

(Magazine)

PROFESSIONAL JEWELER MAGAZINE

PJIM

September 2006

## A JEWELER'S RISKS & REWARDS

After the GIA Scandal

The time is ripe for building personal, individual, knowledge-based relationships with customers.

Today's diamond market is very different from what it was a decade ago. Profit margins have been eroded by the soft economy and competition from the Internet. And if this isn't bad enough, jewelers must also deal with consumers who have a little knowledge - often based on erroneous information obtained from unreliable websites - who think they know what they want and what it should cost before they ever walk into a jewelry store. So many of today's diamond buyers, armed with a false sense of confidence, think that as long as a diamond has a GIA report, they can make an "informed" choice based on their superficial knowledge and price point alone.

And now, with the Gemological Institute of America (GIA) still reeling from a major scandal involving graders over-grading several important diamonds, many jewelers are even more concerned that consumer confidence has been eroded, not only in regard to the GIA, but also in the jewelry trade as a whole. Many are worried that the GIA scandal might erode sales even further. But this

may not be the case. In fact, it might offer an unexpected opportunity to savvy jewelers.

### The Risk of Accepting a Lab Report Without Questioning It

The GIA scandal was unfortunate, but it actually underscores a much more pervasive problem within the diamond industry. Consumers and jewelers alike have become so dependent upon diamond grading reports from GIA (and other labs) that the reports have evolved into a substitute for knowledge. Thus, virtually *anyone* can sell diamonds today, in any venue - all you need are "GIA certified" diamonds and a subscription to the *Rapaport Diamond Report* and you're in business! Even worse, consumers believe they can buy diamonds from anyone, in any venue, as long as the diamond has a GIA report attached to it. Clear evidence of this folly is seen in the booming increase of diamond sales on the Internet.

As any experienced diamond professional knows, this is an unhealthy situation. But the GIA is not solely to blame for the situation, or for the scandal in which it finds itself.

The development of the GIA diamond grading system, which is now the most widely used grading system in the world, has done more to reduce fraud and misrepresentation in the jewelry trade than any other

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single factor, and this has been a very good thing for the trade's credibility.

What no one ever anticipated, however, was that with the ever-increasing use of GIA Diamond Grading Reports so many people would be selling diamonds with little or no real knowledge. Nor did anyone anticipate that knowledgeable jewelers would become lax about double-checking the diamonds themselves, independently of the re-

port accompanying the stone. Today, few retailers with the skill and experience to do so even take the time to confirm that the diamond quality is consistent with what is in the report. In the recent GIA scandal, how different the outcome might have been if the seller had had the skill and had taken the time to check the diamonds and question the reports *before* he sold them.

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Herein lies the real danger to the industry, and whether or not they realize it, to diamond-buying consumers as well. The current situation in the jewelry trade, in which so many no longer have the skill or feel the need to double-check the diamonds they sell, has contributed in no small part to the fact that a scandal involving GIA could occur. The only aspect that's surprising is that the scandal didn't happen sooner.

If anyone selling diamonds today thinks there is no need to double-check the diamonds they sell, it is only a matter of time before they run the risk of inadvertently misrepresenting what they are selling, if they haven't already done so.

Some of you may be asking why it should be necessary to examine and grade diamonds that are accompanied by a GIA report. There are many reasons:

It is important to grade the diamond to make sure it does, in fact, match the report.

If an experienced diamond grader looks at a diamond and disagrees with what is on the report, then there is a problem that needs to be resolved before the stone is shown to a customer.

In such cases, the diamond may not be the diamond on which the particular report was issued, or it could be a report in which the quality of the stone has been deliberately over-graded. Or, it could be that the stone was damaged in some way after the original report was issued, resulting in a different clarity grade or characteristics. Or, if damaged and re-cut, the dimensions and weight may not correspond to what is on the report (this is sometimes the case when buying a diamond with an old GIA report from a private estate or at auction).

Dealers do make mistakes and send the wrong stone or wrong report by accident.

One stone that clearly stands out in my experience was a round, brilliant-cut diamond that I was showing to a client. The memo was for a diamond weighing 1.50 carats, "D" color, SI1 clarity. I weighed the stone and it weighed 1.50 carats. I agreed it was "D" color. But I couldn't understand how the stone received an "SI1" clarity grade, because it looked to me like a really good "VS2."

I took a closer look at the clarity plotting and comments on the report and they didn't correspond with what I was seeing. I checked the millimeter dimensions and that didn't match what was on the report either. I called the diamond dealer and he quickly identified what had happened. He had previously sent out two diamonds - both weighing exactly 1.50 carats and both having "D" color, but one was an SI1 and the other a VS2. Clearly, the retailer who had had them before me had unintentionally returned the diamonds in the wrong parcel papers, and when they came back, the dealer's own people hadn't caught the error.

We corrected the error. But what might have happened if I had not checked? While my customer would have gotten more than he had actually paid for, someone else might have paid for a DVS2 when the stone was an SI1. And if this person ever found out, not only would the experience have been blemished, but the jeweler's reputation damaged as well. I'm not going to discuss professional ethics here, or the dealer's error. The bottom line, however, is that even the most reputable dealers can and do make honest mistakes. The only question is whether or not you will pass that error on to your customer.

I've also had experiences where I've examined a diamond before taking it on memo and noticed a "bruised culet" that is not indicated on the GIA report. It's important to point this out to the dealer immediately (if the stone is sent to you, call the

dealer at once upon receiving the stone) so that it is clear that you did not damage the stone in any way, and if you return the stone, that you are not responsible for the cost to re-polish the culet. And, if you keep the stone, the cost should either be adjusted to allow for the re-polishing, or the dealer should agree to re-polish the stone prior to concluding the sale. It usually won't affect weight, but if it were to affect the weight, then you would also need to have the dealer obtain a new GIA report.

There can be a degree of subjectivity in grading "borderline" stones, and knowing whether or not the grade is borderline, and whether or not it was given the higher or lower grade.

This is important information for you to give your customer. A "borderline" stone is one that has a color or clarity grade that is right on the line of demarcation between one grade and another.

For example, the color grade of a diamond might be right on the line between a grade of "F" and a grade of "G." At one time these stones would have received a split grade of "F/G," but today there are no split grades, so it is a subjective judgment call. If you are experienced at grading diamonds, and you examine the stone and give it the higher grade "F", and then see that GIA gave it a lower grade of "G," this is important for the customer to know because it's at the "highest possible end" of the range and will look whiter than other diamonds with a "G" grade. But if the report grades the stone as "F," it is at the lowest end of the "F" range, and won't look as white as other "F" stones.

Does your customer want to pay the price for an "F" color that is at the lowest end of the range, and might appear more tinted

than another "F"? More importantly, if it should ever be re-submitted to the lab for a new report at a future time, there is the possibility it could get a "G" grade. If the price is right, it may be an excellent choice. But otherwise, do you want to show this stone to your customer? And if you do show it, you should be prepared to help your customer understand why selecting another stone might be a more prudent choice, and gain their confidence in your knowledge and thoroughness.

I know I'm not alone in having seen numerous diamonds over the years, accompanied by GIA reports and reports from other labs, which either didn't match the report, or which were graded in a way that forced me to disagree with the grade(s) given.

This lack of agreement on my part could be for any of the reasons mentioned above, or it could be because, as is the case where any large sums of money are involved, corruption might be the culprit, despite established safeguards.

The best safeguard is being knowledgeable about what you are buying and selling, or having someone who is knowledgeable on staff, and taking the time to grade each diamond independently, regardless of whether or not there is laboratory documentation. If there is any discrepancy, it can be resolved before showing the customer, if it isn't resolved, then you can return the stone and avoid any possible question in the future.

#### Opportunity for Savvy Jewelers

So with the problems confronting retailers today, and with the recent scandal, how does this present an opportunity? First, it is one of the first considerations that many consumers think about. Most of the information gleaned from Internet sites has stressed the importance of GIA diamond grading reports, and the consumer's own confidence as a buyer is directly connected to buying stones accompanied by GIA re-

ports. For too long, consumers have thought that as long as a diamond has a GIA report, they can make a wise choice.

Now, however, amidst the scandal, there is heightened concern about making a costly mistake when purchasing a diamond. Suddenly, being able to buy a diamond "with confidence" because it's accompanied by a GIA report isn't enough. For many, loss of confidence in GIA reports might prove to be a deterrent to buying on the internet, competitive prices or not. In fact, competitive pricing may add to the buyer's anxiety, fearing the price is attractive because the stone is *not* as good as it seems. GIA report or not.

If a consumer comes to fear that he or she cannot rely on the GIA diamond grading report, then what can the buyer do to ensure they know what they are getting and are paying an appropriate price?

Consumers need accurate, reliable information more than ever. They need professional expertise to help them understand the complexities of diamond grading and valuation. They need to be re-educated that buying a diamond is not as simple and risk-free as they may have been led to believe on numerous internet sites.

For *knowledgeable* jewelers, the GIA scandal can actually open a window of opportunity. One thing is clear: people still want to buy diamonds. The only question is where they will make the purchase. It is time for consumers to be reminded of the benefits of buying from a reputable local jewelry store, of actually seeing and comparing diamonds with the help of a knowledgeable professional. No internet site will ever render this service for them.

The creative, well-informed jeweler can successfully woo today's prospective buyer, anxious about the dependability of GIA reports, or any reports.

Consumers are more concerned about finding a jeweler they can *trust* than ever

before. With GIA reports now in question, diamond buyers have a greater need for *counsel*, for someone to *guide* them, for sound *advice*, and for *reassurance* about the *quality* of any diamond they might be considering.

This creates a sparkling opportunity for jewelers who really understand diamonds and who can show customers the individual characteristics unique to the stone they are considering. These jewelers have to be able to show buyers what they need to know to ensure that the stone and report match.

**In other words, those who can serve more as *consultants* than sales people will gain the trust and confidence so essential at this critical time.**

The time is ripe for building personal, individual, *knowledge-based* relationships with customers, where trust is established by demonstrating the depth of your knowledge as it applies to reassuring them about what they are buying. And once you have earned their trust, savvy jewelers have the opportunity to use their skill and knowledge to help customers actually *experience* the unique differences, the unique allure of each diamond. When your customers, with your help, begin to actually see differences between stones, and begin to *bond* with what they like best, they will experience the *magic* that should be at the core of every diamond purchase - a magical moment that will keep them coming back to you for more!

*Antoinette Matlins is the author of many best-selling books on gems and jewelry, including the new 2nd edition of **Diamonds: The Antoinette Matlins Buying Guide** (GemStone Press, Woodstock, VT). She is an internationally respected gemologist and recipient of the Accredited Gemologists Association's prestigious "Award For Excellence in Gemology" in 2005.*

*Matlins is often seen and heard on television and radio, educating consumers and exposing fraud. She also heads a consulting practice, working with clients worldwide in the acquisition of fine gems and jewelry.*

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**DIAMONDS, 2nd Ed: The Antoinette Matlins Buying Guide** (6" x 9", 228 pp. with 12 in full color and 200+ b/w and color illustrations and photos, Quality Paperback Original, ISBN-13: 978-0-943763-46-0 / ISBN-10: 0-943763-46-0, \$18.99) is available from Barnes & Noble, Borders, Books-a-Million, Cokesbury, Doubleday, Indigo/Chapters, Waldenbooks, B. Dalton, amazon.com, barnesandnoble.com, and many other booksellers, or directly from GemStone Press, P.O. Box 237, Woodstock, VT 05091. Tel. (802) 457-4000, Fax (802) 457-4004, www.gemstonepress.com. For credit card orders, call (800) 962-4544. Add \$3.95 shipping and handling for the first book, \$2.00 for each additional book.