given it by their husbands. In this respect, Japanese women seem to be more independent than women in the U.S.

Of course, acquiring expensive pieces usually requires the husband's agreement or acquiescence, either before or after the event, and most Japanese housewives take their responsibility of controlling the family's finances very seriously. But as their standard of living went up, they were able to meet their family's needs and still have enough funds to acquire diamond jewelry.

At the same time, the research showed that men understood that women love diamonds, and would usually give their tacit agreement even if not very often taking the initiative to buy a gift for their wives themselves.

This buying pattern was encapsulated in the advertising campaigns, and again, the Japanese diamond jewelry industry

was very active in supporting the campaigns.

minimizing cyclical fluctuations in demand for what is essentially a luxury product, De Beers is always on the look-out for campaigns that make consumers feel an 'obligation' to buy. The definitive obligation has been the need to acquire a diamond for the engagement—as discussed earlier. So a buying obligation for married women was sought. Quantitative market research highlighted that the wedding anniversary was one occasion for acquiring diamonds but was not yet well established. Group discussions and in-depth interviews showed that there was a high level of interest in buying or being given diamond jewelry for wedding anniversaries. However, wedding anniversaries occur every year and De Beers and J. Walter Thompson recognized that this weakened the degree of obligation; the purchase could easily be postponed. It was therefore decided to focus the advertising on creating a buying obligation for the 10th and 25th wedding anniversaries, which the group discussions had identified as being more significant to the married couple than other anniversary years.

The relevant campaigns—'Sweet Ten Diamond' and 'Sweet Nijugo (25) Diamond'—raised both women's and men's consciousness of these *fushime* (significant life event) anniversaries in general, and of the appropriateness of diamond jewelry to commemorate them.

The results since the launch of the campaigns in 1990 have been impressive. At that time, 14% of married women acquired a diamond in their 10th year of marriage. By 1995, that figure had increased to 26%, with half of those obtaining the diamond on the anniversary day itself. The figures were similar for 25th anniversaries, with 14% acquiring a diamond in 1990 and 24% in 1995.

This increase appears to be a net increase; it does not appear to have affected the purchase rate for other wedding anniversaries.

5. Campaigns aimed at the young

A research study conducted in 1980 indicated that young Japanese women thought diamond jewelry was old-fashioned and mainly suitable for older women. Ownership of diamond jewelry

Average caratage

	¥ thousands (current prices)	U.S.\$ (current prices)	¥ thousands (1980 prices)	Carats
1980	276	1217	276	0.23
1990	387	2673	314	0.43
1995	370	3934	282	0.46

put pressure on retailers to offer discounts. However, the consumer—and De Beers—benefitted since the combination of discounts and the very strong yen meant that the percentage value of the diamond(s) in the rings actually increased in this period. This phenomenon is clearly shown by the increase in average caratage.

3. Diamond jewelry other than diamond engagement rings

Diamond engagement rings are an important segment but today they represent only 14% of the total diamond jewelry market in Japan.

De Beers' has focused on the single and married women's market. Diamond engagement rings were seen, correctly, to

try was very active in supporting the campaigns.

The results have been exceptional. In 1966, an estimated 10% of adult woman owned diamond jewelry and under 2% acquired it in that year. 30 years later, over 70% owned and one in every five to six women acquired a piece of diamond jewelry.

4. Wedding anniversary diamond jewelry

In a complementary appeal to adult women in general, De Beers has introduced campaigns aimed at quite specific consumer segments. One of these campaigns promotes wedding anniversary diamond jewelry.

In accordance with the CSO aim of

among women in their twenties was about 25% in 1980.

De Beers launched an advertising campaign with the theme 'young women can buy diamonds too.' It focused on young working women in their twenties, first with a campaign called 'Diamonds for Working Women,' and later under the theme 'Ms. Diamond.' The campaigns suggested that diamonds could be worn by young women in the work-place, as well as in their leisure time, and that acquiring diamond jewelry was a good way of rewarding oneself (*gohobi*) for working hard at one's job and other achievements.

By 1995, ownership by young women had increased to 60% and this market alone was worth around ¥250 billion annually to diamond retailers in Japan.

6. Campaigns to encourage 'repeat' purchases

Unlike the U.S., where consumers have become 'addicted' to diamonds and possess a number of pieces of diamond jewelry, Japanese consumers have tended to restrict their ownership to one or two significant items. It was decided therefore to launch the so-called 'Mrs. Diamond' television campaign. This campaign aimed to increase the level of 'repeat' purchases by owners of diamond jewelry and focused on products other than rings, such as diamond pendants and earrings.

Commercials using the well-known actress Fubuki Jun supported the concept that a woman can be a good wife and mother, and still express herself through her clothes and diamond jewel-



Women in their 20s swept away by the "Ms. Diamond" campaign.

Chart 3.
Polished Diamond Value in Jewelry 1995

East Asia	16%
Europe	11%
Japan	28%
U.S.	31%
Other	14%

ry when going out with her friends or family—and also that her work on behalf of the family justifies her buying a new piece of diamond jewelry for herself, while her husband approves of the acquisition.

Since the launch of the Mrs. and Ms. Diamond campaigns, there have been substantial increases in sales of featured products. The campaigns gave prominence to pendants, earrings and 'fancy' shapes. In two years, sales of pendants increased by around 30% in yen terms, and last year sales of 'fancy' shapes more than doubled, which made Israeli cutters of pear shapes and marquises very content.

A commitment to the future

De Beers has found Japan a stimulating and profitable place in which to conduct business. Some 21,000 jewelry retailers and 5,000 wholesalers and manufacturers now sell diamonds. In terms of polished diamond value, Japan is now a very close second to the U.S. with only 50% of the population and two of the GNP (Chart 3).

Clearly, Japan will continue to be one of the two top markets where the greatest promotional effort will take place. De Beers is often asked "Which country is the next Japan?" The answer is always 'Japan.'

After a career in marketing and market research consultancy, Keith Ives joined De Beers in 1973 as Head of Market Research and subsequently took on the additional role of Deputy Marketing Director. He was made a director of the CSO in 1986. He retired last year from full time employment and now works as a consultant.