THE BUSINESS OF JEWELRY REPORT | Q1 2026

Our Strategic Outlook for 2026

Hill & Co.

ANALYSIS • STRATEGY • GROWTH

Contents

3 A Message from our CEO

5 The Business Has Changed and the Pace Has Accelerated: What 2025 Signals for the Jewelry Business in 2026

8 Under Pressure: Strategy, Technology, and the Future of Jewelry

A Message from Our CEO

Welcome to this special edition of **The Business of Jewelry**, a look back at 2025 and a look ahead to 2026.

All year long, I kept coming back to the same conclusion. We were not dealing with one challenge, or even two. We were dealing with multiple forces hitting the jewelry industry simultaneously. And the most important things to understand are: None of them were temporary. None of them were isolated. And none of them can be solved by waiting for conditions to return to what they once were.

We are still living with the geopolitical disruption that removed a significant portion of the world's diamond supply from the traditional pipeline. That dramatically reshaped sourcing, production, and pricing. At the same time, natural diamond prices were already in a cyclical decline just as lab grown diamonds accelerated their capture of market share. Those two realities collided in 2025 in a way that permanently altered the diamond landscape.

Layered on top of that was ongoing tariff volatility. Rules shifted repeatedly, often with little warning, making long term planning nearly impossible. To adapt, supply chains became increasingly complex and circuitous. Casting and manufacturing moved across borders not for efficiency, but for survival. Jewelry quite literally began traveling the world in order to meet regulatory definitions and avoid punitive costs.

At the same time, gold prices climbed to historic levels, placing additional pressure on margins across the industry. Less visibly, but just as importantly, volatility across all metals has emerged as a structural constraint on the business of jewelry itself. And then there was AI. By the end of 2025, artificial intelligence was no longer theoretical or optional. It moved rapidly from curiosity to necessity, influencing pricing, inventory, operations, customer engagement, and creative processes.

The central message is clear. This is not a blip. This is not a downturn. This is not a pivot. It is a complete change in how our industry operates. Like magma, the pressures reshaping jewelry today will destroy what can no longer withstand the heat, while simultaneously creating the conditions for something entirely new to form.

Nowhere is that more evident than in the diamond market itself. The conversation around natural versus lab grown diamonds has existed for years, but 2025 was the year the outcome became unmistakable. For the mass market, lab grown diamonds have won. Consumers want larger, whiter stones at accessible prices, and lab grown delivers that. As a result, the natural diamond industry must define a new role, one centered on luxury, design, scarcity, and meaning, rather than volume.

The era of the natural diamond as the assumed mass market engagement ring is ending. Younger generations are rethinking marriage, commitment, spending, and symbolism altogether. Some will still choose diamonds and they will likely be lab-grown. Others will choose alternative stones or entirely different expressions of commitment. These shifts are not trends. They reflect deeper changes in values, financial independence, and personal priorities.

Natural diamonds will continue to have an important place. Designers will continue to use them. High luxury and couture will continue to demand them. But their position in the market has changed. Lower-quality demand will become anachronistic vestiges of what it once was. They are becoming an upper echelon category rather than a mass one. That change permanently alters volume demand, pricing structures, and business models throughout the industry.

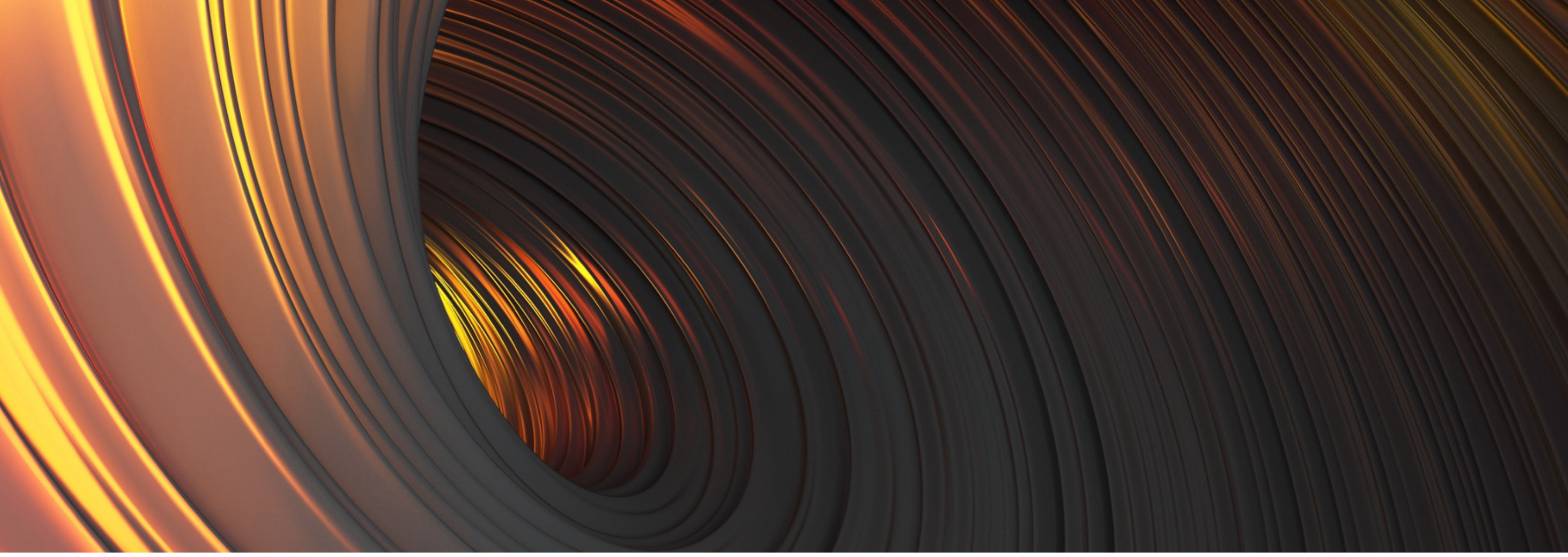
Running through all of this is technology, particularly AI, which is accelerating the pace of change. The question is no longer whether AI belongs in the jewelry business. The question is how leaders use it thoughtfully, without sacrificing judgment, creativity, trust, and the human relationships that remain central to this industry.

This report begins with an in depth analysis by Stanley Zale, reflecting on the forces that shaped 2025 and what they signal for the year ahead. It is followed by a conversation between Dennis Campbell, Professor of Business Administration at Harvard Business School, and Ehmad Zubair, Founder of Cogent Labs, exploring how strategy, technology, and human decision- making intersect as we move into 2026.

This is an intense and consequential moment for the business of jewelry. The landscape has changed. The rules have shifted. The opportunity now lies in understanding our new reality clearly and acting with intention.

Be well,

Elle
Founder & CEO



The Business Has Changed. The Pace Has Accelerated.

What 2025 Signals for the Jewelry Business in 2026

BY STANLEY ZALE, PRINCIPAL CONSULTANT AT HILL & CO.

Over the course of my career in the jewelry industry, one thing has remained constant: change. What has shifted is the pace. And to that end, 2025 did not disappoint.

The past year put meaningful pressure on long-standing business models, particularly for traditional, inventory-driven diamond dealers. We are long past the point where it is financially beneficial to hold loose diamond inventory in anticipation of inevitable price increases. Over the past 20 years, the focus has shifted from making money on inventory appreciation to minimizing losses caused by price volatility. This applies equally to both lab-grown and natural diamonds. Buy what inventory you need, when you need it.

It's also true that this past year saw a shift in the mix: Signet has reported that lab-grown diamonds now account for more than 50 percent of its engagement ring business, representing roughly a billion dollars annually. That level of demand inevitably impacts pricing and supply dynamics for natural diamonds.

PRICING PRESSURE, TARIFFS, AND REPLACEMENT COST

One of the most disruptive forces in 2025 was tariffs, particularly on goods originating from India. At the time of writing, tariffs on Indian products stand at 50 percent, and finding sustainable workarounds has become increasingly difficult.

A critical nuance is how country of origin (COO) is defined for tariff purposes. With a natural diamond, COO is defined not as where the stone was mined, but where it was materially transformed (cut and polished). If a diamond is mined in Botswana and cut and polished there, it is treated as a Botswana-origin product. But if that same diamond is sent to India for cutting and polishing, as the vast majority are, COO is defined as India for tariff purposes. Lab-grown diamonds are also largely Indian products, as they are grown, and cut and polished there as well.

One workaround being used by several U.S. jewelry manufacturers was routing diamonds through Mexico, where factories in the Yucatán region set the diamonds into jewelry that was created in Mexico. Once set and finished, the jewelry was then imported into the U.S. as finished Mexican-made products, at a nominal tariff rate. That workaround is no longer viable. Mexico has now implemented a 50 percent tariff on diamonds imported from India. When the diamond lands in Mexico, the tariff is paid immediately, increasing costs before the piece is even manufactured. So that "workaround" is effectively null and void.

The price of gold has also been a major disruptor to the jewelry business. It is over $4,300 an ounce as I am writing this. Aside from the challenge of hitting consumer price points, gold's volatility puts pressure on pricing discipline. Jewelers must price based on replacement cost, not historical cost, if they want to protect long-term profitability. This is a prudent business practice, particularly in a market where reordering costs can change dramatically in a short period of time.

History tells us that high prices do not kill the jewelry business, despite periodic predictions and worries to the contrary. There are many consumers who do not compare (or remember) prices today as compared to those from last year, for example. They simply discover what a piece costs when they walk into a store. But it's also true that there may be sticker shock among consumers who have not shopped for jewelry for several years, especially in light of the dramatic increases we've seen.

We have heard this story before. When my former employer, Matt Stuller, entered the business in 1970, gold was rising from its long-standing $35 an ounce toward $100. At the time, people told him that once gold hit $100, the jewelry business would be over. Of course, that was not true. The same warnings surfaced at $1,000, then $2,000, and they will likely resurface again at $5,000 or $10,000. Gold is finite, and prices will continue to reflect that reality. Limited supplies of commodities tend to enhance their perceived value, counterbalancing the rise in actual prices.

STRESS IN THE NATURAL DIAMOND BUSINESS

The cumulative effect of pricing pressure, lab-grown competition, and tariffs has created meaningful stress in the natural diamond sector. One clear signal is Anglo American's stated intent to divest of De Beers, a position it has maintained for more than a year.

Several potential buyers have emerged, including sovereign nations such as Angola, Namibia, and Botswana. Botswana's potential involvement has generated some controversy, as the country is already heavily reliant on diamonds and faces pressure to diversify its economic base. Prior to diamonds, Botswana was among the poorest countries in Africa. Today it is among the wealthiest, but that success hinges almost entirely on diamond revenue.

The fact that De Beers is being put up for sale reflects profitability stress in the natural diamond business. De Beers has long sought to diversify beyond diamond mining and the sale of rough, uncut diamonds, but with little success. It is not a particularly encouraging story, but it remains to be seen what happens next. It is possible that in the first half of 2026, a consortium of nations, potentially partnered with another mining company, could form a new entity to acquire De Beers.

TRANSPARENCY, ORIGIN, AND ACCOUNTABILITY

At the same time, De Beers has been active in shaping the narrative around natural diamonds. Its Tracr platform uses blockchain technology to track a diamond's provenance from mine to market. In 2025, Tracr partnered with GIA, allowing diamonds with verified origin to be substantiated through both grading and blockchain records. Other companies are also working on initiatives in traceability.

De Beers has also promoted origin-focused initiatives such as "Desert Diamonds," highlighting polished stones that are indigenous to African mining regions. These programs are often paired with stories about local economic impact, often termed "beneficiation," in Botswana, Namibia, South Africa, and other producing countries, including employment opportunities, infrastructure development, and improved living conditions.

Some high-end retailers are leaning further into transparency and accountability. Brilliant Earth, for example, has strict compliance standards for its vendors and requires factory audits to validate acceptable working conditions.

THE QUESTION THAT INEVITABLY FOLLOWS IS WHETHER CONSUMERS CARE.

What I hear consistently is that consumers are not actively asking for supply chain transparency or known origin. That does not mean it lacks value. It may not be a need-to-do, but it is a nice-to-do. Many consumer products disclose country of origin as a matter of course, and diamonds are increasingly expected to do the same.

Transparency also serves a broader purpose beyond marketing. It creates accountability. The Responsible Jewelry Council sets standards for ethical and responsible practices across the industry. That matters. Tragedies occur when supply chains are opaque and working conditions are ignored. A textile factory collapse in Bangladesh in 2013, known as the Rana Plaza disaster, which killed more than 1,100 garment workers making clothing for global brands, remains a sobering reminder of why supply-chain oversight matters.

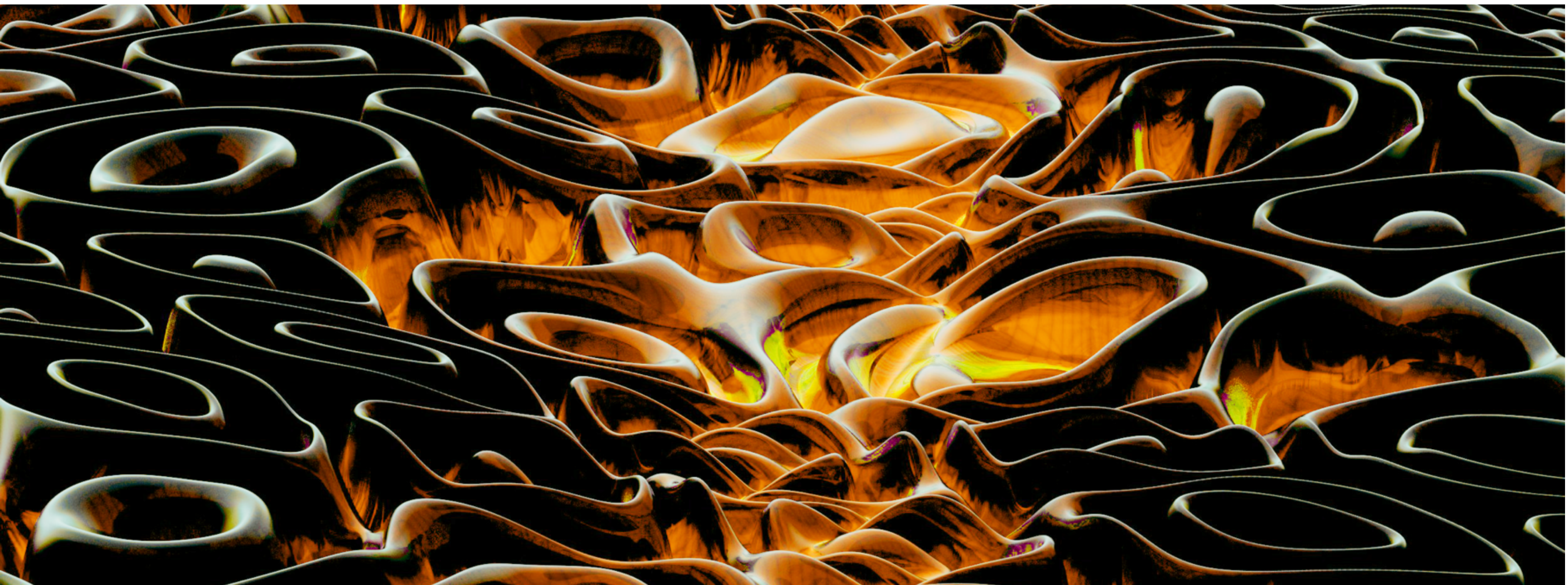
RJC participation is often driven by major buyers. Signet requires its vendors to be RJC-certified. If that is what motivates compliance, then so be it. I would like to see transparency and accountability continue to spread throughout the industry. Consumers may not be demanding it, but it is important for the long-term integrity of the business. I do not love using the word sustainability, but that is effectively what this is.

Do these stories resonate with consumers? I am not the right source to answer that. The right sources are consumer research firms and large-scale industry studies, and they show a mixed picture: these narratives resonate strongly with a values-led minority, but most consumers do not actively seek them out. Are they enough to make someone buy jewelry if they were not already inclined to do so? Probably not, because jewelry purchases are still primarily occasion- and emotion-driven, with transparency functioning more as reassurance than a demand generator. Are they enough to influence a choice between natural and lab-grown diamonds? Possibly, but again it is divided: ethical and traceability framing can reinforce lab-grown for some buyers and bolster natural for others when provenance and authenticity are the point.

There is also a persistent narrative that lab-grown diamonds are inherently better for the environment because they do not involve mining. That is an oversimplification. Growing diamonds requires significant energy, often generated by coal, oil, or nuclear power. The instruments built to grow those diamonds are made from metals mined within the earth. There is an environmental impact on both sides. It is not that one is categorically better. They are simply different.

LOOKING AHEAD

Stepping back, our industry keeps changing, at a speed that continues to accelerate. For decades, progress felt incremental. Now the pace is unmistakably faster. 2025 made that clear, and 2026 is shaping up to continue testing the industry on pricing discipline, tariffs, transparency, and the evolving value proposition between natural and lab-grown diamonds.



Under Pressure: Strategy, Technology, and the Future of Jewelry

Q&A WITH DENNIS CAMPBELL AND EHMAD ZUBAIR

Q: There are more existential challenges facing the jewelry industry right now than at any point in recent memory, all happening simultaneously. Do you see these forces as temporary disruptions that will eventually revert to "normal," or as structural shifts that permanently change how the industry operates? And what does that mean for 2026?"

Dennis Campbell

Professor at Harvard Business School, Co-Chair of the GIA HBS Executive Leadership Program, Hill & Co. Business Strategy Expert, and an award-winning and widely-cited scholar

The big thing is that the forces don't feel cyclical. They don't feel temporary. They feel like major shifts that have real implications for the future. And it's not necessarily a bad thing, but it is folly to assume things will revert to how they were.

People have been exposed to a different class of diamonds through lab-grown, and there is clearly demand there. That feels structural. Add in the generational layer, where younger consumers may want jewelry in a different way or may choose alternatives entirely. That also does not feel like it simply snaps back to "normal."

The opportunity is that this industry has real creativity. If companies treat these as permanent shifts rather than temporary disruptions, they can tap into new design directions and new ways of connecting with customers.

Ehmad Zubair

Founder & CEO of Cogent Labs, an AI-focused development firm building practical, ROI-first implementations for the jewelry industry via its exclusive partnership with Hill & Co., 55.8K YouTube subscribers and 35.4K LinkedIn followers.

I agree. My exposure is also through Hill & Company, but the Gen Z point is real even beyond Gen Z. Culture is being shaped in real time on social. TikTok and Instagram are where opinions form and shift, and it happens fast.

If retailers and jewelers are still using the playbook from the 2000s or 2010s, they are missing where culture is actually moving. They need a seat at the table in those conversations. They need to be part of them if they want to remain relevant, because social will only become a stronger opinion-shaper every year.

And then, looking ahead, I think mass customization will become a very big thing. The future is already here, it's just not evenly distributed yet. The affluent, tech-forward world is already experimenting with AI-first experiences, and the mass market will see it soon.

My prediction*** is that you'll see ecommerce experiences where you upload your photo and every product page becomes you. You'll see how a ring or necklace looks on you while you browse. That kind of personalization is coming.

Dennis Campbell

First movers will do very well when that happens.

***UPDATE 8 January 2026: Ehmad's prediction was correct. In mid-December, Zara launched its AI-powered virtual fitting room inside the Zara app: you upload a selfie and a full-body photo, it generates you as a hyperrealistic avatar, and "you" "try on" looks.

Q: If AI is becoming unavoidable, where should leaders focus first, and what are they getting wrong about it?

Ehmad Zubair

A pattern we saw all year is people trying one AI tool, trying another, and then saying, "AI doesn't work." It's a lazy decision pattern. They pick the first thing that promises what they need, it doesn't solve the problem instantly, and then they throw out the whole category.

The reality is, nobody can tell you exactly what will happen in six months. But what I can tell you is if you do nothing, someone else will. This year you saw a lot of risk-taking and experimentation. Next year, more of the hype cycle providers will get filtered out, and you'll see more real-world wins. That also means the next phase requires more deliberate selection: which provider, which model, which product, and why.

This is a moment to keep trying, but to try with more discipline.

Dennis Campbell

When companies scramble around AI, a lot of them focus immediately on cost. That's understandable, but it can be a mistake if it becomes the only lens.

AI has much bigger possibilities. It's on the creative side, the revenue-generating side, and the mass customization side. If you look at the trends in jewelry, it suggests that much of the product, except at the very high end, is becoming commoditized.

When that happens, most industries differentiate on experience. Experience becomes the product. And AI can shape experience from the first interaction someone has with the company, all the way through purchase and post-purchase.

So, yes, there's a cost story, but the bigger opportunity is experience: how people discover, engage, customize, buy, and stay connected. If leaders treat AI only as a cost-cutting tool, they're missing the larger strategic point.

Q: As product becomes more commoditized, what happens to brand? Does brand matter more, or less?

Dennis Campbell

Brand is important as a signal, but what's changing is how brands break through. A viral moment can help a challenger brand emerge quickly, especially if they connect to culture through the platforms you're describing.

A good example outside jewelry is On shoes. They went against giants like Nike. The product was innovative, but what catapulted them were moments that went viral: athletes winning races in their shoes, Roger Federer becoming associated with the brand. That kind of cultural visibility can accelerate demand quickly, even against incumbents.

So yes, brand matters, but the path to brand-building can be faster and more culturally driven than it used to be.

Q: Many executives spent 2025 reacting to overlapping pressures instead of setting strategy. What distinguishes reactive adaptation from strategic response?

Ehmad Zubair

There's a real difference between trying things randomly and creating a deliberate posture toward experimentation. One reason people end up reactive is they want something quick that works immediately. When it doesn't, they conclude the whole space is useless.

Strategic response requires a mindset that assumes iteration, assumes learning, and doesn't treat early failures as proof that nothing works. It also means being careful about provider selection and being clear about what problem you're solving.

Dennis Campbell

In environments like this, companies often do have to react. The trends are fast and they're happening now. Most companies feel like they have no choice but to keep their head above water.

But the real separator is something we already know from research and practice: ambidexterity. Companies that do well can exploit the core business while exploring new opportunities. Incumbents struggle with that because exploration requires a failure budget, different systems, and often behaviors that run against the culture that made them successful in the first place.

In practice, that means either the company builds a culture that supports experimentation, agility, and psychological safety, or it creates a small, separate team operating outside the normal systems that can explore and test. Then the core organization has to be willing to absorb what that team learns.

The challenge is that AI capabilities are improving exponentially, while adoption inside companies often moves linearly. That creates a growing gap. If you're not building the ability to sense, respond, and change, it becomes harder to catch up.

And jewelry has its own headwinds here. Legacy, family history, tradition, and a fixed way of doing things can make adaptation harder. Those strengths can become constraints. That makes it even more important to create a place for different thinking to happen.

Q: If the jewelry industry is fragmented and siloed, can it respond like a single company can, or is this entirely on individual firms?

Dennis Campbell

This is not something an industry can do as a whole. It has to happen inside individual companies. It's Google going into startup mode to compete, or Blockbuster failing to create the space and losing to Netflix. The pattern is consistent. Great companies get disrupted because they don't set up the structures for exploration.

But that also means there's opportunity. In a fragmented industry, the capability to adapt is not evenly distributed. Any company that can build it has an advantage.

Ehmad Zubair

I see a similar theme in the software ecosystem supporting the jewelry industry. Many industries have stacks of tools that integrate. They sync with systems like QuickBooks or tie into broader infrastructure. But the tools in jewelry often sit in silos.

That is great for vendors because customers are locked in. But anything meaningful with AI will require connection to underlying data. If your data and systems don't talk to each other, you can't unlock the full potential of AI.

Q: Why does the jewelry industry's technology stack lag, and what needs to change first?

Dennis Campbell

I don't know for sure, but my hypothesis would be that it's mindset. Companies have not valued data in the way they need to. In this day and age, it should be unacceptable to have data living in disconnected places like that.

The tools exist. But it takes a change effort to take data quality seriously, to define what "good data" means in your context, and to build standards. Someone has to make that a strategic priority. Until demand exists inside companies, the problem remains unattractive for outsiders to solve fully.

Ehmad Zubair

I'd add that buyers are not demanding interoperability from vendors. If customers don't push, vendors don't change. That will shift when companies wake up to the need for connected data in order to use AI effectively.

Dennis Campbell

You can see a parallel in places like smaller financial institutions. They have tons of data, but many are only now waking up to it. As demand rises, vendors start to appear. The same demand story will apply here.

Q: In industries built on trust, craftsmanship, and human relationships, what guardrails are essential for AI?

Ehmad Zubair

The first thing is acknowledging that AI will make mistakes. That's why you need a disciplined approach to testing before anything touches real customers.

AI can test itself many times before you ship. You can run what's called an evaluation set, or eval. Think of it as a benchmark or rubric you run against the model. You can run it repeatedly, quickly, and cheaply compared to asking humans to test hundreds of scenarios.

A strong evaluation set should cover the full range of your use cases, and it should run periodically, not just once, because models change over time. That's one of the fastest ways to reduce the risk of making mistakes in front of real users.

Dennis Campbell

To do that properly, you need clarity on ground truth. Sometimes that's easy, like product specifications. But sometimes it involves expert judgment: is a design good, is there demand, is this recommendation appropriate? In those cases you need a framework for expert evaluation.

This ties to a broader alignment question. Guardrails are not just technical. They're also human.

People can fall asleep at the wheel. They trust outputs blindly, or they don't verify sources. We've seen examples across industries where people cite things that don't exist or rely on analysis that looks polished but is wrong.

So governance is also culture and training. Some firms now train new hires explicitly on how to use AI responsibly: prompting, sourcing, citing, validating, and knowing what not to trust.

There's also a governance question about decentralization. If you let everyone build their own tools, you may get innovation, but you also increase risk. Some use cases need tighter oversight because the reputational, legal, and regulatory risks are higher. The right approach balances freedom to innovate with centralized guardrails for higher-stakes applications.

Q: What is the single most important takeaway for leaders heading into 2026?

Dennis Campbell

Don't assume reversion. Don't assume things will go back to the way they used to be. Assume constant change and build the capability to sense, respond, and adapt. That means structures, teams, and culture that support exploration alongside the core business.

Ehmad Zubair

Keep trying, but with discipline. The hype layer will thin out. The winners will be the companies that build the data foundations, engage culture where it's actually happening, and adopt AI deliberately rather than impulsively.

Dennis Campbell

Exactly. The gap between AI capabilities and company adoption is growing. The longer you wait, the harder it gets to close.

Hill & Co.

ANALYSIS • STRATEGY • GROWTH

inquiry@hillandco.co