Gemmology Corner

Really Cheaper? Natural Fancy Coloured Diamonds on the Net

Internet jewellers justify their cheap prices by the fact, among other reasons, that they have no costs for storage and middlemen. But how exactly does a business with "virtual" goods function?

The Sources
On the Internet, large online databases such as IDEX or RapNet are available for the diamond trade. Access to these portals is usually only given to people who are demonstrably active in the jewellery business. Here diamonds are bought and sold worldwide; business contacts are made, maintained or re-established. Such databases can include hundreds of thousands of diamonds of different sizes, colours and cuts. Although the majority of stones are colourless diamonds, RapNet, for example, has more than 50,000 Natural Fancy Coloured Diamonds available.

The dealers enter their merchandise into the databases the way they wish. The accuracy of the information is not verified by the portal operator. Usually, however, because the buyers are experienced traders who know the market, they know how to recognize inaccurate or false data and how to check it.

RapNet, for instance, offers diamond buyers and sellers a program interface for its database (API = application programming interface), that allows dealers to show the most current offers and prices on their own websites.

The traders actively decide whether or not their diamonds may be offered on the pages of online jewellers. In this manner, the same diamond may appear on different online stores at the same time.

Price Determining Factors
Weight, cut, clarity and colour depth (Tone) all play an essential role in assessing Natural Fancy Coloured Diamonds. The main factors affecting the price determination, however, are hue and colour saturation. The colour of a diamond can actually only be assessed in direct comparison to different stones. The "Fancy Yellow" of one stone can be much more intense than that of another stone, for example; this difference will of course be reflected in the price.

Secondary colours also influence the value of coloured diamonds. A common colour such as yellow will be priced lower than a rare green colour. The value of yellow increases, however, if green is present as a secondary colour. A Fancy Greenish Yellow is therefore more expensive than a pure yellow. On the other hand, if a rare colour like pink has a frequently occurring brown secondary colour, its value drops. A Fancy Brownish Pink is traded for less than a pure pink.

An accurate assessment of the stone is therefore essential to evaluating the overall colour appearance and hence the price. A certificate can only be considered as a guide, because various gemmological laboratories grade differently. Connecting to a website with a dealer database is not enough for this type of specialized purchase.

Online Prices

The prices on retailer websites are almost always called "asking prices". They serve as a basis for negotiation, particularly for Natural Fancy Coloured Diamonds. Because no official price lists exist for Natural Fancy Coloured Diamonds, some dealers set high asking prices. The price that a buyer ultimately pays for a coloured diamond can actually be far lower.

When online jewellers use the asking prices as a basis for their calculations without having previously examined the stones, the customer may actually be paying too much. We found many examples in the databases where the prices were actually set much too high. Such prices should not be used as the basis for calculations. We want to illustrate through two examples how Yorxs comes to their sales prices. In each case, in our opinion, the Yorxs price is 3 times more than the retail price!

RapNet			Yorxs AG			
Round Brilliant 0.32 ct VS1 (GIA certificate) - Fancy Dark Brown						
Asking Price			**Surcharge**		**Net Price** Without 19% VAT	**Gross Price** 19% VAT included
Price per carat	$ 3 932,00	€ 3 024,00	€ 1 226,00	40%	€ 4 250,00	€ 5 058,00
Final Price	$ 1 258,00	€ 967,00	€ 392,00		€ 1 360,00	€ 1 619,00
Round Brilliant 0.56 ct SI1 (GIA Certificate) - Fancy Deep Yellowish Orange						
Price per carat	$ 20 000,00	€ 15 385,00	€ 2 742,00	18%	€ 18 127,00	€ 21 572,00
Final Price	$ 11 200,00	€ 8 615,00	€ 1 537,00		€ 10 152,00	€ 12 081,00

Diamonds are typically traded in USD; here, we have converted the prices to Euro (exchange rate: 1.30).

Although the surcharges of 40% and 18% are not exaggerated per se, they are based, as we have already explained, on inflated asking prices. We do not know what Yorxs would actually pay for the diamonds; however, if an excessive asking price is passed on to the end user, then Yorxs's "promise" to offer diamonds up to 70% cheaper than the retail trade should be put into perspective.

Influence of On-line Jewellers on Dealer Prices

In certain circumstances, the conduct of Internet jewellers has driven up prices for Natural Fancy Coloured Diamonds. If they actually accept the asking prices, then in the future, higher prices will also be charged by the wholesaler.

As dealers of Natural Fancy Coloured Diamonds with decades of experience, we understand how important it is to know the market well and observe changes accurately in order to provide customers with quality Natural Fancy Coloured Diamonds at reasonable prices.

A jeweller or goldsmith who carefully and expertly buys selected Natural Fancy Coloured Diamonds with an experienced dealer will offer his customers good quality at fair prices in addition to expert advice. And if the retailer calculates his prices "carefully", they can be comparable, or even lower, than those of on-line jewellers.