



WHY BUYING A DIAMOND ON THE INTERNET IS A MUG'S GAME

Walking with a friend in the dark is better
than walking alone in the light.

Helen Keller

Why would you buy a ring or diamond over the internet? I always find this question interesting. What motivates someone to consider buying a diamond on the internet that they have never seen? Is it purely price motivated? Is it because the service they have received in the jewellery stores that they have visited has been incredibly poor? Or do they not see the value in having a long-term relationship with a jeweller they can go back to, year after year?

In the recent survey conducted by Intertrade Associates, 97 per cent of all respondents agreed with the statement, 'When buying over the internet, it's really difficult to be sure that what you're buying is the real thing'. Because there are so many variables and so many factors to consider when buying a diamond ring, a small change or error could cost you thousands. So why would you risk making your purchase over the internet?

QUESTIONS TO ASK BEFORE CONSIDERING BUYING OVER THE INTERNET

In this section, I cover some areas to particularly watch out for if you are considering using the internet to purchase your engagement ring. Some of the aspects I outline might have you avoiding this option altogether.

Can I send it back?

This is one of the great traps of most internet diamond companies. They will promise you all the assurances that if you don't like the stone you can return it. However, very few transport or courier companies accept diamonds for transit because doing so would violate their dangerous goods policies for the security of their delivery drivers. (Because they don't want their drivers being held up, they make you sign a dangerous goods declaration, stating that no jewellery is inside your package.)

So if you find out that the diamond isn't as the company described and you wish to return it, it is up to you to find the suitable arrangements to do so within the allocated time frame. Failure to do this may make your return options void, leaving you stuck with the dud. The only other option you may have is to send it by regular post and risk it. While insuring the parcel might be an option, it is also a big red flag that something valuable is inside. All you need is one person with dishonest tendencies and you are out a diamond and the money.

One tip if you find yourself in this situation and you do find an international courier to take your parcel: ask to have a harmonised code put on the packet – this is better than writing 'diamonds' on the delivery docket.

Is it really cheaper?

At first glance it may appear as though you are getting the deal of a lifetime. However, if you crunch all the numbers you may find that it isn't as good as you hoped. Whenever you split a purchase between

two different businesses you're always going to be creating two different profit margins. When you get the diamond back home, you may find that the cost of making the ring is higher than if you had purchased the ring and the diamond from the same place. The reason for this is the jeweller making the ring can't make it for the wholesale price if he or she isn't selling you the diamond. They also need to take responsibility for the diamond that they're setting as well. After all, would you want to give a \$10,000 diamond to a jeweller who said they'd take 'all care but no responsibility'? Further, if you were the jeweller, you wouldn't want to take responsibility for that \$10,000 diamond to make a few hundred dollars. So sometimes the extra that you have to pay for the ring being made offsets any savings that you might have made on buying the diamond online. (Assuming that you didn't pay too much for the stone in the first place.)

Sorting out diamond gradings on the internet

If you went on the internet today and tried to purchase a 1-carat, F-colour, SI1-clarity, round brilliant cut diamond, you would likely find as much as a \$3000 variation between the cheapest and the most expensive. (See chapter 7 for more on the four C's of diamond grading.)

How is this possible? If diamond grading is an exact science, surely all of the diamonds within a particular grade should be priced the same? The truth is, internet diamond gradings aren't exact or reliable. In most cases, however, the diamond on the internet that is the most expensive within its specific grade is probably the one that is the closest to being graded correctly.

Is the price I see the actual price I will pay?

If you're trying to get price comparisons on the net, make sure that the price you are looking at includes import duties and GST. Most internet diamond companies leave these sorts of calculations up to

the end user, because they are able to send the goods tax free. It is the importer's responsibility (that's you) to pay all the taxes and duties that are applicable to that country. In Australia, the import duty that you may have to pay is 5 per cent and the GST is 10 per cent.

The other factor that you have to take into account is the exchange rate set by your bank. While you might think you are getting the rate you saw on the morning news, the truth is, the rate provided by most financial institutions is usually a few cents lower. This difference could increase the cost of the diamond significantly, depending on the size of the stone you are looking to purchase.

What warranties are offered?

The warranties that you get online are limited at best, with most ranging from 12 months to a few years. Internet companies can also close one day and open the next day under a new entity, with any warranties that you had with the old company becoming null and void. Don't think this could happen to you? In 2011, this is exactly what happened to a major diamond internet company in Australia. Everyone who had begun a purchase and made deposits with this company lost everything. And all the existing warranties and return policies became worthless as the company that had taken people's money ceased to exist. Instead, the company reopened under the same trading name, but with a different parent company name and directors.

Who owns these internet companies?

For me it really seems like most of the internet diamond companies are faceless companies. Who are the directors? How long have they owned the company? What other interests in other ventures do they have? If I am buying something important, I like to feel like I know the people I am buying from. I am not saying that you can't buy anything on the internet. But when it comes to special and important purchases like buying an engagement ring, I think the situation is different to buying a DVD.

Expert advice from Bill Sechos – diamond grader at Gem Studies Laboratory

I had the opportunity to interview Bill Sechos, diamond grader at Gem Studies Laboratory, and senior lecturer and chairman of the GAA Board of Studies and Examinations. I asked him about buying diamonds online. His responses are as follows.

What advice would you give to couples looking to buy a diamond 'sight unseen' online?

Firstly, I simply wouldn't do it. It is essential to see a diamond specialist who knows all about diamonds so they can give you the right advice. It is really important to physically look at a range of diamonds and see which one you like best. Your diamond expert should be able to explain all the finer points and answer all your questions, so you can make a more informed decision about which is the right stone for you.

Why is there a variation in some of the diamond grading reports on the market today?

The larger international grading laboratories have multiple sites all around the world. The larger you are, the harder it is to maintain the quality control, especially when it is across different countries. Many different factors can also affect a grader's final perception, so you can expect some variations to occur in the final grade. It can happen that a stone may look quite good on paper, but may not be when you finally look at it in real life.

Is the information on certificates important?

A lot of people research online, and feel like they are looking at and understanding all the technical detail. But what they don't fully appreciate is how the stone actually performs in real light. A diamond expert can show you, as a buyer, what to look for in a diamond and why one stone is better than

another. It is important to see how the diamond performs in different lights, rather than just look at the information written on a piece of paper.

Which one of the four C's is the most important?

The most important is the standard of cutting, which is the make of the diamond. You can't tell the finer distinctions between the different makes and sparkle of a diamond unless you have them side by side, so you can compare their performance. When you are looking at stones in front of you, the certificate might say they are a triple excellent, or double excellent cut grade – but how does the diamond really perform? Sometimes you might find that the double excellent cut might actually perform better than the triple excellent. Again, a diamond expert will be the best one to guide you and explain exactly what you are seeing in the diamond.

Do you think buying a diamond on the internet is safe?

For the uninitiated and untrained, it is fraught with danger. As a new prospective diamond buyer, you are only buying one diamond at a time, and are not able to compare it to other diamonds.

What advice would you give to young couples?

Go out and look at the diamonds rather than looking at the internet and pieces of paper.

What about online auction houses?

This is a real no-go zone for me. These institutions generally only have one goal in mind – and it isn't helping you find the most amazing diamond ring, I can assure you. The aim is to move generally low-quality stock at a heavily discounted price. In particular, be on the lookout if they are only providing local certificates that make it look like you are saving a motser.