
Why Are Diamonds Way Overpriced?

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Creating an atmosphere conducive to the sale of fine diamonds has many direct costs, which the retail client may not be aware of but are required to generate a successful retail diamond trade. The overhead costs are enormous adding a large percentage of cost to the final purchase price of any diamond.

The direct cost of a diamond inventory is related to product selection. The different diamond shapes, sizes and qualities provide a very challenging process for any seller. The inventory required to maintain a proper presentation can easily surpass several hundred thousand dollars. As a diamond sale is made the diamond must be replaced to make a presentable inventory. This cost of inventory leads to an added permanent interest charge, which must be averaged and included in the cost of all completed diamond sales. In addition the diamond inventory turnover in the best performing stores only approaches 1 time per year.

When shopping for a diamond the clerk is limited to presenting only the diamonds in the showcase. Generally this is a great place to start the diamond education process; but the client will almost always want to see a size, shape or quality that is not present. At this precise moment the dynamics of the sale shifts, as the selling clerk try's to exert pressure on the client to seriously consider the diamonds present in the showcase. This is the point in the sale where the gloves come off and the subtle disinformation process begins. The owner tells the clerk, "Sell what you have!" Of course this is never in the customer's best interest. The client will ask to see a diamond not on display leading the retailer to have an additional diamond shipped in from his supplier. This leads to increased processing costs with the diamond generally costing the retailer more money as the memo diamond has a higher cost to the retailer than a diamond he may purchase for inventory.

All of these factors collide to produce hidden charges, which must be absorbed by the retailer's client adding a large percentage to the final purchase price of any diamond.

No wonder Why Diamonds Are Overpriced!