



# **KULSEN & HENNIG**

## **DOMINIK KULSEN**

Nature's Brilliant Colours

Newsletter No. 20

09/2014

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## **Our News**

### **As Time Goes By**

Dear Customers and Readers, Dear Friends,

How quickly time flies! A busy summer draws to an end and it has already been one year since Severin Keller, our intern, started working with us here in Berlin. Today we look forward to welcoming our newest intern, Janina Roßner, a trained goldsmith, to our Berlin team.

Internet has developed at breath-taking speed. Until not too long ago, Amazon and Co. dominated on-line retail, but today, more and more "Internet jewellers" have entered the market.

Follow us on our "expedition" into the virtual world of on-line retail and learn more about the self-proclaimed experts and their big promises.

We hope you enjoy your reading,

Juliane Hennig  
Your KULSEN & HENNIG Team

Dominik Kulsen  
Your DOMINIK KULSEN Team



## **From Our Collection: Step-Cut Fancy Deep Brown-Orange (GIA) 0.77 ct Diamond**

The step-cut (baguette) is rather unusual for coloured diamonds. Cushion and radiant cuts are much more common as they "hold" the stone's colour well.

This brown orange diamond, though, doesn't need any added assistance from its cut as its deep body colour and quiet radiance suffice on their own. This is a beautiful and interesting ring stone whose muted brilliance would make it perfect for a piece of men's jewelry.

If you are interested in this exceptional diamond, please contact us at:

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[View GIA certificate](#)



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## **All about Natural Fancy Coloured Diamonds**

### **A Butterfly for the New York City Ballet**

On 7 October 2014, Sotheby's Hong Kong will auction the Ballerina Butterfly brooch designed by the fine jewellery artist, Cindy Chao. The value of the brooch has been estimated between USD 750 000 and USD 950 000.

The Ballerina Butterfly brooch is the latest masterpiece in a series of butterfly brooches Cindy Chao has designed every year since 2008. This lavish piece of jewellery is the result of two years of collaboration between the artist and the American actress, Sarah Jessica Parker. The proceeds from the action will go to the New York City Ballet, of which Sarah Jessica Parker is one of the directors.

The body of the butterfly is made of titanium and 18 carat gold. The wings feature a 26.27 carat Fancy Brown cushion cut diamond, three rough brown diamond slices totalling 47.71 carats, and three pink Conch pearls, all surrounded by 98.09 carats of colourless and fancy coloured diamonds.

[The Ballerina Butterfly brooch](#)



## HRD Antwerp – New Grading Level

On 15 March 2014, the HRD Antwerp Institute of Gemmology (Hoge Raad voor Diamant) extended its colour grading levels for Natural Fancy Coloured Diamonds with two new degrees of intensity, "Vivid" and "Deep". HRD describes "Vivid" as being a saturated hue with very high clarity and "Deep" as a saturated hue with decreased clarity compared to "Vivid". An HRD certificate would read, for example, Fancy Vivid Blue Natural Colour or Fancy Deep Blue Natural Colour.

In this way, the laboratory has adjusted its colour grading to meet internationally recognised standards. The GIA (Gemological Institute of America) already introduced these levels in 1994. The HRD now distinguishes the following levels of colour intensity for Natural Fancy Coloured Diamonds: Faint, Fancy Light, Fancy (no prefix), Fancy Intense, Fancy Vivid, Fancy Deep and Fancy Dark.



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## The Winston Blue

On 14 May 2014, Christie's Geneva obtained USD 23 800 000 for *The Blue*, a flawless fancy Vivid Blue pear shaped diamond, the star of this auction. Selling at almost USD 1 800 000 (1 799 953) per carat, the stone has set a new auction record for blue diamonds. *The Blue* was purchased by the Harry Winston Company, owned by the Swatch Group since 2013.

According to the GIA (Gemological Institute of America), the stone is the largest flawless Fancy Vivid Blue diamond ever submitted to the Institute. Jean-Marc Lunel, the Geneva Director of Christie's jewellery department, described the diamond as being absolutely pure externally and internally.

Nayla Hayek, CEO of Harry Winston, has made it her mission to acquire the most desirable and unique gemstones. As soon as Christie's announced the auction of the Fancy Vivid Blue diamond, she knew she needed to buy it. Nayla Hayek has since changed the diamond's name from *The Blue* to *The Winston Blue*, in honour of the famous jeweller.



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## On-line versus Off-line

Internet is fast and the development of on-line commerce is too. Until recently, on-line retail sales have concerned mostly consumer goods, but today the luxury goods sector, and thus also the jewellery industry, has become the main focus of on-line suppliers. An article in the *Goldschmiedezeitung* trade magazine last July shows just how important this topic is for specialist retailers.

As concerns Natural Fancy Coloured Diamonds, we have taken a closer look at one of the self-proclaimed "Internet Jewellers"

[Read more...](#)



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# Gemmology Corner

## Really Cheaper? Natural Fancy Coloured Diamonds on the Net

In our article "On-line versus Off-line" in this newsletter, we drew attention to the questionable purchasing situation a customer interested in Natural Fancy Coloured Diamonds may unknowingly find himself in on the portals of on-line jewellers.

Let us now take a closer look at what effect the inexperience, or supposed inexperience, of many Internet jewellers can have on prices.

Found 57,112 diamonds, showing results 401 - 450

ID	Seller	Lot No.	Shape	Car Color
10012	WAGAHIC USA		Round	0.11 Very Light Green
10013	WAGAHIC USA		Round	0.11 Very Light Green
10014	WAGAHIC USA		Round	0.11 Very Light Green
10015	WAGAHIC USA		Round	0.11 Very Light Green
10016	WAGAHIC USA		Round	0.11 Very Light Green
10017	WAGAHIC USA		Round	0.11 Very Light Green
10018	WAGAHIC USA		Round	0.11 Very Light Green
10019	WAGAHIC USA		Round	0.11 Very Light Green
10020	WAGAHIC USA		Round	0.11 Very Light Green
10021	WAGAHIC USA		Round	0.11 Very Light Green
10022	WAGAHIC USA		Round	0.11 Very Light Green
10023	WAGAHIC USA		Round	0.11 Very Light Green
10024	WAGAHIC USA		Round	0.11 Very Light Green
10025	WAGAHIC USA		Round	0.11 Very Light Green
10026	WAGAHIC USA		Round	0.11 Very Light Green
10027	WAGAHIC USA		Round	0.11 Very Light Green
10028	WAGAHIC USA		Round	0.11 Very Light Green
10029	WAGAHIC USA		Round	0.11 Very Light Green
10030	WAGAHIC USA		Round	0.11 Very Light Green

[Read more...](#)

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You will receive our next newsletter in December 2014.

Earlier editions of our newsletter may be found in our [newsletter-archive](#).

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## All about Natural Fancy Coloured Diamonds

### A Butterfly for the New York City Ballet



The *Ballerina Butterfly* brooch by Cindy Chao  
© Cindy Chao The Art Jewel





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## All about Natural Fancy Coloured Diamonds

### On-line versus Off-line

Today, many jewellery and diamond suppliers are available on-line. On the one hand, there are traditional companies, like Tiffany or Wempe, that have reacted to changing buyer behaviour by adding an Internet retail site to their typical retail outlets. The newest generation of jewellery and diamond portals, however, exists only on the web. Yorxs AG is one example.

### Yorxs AG

The company was started in 2012 with the objective of becoming the leading on-line portal of "loose diamonds and diamond jewellery". Yorxs AG was financed by the venture capital firm, High-Tech Gründerfond (HTGF), the K5 venture capital firm and private funding. The founders are Sven Kielgas, Dr. Joachim Giehl and Casimir Graf von Maltzan, a trained diamond expert and expert in antique jewellery.

### The Target Audience

The Frankfurt-based agency Triple Sense Reply noted in studies that most on-line stores are heavily male dominated. This is also true for the Yorxs site. The home page presents facts and benefits against a plain white background: prices up to 70% cheaper than retail, independent expert advice, 100 day return policy, as well as technical details like a price radar and ring configurator that speak more to men than to women.

According to S. Kielgas, Yorxs wants to reach "ascension' oriented, successful people", "who have already proven their performance but now want to go further but do not want to be cheated. Most men have no desire to be hauled into a jewellery store during what little spare time they might have and where they cut a poor figure. We offer them the convenience of being able to buy easily from their office. We want to be a brand for smart consumers who can afford the product and who want to know what they are buying."



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The condescending tone used towards the classic retailers is characteristic of the way this company promotes itself. They create the impression that traditional retailers offer poor service, provide little transparency and charge excessive prices. The legend of the original idea was built on these allusions.

## The Business Model

Yorxs AG's business model is simple: "no middlemen, no stock, no capital costs, no fixed costs for expensive shop rents and sales staff, and no increased security costs". Accordingly, the company advertises diamond prices up to 70% cheaper than those of the IDEX (International Diamond Exchange), the average worldwide retail jewellery prices that are calculated monthly. "In reality, you will still find significant differences, as the average German price is well above the world price." In addition, a "Best Price Guarantee" is offered. If the customer can find the same diamonds at a cheaper price, Yorxs will undercut that price by 1%. Emphasis is especially placed on outstanding value for money.

## Quality Standards

Yorxs claims that its quality standards belong "to the most sophisticated in the world of jewellers". Accordingly, all diamonds offered by Yorxs are pre-selected according to strict quality criteria and certified by the GIA, the HRD or the IGI.

As specialists in Natural Fancy Coloured Diamonds, we decided to randomly compare the coloured diamonds offered for sale by Yorxs AG with those offered on the databases for diamond dealers like RapNet or IDEX. We found that many of the stones offered by Yorxs actually come from these sources. Although this is, of course, not illegal, the company does suggest to its customers that its diamonds were personally selected by Yorxs AG's experienced professionals.

We might wonder then, have the Yorxs experts ever even seen any of these diamonds before on-line purchase by a customer? Jewellers and goldsmiths personally and professionally examine any diamond before selling it to a customer.

## An "Exciting" Diamond Search

We wanted to know how to buy Natural Fancy Coloured Diamonds with Yorxs, so we went on their website and followed the link "Colored Diamonds" under the menu item "Diamonds"

More than 9 000 stones were offered for sale!





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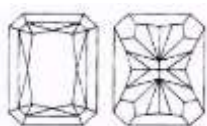
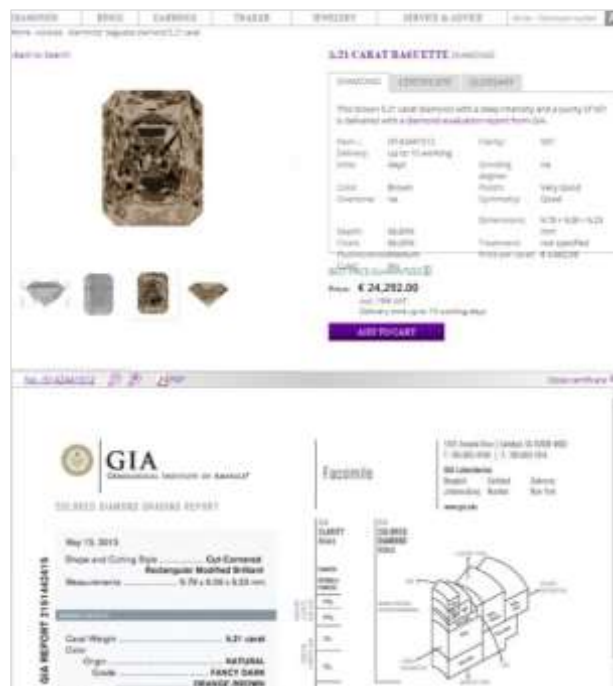
During our research, we noticed several inaccuracies and inconsistencies. First, we noticed that all the example images, whether the cut was round, pear, princess, etc., always showed the same stone – sometimes showing a more intense colour, sometimes a slightly paler one. In nature, stones usually look different. It is not stated that the pictures are only samples.



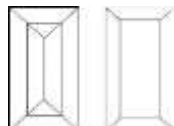
Furthermore, we found that the promised certificate would not open for many diamonds. In that case, the customer must trust the description provided by Yorxs. When it was actually possible to view the certificate, however, in certain cases, we observed serious discrepancies between the certificate and the description:

Thus, we found examples where the colour specified by Yorxs did not match. A 5.21 ct "Deep Brown Baguette Diamond" was described in the GIA certificate as "Fancy Dark Orange Brown" and another 4.09 ct "Deep Brown Baguette Diamond" was graded by the GIA as "Fancy Dark Yellowish Brown". Apart from the fact that each additional colour changes a diamond, the diamond experts at Yorxs do not seem to attach any particular importance to the difference between "Deep" and "Dark".

Moreover, this time concerning cuts, the stones were not actually baguettes, but rather radiant cuts described on the GIA certificate as "Cut Cornered Rectangular Modified Brilliant". On the Yorxs website, we found the following information concerning the baguette cut: "Baguette: also often called radiant. Octagonal shape with star facets underneath". This statement is incorrect as is clearly shown on the illustrations below.



Radiant



Baguette

Even worse, we found an example of a 1.71 ct "Light Gray Brilliant Diamond," whose colour is specified on the IGI Certificate as Light Grayish Brown. The international rules for colour grading indicate that the main colour of a diamond is always mentioned last, so this, in fact, is not a gray diamond, but a grayish brown diamond.



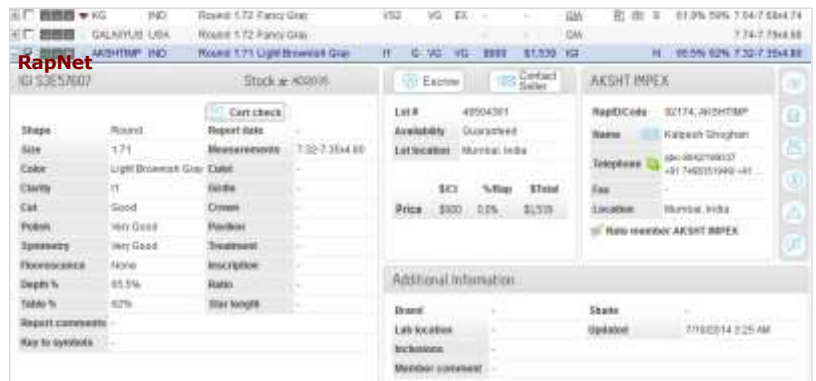
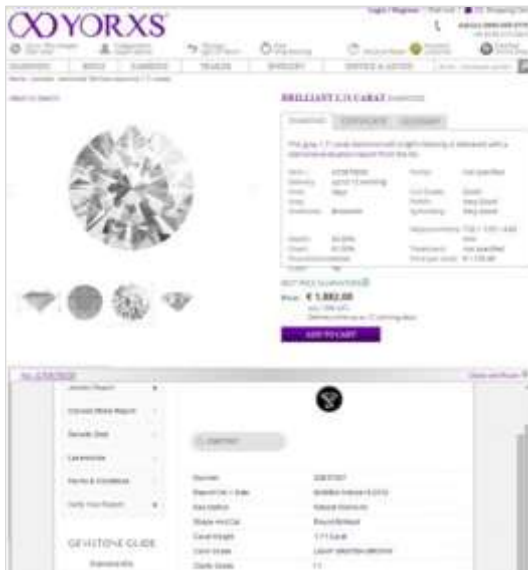


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The confusion surrounding the names of the colours is also apparent on the database reserved for dealers. One might assume that the professionals who buy there know how to read a certificate, yet Yorxs basically presents the same inaccuracies or incorrect statements without any verification. We did not find any indication of how the colour terms are to be understood on the Yorxs site, so the end user can not appreciate the difference between "Light Gray" and "Light Grayish Brown".

## Conclusion

A customer who wants to find a Natural Fancy Coloured Diamond on the Yorxs website should be happy to be already sitting on his couch with his laptop because he will spend a long time looking. Processing the massive amounts of information is likely to be more exhausting than enlightening and unlikely to lead to a well-informed purchase decision.

The inaccurate or incorrect statements about Natural Fancy Coloured Diamonds used without verification on the dealer database show little evidence of expert and trustworthy care in dealing with these rare gemstones. The focus is not on knowledge, experience and passion, but on the price. We suggest you read our article on pricing, "*Really Cheaper? Natural Fancy Coloured Diamonds on the Net*", in this newsletter.

## Our Opinion

Using on-line databases of Natural Fancy Coloured Diamonds can be a way to locate a stone. In order to make a real purchase decision, though, a coloured diamond, as opposed to a colourless diamond, must be examined in person. This is possible with a goldsmith or jeweller. Here, the customer also benefits from the jeweller's personal commitment and expert advice - a clear advantage over on-line retail.

By the way, in an interview the founders of Yorxs recently announced that they wanted to go "off- line" by creating "info-shops".



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## 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.



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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.



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## **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.