The De Beers
Group Exploring the Diamond Reselling Opportunity
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The Diamond Industry

- De Beers was founded in 1867.
- Became the sole owner of the South African diamond mines in 1880.
- De Beers controlling approximately 95% of the world's diamond resource.
- Central Selling Organization (CSO) was formed in 1880.
- Siberia found diamonds in 1907.
- Soviet Union left De Beers, and De Beers working together with Russia in 1980.
- Canada's vast diamond resources were found in 1990.
- Present.

De Beers at Present:
- High carrying cost caused the company's profit to remain flat over years.
- Lowering De Beers share price: Coming to a point that the share price may be expected to rise considerably should De Beers were to reduce its stockpiling.
- De Beers realized that it would lose control of the diamond price just by stockpiling diamonds.
- De Beers began moving towards reducing diamonds stockpile. The freed up cash will flow to marketing, and to create chain of retail stores.
- Thus, shifting the focus of De Beers towards a new strategy, from controlling global supply, to adding value through Branding and Marketing.
- Transforming customer relationship to accomplish a 'new supplier of choice' program.
- With a new focus on Retailing: marketing De Beers diamonds as luxury items.
• Diamond: is one of the world’s major non-renewable natural resources, contributing to vast economic influences worldwide.
• The current largest producers of diamonds are Botswana, Australia, Zimbabwe, and Russia.
• Estimated US$13 billion worth of rough diamonds are produced per year; with more than 65% sourced from the African countries.
• Two main uses of diamonds:
  • Jewellery (40% of total production)
  • Industrial Applications (60% of total production)
• If put to industrial use, diamonds would fetch a price of US$2 to US$30 per carat.
• Jewellery diamonds can fetch a highly desirable premium price.
  • By appealing to the customers' sentiment, diamonds are one of the most precious luxury items and enjoy almost global acceptance.
• The strength of the diamond industry is often attributed to the history of one company; De Beers.
• In the 1880s, De Beers; founded by Cecil Rhodes, used to be a highly successful and effective controller of the diamond market, having developed a unique purchasing and marketing cartel that has influenced prices in the market virtually undisturbed for almost a century.
• Global diamond jewellery (retail) sales continue to grow, currently worth in excess of US$72 billion every year, increasing 3 fold in the past 25 years.
Diamond Business Model

Upstream - Mines

Middle Market - Cutting & Polishing

Downstream - Retail