

RESTORATION[◆]

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RETAIL JEWELERS
ORGANIZATION

#KNOWYOURCUTTER
#KNOWYOURJEWELER



EMBEE DIAMONDS
MASTER DIAMOND CUTTERS

MAKING SENSE
OF RECYCLED
DIAMONDS

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#KNOWYOURJEWELER

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We aim to cut the finest diamonds to the highest cut grades- whilst pushing the boundaries of diamond design for optimal light performance.

AN INTRODUCTION



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“A diamond is only as good as its worst facet.”

Mike Botha



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Diamonds can be returned to 100% of their original condition- diamonds have been recycled since the beginning of time. (Hope?)

Mark Moeller



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We cut diamonds.

Why buy from dealers, traders etc?

Letting go for good!

Knowing what to buy- when the price is right! Trade-up!

Jewelry restoration.



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Objectives – no diamonds is worthless!

Out with the old- in with the new, new is old and old's been sold?

Repair & re-polish or re-cut.

Restore & Custom cutting.

Managing costs- you get what you pay for.

Re-cut, repair & re-polish as a service to your Customers?

Insurance salvage?

DIAMONDS



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Not all diamonds are (cut) equal.

The large majority of diamonds in circulation can...should be improved.

If it comes back, or you can't seem to sell it...take a closer look.

Diamonds (regardless of source) are millions, billions of years old- like the air we breath.

Diamond design, planning, cutting and polishing has evolved over the centuries.

TO RE-CUTTING DIAMONDS



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The mine is on the street.

You already know the color and clarity – love it!

You and your cutter control the quality of your inventory.

Less impact on the environment- if that matters to you or your Customer(s)- it's certainly important to millennials.

TO RE-CUTTING DIAMONDS



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SELL!

Aiming for Ideal or Triple Zero®

Maintain weight thresholds- when a 1 or 2 will do...cutting to match?

Cut to improve clarity...yes it is possible.

(Marginal) color gains? Girdle faceting (HIJ)

KNOWING WHAT YOU WANT



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It is what it is.

Some cringe when we say: “Treat it as rough”

Decide on optimal design & clarity.

Higher color & clarity

Larger pieces for lower colors

Regrettably, not all diamonds are Ideal or Triple Zero® candidates.

Understand the cutting process. Once it's removed, it's gone.

PIZZA'S, ICE CREAM CONES, OLD MINERS, EUROPEANS & OTHERS



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CAN YOU TELL THE AGS CUT GRADE?

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Family heirlooms- legacy pieces.

Sentimental value.

Restore jewelry, repair or re-polish diamonds.

Re-cut older shapes, custom design.

Some pieces are, should always remain as is.



KNOWING THE DIFFERENCE



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OMC



OMG!

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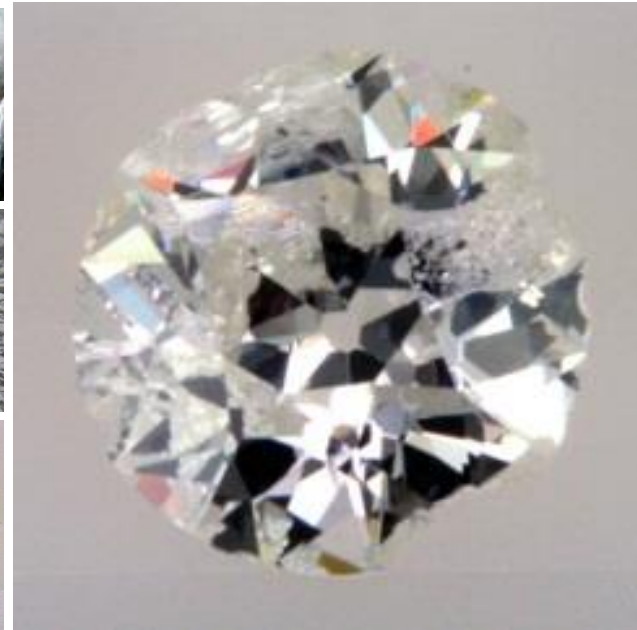
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Know the difference

When to repair or re-cut

Minor re-polish

If it needs to be profiled,
then it's a re-cut.



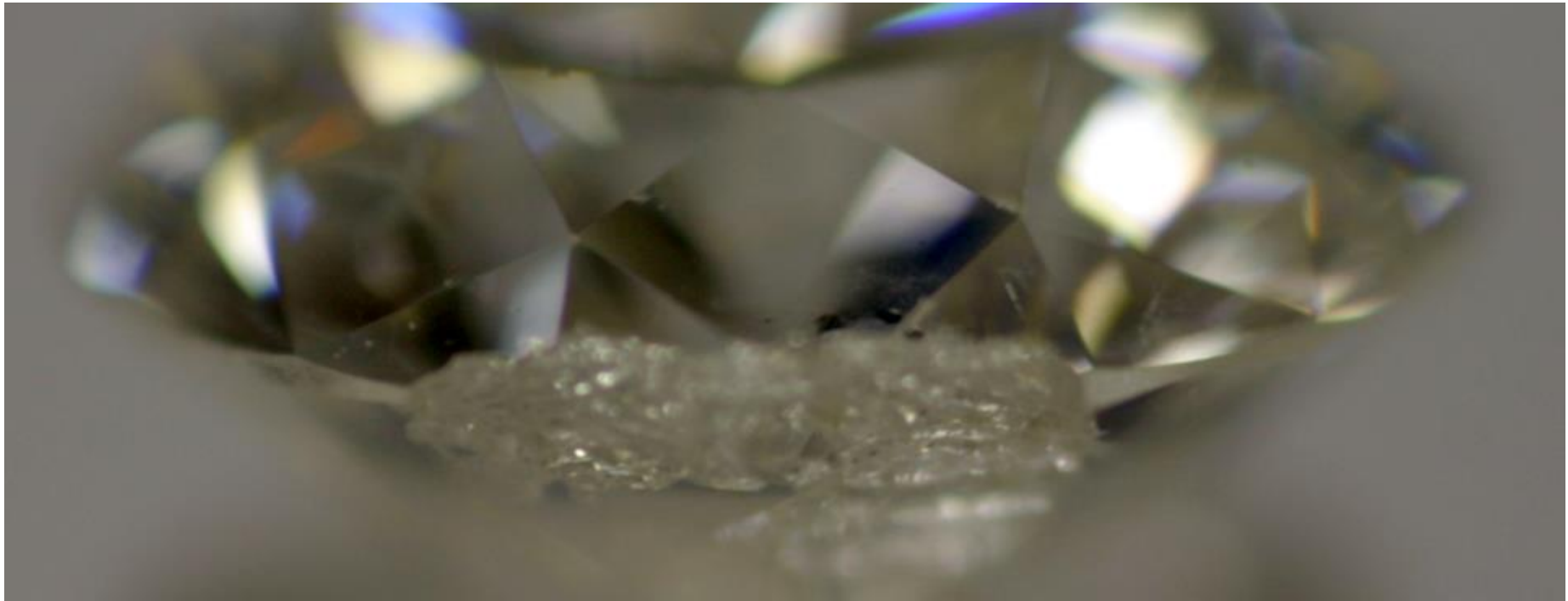
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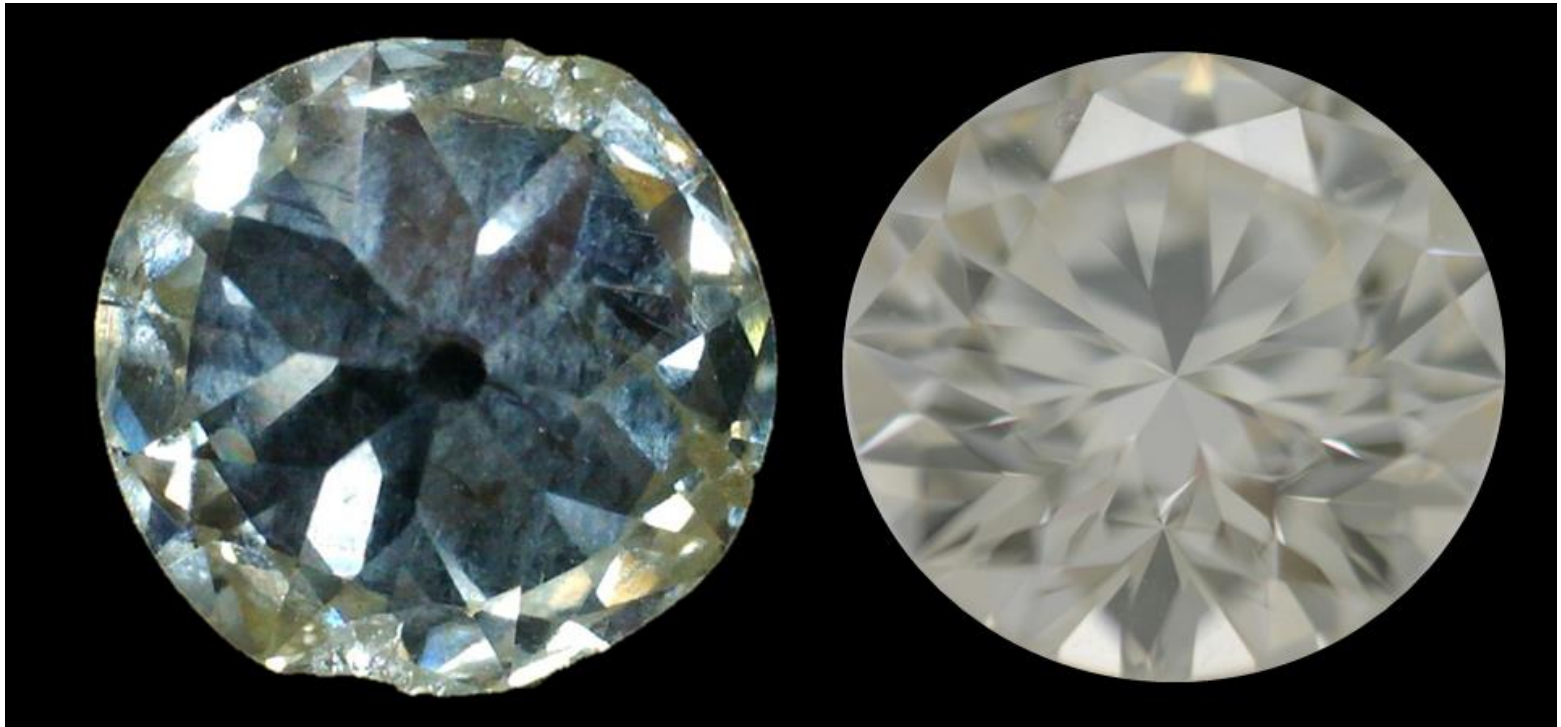


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Stanley

JEWELERS | GEMOLOGIST

Cut Grade

Light Performance
Polish
Symmetry

Color Grade

Clarity Grade

Carat Weight

Comments

Fluorescence: Very Strong Blue

"GIA # 6156 CAR20121230-19004-1" and "AGSL 104063065001" have been inscribed on the girdle of this diamond.

Ptspoints are not shown.

"Simon Star, U.S. Patent D550,118 S"

AGS Excellent 1

AGS Excellent 1

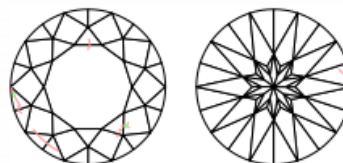
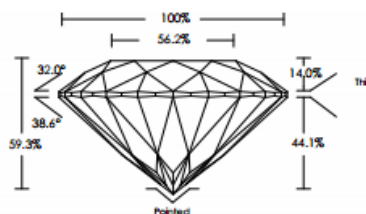
AGS Ideal 0

AGS Ideal 0

(K) AGS 3.5

(SI2) AGS 6

7.311 cts

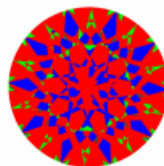


Key to Symbols

Feather

Cavity

Crystal



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Purchased 8.177 ct	\$ 41,000.00
Cutting & Polishing	\$ 1,840.00
Shipping & Insurance	\$ 671.00
Grading & Inscription	\$ 663.00
	\$ 3,174.00

Sold 7.311 ct	\$ 82,000.00
\$ 40,000.00 Cash	
2 X 3ct RB Trade (also re-cut)	

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“No diamond is used. No re-cut diamond is old.” - *Mark Moeller*

Some considerations:

If it's sitting in inventory, or keeps coming back- it needs to be re-cut.

If it lacks brilliance, looks dull- it needs to be re-cut.

If it is a low cut-grade- it needs to be re-cut.

A re-cut diamond is fresh inventory, and in most instance will **increase in value**.
You're not recycling metal- you're increasing the appeal and value of your inventory.

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Planning

Experience

Sarine – AGS / GIA Cut Grade

Profiling/bruting

Re-polish pavilion first, then crown.

Facet girdle = (marginal) color gains

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Know your cutter- when in doubt- ask.

Starting or rough weight is always used when costing.

Cost/ct vs. minimum charge/stone.

Parcels are more economical.

Different shapes – different costs.

Shipping, insurance & grading.

Minor repairs/re-polish vs full re-cut- know your thresholds! Know your losses!

Girdle faceting, consultation/evaluation, naat/twinning and rush surcharges.

TIME & MONEY IS TIME & MONEY



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Love for Resale: A Look Into the Recycled Diamond Industry

The recycled diamonds trade has become a huge, under-the-radar market. But how is it affecting the industry—and consumers who may get lowballed?

Features By Rob Bates, News Director

This story appears in the June 2015 issue of JCK magazine

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Courtesy of Worthy

The market for "recycled diamonds"—like the 4.47 ct. center stone shown here—is estimated to total as much as \$2 billion.

In an oft-cited, frequently recycled 1982 *Atlantic* article, Edward Jay Epstein spoke of his troubles trying to unload a diamond on 47th Street. "Retail jewelers," he declared, "prefer not to buy back diamonds from customers, because the offer they would make would most likely be considered ridiculously low."

Four decades later, he'd have far less of a problem. The gold-buying boom kept many retailers afloat during the recession. But now that the price of gold has fallen and trade-in fever has cooled, it doesn't take much for jewelers to add "and diamonds" to those "we buy gold" signs.

The result is a massive market for secondhand diamonds that has largely operated under the radar. There are now thousands of places for consumers to trade in their old gems—including companies like Circa, White Pine, and Worthy as well as websites like eBay, Craigslist, and I Do Now I Don't, which specializes in jewelry from relationship breakups. Analysts estimate overall sales of so-called "recycled diamonds"—within the trade and to consumers—at about \$1.5 billion to \$2 billion a year, out of \$81 billion in diamonds sold globally at retail. And that may be lowballing it.

"This is a cottage industry that has developed into a sizable part of the diamond trade," says Andrew Brown, president and chief financial officer of White Pine Trading LLC. "Sotheby's and Christie's do over a billion dollars a year."

The Boomers' Baubles

How much this is affecting the wholesale market is unclear. Every time retailers (or even consumers) buy a recycled diamond, they are passing up the chance to buy a "new" one. "We know retail clients of ours who don't even buy diamonds anymore," says Evert Botha, whose company, Embee Diamonds, recuts trade-ins for jewelers. "They are getting a steady supply off the street."



Veteran analyst Ben Janowski says "there is no question it's a factor" in the market. "It's definitely hurting wholesale sales," he adds. "I have seen retailers with stacks of diamonds that they bought off the street. It's a drumbeat that is just going to get louder and louder."

Consumers can now sell their old jewels at a number of companies that have sprung up to cater to the secondhand market.

Part of the reason, he says, is the aging of the baby boomers, who are just starting to unload all the treasures squirreled away in their safe deposit boxes.



Retailers accustomed to buying gold from the public have in recent years turned their attention to diamonds.

Jewelry is increasingly coming up in estate planning, according to Jeffrey Singer, cofounder and vice president of jewelry buyer Circa. "Unless you know a child covets a piece of jewelry, it's best to sell it," he says. "When the time comes, you can divide cash any way you want. You can't cut up a bracelet three ways.

"A lot of people between the ages of 40 and 60 are inheriting jewelry from their parents, and they are frustrated," Singer continues. "They are more interested in college tuition or remodeling the kitchen."

When looking at how the recycled diamonds boom gathered steam, most people point to the big gold rush of 2008 and 2009, which took the idea of trading in jewelry from the pawnshop to the mainstream.

"Once gold started going crazy, people started bringing in their diamonds, too," says Susan Eisen, owner of Susan Eisen Fine Jewelry & Watches in El Paso, Texas.

For a long time, though, diamonds were considered an afterthought, says Ezi Rapaport, director of global trading for the Rapaport Group.

"When I started going to the pawnshop shows, they all said we don't take the diamonds out of the gold," Rapaport says. "They didn't get a significant price for them, and taking them out of the piece took about a week and within that week the price of gold could drop. But once the pawnshops and retailers started getting high prices, they forced refiners to add the service. Now every one of them does it."

For Eisen, buying off the street has become a major part of her business model. "You get a better price, more variety," Eisen says. "You don't have to deal with invoices and accounts payable and go through 10 different steps to pay the bills. You write a check and it's done."

Buying recycled diamonds also "brings new people in and you can make them your customers," she adds. Still, she cautions that retailers have to budget for the buying.

A Threat to the "Diamond Dream"?



Consumers are often disappointed by the selling price for their secondhand diamonds; many expect prices comparable to retail.

47th Street," he says. "I had a really nice 75-pointer. A quarter of the players would not offer me anything. The average price was 15 to 20 cents of the retail dollar."

Of course, even retailers with the best intentions generally offer less than wholesale; the diamond may not be something they can sell immediately, and if they're going to buy wholesale, they'd rather buy from a vendor who can give them exactly what they want. Mounted trade-ins get discounted even more, because the stone can't be probed for potential flaws. But consumers don't always understand that; many expect prices comparable to retail, never mind wholesale.



Circa buys diamonds and jewels over the Web and at 13 offices around the world.



"Consumers [who get lowballed are] not going to feel good about diamonds as a store of value," Montgomery says. "That hurts potential demand. We all know a negative experience is worth far more than a positive experience."

Recycling stones can make retailers uncomfortable as well. "A retailer's job is to sell the diamond dream," Montgomery says. "It's an unnerving experience if the diamond comes back to them. It has cash flow implications. A retailer might not be able to manage the cost. And even if he pays cash, he may not be able to move it for a year or two."

De Beers on the Scene



Baby boomers are starting to unload the treasures they've been storing for safekeeping—like this riviera necklace.

So De Beers decided there was a need for a better mousetrap—namely, the International Institute of Diamond Valuation (IIDV), a service that buys diamonds for retailers, promising to offer the "highest possible price...on the secondary, wholesale market." The company has recruited five retailers for the pilot program; it will soon add more.

Diamond sellers are offered two options. The first involves contacting the IIDV for a quick price quote; the second involves sending the diamond to the lab's New York City office for a thorough two- or three-day examination out of its mounting. (The quicker offer brings a lower price.)

One of the participating retailers, Manhasset, N.Y.-based London Jewelers, says about 75 percent of customers choose the multiday option. "Most legitimate sellers want to be methodical about it," says chief operating officer Tim Claire.

But it depends on the area, Montgomery says. One retailer in a crowded market with lots of pawnshops and tourists says most customers don't want to wait. In addition to buying the diamond, the IIDV pays the retailer a commission based on the cost. For now, the program is only a test. Montgomery says he is just getting around to thinking about a salesperson to move the inventory. "We are focused on the consumer right now," he says. "We buy everything, even if it's a one-pointer in a belt buckle. Our lowest offer was \$30. And I'm proud of that."

De Beers is far from the only player eyeing this market. New York City-based Circa, backed by venture capital, buys diamonds over the Web and at 13 offices throughout the world and also provides buying services for jewelers. "Jewelry is something that a lot of people look at as the great unknown," Singer says. "We try to make it easy and comfortable."

A tennis bracelet lined with round-cut diamonds would need to be dismantled to calculate its trade-in value, say retailers.



Courtesy of Worthy

Trade-in diamonds are big business for Susan Eisen, owner of Susan Eisen Fine Jewelry & Watches in El Paso, Texas.

White Pine Trading buys from the trade and from consumers via websites and sells at auctions, through a wholesale service, and on services like Polygon. It traded more than \$100 million in diamonds in 2014, according to its website.

Rapaport and newcomer Hoover & Strong auction off their diamonds to the trade through twice-monthly sales; the latter lets retailers reject or accept the final bid.



There are no standards dictating the trade-in value of a diamond from Tiffany & Co.

All this activity is good, Rapaport says. "From a consumer confidence standpoint, it's important that when it's time to sell her diamonds or jewelry back to the store, Mrs. Schwartz gets fair market value and not pennies on the dollar."

With all the jewelry—and aging Mrs. Schwartzes—out there, many believe the market is in its infancy. The biggest problem may be educating the public that those dust-gathering jewels can be a source of income.

In fact, given the expected shortfall of new mined diamonds in years to come, it's possible that recycled diamonds will soon play an even greater role in the business. "If De Beers is getting into it, you know it's a big market," Botha says. "The biggest mine may be on the street."

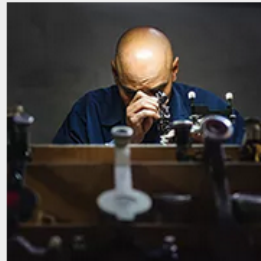
Are Used Diamonds Eco-Friendly?

Certain companies prefer the term *recycled* rather than *secondhand* because the former gives the diamond an environmental patina.

Sellers of recycled diamonds now explicitly stress what they see as the eco-benefits of their product. "We believe every diamond put in the market is one less that has to be mined," Circa says in a recorded message that plays while customers' calls are on hold.

"You are starting to see consumers wanting more responsibly sourced product," says Shelly Katzir, diamond manager for Hoover & Strong, the company known for its recycled gold. "Recycled diamonds are the greenest option out there. They are not mined, they are not cut."

Not everyone agrees. Some say, for example, that buyers of secondhand diamonds have even fewer guarantees than usual that the gem came from an ethical source. Plus, any environmental benefits won't be felt for years, if ever. As Cecilia Gardner, president and CEO of the Jewelers Vigilance Committee, puts it: "There aren't less diamonds being mined because someone sells a recycled diamond."



Courtesy of Worthy
Embee Diamonds' master cutter Ginaud Cotte

What to Watch Out For

As with gold buying, jewelers must follow certain rules when buying diamonds off the street:

- **Patriot Act compliance** If you buy more than \$50,000 in items off the street, you have to comply with Patriot Act rules, notes Cecilia Gardner, president and CEO of the Jewelers Vigilance Committee.

- **Compliance with local ordinances** To prevent the fencing of stolen goods, just about every jurisdiction has laws regarding buying jewelry from consumers. Some also require secondhand sales licenses. Gardner recommends contacting your local municipal government or the consumer affairs department of your state attorney general.

- **Disclosure that it's a used item** This is something that many jewelers don't realize, or likely follow. A Federal Trade Commission provision (not in its jewelry *Guides*) requires disclosure of the piece as used, unless it was sold and returned within the stipulated money-back guarantee period, Gardner says. Some maintain it doesn't make sense to call an item that's already 1 billion years old "used." But Gardner says that's the law. "There is always wear and tear," she says. "Diamonds get chipped and they get recut."

- **Checking the diamond** Retailers should check if the stone is treated or lab-grown. When they sell the diamond, they bear responsibility for any nondisclosure—even if those details weren't specified when they bought it.



EMBEE DIAMONDS
MASTER DIAMOND CUTTERS

Making sense of OFF-THE-STREET Diamonds

by Evert Botha, RS
Embee Diamond Technologies, Inc.

Hidden in your safe or stashed away at the back of your drawer are the diamonds which you've taken in over the years [off-the-street diamonds] that are chipped, scratched, burnt, or broken, and are the damaged goods in dire need of repair. Chances are you have thousands of dollars tied up in diamond inventory that you aren't able or prepared to show in their current condition.

Unlike gold, which you can recycle or sell relatively easily, diamonds are different.

The markets have shifted over the last 5 years, and as a result, many jewelers are taking in a lot of older diamond shapes and cuts, as well as a fair amount of ungraded or misgraded diamonds. The challenge is selling these goods that have lower cut grades or don't have trusted grading reports to accompany them. A great option is finding a cutter that can re-cut these goods into sellable inventory.

A master diamond cutter will look at the stones and make recommendations based on requirements.

Considerations for Re-Cuts

There are a few considerations to make when going through your inventory:

1. Size: Individual stones smaller than 0.3 ct are not usually economically viable for re-cutting. The golden rule is that if it is a diamond that should have a grading report on it once it's finished, it's a viable candidate for re-cutting. Most cutters will have a minimum cost per diamond for stones smaller than 1 ct.
2. Safe weight loss margins:
 - For non-broken/chipped/damaged diamonds, weight loss can be up to 15%.
 - For broken/chipped/damaged diamonds, weight loss can be substantial,
 - For diamonds only in need of re-polishing, weight loss is minimal.

Minor repairs typically involve re-polishing to clean up the stone and facet the girdle, if needed. Improving the overall cut grade of a diamond is also typically considered minor work.

When considering re-cutting a diamond, recommendations are made based on balancing maximum weight retention with the highest possible cut grade. When having to choose between the two, and the cutter can maintain your required size thresholds, it is usually always better to try to achieve the highest cut grade rather than sacrifice cut grade to maintain weight. In some instances, clarity gains are important considerations during the re-cut planning process. Clarity gains can more than compensate for weight-loss during the actual re-cutting.

By the time the job is completed, your cutter should be able to confirm their estimates—cut grade, color and clarity.

The last step is to send the re-cut diamond to a reputable laboratory such as the American Gem Society Laboratories for grading and inscription.

As your diamond inventory increases, you'll have more options for your customers and in turn, increased turnover of your inventory.



Off-the-Street Diamonds

CONT.

Finding the Right Cutter and Cost

When researching a diamond cutter to work with, it is important to verify their credentials through their membership of organizations, and references from their customers. Be sure to ask about their cut grading standards.

There are a few pricing guidelines to also consider when it comes to re-cuts and choosing a cutter:

1. A less experienced or less diligent cutter will require you to ship the stone back and forth multiple times if the stone isn't cut properly the first time. This can incur more shipping expenses.
2. Most cutters will charge a different rate for round, fancy, or proprietary shapes. Fancy shapes are usually about 25-50% more than rounds, and proprietary shapes can be subject to additional charges. Also, be sure the cutter knows not to infringe on another design patent when it comes to proprietary cuts.
 - For minor repairs and re-polishing, expect to pay about \$150-\$200/ct.
 - For full re-cuts including re-profiling, expect to pay about \$225-\$300/ct.
 - For challenging stones (multiple twinning, etc.) expect to pay an additional \$75/ct.
 - For girdle faceting only, expect to pay about \$100/ct.
3. Shipping and insurance will be for your account.
4. Grading and inscription varies based on the laboratory and document selected.

Laura Stanley, CGA, Stanley Jewelers Gemologist has experience with Off-the-Street diamonds:

"In our capacity as a 77-year-old jewelry retailer, we frequently find ourselves with diamonds traded in towards a new purchase. We also purchase directly "off-the-street" from consumers. Some of these diamonds would never find their way into our inventory otherwise. As the volume of diamonds coming in has grown, the number of diamonds needing repair or redesign is too high to ignore.

We have found that spending a little time and money on a diamond purchased off-the-street will yield a more desirable product which is easier to sell, and frequently for more money.

We find ourselves with diamonds from one to over eight carats which we have successfully redesigned and sold, despite a loss in carat weight. Superior cut and polish, along with credible lab documentation from a reputable lab such as AGS Laboratories, are essential to this process. We work with a cutter who understands what we need, can transform our diamonds when needed or gives them just a little touchup and work directly with our preferred laboratory for expeditious service."

With a partnership with a great diamond cutter, there are benefits to diamond re-cutting. Knowing what to look for, what to expect, and how to select diamonds for the process, it can be profitable to turn off-the-street diamonds that have been sitting in inventory into beautiful, resalable diamonds that can increase your revenue.



Street-mined:

Making sense of off-the-street diamonds



Photo courtesy Embree Diamonds

By Evert P. Botha

There has been a lot of talk of late about a lack of high-quality rough diamonds. The fact is, new discoveries are few and far between, and even when they are made, it can take up to 15 years to bring a mine into production. Yet, there seems to be a new source that has come online recently that few anticipated: the street mine.

They are known as off-the-street diamonds and by that, I mean recycled stones—those that have re-entered the market as the result of broken

engagements, estate sales, or just plain selling of assets to pay debt. And it looks like this is big business.

Open any trade publication and you will likely see advertisements for companies that buy used diamonds. No doubt, it's become a thriving industry, the bulk of it focused on smaller goods and melee. Individually, these stones have little or no value, but when aggregated in sufficient volume, they can be sorted, sold, and shipped to India or elsewhere to be recut to create matching parcels.

“As with the cash-for-gold craze, consumers are trading in their diamonds or using them to upgrade to bigger or better stones.”

Industry analyst Chaim Even-Zohar estimates the market share of recycled diamonds in 2012 grew by 5.5 per cent to \$1.2 billion. He also believes there is up to \$1 trillion worth of ‘used diamonds’ locked away in safety deposit boxes and jewellery cases around the world and many could find their way into the market. According to consulting firm Bain & Co., recycled polished diamonds could eventually account for anywhere between five to 10 per cent of current market supply. Still, these numbers may be understated, as some experts believe a great deal of trading in recycled diamonds happens in private and is not necessarily reported.

What does this mean for a retailer?

For most manufacturers and wholesalers, recycled diamonds entering the stream is not a good thing, as they

cut into already thin margins and cause prices to stagnate over the long term. They also create competition, since retailers are purchasing them from consumers rather than through traditional channels. For retailers, however, the opposite is true. As with the cash-for-gold craze, consumers are trading in their diamonds or using them to upgrade to bigger or better stones. And the good news is, the price is determined by you, the retailer, which can make for some very healthy margins.

When buying lesser-graded diamonds from vendors, the discounts offered are always deep; the same applies to buying diamonds off the street. When a consumer is looking to sell a diamond, he or she has a vague idea of what it may be worth, thanks to the Internet, which means some explanation may be required as to why you cannot match that price.

Most cutters have a minimum cost per diamond for stones that weigh less than one carat and a per-carat rate for stones over one carat.



When determining your offer, there are a few factors to consider, such as:

- the average trade price for a similar stone;
 - the investment required to restore and grade the diamond; and
 - your selling price based on your store's strategy.
- Of course, the diamonds you buy from your clients may not always be in pristine condition.

Buy and sell

Whether mined or traded, diamonds are billions of years old, just like the air we breathe and the water we drink. Although no diamond is worthless, they are not all cut equal. Over the centuries, diamond design, cutting, and polishing have evolved tremendously, along with cut grade parameters and other grading standards. While it is true recutting a diamond can result in marginal to substantial weight loss depending on its original condition, it is also true that a better cut can increase its value, and in some cases, by quite a bit.

Chances are you may have thousands of dollars tied up in diamond inventory that you aren't able—or prepared—to show clients in their current condition. Some may be dull, dreary, and dead, while others are just badly cut. You may even have chipped, scratched, burnt, or broken stones sitting in your safe. And while vintage fine jewellery is

always in style, vintage diamond cuts may simply not appeal to your customer base.

Unlike gold that can be recycled and sold relatively easily to a refiner or cash-for-gold operation, diamonds are different, as each one has its own unique characteristics and story. The challenge you face is how to sell a damaged or badly cut diamond, especially if you are known as the trusted source for fine diamonds in your market. You can either sell it to a growing list of companies that specialize in the purchase of such goods (at greatly discounted prices), or you can find a cutter to turn this inventory into product you can present with confidence to your customers.

Cut to the chase

When working with a diamond cutter, he or she usually inspects the stones you've submitted and makes recommendations based on your requirements. However, before you decide to restore a diamond (i.e. recutting, repairing, or re-polishing), consider the following:

- What are the gains in terms of cut, colour, and clarity?
- What costs are involved (i.e. shipping, insurance, restoration, and grading)?
- What is the estimated weight loss?
- What will be the increase in value?

If you're reviewing your inventory for recutting opportunities or considering buying or trading a



Consulting firm Bain & Co. reports that recycled polished diamonds could eventually account for anywhere between five to 10 per cent of current market supply.

diamond off the street, here are a few points to keep in mind:

- 1) Depending on your cutter's skill, you may be able to achieve colour and/or clarity gains. More about that later.
 - 2) Size matters. Individual stones less than .30 carats are not economically viable, unless you're prepared to submit a parcel of smalls and wait a little while longer. The golden rule is that if it's a diamond you're prepared to send for grading once recut, then it is worth it. Remember, less is more. Most cutters have a minimum cost per diamond for stones that weigh less than one carat and a per-carat rate for stones over one carat.
- Most diamonds of higher colour and clarity are perfect candidates for restoration, since they are of higher value and worth making the extra investment.
 - For diamonds with lower colour and clarity, consider cutting stones starting at one carat. For example, you're not going to send a .45-carat J12 for recut on its own. Instead, add it to a parcel of smaller goods to be restored abroad.

3) Safe margins for weight loss and yields can be calculated using the following:

- For diamonds in need of a full recut, expect weight loss of up to 15 per cent, assuming the material is not badly damaged or too poor a cut grade to begin with. There are standard formulas for calculating the finished weight that your cutter should be able to provide.
- For broken, chipped, or damaged diamonds, weight loss can be substantial. It is not unheard of to lose up to 50 per cent to turn these into something you can sell.
- For diamonds sent for re-polishing to remove minor blemishes like scratches or polish marks, weight loss is in the single digits.
- A minor repair typically involves some re-polishing to clean up the stone and possibly faceting the girdle, which may result in colour gains on some borderline stones starting from around I colour and upward. This is minor work to improve the diamond's overall cut grade.

Mention recutting a diamond and the first thought that comes to mind is: "How much weight am I going to lose?" Truth be told, the stone submitted for a recut is treated just like rough, with recommendations made during the planning stage to maximize weight retention while achieving the highest cut grade possible.

Provided your cutter can maintain your required size thresholds, the obvious choice is always to aim for the highest cut grade. If your request is to maintain a certain weight threshold, then it is quite likely the cut grade will be less than ideal.

In some instances, clarity gains are important considerations during the recut planning process, as this more than compensates for weight loss during the actual recutting. By the time the job is completed, your cutter should be able to confirm their estimates for cut grade, colour, and clarity. Based on your cutter's estimate, you can then decide whether to send the stone to your preferred laboratory for grading and inscription. If you don't have a relationship with a lab, your diamond cutter should be able to assist you. Each laboratory offers different report formats and, more importantly, different turnaround times.

Once the laboratory has completed the initial grading, the grader e-mails results for verification and/or confirmation to the cutter, who will then forward them to you. If you and your cutter are in agreement with the report, the lab will issue a printed report. However, if you disagree with the laboratory



This diamond began as a 1.757-carat JK SI1 old-mine cut that was recut to a 1.423-carat H SI1 round brilliant.



A diamond cutter inspects the stones you've submitted and makes recommendations based on your requirements.

on any of the results, you may ask them to re-check the specific grading parameter. Once that's done, the lab confirms the results with you prior to printing the report.

Finding the right cutter isn't always about price, so it is important you do your research to verify their credentials through their membership in organizations, such as the Canadian Jewellers Association (CJA), American Gem Society (AGS), or Jewelers of America (JA). Most cutters offer incentive programs for members of these organizations and should be able to provide you with references from their customers. Most importantly, be sure to choose a cutter who works with a diamond grading laboratory you trust.

You get what you pay for

If you're looking for a cutter, here are some considerations to keep in mind.

- 1) Most cutters charge a different rate for round, fancy, and proprietary shapes. Fancy shapes normally cost anywhere from 25 to 50 per cent more than round, while proprietary shapes may be subject to additional charges. That said, be sure your cutter does not infringe on someone else's design patent.
 - For minor repairs and re-polish, expect to pay \$150 to \$200 per carat.
 - For full recuts, including re-profiling, expect to pay \$225 to \$300 per carat. For challenging stones (e.g. multiple twinning, poly, etc), expect to pay an additional \$75 per carat.
 - For girdle faceting only, expect to pay \$100 per carat.
- 2) Shipping and insurance costs.
- 3) Grading and inscription varies from lab to lab and the documentation required.
- 4) Always confirm the laboratory's turnaround time, as some labs offer same-day grading, while others may have a backlog that may take months to get through.

Sentimentality and superstitions aside

When a cutter looks at a diamond, they see the potential for a piece of rough crystal, a broken diamond, or one that was badly cut, to become something spectacularly beautiful that's going to become an heirloom, a celebration, a memory, and maybe even an 'I do.' Providing this service can not only help your bottom line, but more importantly, create lifelong clients. ♦

Evert R. Botha is chief operating officer (COO) of Embee Diamonds in Prince Albert, Sask., a family-owned atelier established by master diamond cutter, Mike Botha, specializing in cutting and polishing Canadian diamonds. Evert can be reached via e-mail at evert@embeediatech.ca.

KNOW YOUR CUTTER

By: Evert P. Botha, RS



Evert P. Botha, RS is the Chief Operating Officer at Embee Diamonds, their family-owned diamond factory in Canada. Our aim is to cut the finest diamonds to the highest cut grades- whilst pushing the boundaries of diamond design for optimal light performance. We cut for the "Yes I do!", for the "WOW!", for the "OMG!", for "that's incredible!", for "thank you!", "I love you"... We cut diamonds for you. Contact details: 306 763 3388 or evert@embeediatech.ca.

One could buy 'Diamond' as in material, or one could buy 'A Diamond' cut to the highest standard with honest color and clarity grading by a reputable grading laboratory. The final choice lies with the Customer. If price is the consideration, then you buy 'Diamond'. If quality is the consideration then you buy 'A Diamond' – Anonymous

Hidden in your safe or stashed away at the back of your drawer are the lesser diamonds, which you've taken in over the years. They're all chipped, scratched, burnt or broken- damaged goods in dire need of repair. Chances are you have thousands of dollars tied up in diamond inventory that you aren't able (or prepared) to show in their current condition.

Unlike gold, which you can recycle or sell relatively easily, diamonds are different.

The markets have shifted over the last 5 years, and as a result you're taking in a lot of older diamond shapes and a fair amount of ungraded or misgraded diamonds. The challenge you face is how to sell it without a decent cut grade or trusted grading report- especially if you are known as the trusted source for fine diamonds in your market. You can either sell it to a growing list of companies that specialize in the purchase of such goods (at greatly discounted prices), or you can find a cutter that you can work with



and invest some time and money to turn this into inventory that you can present with confidence to any prospective Customer.

If you don't have a relationship with a diamond cutter (someone who actually cuts diamonds), chances are you're missing out on countless opportunities to realize additional revenue for your business. A master diamond cutter will look at the stones you've submitted and make recommendations based on your requirements.

A couple of considerations when going through your inventory:

1. Size matters. Individual stones smaller than 0.3ct really are not economically viable, unless you're prepared to submit a parcel of smalls and wait a little while longer. The golden rule is if it's something you're prepared to send for grading once finished, then it's worth it. Remember, less is more. Most cutters will have a minimum cost per diamond for stones smaller than 1ct.
2. Safe (weight loss) margins.
 - a. For non-broken/chipped/damaged diamonds sent for re-cutting, the weight loss can be up to 15%.
 - b. For broken/chipped/damaged diamonds sent for re-cutting, the weight loss can be substantial.
 - c. For diamonds sent for re-polishing the weight loss will be in the single digits.

A minor repair would typically involve some re-polishing to clean up the stone and possibly faceting the girdle (which may result in color gains on some borderline stones)- minor work to improve the overall cut-grade of a diamond.

Mention re-cut and the first thought that comes to mind is: "How much weight am I going to lose?"

Truth be told, with re-cuts, the stone submitted is treated as rough and during the planning stage the recommendations are made based on a combination of maximum weight retention vs. the highest cut grade. Provided that your cutter can maintain your required size thresholds, the obvious choice is always to aim for the highest cut-grade. If

your request is to maintain a certain weight threshold- then there's a definite trade-off for a (very often) less-than-ideal cut-grade.

In some instances, clarity gains are important considerations during the re-cut planning process, as this more than compensates for weight-loss during the actual re-cutting. By the time the job is completed, your cutter should be able to confirm their estimates- cut grade, color and clarity.

Depending on the cut and grading standards you value the most, the last step would be to send your diamonds to a reputable laboratory for grading and inscription. If you don't have a relationship with one of the leading diamond grading authorities such as AGS Laboratories, GCAL, IGI or the GIA, your diamond cutter should be able to assist you in the submission of your diamonds to your preferred laboratory. Each laboratory will offer different report formats and more importantly, offer different turnaround times.

Once the laboratory has completed the initial grading, they email the results for verification and/or confirmation to the cutter. It is during this stage that the cutter will communicate these results with you. If you're in agreement, then you issue print

Before Cutting		After Cutting	
Cut Grade	Excellent	Cut Grade	AGS Ideal 0
Light Performance	None	Light Performance	AGS Ideal 0
Polish	Very Good	Polish	AGS Ideal 0
Symmetry	Excellent	Symmetry	AGS Ideal 0
Color Grade	G	Color Grade	(0) AGS I.5
Clarity Grade	VSI2	Clarity Grade	(VSI2) AGS 4
Carat Weight	1.12 carat	Carat Weight	1.040 cts

instructions- however, if you or your cutter disagree with the laboratory on any of the results, you may ask for a re-check on any of the grading parameters. Once re-checked, the laboratory will confirm any of these results with you prior to print instructions.

Once you've received your diamonds back from the laboratory (or from your cutter), it will be a lot like receiving a fresh batch of diamonds from your fine diamond supplier. As your diamond inventory increases, you'll have more options for your Customers and in turn, increased turnover.

Finding the right cutter isn't always about price.

When researching to find a diamond cutter to work with, it is important to verify their credentials through their membership of organizations such as the American Gem Society, Independent Jewelers Organization, Jewelers of America or your regional jewelry organization. Most cutters have incentive programs in place for members of these organizations and should be able to provide you with references from their Customers.

Most importantly, you can tell a lot about the quality of work you can expect from a cutter by their preferred diamond grading laboratory, as the various diamond cut grade standards differ.



Pricing Guidelines

You get what you pay for. If you're looking for a cheap cutter, then be prepared to ship the same stone back and forth, consequently paying more in the long run. There are plenty cheap cutters out there, but if you've taken the time to read this article, you're committed to the finest quality and craftsmanship. Here are some guidelines...

1. Most cutters will charge a different rate for round and fancy and proprietary shapes. Fancy shapes will normally cost you 25-50% more than round shapes, proprietary shapes may be subject to additional charges – be sure your cutter does not infringe on someone else's design patent.
 - a. For minor repairs and re-polish, expect to pay \$150-\$200/ct
 - b. For full re-cuts including re-profiling, expect to pay \$225-\$300/ct
 - i. For challenging stones (multiple twinning, poly), expect to pay an additional \$75/ct
 - c. For girdle faceting only, expect to pay \$100/ct
2. Shipping & insurance will be for your account.
3. Grading & inscription varies between the different grading laboratories and the documentation required. If you have a relationship with a grading laboratory, you should have their rate sheet on file.
 - a. Always confirm the laboratory's turn-around time.

Testimonial – Laura Stanley, CGA, Stanley Jewelers Gemologist

"In our capacity as a 77-year old jewelry retailer, we frequently find ourselves with diamonds traded in towards a new purchase. We also purchase directly 'off the street' (OTS) from consumers. Some of these diamonds would never find their way into our inventory otherwise. As the volume of diamonds coming in has grown, the number of diamonds needing repair or redesign is too high to ignore.

We have found that spending a little time and money on a diamond purchased OTS will yield a more desirable product which is easier to sell, and frequently for more money.

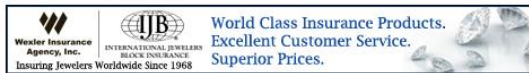
We find ourselves with diamonds from one to over eight carats which we have successfully redesigned and sold, despite a loss in carat weight. Superior cut and polish, along with credible lab documentation from a reputable lab such as AGS Laboratories, are essential to this process. We work with a cutter who understands what we need, can transform our diamonds when needed or gives them just a little touch up and work directly with our preferred laboratory for expeditious service."

I hope that this article has been valuable in helping you understand the benefits of diamond re-cutting and what you should look for, or should expect, if you make the step of turning some of your loose diamond inventory into beautiful, resalable pieces that will catch the eyes of your customers and greatly increase your revenue. JBA

The Case For Buying Diamonds Off The Street And Recutting Them

April 30, 2014 (1 comment)

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By Caroline Stanley

San Diego, CA—A service once the domain of pawnshops, many guild and luxury jewelers also buy gold, diamonds and jewelry items from their customers and the public. A recent seminar at the 2014 [American Gem Society Conclave](#) in San Diego, CA, explored the topic of buying off the street (OTS), focusing on buying, re-cutting and selling OTS diamonds. Moderated by Evert Botha, RS, COO of Canadian diamond cutting [Embee Diamond](#), the session and follow-up conversations offered insights into this part of a jeweler's business.

While many jewelers are comfortable buying diamonds OTS, many are just getting started in this arena. Jewelers Marc Altman, CGA, [B&E Jewelers](#), Southampton, PA, and Laura Stanley, CGA, [Stanley](#)

[Jewelers Gemologists](#), North Little Rock, AR, are two that feel the OTS buying is a service to their customers. And it's one that they offer now on a daily basis where even a low offer is a better offer than their customers receive from most pawnshops. "We see customers taking next to nothing for their jewelry out there," says Altman.



From left, Evert Botha, Embee Diamonds; Laura Stanley, Stanley Jewelers Gemologist; Marc Altman, B&E Jewelers.

Stanley agrees. Her experience began with an estate and consignment department, which is quite different than purchasing from customers. But in the last few years, buying from customers has become routine. "It was a little awkward at first to offer customers money for jewelry," says Stanley. "But we eventually realized that that our worst offer is actually so much better than anyone else's."

Offers are generally low due to the excess goods available for purchase OTS. Clearly these jewelers and jewelers around the country have found a price point that works for both parties—the customer gets cash for jewelry they don't want, and jewelers have a source of supply that can provide a high margin on resale. Indeed, the street has become an [integral part of the diamond supply chain](#) for American independent jewelers.

How much does a customer need to know about previously owned jewelry? Attendees at the session generally agreed they were comfortable disclosing the fact that the piece or stone was pre-owned, but one jeweler did warn that some customers might be reluctant to buy a diamond from a failed marriage or someone who died recently. (Editor's note: According to the Federal Trade Commission, something that's unused, unaltered, and returned according to the retailers' stated policy may be sold as new, but anything that has been rebuilt, remanufactured, reconditioned—or recut—isn't new.)

One by-product of buying diamonds OTS is a large inventory of well-priced goods. But often those goods are not ready for resale to the public. Some of these goods simply get resold to dealers and companies who re-cut and resell large batches of stones. But in smaller batches or one-by-one, that's easy for jewelers to do on their own—although re-cutting diamonds is not second nature to most jewelers.

Altman elaborates. "For the 20 years that I have been a gemologist, I have had the practical experience of ordering the re-cutting or repairing of only six diamonds, until four years ago. But since 2009, I have ordered the re-cutting of significantly more than 1,000 diamonds."

Since Altman began re-cutting, the calculations required have become second nature to him. "Although gemologists are trained to calculate the approximate re-cut weight for repairs and/or for a full re-cut, most do not have the practical experience. And that is a business and service that is profitable. Jewelers should revisit re-cutting as an offering to their clients as well as for the re-cutting of the diamonds purchased off the street."

So how do you know when a diamond needs to be recut? According to Botha, some stones just need a little attention; others need a lot. "We look at them and see which category they fall in: repair, re-polish or re-cut. Sometimes, a bit of repair or re-polishing will restore them. Repairs include chips, breaks, and small fractures. Other times re-cutting is the way to go," says Botha.

Botha sees a great number of stones each year. Often it's a customer's stone that is sent in, but he sees plenty of regular and OTS inventory that needs attention as well. He offers some guidelines for inventory evaluation. "If it's sitting in inventory or keeps coming back; if it lacks brilliance, looks dull; or if it is a low cut grade, it needs to be re-cut. A re-cut diamond is fresh inventory and in most instances will increase in value. You're not recycling metal, you're increasing the appeal and value of your inventory."

A case in point: Stanley's bought an estate that contained a large (8.177-ct.) diamond. It eventually sold, only to be returned a month later. "The problem was that its main feature was its size. But it wasn't a great diamond, just a big one. When it came back we knew we needed to do something," says Stanley. Looking for a new identity for the big stone, she sent it to Botha for a consultation. He suggested re-cutting it into a Sirius Star 100 and she agreed. It was re-cut to 7.311 cts.



An 8.177-ct diamond from Stanley's was impressively large, but not very pretty (left). After recutting, the finished stone emerged 86 points smaller, but much more attractive (right). It sold quickly and for more money than when it was bigger.

Although it lost more than three-quarters of a carat, it became a bright, beautiful, highly desirable stone. The stone sold quickly after, for substantially more than it did initially. "After re-cutting it was an easy sale," said Stanley. "We recouped our investment many times over, sold a beautiful diamond, and our customer is thrilled."