

The "Crown of Light" Diamond (And Other Caribbean Questions)

The story here on the "Crown of Light" diamond is part Gem Note and part Appraiser's Notebook. What is it? Who is selling it? How much is it worth? Jewelers and appraisers are often quick to denounce anything purchased in tourist areas, but are their claims justified? Should the Crown of Light be allowed its place in the industry or be bashed as an unworthy stone? And finally, is it really fair that cruise ship employees receive a kickback for jewelry that is sold to their passengers?

By Richard B. Drucker, GG

Never have we received more calls for pricing information than the recent surge of diamonds purchased in the Caribbean branded as the "Crown of Light" diamond. This branded cut is sold only at Diamonds International. These diamonds are a 90-facet, modified round brilliant cut. The diamonds weigh more than their appearance would suggest. The diameter is smaller than a comparable weight in a standard round cut diamond. (Note: the company suggests using the round diamond formula and adding 10% for an approximate weight. The diamond we appraised recently needed an even greater weight adjustment so be cautious in using a formula to estimate weight.) To some, there is a resemblance to the old European cut diamonds because of the high crown and small table but the faceting is completely different. Since there are many more small facets across the crown, they will hide inclusions better according to a Diamonds International spokesperson. An I1 diamond will typically face-up clean in many cases. They are not



The Crown of Light Diamond. Photo courtesy of Susan Schwartz.

suggesting to grade it higher, only that a lower grade will look better.

Initially, the calls coming in ask the same question—how do we price these since they are not in our standard diamond price grids? Jewelers and appraisers are quick to pass judgment on the value by proclaiming the typical tourist "rip-off" that they are eager to convey to the client. Even many independent appraisers who have not lost a sale to these tourist jewelers are eager to proclaim foul activity and overpaying for the goods. So, exactly how should this new Crown of Light be valued? Is it an overpriced rip-off that we keep hearing in these calls? First some history.

History of the Crown of Light

Researching the diamond, it was first patented by Premier Gem Corp. in 2003. Premier is a DTC sightholder. They then sold the patent to Almod Diamonds, also a DTC sightholder. Almod also happens to own Diamonds International. The diamonds

are now being cut in Almod's cutting factory in Namibia.

To those familiar with the DTC directives that have been so widely written about by every major publication including the *GMN*, sightholders in the last decade have been required to do more in the way of downstream marketing. DeBeers no longer wanted sightholders to reap the benefits of being in this position without contributing to the marketing of diamonds down the pipeline. In the case of Premier Gem and now Almod, this branded cut was their way of presenting added value looked upon favorably by DeBeers and the DTC. Many new diamond cuts have come from this new operative, but few have been very successful. After all, developing a brand is expensive and has no guarantee of selling even in a good economy.

Almod plans to launch a new website soon to promote the diamond brand. They have spent quite a bit of money buying the patent and developing the brand. Originally, they sold these exclusively in their Diamonds International stores in the Caribbean but now have expanded to Alaska and Mexico as well.

Valuing the Crown of Light

The company that develops the brand has the right to price the brand based on their cost, their marketing, and their margins desired to achieve their goals. In this case, they use another price report for guidance but in doing the math, you can expect that the retail selling price for these diamonds will be approximately 70% above the price of our round diamond grids. Remember that this is only a guideline and diamonds will vary depending on size and demand. One diamond that we had in for appraisal was a .72 carat and the selling price per the sales receipt was a greater premium than this guideline given.

What many jewelers and appraisers fail to realize in this assignment is that a brand has been established. If the valuer does not like the diamond, does not like the seller, does not like the fact that the cruise line probably made a commission (more on that later), or any other reason justified or not, it does not factor into the valuation. A

branded diamond of any kind from any location must be valued as such. When a trademarked item of jewelry is encountered, the only value to use is what that item sells for in the appropriate market.


Unfortunately, I have heard many comments by good appraisers in the last few weeks that do not apply. Two appraisers both told me that because the diamond is not "pretty" in their eyes and because it is so heavy in its cut and weight retention, resembling the old European cut, the diamond should be valued as a recut. This is absolutely the wrong approach and would be difficult to defend in court.

This would be a hypothetical appraisal and who asked for this to be done? Beauty is in the eye of the beholder and apparently, many consumers think these are beautiful because sales have been good according to the company. The role of the appraiser is to report market activity (sales) and not dictate value. You cannot arbitrarily decide to dismiss anyone's brand and declare it ugly and in need of a recut. Now, if grandma's old Euro comes in and the client wants to recut the diamond, you have a new assignment for a hypothetical appraisal.

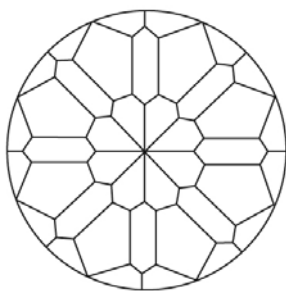
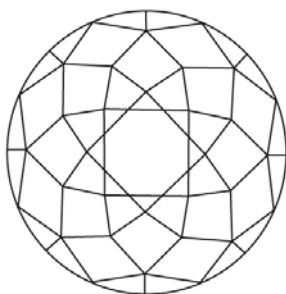
Taking value one step further, when a client does come in for an appraisal, any documentation they can produce is very helpful to the assignment. In the case of the Crown of Light we recently appraised, the price paid by the client was \$3,700. Our value conclusion...\$3,700 and we photocopied the receipt for our files.

Undervaluing a branded diamond such as this for any reason that you might think is justified will put you, the valuer, in a dangerous position. Suppose you appraise the diamond for considerably lower than what was paid, for what seems to be all the right reasons—weight retention, recut estimates, comparable to other shapes, etc. Then, there is a loss and the insurance company or consumer, try to replace the diamond. When it cannot be done for the price of what you established, then what happens? To be made

whole, they must get another Crown of Light diamond. And the only one that sells these is Diamonds International. If the price at Diamonds International is higher than your appraised price, you might be liable



The company that develops the brand has the right to price the brand based on their cost, their marketing, and their margins desired to achieve their goals.



Schematic line drawing of the facets of the Crown of Light diamond. Courtesy of Diamonds International.

for the difference. You might also be liable if the diamond is returned based on your understated valuation.

Price vs. Value

In the appraisal reference book by Cos Altobelli, CGA, *The Practical Guide to Jewelry Appraising*, American Gem Society, 2000, he defines these terms as follows (shortened here).

Price: 1) The quantity of one thing exchanged for another 2) the amount of money paid, asked or offered where sale is contemplated 3) the money consideration expected or given in exchange for properties or services.

Value: 1) The quantity of one thing that can be obtained in exchange for another. 2) The ratio of exchange of one commodity for another, thus the value of one thing may be expressed in terms of another. Money is the common denominator by which property value is usually measured. 3) It is the power of acquiring commodities in exchange, generally with a comparison of utilities. 4) Value also depends on the relation of an object to unsatisfied needs; i.e., scarcity of supply and demand. 5) Value is the present worth of future benefits arising out of ownership to typical users.

Compiled from: American Institute of Real Estate Appraisers/Society of Real Estate Appraisal Terminology (Revised Edition), Ballinger Publishing Co., Massachusetts, 1991.

Altobelli further states that, “A distinction is made between price and value because price may be justified or not, while value is usually properly justified.” So, in the case of the Crown of Light diamond, the *price* is that which is paid by the consumer and by some standards, this price might be higher than the *value* that one might assign.

Cruisin’ and Commissions

One major dislike of the tourist purchases that develop from cruise line recommendations is that often the cruise line gets a commission. Some think this is a horrible practice and others think it is even worse because the customer is not informed of the commission and they believe this to be misleading. Gail Levine, executive director of the National Association of Jewelry Appraisers (NAJA) had this to say about cruise commissions.

“The business model of cruise ships to get a commission on sales of jewelry vendors is no different than jewelry sales personnel getting commissions on jewelry they sell for the company they work for. Working for commission is an incentive for increased sales. There are lots of business models that use a commission base—and not necessarily by using money, but other types of perks. Cruise ship stores consider this commission as part of the overhead, an extension of the rent.”

Do they have to tell the consumer that they are getting a commission? No, they do not. When a consumer walks into a jewelry store, the sales person may be on salary or commission and that fact does not have to be revealed. Commissions or “kick-backs” are not illegal.

I wondered if appraisers that are independent could take a commission for helping in a liquidation for example. I checked the NAJA code of professional ethics and there is nothing that would prevent an appraiser from doing so. As Gail states, “there is no reason for this because this is not an appraisal. This is using your business experience in placing goods in appropriate hands—this is consulting services.”

As for the Certification of Appraisal Practice by the same organization, the appraiser needs to state that they have “no present or contemplated interest in the objects.” However, if they do have an interest, such as an auctioneer that is appraising for sale in the auction, then this potential interest must be stated on the appraisal. Gail states, “For professional gemologist/appraisers, it is paramount to disclose any interest in the outcome of the item and to further state that even with this interest the appraiser can perform an unbiased appraisal.”

Bon Voyage

As a closing argument in favor of the jewelers and appraisers, I will say this. We encounter many false statements told to consumers regarding over-grading, overvaluing, false statements of rarity or investment value, etc. We do not support this practice and will inform the consumer of any misleading statements or false facts presented. We have helped consumers obtain refunds or exchanges when this occurs. However, this practice is not unique to the islands. This happens every day in some percentage of jewelry stores across America. You should not disparage every tourist purchase as bad. Don’t ruin a nice memory. Ask what I do... “Did you have a nice cruise?” ♦

