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**SCHOOL OF BUSINESS, ECONOMICS AND LAW**

**A Diamond Is Forever - Until It's Disrupted:**  
**Navigating Change in the Luxury Market**  
*How New Entrants Navigate in a Disrupted Luxury Market*

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# Abstract

This thesis explores how new entrants navigate disruption in the luxury market through the case of lab-grown diamonds. It examines the challenges they face and the strategies they adopt in an industry shaped by preconceptions, heritage, and incumbent resistance. Using a qualitative approach, including a systematic literature review and semi-structured interviews with founders of entrant firms and a luxury marketing expert, the study connects theory and practice to show how disruptors build competitive advantages. It addresses a gap in the literature by focusing on strategic responses to disruption in high-status, tightly controlled markets where change is often resisted.

The findings reveal that lab-grown diamond firms in the diamond market face a core paradox: offering an affordable, accessible, and sustainable product in a segment historically defined by the opposite. They must overcome incumbent resistance and consumer skepticism about symbolic value. In response, they do not merely compete on price or sustainability but actively redefine the meaning of luxury. Their strategies include downstream differentiation through customization, co-creation, and emotional storytelling, as well as agile operations that reduce dependency on incumbent-controlled supply chains. Legitimacy and consumer trust are cultivated through strategic partnerships, brand-building, and a phased omnichannel presence that enhances both emotional and experiential value.

Ultimately, the study finds that successful new entrants avoid direct imitation of traditional luxury models. Instead, they construct a new paradigm of luxury centered on ethical values, personalization, and emotional resonance. This thesis contributes to the theory on disruptive innovation by offering a nuanced understanding of how new players can reshape value creation in resistant luxury markets, thereby offering strategic insights for navigating disruption in other luxury or high-end industries.

**Keywords:** *Disruptive innovation, Disruptors Dilemma, Lab-grown Diamonds, Entrant firms, Market disruption, Entrant Strategy, Barriers to Entry, Veblen Goods, Diffusion of Innovation, the Diamond Industry and Luxury Market Strategy.*

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# 1. Introduction

## 1.1 Background

What happens when nature's most enduring symbol of rarity and prestige can be replicated in a laboratory? Diamonds are the hardest naturally occurring material found on earth and have symbolized wealth and status since the 15th century (Horvath, 2015). Natural diamonds form deep within the Earth's mantle over the course of up to 3 billion years, rendering them both exceptionally rare and highly valued (Eterneva, 2024). For centuries, it was widely believed that such geological marvels could only be created by nature's immense forces over time. However, this assumption has been fundamentally challenged by the emergence of lab-grown diamonds. Through technological innovation, lab-grown diamonds can now be produced in just hours (Kato, 2024) and these diamonds are optically, chemically, and physically identical to their mined counterparts (International Gemological Institute, n.d.). Their introduction marks a transformative disruption to an industry rooted in notions of authenticity, exclusivity, and luxury.

In 2024, more than 50% of engaged couples reported that their ring featured a lab-grown diamond (The Knot, 2025). The invention of lab-grown diamonds in 1953 by the Swedish company ASEA, led by Erik Lundblad, marked a groundbreaking development in material science. Shortly thereafter, General Electric in the United States patented its method for producing what it termed "man-made diamonds" (Lundblad, 1988). These early innovations laid the foundation for a flourishing industry that has since revolutionized diamond production (Zimet, 2024). Today, two primary methods dominate lab-grown diamond manufacturing: High Pressure High Temperature (HPHT), the traditional technique, and Chemical Vapor Deposition (CVD), a more recent advancement (Butcher, 2023). Both methods now account for approximately half of the global supply, illustrating their widespread adoption and equal importance within the industry (Zimnisky, 2022).

Over the decades, lab-grown diamonds have transitioned from niche industry applications to mainstream consumer products, experiencing a remarkable rise in demand. In 2016, lab-grown diamonds represented just 1% of the diamond jewelry market (Friesen, 2025); by 2025, this figure is projected to reach 21% (Jaganmohan, 2024b). This surge in popularity is driven by four key factors identified by diamond industry analyst Zimnisky (2022). The first

factor is the virtually limitless supply of lab-grown diamonds. Unlike natural, also known as mined diamonds, whose availability is constrained by geological scarcity and market regulations, lab-grown diamonds can be produced in vast quantities. For instance, China produces 10 billion carats of lab-grown diamonds annually for industrial use, dwarfing the global production of 100 million carats of mined diamonds (Zimnisky, 2022). This abundance disrupts the traditional perception of diamonds as rare and exclusive, making them more accessible to a broader audience.

Secondly, technological advancements and increased investment have significantly improved the quality of lab-grown diamonds, rendering them indistinguishable from their mined counterparts (International Gemological Institute, n.d.). These diamonds are graded using the same 4Cs (Carat, Cut, Color, and Clarity) and advancements have raised their quality while lowering grading and certification costs. As a result, lab-grown diamonds attract consumers seeking the aesthetic appeal of diamonds without the associated premium cost. The third driver is branding and proprietary design. Lab-grown diamonds offer unparalleled flexibility in terms of customization, enabling companies to cater to diverse consumer preferences. This includes producing high-quality diamonds at noticeably lower price points, where it is priced typically about 20% of the cost of mined diamonds. For price-conscious consumers or those indifferent to a diamond's origin, lab-grown options are especially appealing. Finally, lab-grown diamonds stand out for their ability to create unique shapes and colors. Modern technology allows the production of diamonds in vibrant and rare shades, such as fully yellow diamonds, which are exceedingly rare in nature. This capability opens new design possibilities, appealing to niche markets and those with specific aesthetic preferences. (Zimnisky, 2022)

The rise of lab-grown diamonds presents a compelling case of disruption within the traditionally rigid and image-sensitive luxury market. Luxury goods have long been associated with heritage, craftsmanship, scarcity, and symbolic value (Kapferer and Bastien, 2012), which are characteristics that are being redefined by technological innovation and shifting consumer values. As lab-grown diamonds challenge the conventional markers of luxury, they also challenge incumbent firms and open the market to new entrants who must navigate a complex landscape of consumer perception, brand legitimacy, and industry norms. This disruption raises fundamental questions about what constitutes luxury in the 21st century and how emerging firms can craft strategies that resonate with evolving expectations.

## 1.2 Problem discussion

While Christensen's theory of disruptive innovation has become a foundational concept in strategic management, its explanatory power remains uneven across industries. In his 2018 reconceptualization, Christensen acknowledged that the existing theory does not fully explain why disruptive entrants are sometimes able to move upmarket to challenge incumbents - nor why incumbents often retreat rather than resist. He also noted that in some sectors, such as luxury hospitality, disruption either unfolds very slowly or does not occur at all, with low-end entrants historically failing to displace high-end incumbents (Raynor, 2011). These observations highlight that disruption is not universal and does not follow a predictable path across industries. Despite extensive literature on when and why disruption occurs, there is still limited empirical research on how new entrants, especially in slower-moving or traditionally disruption-resistant markets like luxury, navigate these unique challenges. Our study addresses this gap by exploring the strategic behaviors and success factors of new entrants in a disrupted luxury market, thereby offering insights into how disruption unfolds in complex, high-status segments and what it takes to compete effectively.

## 1.3 Purpose and research question

The purpose of this thesis is to investigate how new entrants in a disrupted market navigate challenges and develop sustainable competitive advantages. Focusing on the case of lab-grown diamonds in the luxury jewelry market, this research examines the approaches these emerging players adopt to establish themselves, gain market share and compete successfully. By analyzing their strategic choices to industry dynamics, this study provides insights into how disruptors should strategize in the luxury sector. This leads to the following research question:

*How do new entrants navigate in a disrupted luxury market, what challenges do they encounter and what strategies do they employ to compete successfully?*

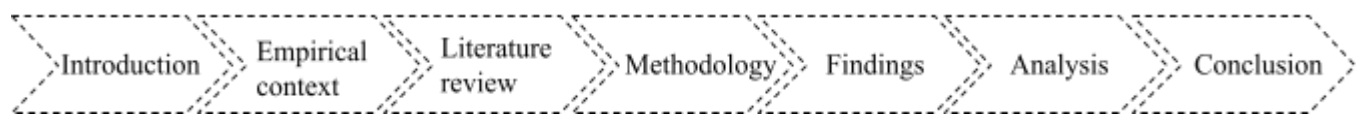
This question will be answered by studying the case of lab-grown diamonds.

## 1.4 Delimitations

This study is delimited to the context of lab-grown diamonds as consumer goods within the luxury jewelry market, explicitly excluding their use for industrial or technological purposes. The focus is placed on new market entrants rather than incumbent luxury brands or legacy diamond producers. Furthermore, the study focuses on end-retailers, not resellers or companies that produce their own lab-grown diamonds.

## 1.5 Disposition

For clarity and structure, the thesis is divided into the following sections:



*Figure 1: Thesis Disposition*

## 2. Empirical context

In this thesis, an empirical context is necessary to understand the specific dynamics of the diamond industry and luxury market, providing a concrete foundation for analyzing how new entrants navigate disruption. By examining factors such as sustainability concerns and geopolitical challenges in the supply chain, the study explores how theoretical concepts manifest in practice. This contextualization also supports a more comprehensive understanding of the complexity of the market and the various factors that shape how firms respond to disruption in a dynamic and competitive environment.

### 2.1 Diamonds as a Luxury Product

Diamonds stand out as a commodity due to their unique position in the luxury market. Unlike many other products, diamonds have historically been perceived as inherently luxurious due to their very nature. Most luxury goods are dependent on a high level of brand prestige rather than their intrinsic qualities. However, given that diamonds historically only have existed on the luxury market, these types of products must be marketed and sold differently than products on the mass market. While there is no universally agreed-upon definition of "luxury," these products are traditionally characterized by high price and quality,

authenticity, exclusivity, and the ability to evoke positive emotions through hedonistic experiences (Wirtz et al., 2020). Kapferer and Bastien (2009; 2012) emphasize that exclusivity is essential to luxury. However, exclusivity can take different forms, particularly in luxury experiences. Holmqvist et al. (2019) introduce the concept of exclusivity-by-practice, which applies to activities requiring specific knowledge, such as playing chess. In contrast, exclusivity-by-price refers to items that not everyone can afford; while many can wear jewelry, only a select few can afford diamond jewelry. This concept suggests that luxury often requires a significant financial investment. For companies in the diamond jewelry sector, the challenge of exclusivity arises because lab-grown diamonds have disrupted exclusivity-by-price. With lower prices, diamond retailers can no longer control the exclusivity associated with their products. Luxury brands operate under 11 anti-laws, one of which states that luxury should not be too accessible (Kapferer and Bastien, 2012). This reinforces the importance of exclusivity, whereas if a product is widely available it risks losing its luxurious appeal. Historically, De Beers addressed this issue by creating an illusion of scarcity through vertical integration of the supply chain. However, with lab-grown diamonds, scarcity is no longer a defining factor. As more people wear diamonds due to higher availability and primarily affordability, they risk losing their exclusivity and desirability.

Consequently, lab-grown diamonds not only disrupt the mined diamond industry but may also undermine their own luxury status, leading to cannibalization (Flesher & Reiter, 2024). Luxury brands often rely on emotional narratives and heritage to justify high price points (Bastien & Kapferer, 2012). However, the narrative around lab-grown diamonds often emphasizes affordability and sustainability, which traditionally are not attributes in the luxury segment. This positioning further accelerates the shift from exclusivity to accessibility. Moreover, the potential for cannibalization is heightened by the current market landscape, where transparency and ethical considerations play an increasingly important role in consumer decision-making (Flesher & Reiter, 2024). While sustainability is a growing priority, it may not be enough to maintain the wanted status of lab-grown diamonds if they are widely available and lack a sense of rarity. Brands must therefore strike a delicate balance between promoting lab-grown diamonds as ethical alternatives and preserving the sense of luxury.

## 2.2 The Diamond Industry

The diamond industry has traditionally been dominated by a few major players, with the South African-British company De Beers at the forefront. Another key player is Russian-owned Alrosa, which, together with De Beers, controls approximately 60% of the global diamond market (Jaganmohan, 2024a). Both companies maintain extensive vertical integration, overseeing nearly every stage of diamond production, from mining and cutting to distribution and retail (ALROSA, 2025; DeBeersGroup, n.d.). This level of control has allowed them to significantly influence the global diamond supply chain, including pricing and availability.

In contrast, the lab-grown diamond sector has developed under a different market structure. Unlike mined diamond producers, most lab-grown diamond manufacturers do not own their own retail outlets. As a result, companies selling lab-grown diamonds have access to multiple suppliers, creating a more competitive and decentralized market. However, only a few lab-grown diamond companies are involved in the entire supply chain, from production to retail (Flesher & Reiter, 2024).

While there are many companies in the diamond industry that do not control their own supply chains (Flesher & Reiter, 2024), the mined diamond market remains less fragmented than the lab-grown diamond market. This is largely due to the high barriers to entry, including the substantial capital investment required for exploration, mining, and regulatory compliance (Flesher & Reiter, 2024). In contrast, lab-grown diamond production, while still requiring technological expertise, has fewer entry barriers, leading to a more diverse and competitive market landscape .

## 2.3 Sustainability concerns

### 2.3.1 Environmental impact

The production of diamonds, whether mined or lab-grown, entails distinct processes with markedly different environmental footprints. Mined diamonds are extracted via one of four mining techniques: open-pit, marine, alluvial, and underground (Oluleye, 2021). The mining process is a sequential procedure consisting of eight key phases: exploration, ore processing, cleaning, sorting, and packaging, culminating in the sale of the rough diamonds (Worthy Staff, 2023). In contrast, lab-grown diamonds are produced through one of two methods:

High Pressure High Temperature (HPHT) or Chemical Vapor Deposition (CVD) (Butcher, 2023) . Despite differences in production, both mined and lab-grown diamonds follow the same post-production steps: after being sold as rough diamonds, they are cut, polished, and sold as gemstones. The final stage, closure and rehabilitation, involves potential reparation or cleaning of the diamonds (Flesher & Reiter, 2024). The leading producers of mined diamonds include Russia, Botswana, Canada, Angola, and South Africa (The Global Economy, 2024).

A study by Sun et al. (2024) introduces the Diamond Environmental Impacts Estimation (DEIE) model, designed to assess the real and long-term environmental effects of diamond mining. The authors evaluate the industry's impact based on three key indicators: greenhouse gas (GHG) emissions, mineral waste, and water usage. Their analysis applies the Shared Socioeconomic Pathways (SSPs) and Representative Concentration Pathways (RCPs) to forecast future trends. The SSP2-2.6 scenario is a "middle-of-the-road" trajectory assuming global warming to reach between 2-2,6 degree celsius until the year 2100. The annual GHG emissions from the global diamond industry are projected to reach 13.26 metric tons (Mt) by 2100, with 582.84 Mt of mineral waste and 107.95 million cubic meters (m<sup>3</sup>) of water usage. Additionally, the study examines the environmental impact of lab-grown diamonds as an alternative to mined diamonds. The authors present two different projections for lab-grown diamonds market share in 2100: (1) A conservative estimate based on the 2022 annual growth rate (0.42%), resulting in a lab-grown diamonds market share of 36.98%. (2) An optimistic scenario incorporating external factors, such as shifting consumer preferences and government incentives, which projects an annual growth rate of 0.84%, leading to a 72.26% market share. By comparing these projections to the mined diamond industry under SSP2-2.6 and RCP2.6 in the year 2100, the study estimates significant environmental benefits. The low-end scenario suggests a reduction of 341.33 Mt of mineral waste, while the high-end scenario projects a 421.06 Mt reduction. Water savings could exceed 10 million m<sup>3</sup> in both cases. On the emissions front, the high-end scenario could cut GHG emissions by 9.58 Mt. (Sun et al., 2024)

Other serious environmental risks with mining mined diamonds include biodiversity loss, deforestation, and groundwater contamination. Large-scale operations disrupt ecosystems, destroy habitats, and contribute to species displacement. Open-pit mining can pollute water sources with ammonia and heavy metals, while consuming up to 7,300 liters of water per carat. Soil erosion, acid mine drainage, and toxic tailings further degrade land and water quality. Deforestation in mining zones reduces carbon sequestration and contributes to

climate change, with some operations emitting up to 160 kg of CO<sub>2</sub> per carat. In addition, underground mining can cause sinkholes and irreversible land subsidence, endangering both communities and ecosystems. (Oluleye, 2021)

Overall, the environmental impact of mined diamond mining is greatly affecting the earth's resources. In contrast, lab-grown diamonds present a substantially lower environmental burden, particularly under scenarios of growing market adoption. As demand for sustainable products increases, particularly for younger consumers (Majidi, 2024), these findings highlight the potential of lab-grown diamonds to reshape the diamond industry, both as an alternative product and as a response to ascending environmental pressures.

### 2.3.2 Social concerns

The diamond industry has faced intense scrutiny for decades, with stakeholders demanding greater transparency in gemstone sourcing. Growing consumer awareness of the industry's ethical implications and environmental impact has further amplified these concerns.

The term “conflict diamonds”, or commonly known as “blood diamonds”, refers to “*rough diamonds used by rebel movements or their allies to finance conflict aimed at undermining legitimate governments*” (Kimberley Process, 2016). The definition was established by the United Nations in the 1990s, during the outbreak of rebel-led civil wars in Africa, that were funded by their diamond sales (The Editors of Encyclopedia Britannica, 2016). Three of the most significantly affected countries were Angola, the Democratic Republic of the Congo (DRC), and Sierra Leone - nations rich in diamond resources. Rough diamonds from these regions were smuggled and sold to Western markets, where, once polished and cut, their origins became untraceable (The Editors of Encyclopedia Britannica, 2016). This lack of traceability raised significant consumer concerns, particularly as reports of extreme human rights violations towards diamond mine workers emerged.

In 2000, the UN Security Council released a report, also known as the Fowler report, highlighting the presence of blood diamonds in the global market (Angola, 2000). The report placed De Beers - who were then controlling 60% of the global diamond trade - under intense scrutiny for its mining activities in Africa. Additionally, it criticized the Antwerp market, the world's largest diamond trading market, for failing to verify the origins of diamonds sold within its network (Angola, 2000). As a response, the Kimberley Process was established in 2003, bringing together trade associations, human rights organizations, and the UN to

develop a certification scheme aimed at ensuring that exported diamonds were conflict-free (The Editors of Encyclopedia Britannica, 2016). While the initiative achieved some success - leading to greater governmental control over diamond mining instead of rebel groups, and reducing the share of conflict diamonds in the global market to less than 1% by 2010 - criticism persisted (The Editors of Encyclopedia Britannica, 2016).

Some human rights organizations argue that the UN's definition of conflict diamonds, which focuses on rebel group involvement, overlooks cases where governments themselves engage in abuses of power and human exploitation. The 2008 violence in Zimbabwe, where the army killed 200 miners and committed widespread abuses such as rape and enslavement, highlighted a limitation of the Kimberley Process definition of conflict diamonds (Baker, 2019). Because the violence was perpetrated by state forces, not rebel groups, it did not technically constitute a breach of the protocol. Furthermore, the Kimberley Process has faced widespread criticism for its weak enforcement and limited impact. In 2014, experts estimated that around 140,000 carats of conflict diamonds from the Central African Republic were smuggled into the legitimate diamond market (Baker, 2019). This is especially alarming considering these diamonds were believed to have funded approximately \$24 million for the 2013 genocidal conflict (Baker, 2019). The subsequent ban on the Central African Republic from the Kimberley Process was largely condemned as inadequate. This urges the concerns among consumers, about the lack of reliable fair trade certifications, to ensure that the diamonds bought have been sourced ethically. This has fueled ongoing debates about redefining what constitutes a conflict diamond and the need for greater control over the diamond trade, to ensure that diamonds are mined ethically (The Editors of Encyclopedia Britannica, 2016).

With today's technology, new possibilities emerge. One innovative way to ensure ethical sourcing is through Distributed Ledger Technology, a foundational component of blockchain technology. DLT enables a transparent, tamper-proof digital record that can track a diamond's journey from its origin to the final buyer. Each diamond is assigned a unique digital identity stored on the blockchain, which records key details such as its source, ownership history, and certification. This creates an immutable chain of data, allowing stakeholders to verify the diamond's ethical sourcing and track its movement both forward and backward in the supply chain. For the mined diamond industry, this means greater control and ensuring consumers about the product they are buying are ethically extracted. Furthermore, the technology could also be used to ensure authenticity for sellers and buyers, for example to identify if it is a

lab-grown diamond or mined diamond which has been a rising concern due to the similarity between the two today (O’Neal, 2019).

### 3. Literature Review

This chapter outlines the theoretical foundation for analyzing the emergence of lab-grown diamonds. The literature review is organized into five sections. First, lab-grown diamonds are introduced, covering their development, market presence, and relationship to luxury. Additionally, the review explores how established luxury firms are responding strategically, including through customization and redefinitions of exclusivity. Second, the theory of disruptive innovation is used to assess the impact of lab-grown diamonds in the mined diamond industry. Third, the so-called *Disruptor’s Dilemma* is examined, highlighting the challenges disruptors face when incumbents respond through coopetition, imitation, or brand equity. Fourth, Diffusion of Innovation Theory is used to analyze how innovations gain acceptance over time. Finally, Veblen goods and conspicuous consumption are examined to understand how perceptions of luxury and status shape consumer behavior.

#### 3.1 Strategizing in the Luxury Industry

##### 3.1.1 Consumer perception and demand

The perception of diamonds as symbols of love and eternity is not a coincidence; it was carefully crafted. Historically, diamonds have been valued primarily for their rarity. However, in the late 19th century, massive diamond mines were discovered, threatening their perceived scarcity. To protect their value, major industry players united to form *De Beers Consolidated Mines, Ltd.*, an entity that controlled the entire supply chain from mining to retail, ensuring diamonds remained scarce in the market (Bergenstock et al., 2006).

Despite these efforts, diamond prices eventually declined, prompting De Beers to shift its focus from controlling supply to shaping demand. Partnering with an advertising agency, they launched the now iconic slogan “*A Diamond is Forever.*” This campaign was designed to reinforce the idea that diamonds should never be resold, preserving their exclusivity. At the same time, De Beers strategically linked diamonds to love and commitment, successfully making diamond engagement rings the cultural norm. In doing so, they transformed what is

in reality simply small crystals of carbon, into universally recognized symbols of wealth, power, and romance (Whitfield, 2024).

The perception of diamonds has been constant for more than a century, but with the rise of lab-grown diamonds, this idea has shifted. Keech et al. conducted a compelling study in 2020 in which participants, unknowingly evaluating two identical rings, rated the one labeled “lab-grown” as less valuable and prestigious than the “naturally mined” diamond, despite recognizing it as the more ethical choice. This finding aligns with research by Luchs et al. (2010), which suggests that labeling a product as “sustainable” can sometimes be a disadvantage rather than an advantage, where it enhances the perceptions of inferiority compared to non-sustainable alternatives. This effect is particularly pronounced for products that consumers expect to be “strong”. While it remains unclear whether customers associate lab-grown diamonds with being strong, their reputation with heavy focus on sustainability may inadvertently contribute to their lower perceived value and prestige. Today, younger consumers are often seen as highly influenced by, and aware of environmental and sustainability efforts in their purchasing decisions. Stakeholders in the luxury sphere believe their behavior in the luxury market will follow the same trends, adding pressure on the luxury houses to change their strategies (Winston, 2017). Unsurprisingly these consumers, or specifically millennials, born between 1981 and 2000, are the generation that find luxury and sustainability most contradicting yet, it does not refrain them from luxury purchases. Millennials are notably more conscious of sustainability in their everyday purchases, with a 2023 U.S. study showing that 80% consider sustainability a key factor influencing their buying decisions (Majidi, 2024). Paradoxically, when it comes to luxury, millennials actually care equally as much, or little, about sustainability in luxury purchases as the previous, older generations (Kapferer & Michaut-Denizeau, 2020).

This can be attributed towards two main reasons. Firstly, that the high price inherently means that the products are uncompromised vis-à-vis fast fashion or mass market products. Secondly, luxury purchases are bought on such rare instances that it is merely a parentheses in otherwise sustainable shopping habits. This is an interesting point, given that the millennials are now the biggest luxury consumer (Bain & Company, 2025) and are also currently in the prime age group for engagement-related purchases, such as diamond rings (Francis-Tan & Mialon, 2015). Despite their strong advocacy for sustainability in everyday consumption, their preferences in the luxury market suggest that factors like tradition,

exclusivity, and heritage may hold greater influence. This indicates that while lab-grown diamonds offer a compelling alternative, they still face challenges in reshaping consumer perceptions in this segment.

### 3.1.2 Customization

Over the past few decades, mass production has become increasingly dominant in consumer markets. In response to its inherent lack of differentiation, there has been a marked rise in demand for customization. This shift has been largely enabled by technological advancements, which now allow consumers to play an active role in the design of their purchases, resulting in products that feel personal and unique. In the luxury sector, customization is not a new concept, but its relevance has grown significantly in recent years. Yoo and Park (2016) found that a high degree of customization can strengthen brand loyalty and improve customer retention. Their study revealed that consumers who value hedonistic pleasure, social signaling, and creative expression are particularly responsive to the option of customization. Hedonic value stems from the enjoyment of the customization process itself, social value is tied to the desire to extend one's identity through association with a luxury brand, and creative achievement arises from the pride of having designed a personalized product. Interestingly, the study also revealed that even customers with initially low brand loyalty, particularly those driven by hedonic and social motivations, are especially receptive to customization, which increases the likelihood of them selecting the brand in future purchases. Expanding on this, Choi et al. (2022) found that luxury customization can significantly enhance consumers' subjective well-being. Notably, this effect was not observed in the context of non-luxury products, underscoring the unique role that customization plays in the luxury segment.

However, the growing emphasis on customization presents a critical challenge, namely the potential dilution of brand identity. As customization becomes more extensive, it becomes harder for brands to maintain a consistent visual and symbolic identity across bespoke pieces (Moreau et al., 2020). When consumers exercise their desire for self-expression, the brand's distinct markers may become obscured, potentially diminishing the social value derived from brand equity. One way to address this dilemma is by limiting the extent to which consumers can personalize a product (Moreau et al., 2020). While this can help preserve brand identity, it risks reducing the emotional and creative benefits that customization offers, particularly for

consumers driven by hedonistic and creative values. An alternative approach is to ensure that branding elements remain visible and recognizable, whether through conspicuous or subtle cues. This strategy allows the brand to uphold its symbolic value, ensuring that status signals are still communicated to others, thereby preserving the product's social appeal (Moreau et al., 2020).

## 3.2 Disruptive Innovation

The now prevalent terminology that is Disrupted Innovation was initially coined by Christensen and Bower in an Harvard Business Review Article from 1995, and two years later Christensen launched his book titled *The Innovator's Dilemma* (1997) further expanding the understanding of the phenomenon. Disruptive Innovation is a process that in essence explains how new products, services, or business models initially enter a market by targeting overlooked or underserved segments with simpler, more affordable, or more accessible offerings. Over time, these innovations improve in quality and performance, eventually moving up-market to challenge and potentially displace established incumbents. One key takeaway from this article is that Disruptive Innovation differs significantly from the original product it seeks to replicate. Specifically, disruptive innovation often underperforms in at least one attribute valued by mainstream customers. Consequently, disruptive innovations typically start by targeting overlooked or lower-end market segments where incumbent firms are less focused. Even though there is a resource asymmetry in favor of the incumbents, the disruptors offer more simple, affordable, or accessible alternatives, which leads to these innovations gaining a foothold and building a loyal customer base. Over time, as the disruptive technology or business model improves in quality and functionality, these entrants move up-market, attracting more demanding mainstream customers. This gradual upward migration challenges established players by redefining value and shifting customer expectations. The ability to scale from niche beginnings to broader market acceptance is a hallmark of successful disruption, illustrating how new entrants can transform industries by leveraging initially overlooked opportunities.

In the case of lab-grown diamonds, their affordability has expanded access to diamond jewelry for a broader consumer base. This includes both former non-consumers, who previously found diamonds financially out of reach, and occasional buyers, who can now afford to purchase diamonds more frequently or in larger quantities. The commercialization of lab-grown diamonds has broadened consumer access and expanded the market beyond

traditional engagement rings, making diamonds more accessible for a wider variety of jewelry.

A key consideration within the scope of disruptive innovation is defining what truly falls under this theory. Schmidt and Druehl (2008) clarified the terminology by distinguishing between two types of innovations that disrupt markets in different ways: pure disruptive innovation and sustaining innovation. The separation between these two types of innovation is crucial, as it profoundly influences the way incumbents perceive and respond to these innovations. Interestingly, sustaining innovations initially disrupt the market to a larger extent, which is why confusion between the two often arises. What differentiates the two essentially comes down to which consumer group the innovation aims to target. Sustaining innovations initially infringes on the high-end of an existing market, only to diffuse downward later. Because they pose an early and visible threat, incumbents tend to react more quickly. Hence, while these products do disrupt the market, they are not actually disruptive innovations. Sustaining innovations are improvements or advancements made to existing products, services, or processes that enhance their performance, features, or value for current customers. Unlike disruptive innovations, sustaining innovations do not create new markets or fundamentally change industry dynamics; instead, they focus on meeting the evolving needs of established customers within existing market structures. These innovations help incumbents maintain their competitive position by delivering better quality, greater efficiency, or additional functionalities. In contrast, truly disruptive innovations go about it the opposite way, starting in the low end to gradually diffuse upward to the high-end. Christensen et al. (2018) describes these as initially inferior to the products offered by the incumbents. This often leads established firms to underestimate their impact. This lack of early response and strategic adaptation is what ultimately makes these innovations disruptive, as they reshape entire market ecosystems over time.

Incumbent reactions to disruptive innovations are a crucial factor to consider when evaluating how new entrants should formulate their strategies. Disruptive innovations often begin with inferior performance on some traditional metrics but offer a new value proposition, such as lower cost or greater accessibility, that appeals to underserved or overlooked customer segments. Because these innovations typically emerge in low-end or entirely new markets with lower margins and less clearly defined customers, incumbents tend to dismiss or deprioritize them (Christensen et al., 2018). However, as the disruptive innovation improves

and begins to target mainstream customers, incumbents typically respond in one of three ways: by fighting the entrants, by moving further upmarket, or by taking no action at all. According to Gilbert (2005), the nature of the incumbent's response depends in part on whether they perceive the innovation as a threat or an opportunity. When seen as a threat, firms are more likely to allocate significant resources to counter it; when viewed as an opportunity, the response tends to be weaker, often by not countering it at all. Another common response is moving further upmarket, as outlined by Adner and Zemsky (2006). In doing so, incumbents seek to maintain profitability by targeting even higher-margin segments. The strategy of moving further upmarket can be seen as a form of retreat. Instead of confronting the disruptive innovation directly, incumbents shift their focus to higher-margin segments, effectively abandoning the lower end of the market and conceding ground to the disruptors.

Lab-grown diamonds exemplify disruptive innovation for several reasons, the most significant being their initial focus on the lower end of the market before gradually moving up to compete with mined diamonds. Additionally, as Christensen et al. (2018) explains, disruptive innovations often possess attributes that are, in some way, perceived as inferior to the original product. Although lab-grown diamonds and mined diamonds are chemically and physically identical, the rarity of mined diamonds shapes consumer perception, making lab-grown diamonds appear less valuable and thus aligning with Christensen's definition of disruption. Moreover, lab-grown diamonds qualify as a green innovation due to their environmental and ethical advantages (Sun et al., 2024). Green products are often perceived as inferior to their conventional counterparts, a pattern that applies to lab-grown diamonds as well. While their ethical benefits appeal to consumers, lab-grown diamonds have yet to attain the same perceived value as mined diamonds, reinforcing their classification as a disruptive innovation (Keech et al., 2020).

Another extremely important anecdote in Christensen et al. (2018) is the clarification that disruption is not a constant, but rather a *relative* phenomenon. In other words, whether an innovation is considered disruptive depends on the specific firm and its business model. An innovation may be sustaining for one company while being disruptive to another. The disruptiveness of an innovation is closely tied to how well it fits within a firm's current approach to generating revenue. Consequently, no innovation is inherently disruptive, but it is often the strategic choices made by firms that determine its trajectory. This perspective is

highly relevant in the case of lab-grown diamonds. For traditional jewelry retailers that rely on mined diamonds and position themselves around scarcity, heritage, and high-margin luxury, lab-grown diamonds pose a disruptive threat. These firms often struggle to integrate lab-grown alternatives without diluting their brand identity which plays an important role in their profit model. In contrast, for new entrants or digitally native brands with leaner operations and value propositions centered on affordability, sustainability, and transparency, lab-grown diamonds are a sustaining innovation perfectly aligned with their business models. As such, the disruptiveness of lab-grown diamonds is not inherent to the technology itself, but emerges from how different firms choose to position and incorporate it within their strategic and operational frameworks.

### 3.3 The Disruptor's Dilemma

Innovation alone, no matter how groundbreaking, does not guarantee success. Execution, scaling, and overcoming market resistance are just as, if not more, important for an innovator. In the case of disruptive innovation, a new product challenges an existing one, but simply offering an alternative is not enough to create a lasting competitive advantage. The disrupted market operates within a complex ecosystem that cannot easily adapt to a new innovation. Meanwhile, incumbents, feeling threatened, often retaliate to protect their position. With advantages such as economies of scale, strong brand recognition, significant market share, and established customer trust, incumbents hold considerable power in shaping the disruptor's path. This challenge is known as the Disruptor's Dilemma; Where disruptors must strategically balance competition and cooperation, a concept known as cooptation, with incumbents. To succeed, they must simultaneously compete and collaborate with incumbents to create a sustainable position in the market which can be especially challenging for smaller companies who often have limited resources (Ansari et al., 2016). The Disruptor's Dilemma is not a single problem that can be addressed in isolation, but rather a broader challenge involving how a disruptor should strategically position itself to compete effectively in the market.

While there is no one definitive solution to the Disruptor's Dilemma, several strategies can help disruptors build sustainable competitive advantages over time. A key insight, as highlighted by Ansari et al. (2016), is that long-term success in disruptive innovation often is dependent on a firm's ability to continuously evolve its strategic direction, technological capabilities, and network positioning within the broader market ecosystem. TiVo, a successful

pioneer of the Digital Video Recorder, exemplified this through their dynamic approach in navigating tensions between collaboration and competition with incumbents. Their efforts involved reducing the perceived threat posed by their innovation, forming alliances with progressive industry stakeholders, and demonstrating resilience in the face of early challenges. When TiVo's actions sparked resistance within certain actors, they altered their strategies to re-engage stakeholders and address concerns, showing a willingness to adapt and find common ground.

In addition, emphasize the strategic value of forming alliances not just with established companies, but initially with stakeholders who remain relatively unaffected by the disruption. These early allies, who may benefit from the disruptor's innovation, can offer vital resources, including funding, insights, and operational support, that enable the disruptor to improve their unique value proposition. Such partners might include venture capitalists, actors from other industries, or niche players within the existing ecosystem who are more open to innovation. Free from the current market traditions and bureaucratic ways-of-working that can often hinder dominant incumbents, using these partners can facilitate market entry and assist in challenging times.

While forming alliances and relationships holds great value, to which extent this is necessary depends on the market dynamics. Ansari et al. (2016) points out how their findings are profoundly dependent on the rules of the market of the particular case they chose to study. The actors in this industry were highly connected, and the market ecosystem was generally open, involving numerous players. Moreover, the industry itself was heavily interconnected with other industries which naturally increases the number of actors where an alliance might be beneficial. Nonetheless, in markets characterized by the opposite conditions, with closed ecosystems and low interdependencies, the rules might look different and reciprocal competition might not be as important. This uncovers a gap in the current literature, which Ansari et al. (2016) also point out. The diamond industry is a textbook example of a market with a closed ecosystem and low levels of interdependence among actors. It has traditionally been dominated by a few powerful incumbents who exert significant control over supply chains, distribution channels, and even consumer perceptions. Still today, De Beers and Alrosa group account for 60% of market share in the mined diamond market (Jaganmohan, 2024a). In such an environment, opportunities for collaboration are limited, and new entrants often face significant barriers when trying to form alliances or gain access to critical

resources. This makes the dynamics of disruption, and the strategies needed to succeed, markedly different from those observed in more open and interconnected markets.

### 3.4 Barriers to entry

To understand how new entrants navigate challenges in a disrupted luxury market, it is essential to examine the structural forces that shape competitive dynamics and market access. One influential framework for analyzing these forces is Porter's (1980) theory of barriers to entry, which identifies seven key sources: economies of scale, product differentiation, capital requirements, switching costs, access to distribution channels, cost disadvantages independent of scale, and government policy. These barriers form a protective shield around established firms, making it more difficult for new entrants to gain a foothold - especially in industries where reputation, tradition, and customer loyalty play a significant role.

In the context of luxury markets, these barriers are further intensified by the intangible and symbolic nature of luxury value. According to Bastien and Kapferer (2012), luxury goods are distinguished not just by their functional attributes, but by emotional consumption, symbolic value creation, and heritage branding. These elements add cultural and social dimensions to traditional economic barriers. The luxury industry often relies on narratives of rarity, legacy, and exclusivity, creating additional hurdles for new entrants seeking to establish legitimacy and recognition.

The first barrier, economies of scale, refers to the cost advantages that established firms enjoy due to large-scale operations. New entrants face a strategic choice: enter at scale, which increases capital exposure and risks triggering incumbent retaliation, or enter at a smaller scale and accept higher unit costs. This barrier can span multiple dimensions, including production, distribution, and marketing, which are areas where incumbents benefit from accumulated efficiencies.

The second barrier, product differentiation, relates to the strength of existing brands and the loyalty they command among consumers. Differentiated products create psychological and emotional switching costs that go beyond price and function. In luxury sectors, where brands often hold deep symbolic significance, this barrier is particularly formidable. New entrants must invest heavily in branding and storytelling to compete with the emotional and cultural capital of established players.

Capital requirements, the third barrier, involve the significant financial investments necessary for market entry. In many luxury-related industries, large initial investments are needed for product development, production capabilities, marketing, and distribution. This deters potential entrants lacking substantial funding or long-term backing, and protects incumbents with established capital reserves.

The fourth barrier, switching costs, refers to the expenses or inconveniences consumers face when changing suppliers. These costs may be financial, but in luxury markets they are often emotional or reputational, tied to identity and social signaling. As a result, new entrants must offer compelling value propositions that not only meet but exceed customer expectations in order to justify the switch.

The fifth barrier, access to distribution channels, reflects the difficulty new entrants may face in securing effective and prestigious pathways to market. In luxury industries, distribution is often selective and built on long-standing relationships with trusted retailers or high-status platforms. New brands may encounter resistance from distributors who prioritize legacy players or face pressure to exclude newer, disruptive offerings.

Cost disadvantages independent of scale, the sixth barrier, stem from incumbent advantages such as proprietary know-how, preferential access to resources, favorable locations, or government support. These structural advantages are difficult for new firms to replicate, particularly in industries where experience and learning curves drive efficiency gains that can be protected or internalized by incumbents.

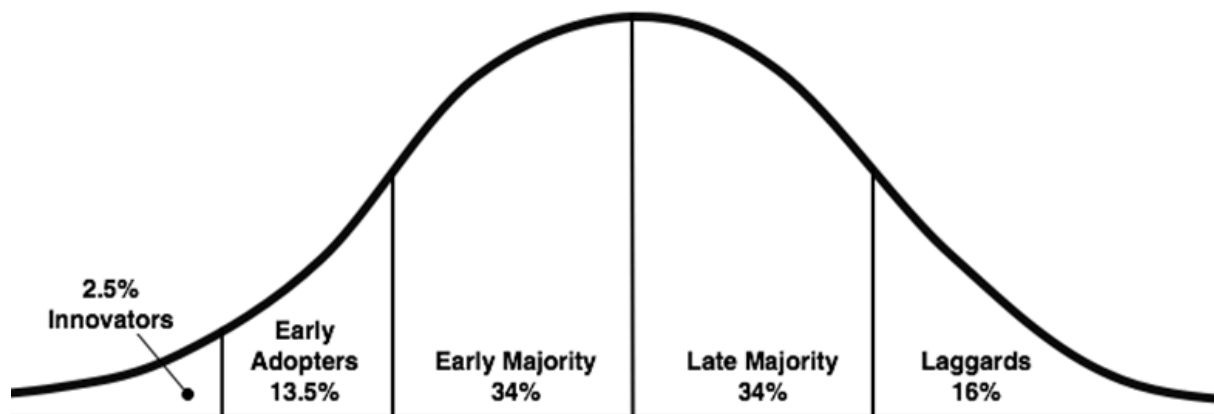
Finally, government policy can either reinforce or reduce entry barriers. Regulations such as licensing requirements, trade restrictions, certification rules, or environmental standards can selectively favor existing firms, either intentionally or through inertia. In some cases, governments may also shape consumer perceptions through official endorsements or standard-setting that privilege traditional practices over new innovations.

### 3.5 Diffusion of innovation

The Diffusion of Innovation theory, developed by Everett Rogers in 1962, seeks to explain how new ideas and technologies spread through a population. It examines the processes by which innovations are adopted, the reasons behind their adoption, and the rate at which this occurs. While the theory outlines patterns of adoption, it does not provide strategies for

motivating individuals to take action, which remains the task of firms attempting to bring new innovations to market.

Rogers (1962) categorized consumers into five groups based on their willingness to adopt innovations: innovators, early adopters, early majority, late majority, and laggards. Adoption within a social system is not simultaneous; instead, it follows a process in which certain individuals are more inclined to adopt an innovation earlier than others. These categories form a bell-shaped curve, representing a normal distribution, where roughly half of the population falls on either side. The earlier adopters (innovators, early adopters, and early majority) are segmented into three distinct groups, while the later adopters (late majority and laggards) are grouped into two. This asymmetry reflects the more heterogeneous and distinguishable nature of early adopters compared to the generally more homogeneous late adopters.



*Figure 2: The Five Adopter Categories of the Diffusion of Innovation Curve (Rogers, 1962): Innovators, Early Adopters, Early Majority, Late Majority, and Laggards.*

Rogers (1962) also observed that early adopters possess different characteristics than later adopters. Understanding these traits is essential when promoting an innovation, as certain characteristics can either support or hinder adoption. Tailoring communication and engagement strategies to each group enhances the likelihood of success. For example, innovators are typically eager to experiment with new ideas and are comfortable taking risks. Early adopters, often regarded as opinion leaders, tend to hold influential positions within their communities and are quick to embrace innovations. The early majority adopt new ideas slightly ahead of the average person, while the late majority are more skeptical and only adopt an innovation after it has been widely tested and accepted. Finally, laggards are the most resistant to change and are the last to adopt new innovations, if they adopt them at all.

Most people tend to fall within the early and late majority categories, while innovators and early adopters - often younger and better educated - are seen as trendsetters or leaders within their social circles (Rogers, 1962). This segmentation allows new entrants to differentiate themselves from traditional competitors by targeting less saturated consumer segments and shaping the narrative around innovation, ethics, and transparency. As early adopters begin to showcase their purchases and influence social opinion, lab-grown diamonds gain symbolic legitimacy, creating a feedback loop that gradually lowers psychological and social barriers for the late majority.

Additionally, Rogers (1962) proposes five attributes of an innovation that influence adoption: relative advantage, compatibility, complexity, trialability, and observability. Relative advantage refers to the extent to which the innovation is perceived as better than the product it is intended to replace. The theory suggests that the clearer the relative advantage, the more likely adoption becomes. Compatibility refers to how well the innovation aligns with the adopters' wants, needs, and existing values. Higher compatibility increases the likelihood of adoption. Complexity represents how easy the innovation is to understand and use; the simpler it is, the more likely it will be adopted. Trialability refers to the ability to test or experiment with the innovation before making a full commitment. Finally, observability refers to the degree to which the benefits of the innovation are visible to others. If the perceived advantages are clear, observability is high, which increases the chances of adoption.

Still, it's important to recognize that while the theory explains structural adoption patterns, luxury markets are also shaped by status signaling, identity construction, and emotional narratives - dimensions that interact with but may not always follow rational innovation dynamics. In the context of lab-grown diamonds, both symbolic and functional factors must be considered when analyzing adoption behavior and strategic positioning.

### 3.6 Veblen Goods

While the definition of luxury can be debated, diamonds undeniably function as a Veblen good, one that defies the typical law of demand. Instead of demand decreasing as price rises, Veblen goods experience the opposite effect: higher prices fuel greater demand. This phenomenon occurs because consumers associate elevated prices with status and exclusivity, increasing their willingness to pay (Bagwell and Bernheim, 1996). Thorstein Veblen (1961)

also coined the term ‘Conspicuous Consumption’, which essentially refers to the behaviour of buying Veblen Goods. This type of consumption is based on the idea that deliberately purchasing luxury goods and services enhances an individual’s social status by visibly showcasing their wealth. Veblen suggested that the high prices associated with Veblen goods are not what consumers seek for their own sake; individuals are not simply looking to be overcharged. Rather, they value these goods for their ability to act as status symbols, signaling wealth and social distinction. In this view, consumers are less driven by the product’s functional qualities and more by the social recognition and prestige that come with owning something few others can afford. In other words, the utility of such a purchase is derived from the status it conveys, not from the practical use of the product or the price itself.

However, since the very idea of *conspicuous consumption* involves choosing more expensive goods over functionally identical alternatives, price does play a crucial role in shaping perceived utility. It is precisely because the product is expensive, and therefore exclusive, that it holds value in the eyes of the status-conscious consumer.

Historically, Veblen’s theory was particularly evident in the mined diamond market, where De Beers’ monopoly allowed it to control supply, pricing, and, consequently, demand (Whitfield, 2024). A defining characteristic of diamonds has been their perceived scarcity; as prices rose, so did the impression of rarity, further driving demand. However, this dynamic is now being challenged by the rise of lab-grown diamonds, which disrupt traditional notions of scarcity and exclusivity. The rarity of diamonds is also one of the reasons for their high price tag which under the theory of conspicuous consumption, enhances their appeal as symbols of wealth and status. For the conspicuous consumer, the value of a diamond is not solely based on its physical properties, but on the social meaning attached to its cost and exclusivity. Lab-grown diamonds, however, challenge this value proposition by offering visually and chemically identical alternatives at significantly lower prices. As lab-grown diamonds have become more widespread and accessible, they disrupt the traditional link between price, status, and eventually perceived utility.

## 4. Methodology

### 4.1 Research Strategy

This study adopts a qualitative approach to explore how disruptive innovation, specifically lab-grown diamonds, impacts the luxury jewelry market. Qualitative research is ideal for understanding the underlying factors, perceptions, and behaviors that drive market changes, aligning with a constructionist perspective that views reality as socially constructed and shaped by interactions (Bell et al., 2022). This approach allows for an in-depth analysis of the complexities involved in market disruption. The choice of this method, along with the use of a case study and abductive reasoning, will be discussed below.

#### 4.1.1 Qualitative Approach

For this specific research question, a qualitative approach is especially appropriate due to the nature of the question which purpose is to understand the underlying factors influencing disruptive innovation in the context of lab-grown diamonds. A qualitative approach generally puts greater emphasis on the human experience and perception, which can better answer the research question in mind. Bell et al. (2022) describes this type of research as highly influenced by the ontological position of constructionism, which aligns with the premises of this study. The constructionist view is based on the idea that reality is not objective or constant, rather it is a social construct that is continuously changing through interactions between individuals (Bell et al., 2022). This perspective acknowledges that disruption in a market caused by innovation is not solely the result of technological advancements or economic factors, but allows for the impact made through subjective interpretations, behaviors, and decisions of various stakeholders. By adopting a qualitative approach which is grounded in constructionism, this study seeks to uncover how these socially constructed realities shape and redefine the meaning of innovation and disruption in the diamond industry. This type of approach also allows the analysis to delve into the nuanced and dynamic processes that influence market transformation.

The main problem with using a qualitative method is the risk of researcher bias (Bell et al., 2022). This can conclude in subjective, or even inaccurate conclusions. This issue affects multiple aspects of the research process, but it is particularly significant during the analysis and conclusion stage. Interpreting data, especially from interviews, is inherently subjective,

as interpretations can vary based on factors like non-verbal cues, tone, or personal perceptions. Another challenge closely linked to qualitative methods is the issue of reliability. Qualitative research is often difficult to replicate for several reasons, particularly when interviews are involved (Bell et al., 2022). It may be impossible to interview the same participants again, their responses may vary over time, and in the case of semi-structured interviews, even the questions themselves might differ. Replication is crucial because it validates the results and ensures the reliability of the research. Without the ability to replicate findings, it becomes harder to verify their accuracy, which may reduce the overall credibility of the study. However, these issues can be mitigated through several strategies. To address researcher bias, it is essential to adopt a systematic approach to data analysis, such as using coding frameworks like the *Gioia Method* (Langley and Abdallah, 2011), which is discussed further below. This provides a structured and transparent way of organizing and interpreting data. To enhance the replicability of the study, detailed documentation is critical. This includes keeping complete records of the research process, such as the interview guide, data collection methods, and the explanations behind the methodological decisions. While qualitative studies inherently involve some level of variability, providing thorough descriptions of the context and procedures can aid future research to replicate key elements or adapt the study design to similar contexts (Bell et al., 2022).

The alternative to a qualitative approach would be a quantitative approach. This type of research aims to measure social phenomena and specifically uses numeric data collection to do so. Quantitative research is in nature deductive, as it aims to test existing theories and relies on objectivism, which implies that reality is objective and independent of the observer (Bell et al., 2022). This method is well-suited for answering questions about ‘how much’ or ‘to what extent’, however it may not capture the depth and complexity of human experiences, perceptions, and social interactions that is needed to answer the research question in this thesis. A quantitative approach would not fully address the nuances of disruptive innovation within the context of lab-grown diamonds, and therefore a qualitative method was chosen.

#### 4.1.2 Abductive Reasoning

The research approach adopted for this paper is abductive reasoning, which Kovács & Spens (2005) explains as a combination of inductive and deductive reasoning. This approach is particularly well-suited for an exploratory study, which aims to develop a deeper understanding of the complex dynamics surrounding new entrants' strategic choices for

lab-grown diamonds in the luxury sector. The abductive process involves leveraging existing theories while simultaneously deriving new insights from the data collected (Bell et al., 2022). This iterative process involves drawing on existing theories to develop initial explanations, then refining these explanations based on empirical data, and potentially contributing to theory development by identifying new concepts, relationships, or mechanisms that can enhance our understanding of strategic adaptation of disruptive innovation.

The abductive process typically begins with a surprise or puzzling observation (Bell et al., 2022). In the context of this study, the puzzle is the emergence and growing acceptance of lab-grown diamonds, which challenges the established norms of the luxury jewelry market. However, the response strategies of new entrants remain an area not adequately addressed by existing theoretical frameworks, further underscoring the relevance of abductive reasoning for this research. Specifically, the theory on Disruptive Innovation is well-suited for framing the problem - namely, identifying when and why disruption occurs (Christensen et al., 2018). However, it falls short in addressing solutions, such as what actions new entrants should or can take in response to the disruption. This gap aligns closely with the research question, which focuses on exploring how entrant companies should strategize in a disrupted market.

Through this abductive process, the research aims to generate a more nuanced understanding of how entrants in a disrupted market have utilized the disruptive innovation to their benefit, potentially leading to the development of new theoretical insights or a refined framework for understanding strategic adaptation in the face of disruption. This abductive approach will be applied using qualitative data gathered through interviews and literature reviews to explore the complex dynamics at play. The data analysis will be conducted iteratively, involving a continuous dialogue between empirical findings and existing theoretical perspectives. The luxury market, with its emphasis on intangible values, brand heritage, and complex consumer perceptions, presents a unique context for studying disruptive innovation. An abductive approach is therefore well-suited to understanding the nuanced interplay of these factors and their influence on entrant firms' strategic choices.

## 4.2 Research Design

This study examines the luxury jewelry market as the industry context, focusing on the case of lab-grown diamonds as a disruptive innovation. Bell et al. (2022) discuss what constitutes

a case emphasizing that a case represents a specific, bounded system or phenomenon that can be studied in depth to generate insights. Thus, the definition of a case is dependent on the research context, purpose, and the boundaries set by the researcher. Whilst case studies can be either quantitative or qualitative, the latter enables for an intensive analysis due to the focused examination of a single case. By studying a broader question through a smaller case, situational aspects and distinct happenings can form an intensive analysis of the processes and interactions that contribute to the topic being studied. This approach allows for delving into the ‘how’ and ‘why’ of specific occurrences, which can offer detailed understandings that highlight the complexity and richness of real-world situations. Such insights can help build a more comprehensive understanding and contribute to theory development or practical applications (Flyvbjerg, 2006).

In the case of lab-grown diamonds within the luxury jewelry industry, the emerging technology provides valuable insights into how new entrants are navigating a disrupted market. This case is particularly compelling as the industry is currently undergoing these changes, making the interviews timely and insightful. By speaking with companies and experts as they are experiencing the shift, we can gain a firsthand understanding of their perspectives, rather than relying on retrospective accounts, which may overlook or forget key thoughts, emotions and actions. Another reason why lab-grown diamonds are especially interesting to investigate is due to the technological advancements in the broader lab-growing industry, with an increasing number of products being developed in laboratories. As the technology becomes more refined and widespread, this research will provide valuable insights into how new companies in the luxury jewelry market are adjusting to and potentially benefiting from these innovations. Given the rapid growth and potential of this industry, the findings of this study could prove especially useful in shaping strategies and practices in the near future, as companies strive to stay competitive in an ever-evolving market.

An inherent challenge of using case studies, similar to those faced in qualitative research methods, is their specificity, which makes replicability difficult. Goffin et al., (2019) highlights how case studies focus heavily on particular individuals, contexts, and events, and their outcomes are often shaped by the unique circumstances of time and place. In the context of lab-grown diamonds, where the technology and market are still relatively new and rapidly evolving, responses from interviewees might vary significantly if the same questions were asked just a few years later. The dynamic nature of this industry further complicates the

ability to replicate findings over time. Another limitation is that insights drawn from a single case may not always generalize to broader questions (Bell et al., 2022). While a case study can provide valuable, in-depth understanding, it represents only one instance within a larger phenomenon. Consequently, the findings from one case may differ significantly from another, which limits the amount a case can serve as a definitive answer to the overarching research question. To handle this issue as effectively as possible, several strategies can be employed. Firstly, transparent documentation of the research process, including the ideas behind the selection of the case, the methodology, and the interpretation of results, can improve the study's credibility and allow others to comprehend and potentially replicate key aspects of the approach (Goffin et al., 2019). Secondly, acknowledging the limitations of the case study in the conclusion section can ensure that the conclusions are appropriately framed within the context of the study (Bell et al., 2022).

### 4.3 Literature Review

This section outlines the methods employed to gather data for the study, ensuring a robust and comprehensive approach to addressing the research question. The secondary data collection process was focused on a systematic literature review and was amplified by an in-depth market analysis. The literature review provided a theoretical foundation by identifying and synthesizing existing knowledge on disruptive innovation, the lab-grown diamond industry and relevant theories that might aid in answering the research question. Meanwhile, the market analysis offered insights into current industry dynamics, key players, competitive strategies, and emerging trends within the lab-grown diamond and luxury sector. Together, these methods ensured a balanced approach, combining established theories with real-world developments to develop a deeper understanding of the research topic.

According to Hiebl (2021), a systematic literature review requires three essential features: structure, comprehensiveness, and transparency. These features ensure that the review is methodical, thorough, and reproducible. The approach for this thesis has been designed to align with these principles. The first characteristic of a systematic literature review is that it must be structured, which involves conducting the process in a methodical and organized manner. A foundational step in achieving this is to define a clear and well-articulated research question. In this thesis, the research question integrates a theoretical framework, a specific industry, and a product. This clarity ensures that the review maintains focus and relevance.

To further refine the subject, a set of keywords was identified to guide the literature search. These keywords include *Disruptive innovation*, *Lab-grown*, *Synthetic diamonds*, *Entrant firms*, *Market disruption*, *Entrant strategy*, *Veblen Goods*, *Diffusion of Innovation*, and *Luxury Jewelry market*. These terms were carefully chosen to capture the core concepts and themes relevant to the research question. In some cases, keywords were combined with other relevant search terms, such as *Luxury market + Demand shift*, to refine the search and ensure precision. This structured approach enables a targeted exploration of the literature while reducing the risk of overlooking critical studies.

The second attribute of a systematic review is comprehensiveness, meaning it should encompass all relevant literature on the subject. Achieving this requires the establishment of clear inclusion and exclusion criteria. According to Hiebl (2021), two primary criteria are used to determine relevance: the study's contribution to answering the research question and its alignment with predefined inclusion criteria, which can be found below.

<b>Systematic Literature Review</b>	
<i>Inclusion Criteria</i>	<ul style="list-style-type: none"> <li>- Peer reviewed academic articles</li> <li>- Written in Swedish or English</li> </ul>
<i>Exclusion Criteria</i>	<ul style="list-style-type: none"> <li>- Written in languages other than Swedish or English</li> <li>- Reports with an underlying political agenda</li> </ul>

**Table 1:** *Inclusion and exclusion criteria*

The literature search was primarily conducted using Scopus, but was complemented by using Supersök, the University of Gothenburg's database, Google Scholar and EBSCO. Articles that matched the keywords and met the inclusion criteria were systematically reviewed for relevance. To broaden the review's scope, the snowball technique was employed. In this approach, references cited in relevant articles were examined to identify additional studies - a process known as backward searching (Bell et al., 2022). While this technique has the limitation of primarily uncovering older research, its effectiveness was balanced by employing forward searching to identify newer studies that cited the relevant works. This dual approach ensured a comprehensive and balanced review of both foundational and emerging literature.

While this approach is robust, some limitations should be acknowledged. First, the exclusion of non-peer-reviewed literature, while ensuring quality, may limit the range of perspectives considered. Second, solely using literature written in Swedish or English excludes literature published in other languages. To deepen the understanding of the research question further, a thorough market analysis has been conducted which can be found in the empirical context. Despite these limitations, the systematic approach provides a solid foundation for addressing the research question. The focus on peer-reviewed studies ensures that the insights drawn from the literature are reliable and relevant. The structured, comprehensive, and transparent methodology lays the groundwork for a thorough understanding of how entrants in a disrupted market should act, using the case of lab-grown diamonds in the luxury jewelry market.

The findings of the literature review have been divided into three parts; empirical context, literature review and theoretical framework. The empirical context lays the ground for the entire thesis for the reader. It explains niche practices in the diamond industry and on the luxury market. Whilst this section does not aid in answering the research question per se, it is a cornerstone of the thesis, providing essential background for interpreting the subsequent analysis. Secondly, the literature review presents and synthesizes existing research on disruptive innovation and the lab-grown diamond industry, highlighting key findings, debates, and knowledge gaps. It provides a broad overview of what is already known and sets the stage for the study's contribution. In contrast, the theoretical framework narrows the focus by selecting specific concepts and theories to guide the analysis.

## 4.4 Data Collection

To complement the data collection, interviews were conducted with a diverse group of participants. These participants include representatives from a variety of companies from different countries specializing in lab-grown diamonds and also a researcher with expertise in the luxury industry. This varied selection ensures a multifaceted perspective on the research topic, capturing insights from both industry practitioners and experts within the subject.

### 4.4.1 Semi-structured interviews

A qualitative approach was chosen to prioritize the exploration of perceptions, experiences, and nuanced perspectives. Within this framework, semi-structured interviews were deemed the most appropriate method. This format combines structure with flexibility, allowing a

guided discussion through pre-developed questions while enabling the interviewer to adapt the sequence of questions or probe deeper into emergent topics (Bell et.al., 2022). The interview questions were carefully designed based on the research objectives and findings from the literature review. This alignment ensures that the discussions target the core aspects of the study while remaining open to capturing unexpected insights. Interviews were conducted via video- and phone-calls due to geographical distances that hindered face-to-face interviews. Each interview lasted between 30 and 60 minutes each, which provided time for in-depth exploration of participants' views and experiences.

Ethical considerations were integral to the interview process. Participants were provided with detailed information about the study's purpose and scope and were required to give informed consent before participating. Confidentiality was provided as an option, ensuring that participants felt comfortable sharing candid insights.

#### 4.4.2 Sampling

When choosing respondents, a combination of criterion sampling and convenience sampling was used. When using criterion sampling, participants are only selected if certain criteria are fulfilled, which are there to ensure that the research question is being answered (Patton, 2015). To do this, the following criterion was selected where one needed to be fulfilled in order to be a suitable candidate:

- Have previously or currently worked at, or with, a company with ties to the lab-grown diamond industry, in Europe.

Undeniably, the pool of suitable candidates is limited. The diamond market is highly concentrated with a small number of key players. Therefore, convenience sampling was also employed. This method entails selecting participants who are easily accessible and willing to take part in the study (Marshall, 1996). Selecting participants partly based on convenience facilitates a larger volume of data collection. However, by combining criterion sampling with convenience sampling, the study ensures that the data remains both relevant to the research objectives and sufficiently substantial to yield meaningful results.

While five interviews may initially seem limited, this number is more appropriate when considering the structure of the diamond industry. In a highly concentrated market dominated by a few key players, each major actor holds substantial influence. This high concentration

strengthens the relevance of each participant's perspectives and ideas, and means that insights from a small number of well-informed participants can still provide a deep and representative understanding of the industry given that in the diamond industry, a small number of companies control the majority of the market share. Each interview offers meaningful perspectives on the strategic priorities, challenges, and dynamics that shape the wider market.

Additionally, the strategic roles held by the interviewees considerably strengthen the value of their insights. This thesis aims to explore how new entrants navigate and strategize within a disrupted luxury market, and how they position themselves in an industry long dominated by traditional players. And what better way to understand this than by speaking directly to those who helped shape these strategies from the very beginning, namely the founders of these emerging companies. Their perspectives provide first-hand information of the motivations, challenges, and strategic considerations involved in building a business in a transforming industry. Below is an overview of the respondents:

<b>Respondent</b>	<b>Position</b>	<b>Background</b>	<b>Duration</b>	<b>Date</b>	<b>Language</b>	<b>Interview guide (in appendix)</b>
Victor Halvarsson	Founder and CEO of VanBruun	Founded VanBruun 12 years ago, specializes in diamond engagement rings. Offers both Lab-grown and mined diamonds.	44 minutes	2025-02-18	Swedish	A1
Anna Wallander	Co-founder and CEO of Akind	Co-founded Akind 6 years ago. Focus on everyday gold and diamond jewelry. Exclusively sells lab-grown diamonds.	49 minutes	2025-03-14	Swedish	A1
Elvira Eriksson	Co-Founder and CEO of Mockberg	Co-founded Mockberg 10 years ago. Mainly sells watches, but recently introduced a collection of gold and lab-grown diamond jewelry.	29 minutes	2025-03-26	Swedish	A1
Sidney Neuhaus	Co-Founder and CEO of Kimai	Co-founded Kimai 7 years ago. Originally sold everyday gold and diamond jewelry, but are today known for their engagement rings as well. Solely sells lab-grown diamonds.	56 minutes	2025-04-15	English	A1

Jonas Holmqvist	Professor and researcher in Luxury Marketing	Professor and researcher in luxury marketing for 11 years. Currently researching lab grown diamonds and sustainability in the luxury market.	44 minutes	2025-03-13	Swedish	A2
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*Table 2: Overview of interviewees*

#### 4.4.3 Interview Design

Two separate interview guides were developed, one for the respondents working in the diamond industry and another for the luxury professor. Before each interview, the guide was tweaked to ensure the questions matched each profile. These interview guides are included in the appendix, named A1 and A2, to enhance the study's credibility and transferability (Bell et.al., 2022). While this guide provides a structured foundation, the use of follow-up questions (tailored to participants' responses), introduces some limitations in replicability. The used follow-up questions are not listed, as they are dependent on the flow of each conversation. However, these interactions are documented in the transcriptions to maintain transparency and ensure the richness of the data is preserved. The interview guide for the respondents working in the diamond industry was structured in a way to truly capture all parts of the company strategy. The guide was therefore divided into 6 parts, to ensure that relevant data could be sourced:

1. Background of interviewee and company
2. Distribution, sales channels and marketing
3. Customers and consumers
4. Supply Chain
5. Market and Industry
6. Closing remarks

A similar structure was used when interviewing the luxury marketing professor:

1. Background of interviewee
2. The Luxury Market
3. Sustainability
4. Strategy
5. The Diamond Market
6. Closing remarks

## 4.5 Data analysis

In order to analyse the data, the initial step was transcribing the interviews. This step simplifies identifying themes and creates easier navigation of the interviews in text format and also enhances the transparency of the research, enabling readers to validate conclusions and address any uncertainties. It also simplifies replication, especially in semi-structured interviews where follow-up questions are often improvised. By providing a clear record of the interview paths taken, replication studies can simply trace and follow the original discussions. However, transcription can be a time-intensive process, particularly when dealing with numerous and lengthy interviews. To address this challenge, the artificial intelligence tool 'Descript' was employed to expedite the initial transcription process. While the artificial intelligence tool facilitated a smooth transcription, manual proofreading was still needed to ensure the accuracy of the transcripts. This combined approach ensures that the transcripts are both efficient to produce and fully aligned with the content of the interviews.

The interviews were transcribed verbatim to ensure transparency. However, this approach may introduce certain limitations. Non-verbal cues and contextual nuances that cannot be captured in text were observed during the interviews, which means that interpretations may differ between someone who was physically present and someone relying solely on the transcripts.

To address this issue, thematic analysis was used to organize the data by identifying patterns and themes in the transcriptions. What is defined as a theme is somewhat debated, however there is a consensus that themes represent patterns in a dataset, identified by the analyst (Bell et al., 2022). To find these themes, specifically the Gioia Method was applied for its systematic, structured approach. While Gioia himself has never explicitly explained the steps of this method, Langley and Abdallah (2011) explains the method as refining the data in stages, beginning with the raw interview responses, then categorizing them into first-order codes, second-order categories, and, ultimately, aggregated themes. The process began by carefully reviewing the transcriptions to identify quotes that highlighted key insights relevant to the research question. These quotes were then simplified into distinct categories reflecting participants' perceptions, forming the first-order codes. Next, these concepts were analyzed for patterns and relationships, leading to the development of second-order categories. Finally, the second-order categories were synthesized into third-order dimensions, capturing the essence of participants' experiences. This structured approach provided clarity and depth to

the data, ensuring that the findings were comprehensive and meaningful. Thematic analysis can be very-time consuming, so in order to reduce the time spent on this, the qualitative data analysis software NVivo has been utilized. The programme has assisted in systematically categorizing and analyzing the interview transcripts in line with the Gioia method. By using NVivo throughout this process, the analysis will benefit from increased accuracy, efficiency, and reproducibility (Lumivero, 2024).

Thematic analysis can be a highly beneficial tool in qualitative research, particularly in providing a clear and organized framework to identify and analyze patterns within large sets of qualitative data. It simplifies the process, helping to extract meaningful insights and leading to more concise interpretations, which not only aids the analysis process but also makes the report more accessible to the reader. The Gioia method proves effective due to its reliance on participants actual words, ensuring that perspectives are authentically represented. Its structured and explicit nature also minimizes subjective interpretation, enhancing the research's reliability. However, thematic analysis is not without its challenges. It can be time-consuming, especially with large datasets, and while it reduces bias, it does not eliminate it entirely. The process of interpreting data multiple times and selecting themes involves some level of subjectivity. Additionally, broad categorization may result in the loss of certain nuances or insights. Despite these limitations, when applied carefully and with awareness of these potential drawbacks, thematic analysis using coding is a valuable tool for qualitative research. Additionally, as Gioia et al. (2013) mentions, while thematic analysis is essential for finding key topics and patterns, the subsequent phases hold greater power. Especially the discussion, when the themes from the interviews are incorporated with the findings from the literature review. In such a way, the discussion section takes a broader perspective and it is here the findings take on their full significance, revealing their implications for theory, practice, and future research.

## 5. Findings

This section presents the key findings derived from our qualitative interviews, which have been transcribed and, when necessary, translated into English. The insights have been thematically analyzed and structured into six aggregated themes, each capturing a distinct strategic or contextual dimension relevant to how new entrants navigate the disrupted luxury diamond market. These themes serve as the foundation for understanding how lab-grown

diamond companies respond to challenges and develop strategies for competitive success. Each theme is supported by second-order categories, based on first-order codes derived from direct quotes and interpretations that reflect recurring patterns and unique perspectives shared by the participants.

## 5.1 Strategic Supply Chain Configuration as a Competitive Lever

During the interviews, several patterns and differences emerged in how companies approach supply chain management, often reflecting varying strategic objectives. The first second-order category identified within this theme was relational sourcing. Interviewees emphasized that maintaining a close, communicative relationship with a small number of trusted suppliers is a key aspect of their quality assurance processes. However, establishing these relationships was described as particularly challenging - especially in the early stages of company development. This difficulty ties into broader challenges faced by new entrants in the market. The diamond industry is traditionally built on long-standing networks and established connections, making it hard for newcomers to identify and secure reliable suppliers with whom to develop long-term partnerships.

*“What was difficult was finding suppliers we could trust - where we would source all our diamonds.” - Anna Wallander, CEO and Founder of Akind*

Within the concept of relational sourcing, distinctions were noted across different stages of the supply chain, for example between mining or laboratory companies and cutters or jewelers. The most common and meaningful relational ties were found between the companies interviewed and the cutters. In contrast, laboratory or mining companies were generally viewed as more distant partners. Vertical integration was limited, and it appeared more important for firms to maintain strong relationships with downstream partners, such as cutters and jewelers, rather than upstream sources like laboratory or mining firms.

*“Obviously some big suppliers, these are the ones we have bought from, I know them personally. And all our rings, we have very, we manufacture the majority of all our rings in Sweden, which nevertheless is unique. And we have good relationships with them, but not with the diamond suppliers.” - Victor Halvarsson, CEO and Founder of VanBruun*

One company that stood out in the interviews was Kimai, which was unique in sourcing directly from laboratories and managing its own production - including in-house

goldsmithing, setting, and design. Kimai also emphasized a relational aspect to their sourcing strategy, working closely with a select number of labs through established collaborations. This approach leads to another second-order category: streamlined sourcing. Kimai's method provides a high level of control over both the supply chain and the final product outcomes. By internalizing significant parts of the production process, the company ensures consistency in quality and efficiency. Other interviewees echoed this sentiment, pointing to the advantages of minimizing outsourcing as a means of enhancing both quality assurance and operational efficiency.

Another sourcing approach identified was flexible sourcing, which in some cases stands in contrast to relational sourcing. While the two are not mutually exclusive, they serve different strategic purposes. The key driver behind flexible sourcing is the company's consumer-centric orientation. This approach enables firms to consistently deliver the right products to customers by adapting their supplier choices based on specific needs, rather than maintaining exclusive relationships with a select few. One interviewee noted that certain suppliers were rigid in the scope of their offerings. As a result, the company opted to source from alternative suppliers when necessary, prioritizing product availability and customer satisfaction over supplier exclusivity.

*"We don't choose the suppliers, we choose the diamonds. So it has to be what the suppliers offer."* - Victor Halvarsson, CEO and Founder of VanBruun

Flexible sourcing can also be linked to the concept of a lean, made-to-order production model. This sourcing strategy enabled the companies to maximize product customization, thereby enhancing customer satisfaction. By adopting a made-to-order approach, the companies could maintain minimum inventory levels, only procuring products when an order is placed.

*"We have no inventory, so you build for a business model, everything is kind of made to order. So we put together the diamonds with the customer and then we manufacture it to order and then we add a brand name."* - Victor Halvarsson, CEO and Founder of VanBruun

This not only reduced the excess stock but is also viewed as a strategy for maintaining competitive pricing while upholding high product quality. Interviewees emphasized that low

inventory was both a cost-saving measure and a means of ensuring greater flexibility in responding to customer preferences.

Differentiation within the supply chain was also considered crucial for achieving sustained competitive advantage. Two distinct second-order categories emerged in this context. The first involves differentiation through a deliberate focus on downstream processes. Several interviewees emphasized that their core strengths lie in design and branding. As a result, vertical integration, particularly into upstream activities, was viewed as misaligned with their business models, potentially fragmenting their operations and diverting resources toward areas that are both time-consuming and costly to compete in. By concentrating on their downstream capabilities, these companies were able to strengthen market positioning and support strategic growth.

*“Yes, I've actually looked into it [producing own lab-grown diamonds], but I'm a firm believer in focusing on what you're good at and what you add value to, and we're not diamond manufacturers” - Victor Halvarsson, CEO and Founder of VanBruun*

The second form of differentiation centers on quality control. One company, in particular, underscored the importance of craftsmanship in the jewelry industry, which has a long-standing heritage. When offering lab-grown diamonds, which are often compared directly with mined diamonds, maintaining an equally high standard of quality and craftsmanship is essential for establishing credibility. Furthermore, greater control over the production of lab-grown diamonds, owing to their creation in a laboratory rather than extraction from the earth, enables companies to guarantee cleaner, more flawless diamonds. For example, one firm highlighted that their diamonds were free from the natural impurities sometimes found in mined stones. This enhanced quality was seen as a key point of differentiation in the jewelry market.

*“It's just because of course there's a craftsmanship at the sustainable side of the lab grown because you can find so many different qualities in terms of quality of stones but also quality of how it was grown. But we're very picky with that and that's also why our price are the price that we charge our clients.” - Sidney Neuhaus, founder and CEO of Kimāi*

The final second-order category under the supply chain theme emerged from the interview with Professor Holmqvist and focuses on the incumbent diamond supply chain. This structure differs significantly from that of new entrants. The most notable distinction is the high degree

of vertical integration among incumbents, which not only enhances efficiency but also serves as a mechanism for ensuring consistent quality. Incumbent companies, exclusively mined diamond producers in this context, often exercise tight control over their supply chains, managing every step from extraction to retail. This level of control is largely attributed to their scale, resources, and long-standing presence in the market. Some incumbents even own their own mines, granting them a significant competitive advantage, including the ability to restrict access to the market for other players.

*“And since the diamond industry is quite small, the essential actors still have very strong control over the supply chains.”* - Jonas Holmqvist, Professor of Luxury Marketing at Kedge Business School

Professor Holmqvist also emphasized the potential risk for premium brands when outsourcing their supply chains. He noted that losing control over production processes can increase the risk of quality disruptions, which is something luxury brands cannot afford. Since quality is a foundational value and key differentiator in the luxury segment, any compromise in this area could undermine brand strength and consumer trust.

In summary, supply chain management is deeply integrated into every company and serves as a crucial pillar for strategic decision-making. Since all interviewed companies prioritize unique designs and rarely purchase finished products directly, a robust supply chain remains a significant factor. However, the specific supply chain strategies companies adopt vary considerably based on aspects such as inventory management, customization options, quality control, and the significance of trust within their networks.

First-order codes	Second-order categories	Aggregated themes
<ul style="list-style-type: none"> <li>→ The company builds close relationships with local jewelers to emphasize craftsmanship, while maintaining more distant, transactional ties with diamond suppliers.</li> <li>→ Important to maintain a good relationship with legitimate suppliers.</li> <li>→ Difficulties in identifying credible and reliable suppliers in the early stages of market entry</li> </ul>	Relational Sourcing	Strategic Supply Chain Configuration as a Competitive Lever
<ul style="list-style-type: none"> <li>→ Demonstrates flexibility and breadth in supplier sourcing, reflecting an opportunistic and adaptive procurement strategy.</li> <li>→ The company operates with a flexible sourcing model, focusing on product quality rather than loyalty to specific suppliers.</li> </ul>	Flexible Sourcing	
<ul style="list-style-type: none"> <li>→ Operates on a lean, made-to-order business model that minimizes stock and maximizes customization.</li> <li>→ A lean, made-to-order business model.</li> </ul>	Lean & Made-to-Order Model	
<ul style="list-style-type: none"> <li>→ The company pursues a streamlined supply chain by sourcing directly from cutters, aiming for efficiency and greater control over product quality</li> <li>→ Operating within a controlled supply chain with limited outsourcing..</li> <li>→ Partial in-house production for quality and control.</li> <li>→ Limited amount of supplier countries</li> </ul>	Streamlined sourcing	
<ul style="list-style-type: none"> <li>→ The brand concentrates on its core strengths in design and customer experience, deliberately avoiding upstream diamond production.</li> <li>→ Clear strategic choice to remain downstream, avoiding vertical integration.</li> </ul>	Deliberate Focus on Downstream Differentiation	
<ul style="list-style-type: none"> <li>→ Quality control as a differentiator within sustainable luxury.</li> <li>→ Higher ROI on lab-grown diamonds due to control over the product development which ensures a sellable product</li> <li>→ Trust in craftsmanship as a persistent norm in jewelry making.</li> </ul>	Quality control as a strategic differentiator	
<ul style="list-style-type: none"> <li>→ Incumbents maintaining tight supply chain control</li> <li>→ Vertical integration for quality assurance</li> <li>→ Premium brands risking negative perceptions through outsourcing</li> </ul>	Mined diamond Supply Chain	

**Table 3:** Thematic analysis with first-order codes, second-order categories and an aggregated theme

## 5.2 Building Credibility Through Channels and Community

An essential component of any market entry strategy is the selection of appropriate marketing and distribution channels. These choices are not only critical for initial positioning but also serve as long-term strategic levers for growth. As highlighted in the interviews, channel strategies are not static, rather they are reassessed and adjusted continuously in response to resource availability, market performance, and brand recognition.

A recurring pattern among the interviewed companies is the prioritization of establishing a strong foundation in a specific product segment or geographic market before pursuing broader expansion. For example, Mockberg, the Nordic market leader of watches, is now leveraging its well-established reputation for quality and craftsmanship to expand into adjacent categories, particularly lab-grown diamond jewelry.

*“We are the Nordic market leader in women's watches, but we are also growing in the jewelry industry or in the industry there and taking market share.”* - Elvira Eriksson, CEO and founder of Mockberg

This strategic progression is not limited to product segment expansion, but also applies to expanding geographically. VanBruun, one of the leading brands for engagement rings in the Nordics, is now entering new markets abroad. Such a move would not have been possible without first achieving a solid and reputable brand presence domestically.

*“We would never have been able to compete in the Netherlands and in France, which we are now seriously embarking on.”* - Victor Halvarsson, CEO and Founder of VanBruun

Another interviewee, adopts a comparable approach, although with a distinct consumer focus. Targeting self-purchasing consumers of diamond jewelry, the company is planning to enter the UK market, where lab-grown diamonds are more established and normalized compared to the Nordic region. As explained by the CEO and founder, the expansion is a strategic response to both consumer demand and the maturity of the British lab-grown diamond market. But in order to build a strong brand reputation that enables growth into adjacent segments and markets, a critical component lies in the strategic selection of sales and visibility channels. A dominant pattern among the studied firms is the initial reliance on digital channels. All the companies in this study launched as digital-native brands, foregoing

physical retail spaces in their early stages. While this approach reflects a deliberate strategic orientation toward contemporary consumer behaviors, it also aligns with financial restraints often associated with small and up-and-coming companies. For instance, Kimai adopted a highly cost-efficient go-to-market model by producing only one physical prototype of each jewelry design for their website. This lean approach minimized both inventory costs and upfront capital investment, while enabling an agile, make-to-order production model.

*“That's also why we could launch a website with like basically no money because we kind of like made one piece of each style that we wanted. And then we said like okay if we sell, great, we just make-to-order and clients will wait.”* - Sidney Neuhaus, founder and CEO of Kimai

While digital retail has proven successful across the brands, additional efforts have been made to enhance brand visibility and facilitate consumer conversion. Notably, companies such as Mockberg, Akind, and Kimai have engaged with selected resellers. These partnerships are not primarily aimed at boosting sales, but rather at increasing brand exposure and allowing potential customers to physically experience the products.

*“So when we do work with a reseller, it means that it's mostly for brand awareness and just for people to see the product.”* - Sidney Neuhaus, founder and CEO of Kimai

Furthermore, a number of interviewees emphasized that their marketing strategies are evolving in recognition of untapped opportunities to engage younger, digital-native audiences. While these consumers are mainly reached through online platforms, some of the interviewees also identified exclusive distribution and physical retail experiences as future opportunities. As these brands have matured and acquired more resources, they have marked a strategic transition toward omnichannel engagement. VanBruun, for example, complements its digital store with physical showrooms.

*“So it's clear that online is a much more streamlined business, but would we have been able to sell so much online without showrooms, no.”* - Victor Halvarsson, CEO and Founder of VanBruun

Kimai has observed similar consumer behavior. Their single physical store in London truly boosted engagement ring sales, prompting the launch of a pop-up store in the U.S. Following its immediate success, the space was converted into a permanent location. The brand

attributes this growth in sales directly to the in-person try-on experience, which appears to enhance customer confidence and conversion rates.

*“We had just people coming like more and more to try on the engagement rings and that's really basically when the engagement rings sales started to to grow.”* - Sidney Neuhaus, founder and CEO of Kimai

Together, these findings suggest that while a digital-first approach facilitates accessible, scalable, and resource-light market entry, the gradual incorporation of physical touchpoints, whether through resellers, showrooms, or brand-owned stores, plays a vital role in building consumer trust, increasing brand legitimacy, and accelerating sales in the luxury jewelry market.

Another key strategy that emerged during the interviews concerned the strategic selection of media channels and partnerships through which a brand chooses to appear with. This decision is particularly consequential in the luxury sector, where brand perception is deeply intertwined with exclusivity, credibility, and long-term value. An issue of focus, mentioned by all interviewees, was the use of influencer marketing; A practice that, while widespread and often effective in mainstream marketing, poses unique risks and challenges for luxury brands.

*“I would say it's mostly negative. You see that, but the same thing stops there, that the more prestigious a luxury brand is, the more negative it is to collaborations with influencers.”* - Jonas Holmqvist, Professor of Luxury Marketing at Kedge Business School

This cautionary perspective appears to be reflected in the practices of the interviewed companies. Many expressed hesitation in using influencers purely for transactional customer conversion. Instead, their strategies emphasize the importance of value alignment and narrative coherence. Rather than prioritizing short-term visibility, firms now seek long-term associations that strengthen brand prestige and emotional resonance. The ideal partner is one who not only garners attention but also embodies the brand's ethos and enhances its credibility in the eyes of discerning consumers. This adjustment is particularly visible in Akind's approach. The company has deliberately become more selective, reassessing its influencer collaborations with the aim of enhancing authenticity and prestige.

*“Stricter and stricter, I’d say. I’m probably stricter now when it comes to collaborations. We’re doing a bit of a switch. For me, it’s really important that people are genuine, feel natural, and that it comes across as credible.”* - Anna Wallander, CEO and Founder of Akind

Rather than moving away from influencer marketing entirely, these companies are refining how they engage with it. The focus has shifted toward identifying long-term partners who contribute not only to return on investment but also to the cultivation of a desirable brand image. In parallel, many firms are increasingly investing in organic marketing, efforts that aim to build recognition and legitimacy without direct promotional payment. For example, brands benefit noticeably when influential public figures wear their products voluntarily. Two of the interviewed companies noted that their jewelry had been worn by members of the royal families in Sweden and the United Kingdom, events that conferred both symbolic prestige and increased consumer interest, without the need for direct sponsorship or endorsement.

Another strategy involves engaging with PR agencies to organize brand-aligned events for influencers and also coming in contact with journalists and press. These experiences intend to foster genuine interest and affection for the brand, enhancing credibility and authenticity.

*“We try to do a lot of organic marketing things, so partnerships, events with influencers, journalists etc.”* - Sidney Neuhaus, founder and CEO of Kimāi

Additionally, word-of-mouth was highlighted as a particularly powerful tool in the diamond jewelry sector. Given the high-involvement, infrequent nature of purchases in this category, consumer satisfaction and trust become essential levers for reputation management and organic growth. Brands like Mockberg and VanBruun rely heavily on customer experience as a means to generate new leads through recommendations.

*“Our most common customer acquisition is through recommendations, obviously. So every customer should generate at least one, two new customers is my ambition.”* - Victor Halvarsson, CEO and Founder of VanBruun

Collectively, these strategies illustrate a broader shift in luxury marketing from mass influence to intentional brand alignment. In a sector where brand integrity is paramount, influencer collaborations and media exposure must be carefully managed to support, rather than dilute, perceived exclusivity and value.

First-order codes	Second-order categories	Aggregated themes
<ul style="list-style-type: none"> <li>→ Emphasizes the importance of physical retail spaces for building trust and supporting high-value online transactions.</li> <li>→ Positions itself as an omni-channel brand, evenly splitting sales between digital and physical platforms to meet customer needs.</li> <li>→ Physical retail experience increases customer conversion.</li> </ul>	Blending Digital Reach with Physical Trust	
<ul style="list-style-type: none"> <li>→ Relies heavily on word-of-mouth referrals, viewing each customer as a potential growth agent within a networked marketing approach.</li> <li>→ Social proof and peer recommendations are central to growth.</li> <li>→ Growing Importance of PR to expand brand awareness</li> </ul>	Leveraging Social Capital and Peer Networks	
<ul style="list-style-type: none"> <li>→ The brand acknowledges that prior limitations in competitiveness have now evolved into readiness for international expansion.</li> <li>→ The company leverages its strong position in watches as a launchpad for expanding in the jewelry segment.</li> <li>→ Expanding to the UK where lab-grown diamonds are an established product among consumers</li> </ul>	Strategic Channel Expansion Based on Core Strengths	Building Credibility Through Channels and Community
<ul style="list-style-type: none"> <li>→ Choosing brand partners based on aesthetic and values, rather than just performance metrics.</li> <li>→ Using celebrity endorsements to establish credibility and visibility.</li> <li>→ Grassroots and experiential marketing to build brand presence.</li> <li>→ Strategic partnerships to scale brand exposure</li> <li>→ Focus on genuineness in collaborations and association to attract the target consumer group</li> <li>→ Initial media coverage and positive feedback boosted the company's early momentum</li> <li>→ Prestige brands avoiding influencer collaborations</li> </ul>	Carefully value aligned partnerships and media presence	
<ul style="list-style-type: none"> <li>→ Marketing strategies are evolving, with recognition of untapped opportunities to engage younger, digital-native audiences.</li> <li>→ Exclusive distribution and physical store as an opportunity for the future</li> <li>→ The main consumers are modern and digital</li> </ul>	Adapting to the new Luxury Consumer	

**Table 4:** Thematic analysis with first-order codes, second-order categories and an aggregated theme

### 5.3 Customer Co-Creation and Strategic Adaptation

Firms are inherently dependent on their customers, and this interdependency was strongly reflected across the interviews. A central insight that emerged is the extent to which customer preferences, values, and behaviors shape the strategic direction of companies in the lab-grown diamond industry. From branding and communication to product development and service delivery, the consumer plays a critical role in determining both long-term positioning and short-term operational decisions. In total, eight second-order categories were identified in relation to customer strategy, which together create the broader third-order theme of Customer Co-Creation and Strategic Adaptation.

One unique aspect of the lab-grown diamonds industry is the high-involvement nature of the product category. Due to the high price point and the emotional significance of the purchase, many consumers engage with the category infrequently, often only once in a lifetime. This reality increases the importance of customer satisfaction and word-of-mouth, as a single positive experience can generate follow-on business through referrals, as repeat purchases are relatively rare. Despite this, a second-order category identified across several companies was a lifecycle-oriented customer strategy. Three of the interviewed companies demonstrated strategic efforts to increase customer retention, however through different approaches aligned with their core customer segments.

VanBruun, for instance, primarily serves well-educated men aged 25–40 living in urban areas. Their strategy centers on positioning the brand as a partner across key life milestones, using the engagement as a strategic entry point into a longer-term customer relationship.

*“The most important customer is the one who is going to propose, I would say. Because then you get in, then you get in like the engagement ring and then you probably get in the wedding ring, and then maybe get in a morning gift, then maybe a push gift, like if you see a traditional family cycle.”* - Victor Halvarsson, CEO and Founder of VanBruun

In contrast, Akind and Kimaï primarily target women aged 25–45 who are highly educated, urban, and sustainability-conscious. While both brands have the ambition to build customer loyalty, they do so through different strategies. Akind emphasizes self-purchase as a form of self-care and empowerment, promoting products designed for stacking and everyday use. This approach has resulted in high levels of recurring customers.

*“We definitely have returning customers. We have an average of between 25 and 30 percent returning per month right now.”* - Anna Wallander, CEO and Founder of Akind

Kimai, while sharing a similar demographic focus, employs a slightly different strategy by expanding their product lines to ensure engagement ring buyers can return for complementary items. This reflects a conscious effort to extend the customer relationship beyond a single major purchase.

*“I think it's important that when somebody buys an engagement ring that you have something else to sell them.”* - Sidney Neuhaus, founder and CEO of Kimai

Notably, while both VanBruun and Kimai offer engagement rings, their appeal to different genders is shaped by design and brand ethos. Kimai's more contemporary and unconventional aesthetics tend to resonate more with women, while VanBruun's classic designs appeal to traditional male buyers.

*“But it's mostly the woman who is involved since especially we're doing different designs. We do have men coming by themselves but it's more rare I would say and if they come they might go for the more traditional design.”* - Sidney Neuhaus, founder and CEO of Kimai

A further layer influencing customer strategy is the intrinsic association between lab-grown diamonds and sustainability. However, there was no consensus among interviewees regarding how prominently this should feature in branding and communication. Several respondents acknowledged the so-called *sustainability-luxury paradox*, where sustainability, while increasingly important to consumers, can sometimes undermine perceptions of luxury and exclusivity.

*“There's unfortunately a tendency among some customers to associate sustainable or ecological goods with lower quality.”* - Jonas Holmqvist, Professor of Luxury Marketing at Kedge Business School

Despite this challenge, brands such as Akind and Kimai have built their identities around being sustainable alternatives in a historically foul industry. Both noted that this positioning has successfully attracted ethically conscious consumers. Nevertheless, there is a growing internal debate about how explicitly to promote sustainability in marketing efforts. This ambivalence is further compounded by differing perceptions of what motivates consumers to

choose lab-grown diamonds. While many brands believe sustainability is a key driver, VanBruun CEO Victor Halvorsson takes a more skeptical stance.

*“If you were to ask people in town, they would say it's for like ethical reasons and stuff, but the truth is that it's for the cost.”* - Victor Halvarsson, CEO and Founder of VanBruun

Indeed, the affordability of lab-grown diamonds emerged as a steady pattern across the interviews. Several companies noted the need to remain flexible and demand-driven in their strategic decisions. For example, VanBruun originally focused exclusively on mined diamonds but introduced lab-grown diamonds in response to growing consumer demand. Today, lab-grown diamonds constitute over 50% of their unit sales. Even brands that specialize in lab-grown diamonds have shown a willingness to adapt. Kimai, for instance, began accepting requests for custom pieces made from vintage mined diamonds; Aligning this choice with their broader sustainability ethos and commitment to circularity.

This responsiveness to customer needs also materialized in a broader category of Customization and Customer-led flexibility. All companies emphasized the importance of adapting to individual preferences, even if doing so meant deviating from the core product offering. Customization was widely embraced, with few constraints. Kimai was the only brand to indicate a desire to retain certain boundaries to preserve brand identity.

*“There's nothing we can't do, but we will always add the Kimai DNA to our designs.”*  
- Sidney Neuhaus, founder and CEO of Kimai

Such agility is supported by the lean organizational structures of the companies studied. All had fewer than 15 employees, with highly centralized leadership models often involving the founders themselves. This flat hierarchy allowed for rapid decision-making and responsiveness to emerging trends or customer feedback.

*“Because we're such a young team and small, we do everything ourselves and then we can pivot very quickly.”* - Sidney Neuhaus, founder and CEO of Kimai

A further critical dimension of customer strategy in the lab-grown diamonds industry concerns building brand trust and emotional credibility, which has been historically important for some of the brands who started earlier. At this time, there was a relatively low baseline of consumer awareness and understanding as public familiarity with lab-grown diamonds was extremely limited.

*“When we started, no one knew about lab grown.”* - Sidney Neuhaus, founder and CEO of Kimāi

There is still a continued need to educate and guide consumers through change. While increased market awareness has since reduced the need for scientific explanations, consumer education remains a key part of the customer journey, especially for first-time buyers. Nonetheless, the interviewees highlighted the difference between a low knowledge of the product and a low interest in the product.

*“I never really encountered any major criticism of lab-grown. There were definitely some customer comments and such. But we sold well from the start.”* - Anna Wallander, CEO and Founder of Akind

Across the interviews, it became clear that brand trust is actively constructed, not assumed. Exceptional customer service, premium packaging, and trusted affiliations or visibility in high-profile contexts like the royal family, serve to strengthen both emotional and social credibility. In a category where the emotional significance of the purchase is exceptionally high, this trust-building effort is amplified by the creation of emotionally resonant brand narratives.

*“You need to sell the story. You need to sell, really, like what Kimāi is, what the product they’re buying is, and then just create that bond with your client to make sure that they come not only for the anniversary gift, etc., but for the wedding band.”* - Sidney Neuhaus, founder and CEO of Kimāi

Taken together, these findings demonstrate that customer strategy in the lab-grown diamond space is not only multi-dimensional but also in constant evolution. Firms in this space are not simply reacting to customer demands, but rather actively co-creating meaning and value with their customers.

First-order codes	Second-order categories	Aggregated themes
<ul style="list-style-type: none"> <li>→ The customer journey involves few but highly intensive and personalized interactions, reflecting a high-involvement purchase process.</li> <li>→ Showcases a customer-first mentality and willingness to adapt to individual needs, even for highly customized or unconventional requests.</li> <li>→ Adapts to individual preferences, even if it diverges from core offering.</li> <li>→ Moving from transactional to communicative/customer-centric models.</li> <li>→ Agility and responsiveness due to lean team structure.</li> </ul>	Personalization and Customer-Led Flexibility	
<ul style="list-style-type: none"> <li>→ Brand trust is built through exceptional service, aesthetics, and affiliation with reputable partners and causes</li> <li>→ Building emotional resonance through brand narrative for long-term loyalty.</li> <li>→ High market validation from consumers facilitating Early Adoption</li> </ul>	Emotional Credibility and Values Alignment	
<ul style="list-style-type: none"> <li>→ Unfamiliarity to many consumers requires clear communication.</li> <li>→ Increasing consumer awareness and education on lab-grown diamond equivalence.</li> <li>→ Initial lack of consumer awareness of lab-grown alternatives.</li> </ul>	Educating and Guiding Consumers Through Change	
<ul style="list-style-type: none"> <li>→ Highlights a strategic balance between sales volume of lab-grown diamonds and higher revenue from mined diamonds.</li> <li>→ The company embraces a customer-led approach, prioritizing demand over rigid brand ideology when choosing to introduce lab-grown diamonds.</li> <li>→ Price-sensitive demand driving preference for larger lab-grown diamonds</li> <li>→ Importance of product line extension for continued customer engagement.</li> <li>→ Consumer-driven change boosts the legitimacy and relevance of lab-grown diamonds.</li> </ul>	Demand-Driven and Hybrid Product Strategy	
<ul style="list-style-type: none"> <li>→ Importance of product line extension for continued customer engagement.</li> <li>→ Sustained Customer Loyalty, Driving a Strong 25-30% Monthly Return Rate</li> <li>→ Utilizes key life events as strategic entry points into long-term customer relationships.</li> </ul>	Lifecycle-Oriented Customer Strategy	Customer Co-Creation and Strategic Adaptation
<ul style="list-style-type: none"> <li>→ Sustainability is a core value, despite concerns it may weaken the luxury image.</li> <li>→ Consumer resistance to sustainable luxury branding</li> <li>→ Sustainability stigma linked to perceived quality drop</li> <li>→ Noticing a market gap in ethical consumption within the diamond industry.</li> </ul>	Sustainability-luxury paradox	
<ul style="list-style-type: none"> <li>→ Disruptive innovation from fresh perspectives and generational insight.</li> <li>→ Generational shift towards personalized and meaningful jewelry design.</li> <li>→ Generational Divide on lab-grown diamonds, where it appeals to a younger audience more</li> <li>→ Core customer profile: urban, sustainability-focused women aged 25–45.</li> <li>→ Evolving design aesthetics in line with founder maturity and market shift.</li> </ul>	Generational & Demographic Shifts	
<ul style="list-style-type: none"> <li>→ The brand focuses on customers who are more cautious and need social proof before adopting new products.</li> <li>→ The company has consumers that self purchases as a form of self empowerment, which is unusual in the industry.</li> <li>→ Gendered preferences: women seek innovation, men prefer classic styles.</li> <li>→ The typical customers are conscious women keen on trends and well-educated.</li> </ul>	Consumer Behavior & Identity	

*Table 5: Thematic analysis with first-order codes, second-order categories and an aggregated theme*

## 5.4 Strategic Navigation of Institutional Barriers and Industry Disruption

The diamond industry is both ancient and uniquely characterized by its distinct structure. This legacy brings with it a range of barriers and opportunities that companies must navigate in order to compete effectively. Closely tied to the broader luxury industry, the diamond sector, like luxury more generally, is dominated by well-established incumbents with strong reputations and high consumer recognition. Through our thematic analysis, we identified nine second-order categories.

The first second-order category highlights how respondents perceive the mined diamond industry as one with extremely high entry barriers. These barriers have contributed to a market with relatively few dominant players. Uniquely, the industry is known for a strong level of cooperation among these major actors, who often prefer to work with familiar, established partners. One respondent whose company sells both mined and lab-grown diamonds shared that, upon entering the market, they were required to secure three referees before being allowed to purchase diamonds, which is an especially challenging requirement for newcomers without prior experience in the luxury or diamond sectors.

*“You usually always need three industry references to be able to buy, so it becomes a Catch-22. You can’t get references without buying, and you can’t buy without references. So yeah, I basically had to bullshit a lot, and then I started buying. Now it’s super easy because we’re big, but it’s a very closed industry.”* - Victor Halvarsson, CEO and Founder of VanBruun

This difficulty was compounded for those based in countries like Sweden, which lacks a significant domestic diamond industry compared to major diamond hubs such as Antwerp. In addition to limited network access, age was identified as a barrier to market recognition for young entrepreneurs, both male and female. However, female entrepreneurs of any age reported facing a further layer of difficulty in gaining trust and being perceived as serious.

*“Even though we were coming from the industry, I do think it was still hard to penetrate the diamond industry and to give, to have like, two women who were very young as well. So for people to trust us in the industry, I think it was hard.”* - Sidney Neuhaus, founder and CEO of Kimai

There was also considerable discussion around the initial resistance faced by lab-grown diamonds, both from industry incumbents and consumers. Established diamond companies were described as consistently undermining lab-grown diamonds, portraying mined diamonds as inherently superior. This narrative caused frustration among some interviewees, who emphasized that the two products are fundamentally the same, the only difference lies in how they are produced. Incumbents benefit from a significantly larger platform and a century-long tradition of storytelling that has cemented the idea of mined diamonds as more prestigious. As a result of this dominant narrative, consumers were often confused, with some explicitly stating that lab-grown diamonds were not equivalent to mined diamonds.

*"Basically you have an association called the mined diamond Council, I think, and they're basically doing so much advertising and against lab grown diamonds and they're doing so many things and, it's basically a combination of many brands, many different diamond companies together. Cause they wanna fight the rise of lab grown diamonds. So that's what we had. And then we had in the past when we were trying to get the word out there about Kimai and the brand, we were sometimes reaching out to journalists and then the journalist said like, unfortunately we can't cover Lab Grown Diamonds because they sponsored." - Sidney Neuhaus, founder and CEO of Kimai*

Interviewees noted that this skepticism was most common among traditional luxury consumers, those who had purchased diamonds or other luxury products in the past and were more influenced by heritage and brand perception, while the respondents overall witnessed gradual social acceptance of lab-grown diamonds.

*"The people most opposed to it [Lab-grown diamonds] are usually from an older generation." - Anna Wallander, CEO and Founder of Akind*

Moreover, a major challenge for new entrants is the emotional connection and legitimacy that established brands possess. Their long-standing reputations and strong brand recognition give them a substantial competitive edge, particularly when selling emotionally significant items like engagement rings. These products are not only symbolic but also confer status, especially when associated with a well-known luxury brand. However, even though some incumbents, as noted by Professor Holmqvist, recognize the similarities between lab-grown and mined diamonds, the industry is undergoing a significant transformation. After decades of continuous expansion, the luxury market has entered a period of stagnation, prompting shifts

in both consumer behavior and market dynamics. Respondents highlighted how lab-grown diamonds are reshaping the industry. The increased efficiency in production, along with a growing number of suppliers, has intensified market competition and driven down prices for lab-grown diamonds. This downward pressure on price has also affected mined diamonds, which are losing value as the market becomes increasingly saturated. As lab-grown diamonds become more accessible, the perception of mined diamonds as rare and exclusive is being challenged - altering their luxury appeal.

*“The value of mined diamonds has declined as lab-grown alternatives have gained a competitive edge.”* - Anna Wallander, CEO and Founder of Akind

This shift has also contributed to a lowering of traditional entry barriers. Many new entrants now choose to focus on lab-grown diamonds or include them alongside mined diamonds in their product offerings, responding to rising consumer demand.

*“The way I see it, it's been a pretty closed market. So if someone is going to start a jewelry brand, it's easier to get hold of. It's also about accessibility.”* - Elvira Eriksson, CEO and founder of Mockberg

The decreasing barriers to entry have led to a more competitive landscape, as more players are able to participate in the market. Still, as Professor Holmqvist points out, achieving true luxury brand status remains a long-term endeavor, often requiring 10 to 15 years of consistent quality and brand building to earn consumer recognition and trust. With shifting market dynamics, the impact extends beyond incumbents and also shapes how new entrants position and operate. A common strategy among new players is to remain flexible and adaptive, closely monitoring market trends and responding to new disruptions.

*“You're constantly evolving. You develop your brand so much. You investigate, explore. You see what works and what doesn't.”* - Anna Wallander, CEO and Founder of Akind

One company mentioned that they adjust their pricing dynamically - maintaining consistent margins even as the prices of both lab-grown and mined diamonds fluctuate. However, some respondents expressed concern about the future of lab-grown diamonds, questioning whether they will continue to gain market share or eventually stagnate and require reinvention themselves.

Another key finding that emerged in the interviews was the role of ethics in the diamond industry. Many respondents observed growing consumer concern regarding the origins of mined diamonds, particularly issues related to conflict diamonds and the environmental impact of mining. This consumer pressure has also been felt by incumbents, leading to the adoption of measures like the Kimberley Process in an attempt to address these concerns. Professor Holmqvist noted that while the effectiveness of such initiatives is uncertain, especially in light of ongoing geopolitical events, they reflect the industry's intent to ethically align with evolving consumer values.

*“So the whole idea behind the Kimberley Process was to bring a more ethical perspective into the diamond market. And that’s become harder and harder to uphold - especially after Russia invaded Ukraine. It’s gotten increasingly difficult to track where the diamonds are coming from.”* - Jonas Holmqvist, Professor of Luxury Marketing at Kedge Business School.

Interestingly, one respondent pointed out inconsistencies in regulatory scrutiny across sectors, noting that the gold industry, often perceived as even more problematic, receives noticeably less consumer and governmental attention compared to the diamond sector. Additionally, marketing lab-grown diamonds as a sustainable alternative is not without its challenges. In Sweden, for example, strict advertising regulations make it difficult to make direct sustainability claims. Despite these constraints, many of the respondents focus on positioning lab-grown diamonds as a modern, sustainable, and innovative alternative to mined diamonds. In doing so, they challenge the traditional norms of the industry and express a desire to modernize and redefine what luxury means in a changing world.

First-order codes	Second-order categories	Aggregated themes
<ul style="list-style-type: none"> <li>→ Gradual social acceptance of lab-grown diamonds.</li> <li>→ The brand seeks to offer luxury without the exclusion or intimidation traditionally associated with it.</li> <li>→ Falling lab-grown diamond production costs threaten luxury perception.</li> <li>→ Mined diamonds are losing value due to competition from lab-grown diamonds.</li> <li>→ Increasing mass-marketization of traditional luxury brands.</li> <li>→ The luxury industry is facing a difficult future after decades of growth.</li> <li>→ Market saturation diminishing diamond exclusivity</li> </ul>	Transformation of the Luxury Market and consumer	
<ul style="list-style-type: none"> <li>→ Consumers prefer branded jewelry for perceived legitimacy and emotional connection.</li> <li>→ Early-stage market skepticism towards lab-grown diamonds.</li> <li>→ Resistance from incumbents due to lab-grown diamonds' indistinguishability.</li> <li>→ Active lobbying by the traditional diamond industry to undermine lab-grown legitimacy.</li> <li>→ Storytelling reinforcing mined diamond premium positioning.</li> <li>→ The brand observes that affluent customers tend to reject lab-grown diamonds, associating them with lower prestige.</li> <li>→ Mined diamond brands recognizing but publicly denying equivalence</li> </ul>	Consumer Dynamics and Incumbent Resistance	
<ul style="list-style-type: none"> <li>→ Barriers to entering the diamond industry are lowering, enabling new brands to emerge</li> <li>→ Low entry barriers to lab-grown diamond market</li> <li>→ Lab-grown diamonds lowering traditional market entry barriers</li> <li>→ Entry into luxury market requiring 10–15 years of quality consistency</li> <li>→ New entrants embracing lab-grown diamond opportunities</li> <li>→ Frames lab-grown diamonds as expanding consumer choice and lowering entry barriers, contributing to a more accessible luxury market.</li> </ul>	Erosion of Entry Barriers and Rise of New Market Entrants	
<ul style="list-style-type: none"> <li>→ Gender and age as barriers to gaining industry trust</li> <li>→ Highlights the diamond industry's exclusivity, where gatekeeping demands resilience and improvisation.</li> <li>→ Exclusive nature of traditional diamond hubs as barriers to entry</li> <li>→ The diamond market being closed and characterized by a limited number of participants</li> <li>→ Diamond industry serving few, ultra-high value customers</li> <li>→ High entry barriers maintain incumbents' dominance</li> </ul>	Structural Barriers and Gatekeeping in the Diamond Industry	Strategic Navigation of Institutional Barriers and Industry Disruption
<ul style="list-style-type: none"> <li>→ Positions itself as a market pioneer in Europe, drawing inspiration from platform-based business models that streamline customization and logistics.</li> <li>→ Innovation-driven mission to modernize a legacy industry.</li> <li>→ The traditional structures of the diamond industry are being challenged by innovation.</li> </ul>	Positioning Innovation and Sustainability as Competitive Advantage	

<ul style="list-style-type: none"> <li>→ Ethical and environmental concerns regarding the destructive nature of traditional diamond mining and its associated conflicts</li> <li>→ Blood diamond controversies driving ethical reforms</li> <li>→ An increasing demand for ethical and sustainable practices within the diamond industry</li> </ul>	<p>Change driven by sustainability concerns</p>	
<ul style="list-style-type: none"> <li>→ Criticizes inconsistencies in regulatory enforcement and stresses the brand's commitment to transparency in sourcing amid geopolitical challenges.</li> <li>→ Transparency about limits in data collection and verification processes for lab-grown diamonds, leading to minimizing use of sustainability terms.</li> <li>→ The Kimberley Process showing industry's potential for ethical alignment</li> <li>→ Declining effectiveness of Kimberley Process post-geopolitical crises</li> <li>→ Overexpansion undermining brand prestige and exclusivity</li> </ul>	<p>Navigating Regulation, Transparency, and Trust</p>	
<ul style="list-style-type: none"> <li>→ Anticipating price drops, the brand positions itself as flexible and responsive to shifting market dynamics rather than trying to control them.</li> <li>→ Maintains confidence in its current competitive position but remains cautious about disruptive threats emerging in the future.</li> <li>→ Lab-grown diamonds have seen strong growth but may now be approaching market saturation, suggesting the need for innovation or repositioning.</li> <li>→ Acknowledgement of shifting price structures in the diamond market.</li> <li>→ Emerging market uncertainty around value retention of lab-grown diamonds.</li> <li>→ Focus on an evolving and adaptable strategy, conscious about the market responses</li> <li>→ Shift in global customer base as China's role in driving luxury consumption declines despite remaining a major market</li> </ul>	<p>Strategic Flexibility in Volatile Market Conditions</p>	

**Table 6:** Thematic analysis with first-order codes, second-order categories and an aggregated theme

## 5.5 Market Positioning and Differentiation Strategies

One important consideration when building a brand is the value proposition. This proposition can evolve over time as markets shift, and brands must remain aware of how their original value offering may no longer align with current market dynamics. This idea emerged in the theme Managing Brand Identity in a Shifting Value Landscape, where respondents discussed how the perceived status of lab-grown diamonds can potentially dilute a brand's prestige, particularly when a brand offers both lab-grown diamonds and mined diamonds. In such cases, a brand's stance may appear ambiguous, which could alienate consumers, especially those in the luxury segment. The brand's positioning may become unclear, as consumers often expect a company to choose one side, either mined or lab-grown diamonds.

*“Then, of course, I think that some people are like this, in a way I think it can tarnish the brand among some customers a little bit, like that. Since we still sell probably more lab-grown diamonds in terms of quantity, it's like some customers probably think, but they have lab-grown diamonds, it's either Cartier or Tiffany's type.”* - Victor Halvarsson, CEO and Founder of VanBruun

This discussion transitions into another theme, Creating Exclusivity through Selective Targeting. Respondents shared how they actively target and collaborate with high-status individuals to reinforce their trustworthiness and exclusivity. For instance, Kimaï leverages its generational ties to the diamond industry to underscore its credibility and seriousness. However, Professor Holmqvist emphasized that while exclusivity is a core component of luxury branding, it cannot stand alone. Additional elements are necessary for a brand to be perceived as truly luxurious by a broader audience. He also warned that claiming luxury status too early can backfire, potentially damaging the brand rather than elevating it.

*“In that case, it would be better not to start by claiming you're a luxury brand. A surefire way to fail is to enter as a new player and say ‘we are luxury.’”* - Jonas Holmqvist, Professor of Luxury Marketing at Kedge Business School.

A third theme that emerged from the interviews was Balancing Accessibility with Perceived Luxury. Respondents emphasized that one of the primary drivers for choosing lab-grown diamonds over a mined diamond is the distinctly lower price. This affordability not only makes diamonds more accessible to a broader audience but also reshapes the traditional boundaries of luxury by decoupling it from scarcity and high cost. Several interviewees

viewed this affordability as a deliberate strategic positioning. For example, the founder of Akind described how their company consciously leveraged competitive pricing as a key differentiator from established industry incumbents. By offering high-quality products at a more accessible price point, they aim to attract a new segment of consumers who value aesthetics, ethics, and innovation - but may not be driven by traditional markers of luxury like heritage or exclusivity. However, this strategy also presents a delicate balancing act. While affordability broadens market reach, it can risk undermining the perception of luxury if not carefully managed. Respondents acknowledged the importance of maintaining high design standards, brand storytelling, and emotional connection to preserve the premium feel of their offerings. In this way, new entrants are actively redefining luxury not as something reserved for the elite, but as an experience that is inclusive, value-driven, and ethically aligned with modern consumer values.

The final theme is First-Mover Strategy and Scalable Differentiation, in which respondents described identifying a gap in the European market for platform-based luxury jewelry featuring lab-grown diamonds. They viewed this as an opportunity to position themselves as pioneers and to capture early market share and brand recognition. While many acknowledged that their companies remain relatively small in certain areas, they emphasized how success in other segments has been strategically leveraged to fuel expansion in this emerging space.

*“I also realized that this lab-grown diamond thing is so fascinating. And that it was so big in the US, but in Europe it is still so unknown and so small.” - Elvira Eriksson, CEO and founder of Mockberg*

First-order codes	Second-order categories	Aggregated themes
<ul style="list-style-type: none"> <li>→ While consumers claim ethical motivations, the brand perceives price as the primary driver behind lab-grown diamond purchases.</li> <li>→ Communicates high perceived value through efficient business models, offering premium products at reduced prices without diminishing brand prestige.</li> <li>→ Lab-grown diamonds framed as offering a better size-to-price ratio.</li> <li>→ Competitive pricing driven by a cost-effective approach, differentiating from high-markup luxury brands.</li> <li>→ Brand positioning itself as fine jewelry exclusively using real gold and diamonds.</li> <li>→ Strategic avoidance of the 'luxury' label by new brands.</li> </ul>	Balancing Accessibility with Perceived Luxury	Market Positioning and Differentiation Strategies
<ul style="list-style-type: none"> <li>→ The brand is aware of the risk that lab-grown diamonds could dilute its prestige among traditional luxury consumers.</li> <li>→ Offering both types of diamonds may blur the brand's positioning.</li> <li>→ Scientific indistinguishability between lab-grown and mined diamonds.</li> <li>→ Emphasis on superior quality and design that combines timeless elegance and contemporary elements.</li> <li>→ Consumer skepticism about lab-grown diamond quality.</li> <li>→ Luxury emerging from quality, not from self-proclaimed status.</li> </ul>	Managing Brand Identity in a Shifting Value Landscape	
<ul style="list-style-type: none"> <li>→ The brand targets urban, affluent demographics, distancing itself from lower-income and rural markets.</li> <li>→ Leverages elite clientele and social credibility as implicit marketing, signaling exclusivity and trust.</li> <li>→ Leveraging multigenerational industry knowledge as founders.</li> <li>→ Exclusivity necessary but insufficient in isolation for luxury status</li> <li>→ Risk of early-stage luxury brand positioning for new entrants</li> </ul>	Creating Exclusivity through Selective Targeting	
<ul style="list-style-type: none"> <li>→ Positions itself as a market pioneer in Europe, drawing inspiration from platform-based business models that streamline customization and logistics.</li> <li>→ Recognizes increased competition but credits growth and brand strength to scalability and persistence.</li> <li>→ Identified a gap in the market and an opportunity to be a first mover in the European market.</li> <li>→ Aims to expand the definition of luxury to be more inclusive.</li> <li>→ Despite current small-scale impact, the brand signals a clear intention to invest and grow this segment over time.</li> </ul>	First-Mover Strategy and Scalable Differentiation	

*Table 7: Thematic analysis with first-order codes, second-order categories and an aggregated theme*

## 5.6 Value Creation and Customer Engagement

A strong theme across the interviews was that value in the lab-grown diamond industry is not limited to the physical product but is deeply embedded in emotional, ethical, and experiential dimensions. Companies differentiate their value proposition through value-driven strategies based on exceptional service and an in-depth understanding of the customer and their needs. A second-order category that emerged was Emotional and Ethical Initiatives at the Core of the Business Model. It became clear that for many of the interviewed firms, emotional significance and moral clarity were key concepts that not only aided in founding the companies, but are also part of their value creation beyond the product that keeps driving the company forward.

*“We have continued on it [Lab-grown diamonds] because it felt better in the stomach...and it felt like the right way forward.”* - Elvira Eriksson, CEO and founder of Mockberg

Many founders described their companies as born out of personal conviction, shaped by personal values in combination with changing customer needs that favored ethical innovation and sustainability. This was most clearly seen in explicit rejections of mined diamonds not only for ethical reasons but also because lab-grown alternatives were viewed as technologically and morally superior. These principles translated into tangible practices such as adopting a no-mining strategy and embedding circular design principles into operations. In addition, multiple interviewees focused heavily on reinforcing customer trust and building long-lasting relationships with customers. One way of doing this, is by staying true to the brand's value proposition over time.

*“I think we're very... we stand firm. I think people feel loyal to or trust the brand. And that's so important. We work a lot on that.”* - Anna Wallander, CEO and Founder of Akind

Another major theme that emerged, also focusing on the value proposition was Brand Equity Enhancement Through Value-Added Offerings Beyond the Product. Customer engagement was elevated through intentional branding and storytelling. Many of the companies offer what are essentially identical products, hence the brands need to be superior through other metrics. Intentional branding, emotional storytelling, and the cultivation of symbolic value were repeatedly emphasized as essential components in shaping customer perception and

driving engagement. As Professor Jonas Holmqvist explained in the context of mined diamonds, storytelling plays a critical role in establishing luxury brand identity and legitimizing premium pricing.

*“So there you can see exactly how a luxury brand - in this case a diamond company - emphasizes storytelling and tradition, in order to justify a higher price for mined diamonds instead of lab-grown ones.”* - Jonas Holmqvist, Professor of Luxury Marketing at Kedge Business School.

In the lab-grown diamonds segment, storytelling fulfills multiple strategic functions. For some brands, it is primarily about creating the *perception* of exclusivity and emotional significance - even when the price point remains relatively accessible. In these cases, branding is not used to justify higher costs, but to elevate the customer’s experience and make the product feel premium, regardless of actual market positioning. For others, such as Kimai, branding and storytelling are deliberately used to support higher price points, positioning the company as a true premium offering within the lab-grown diamond landscape.

*“We see it more like we want to provide like a brand we're selling a brand rather than just a product and I think you have a lot of brands where it's just selling the product and no brands. That's also why we're more expensive than others.”* - Sidney Neuhaus, founder and CEO of Kimai

The idea of building brand equity is to create a feeling within the customer of trust, emotional connection, and perceived value that goes beyond the functional attributes of the product. Several of the interviewees noted that this is an ever-changing and dynamic strategy, however one of the more important. As the lab-grown diamonds market matures, with increasing consumer acceptance and lower barriers to entry, competition has intensified. In this context, emotional resonance has become a vital differentiator, allowing brands to stand out in a landscape where many products are materially similar.

*“I think that we have a different offer, perhaps a different feeling when it comes to Mockberg. That it's just Mockberg's jewelry, that it kind of adds to it.”* - Elvira Eriksson, CEO and founder of Mockberg

First-order codes	Second-order categories	Aggregated themes
<ul style="list-style-type: none"> <li>→ Positions the company as value-driven and customer-centric, willing to pass cost benefits on rather than capitalize on market shifts for profit.</li> <li>→ Emotional and moral alignment as a guiding principle for business direction</li> <li>→ Embedding circular design principles into business practices.</li> <li>→ Founders' values and urban environment shaping ethical strategy.</li> <li>→ Strong focus on stable customer relationships</li> <li>→ No-mining strategy as sustainability initiative</li> <li>→ Rejection of Mined Diamonds due to lab-grown diamonds being superior in many aspects</li> </ul>	<p>Emotional and Ethical Initiatives at the Core of the Business Model</p>	<p>Value Creation and Customer Engagement</p>
<ul style="list-style-type: none"> <li>→ Critiques rigid brand segmentation, advocating instead for a fluid approach that reflects the reality of diverse customer preferences.</li> <li>→ Customization as a foundational business model component.</li> <li>→ Balancing deep customization with a consistent brand identity.</li> </ul>	<p>Customization as a Competitive Advantage</p>	
<ul style="list-style-type: none"> <li>→ Frames its mission around emotional milestones, reinforcing the cultural and symbolic value of its products.</li> <li>→ Branding is used to elevate customer experience and emotional appeal, even when the underlying product is similar to competitors.</li> <li>→ High quality positioned as a differentiator in a competitive luxury market</li> <li>→ Competing not just on product, but on feeling and perception.</li> <li>→ Prioritizing exceptional customer experience to drive loyalty.</li> <li>→ Brand storytelling as a premium pricing strategy.</li> <li>→ Balancing deep customization with a consistent brand identity.</li> </ul>	<p>Brand Equity Enhancement Through Value-Added Offerings Beyond the Product</p>	

*Table 8: Thematic analysis with first-order codes, second-order categories and an aggregated theme*

## 6. Analysis

In this chapter, we address the central research question: *How do new entrants navigate in a disrupted luxury market, what challenges do they encounter and what strategies do they employ to compete successfully?* This is explored through the case of lab-grown diamonds. The chapter is organized around three core findings, which are analyzed in relation to insights drawn from the interviews, supported by the literature review, theoretical framework, and broader empirical context.

	<b>Themes</b>	<b>Main Challenge</b>	<b>Strategy</b>	<b>Theories applied</b>
Finding one	5.6 Value Creation and Customer Engagement + 5.5 Market Positioning and Differentiation Strategies	Being perceived as luxury	<ul style="list-style-type: none"> <li>→ Customization</li> <li>→ Symbolic Storytelling</li> <li>→ Strategic Alliances</li> </ul>	<ul style="list-style-type: none"> <li>• Disruptive Innovation</li> <li>• Disruptor's dilemma</li> <li>• Diffusion of Innovation</li> <li>• Veblen Goods</li> </ul>
Finding two	5.1 Strategic Supply Chain Configuration as a Competitive Lever + 5.4 Strategic Navigation of Institutional Barriers and Industry Disruption	Incumbent resistance and control	<ul style="list-style-type: none"> <li>→ Building legitimacy through ethical sourcing</li> <li>→ Flexible sourcing</li> <li>→ Lean made-to-order production</li> </ul>	<ul style="list-style-type: none"> <li>• Disruptive Innovation</li> <li>• Disruptor's dilemma</li> <li>• Diffusion of Innovation</li> <li>• Barriers to Entry</li> </ul>
Finding three	5.2 Building Credibility Through Channels and Community + 5.3 Customer Co-Creation and Strategic Adaptation	Building brand credibility and loyalty	<ul style="list-style-type: none"> <li>→ Omni-channel presence</li> <li>→ Leverage brand equity from other segments</li> <li>→ Organic marketing</li> </ul>	<ul style="list-style-type: none"> <li>• Diffusion of Innovation</li> <li>• Barriers to Entry</li> </ul>

**Table 9:** *Outlining the Analysis*

### 6.1 Customization as a Luxury Driver

A clear theme emerging from this study is the difficulty lab-grown diamond companies face in being perceived as authentically luxurious. While lab-grown diamonds represent a disruptive innovation within a traditional and symbolically charged industry, their success depends not only on technical quality or sustainability but, crucially, on their ability to reshape consumer perceptions of value and exclusivity.

The developments in the diamond industry largely follow the classic path described by Christensen's (1997) theory of disruptive innovation. Lab-grown diamonds began as a low-price, initially limited-quality and low-status alternative aimed at less demanding consumers. Over more than a decade, their technological and aesthetic quality gradually improved. As is typical in disruptive scenarios, the incumbents who are established players in the traditional mined diamond sector initially dismissed lab-grown diamonds. One interviewee mentioned greater incumbent pushback in recent years, which is in line with the pattern where disruptive innovations are initially dismissed, but later met with resistance when they start to threaten the established market logic. In this case, resistance materialized through strategic efforts to delegitimize lab-grown diamonds, particularly by emphasizing the authenticity, rarity, and historical symbolism of mined diamonds. Such responses reflect the incumbents' reliance on luxury attributes traditionally linked to scarcity and heritage, two dimensions where lab-grown diamonds underperform. The challenge for disruptive entrants is to resolve a core paradox: offering a democratized, affordable, and sustainable alternative within a market segment where exclusivity-by-price and symbolic rarity are central to perceived value (Holmqvist et al., 2019).

This dynamic ties directly to Veblen's (1961) theory of conspicuous consumption, wherein the value of luxury goods derives not merely from their functional attributes but from their role in signaling wealth and social status. By offering a more affordable alternative to mined diamonds, lab-grown diamonds potentially undermine this traditional signaling function and, as a result, must develop new forms of symbolic value to compensate.

A recurring theme in the interviews was the strategic emphasis on lab-grown diamonds as a more sustainable alternative to mined diamonds. In line with Rogers' (1962) concept of relative advantage, highlighting sustainability leverages the growing awareness of the environmental and ethical issues associated with traditional diamond mining. This is particularly important given that younger consumers, who now represent the dominant demographic for both luxury goods and engagement rings (Bain & Company, 2025; Francis-Tan & Mialon, 2015), are generally more prone to take part in ethical consumption (Majidi, 2024). Consequently, luxury brands face increasing pressure to align with these shifting consumer values (Winston, 2017).

However, while logical, this strategy appears to have limited persuasive power within the luxury segment. Research by Kapferer and Michaut-Denizeau (2020) suggests that

millennials do not value sustainability in luxury purchases more than older generations. Thus, although sustainability may enhance lab-grown diamonds' appeal in ethical or lifestyle markets, it may not significantly elevate their status as luxury goods. This insight was echoed by one interviewee, who observed that while customers often cite sustainability as a motivation, in practice, price remains the primary driver. Therefore, while the sustainability narrative aligns with the innovation diffusion literature's emphasis on value alignment and relative advantage (Rogers, 1962), it is unlikely to be sufficient to resolve, or even to partly bridge the perception gap in the luxury context.

To overcome the limitations of the luxury narrative, lab-grown diamond companies are increasingly turning to high levels of customization and bespoke design as a means of adding symbolic and emotional value. Customization allows brands to position lab-grown diamonds not as inferior substitutes, but as modern expressions of luxury, anchored in individuality, creativity, and personal meaning. This approach addresses the central paradox of lab-grown diamonds by offering a form of exclusivity rooted in co-creation rather than material scarcity, thereby reconciling the tension between affordability and luxury (Holmqvist et al., 2019; Veblen, 1961). Customization also responds to the emotional and symbolic dimensions of luxury consumption. As shown by Yoo and Park (2016), customization enhances customer loyalty, particularly among consumers who value hedonic pleasure, social identity, and creativity. Thus, lab-grown diamonds gain emotional resonance by enabling consumers to see themselves not merely as purchasers, but as co-creators of their jewelry.

However, the strategic opportunity of customization is not without tension. Moreau et al. (2020) warn that extensive customization may dilute brand identity, particularly in a category where symbolic value is critical. This concern is relevant to lab-grown diamond brands, which must balance the consumer's desire for self-expression with the need to maintain coherent and recognizable brand markers that communicate quality and trustworthiness, especially important in a market where consumer understanding of the product remains in development.

Within this context, brands such as Akind and Kimai offer significant degrees of customer input into the design process, while maintaining consistent brand cues. One interviewee underscored that although designs are co-created, the brand's DNA remains embedded in the final product. This approach reflects the findings of Moreau et al.'s (2020), where brand

identity should be preserved through visual and symbolic elements, even when there is a high level of customization.

Ultimately, customization helps restore a sense of exclusivity, a core pillar of luxury, not through material rarity, but through the uniqueness of the product and the intimacy of the creation process. It becomes a powerful mechanism for differentiation, allowing lab-grown diamond brands to appeal to consumers seeking individuality and meaning, rather than simply lower prices. This may also mitigate the risk of cannibalization, whereby lab-grown diamonds would erode the perceived value of the overall diamond market. Instead, lab-grown diamonds positioned as personalized luxury items can contribute to market expansion rather than substitution.

In addition to narrative and design-based strategies, lab-grown diamond companies also pursue relational strategies to enhance legitimacy. Previous research has suggested that one effective way to navigate the disruptor's dilemma is by addressing its core challenge, namely, the dominant position of incumbents in the market. Forming strategic alliances and collaborative partnerships with well-established players has been shown to enhance legitimacy, enable access to resources, and facilitate smoother market entry for disruptors (Ansari et al., 2016). This strategy has proven especially successful in industries characterized by openness and interconnectivity, where collaboration is both structurally possible and culturally accepted. However, as Ansari et al. (2016) also emphasize, the viability of such partnerships is highly dependent on the nature of the industry. The diamond market remains tightly controlled and highly concentrated, with a few incumbent firms holding substantial market power and exerting influence over both supply chains and brand narratives. In such an environment, opportunities for direct collaboration between disruptors and incumbents are limited, if not entirely absent. This distinction was reflected in the empirical findings, where no evidence of formal relationships between incumbents and disruptors emerged from the interviews.

Instead, some lab-grown diamond companies have adopted alternative legitimacy-building strategies by aligning with respected third-party platforms in the broader luxury ecosystem. For instance, partnerships with premium retailers such as Net-A-Porter provide market exposure and symbolic validation through association with well-regarded actors. While these collaborators may not be incumbents within the diamond sector, their strong reputations within luxury more broadly offer lab-grown diamond brands enhanced visibility, credibility,

and access to high-end consumers. This reflects the insight of Petzold et al. (2023), who argue that building alliances with adjacent credible actors can achieve similar outcomes as incumbent partnerships. In highly institutionalized industries with closed networks, these alliances serve as viable alternatives to direct collaboration, helping disruptors overcome entry barriers and build consumer trust.

From the perspective of disruptive innovation theory, these strategies underscore a key insight: lab-grown diamonds do not merely compete with mined diamonds on traditional dimensions; they introduce a new value proposition. Lab-grown diamonds underperform on conventional markers of luxury such as scarcity and heritage, but outperform in areas like ethics, affordability, and design flexibility, which are increasingly valued by emerging consumer segments. In this sense, lab-grown diamond brands are not simply responding to shifting consumer preferences, rather they are co-creating a new interpretation of luxury, one defined less by price and scarcity and more by emotional resonance, ethical alignment, and personalized experience.

In sum, this finding highlights the central challenge for lab-grown diamond companies: the need to establish legitimacy as luxury despite lacking traditional luxury attributes. Sustainability, while a strategic starting point, may not be enough. Instead, customization, symbolic storytelling, and strategic alliances emerge as key pathways for reframing lab-grown diamonds as credible luxury goods. These strategies align with disruptive innovation theory, diffusion theory, and Veblen's concept of symbolic value, and collectively point to an evolving luxury landscape - one in which value is increasingly derived not from material scarcity, but from co-creation, meaning, and emotional engagement.

## 6.2 Downstream Differentiation and Flexible Sourcing

Lab-grown diamond companies face a tough challenge in attempting to disrupt one of the most tightly controlled and symbolically entrenched luxury markets: mined diamonds. The dominant barriers to entry are not merely technological or financial, but institutional, relational, and historical. These barriers manifest themselves particularly through incumbent resistance and control. This analysis draws on practical examples from the findings in how lab-grown diamond firms employ distinct strategies to overcome this challenge, using the theories of disruptive innovation (Christensen, 1997), Porter's (1980) entry barriers, and the disruptor's dilemma (Ansari et al., 2016).

The mined diamond market is characterized by significant barriers to entry, as conceptualized by Porter's (1980) theory, which identifies structural factors that protect incumbents and restrict new competition. Dominant players, often vertically integrated, such as De Beers and Alrosa, not only own and operate their own mines but also control the downstream flow of high-quality rough diamonds. New entrants reported the difficulty of penetrating this tightly held system. A key challenge was earning trust in an industry steeped in tradition and governed by legacy networks, many of which have been passed down through generations. These networks are grounded in interpersonal loyalty and long-standing relationships, creating a closed ecosystem where access is largely informal and reliant on social capital. In such a context, trust functions not merely as a relational asset but as a form of institutional currency, essential for gaining legitimacy and securing resources. This aligns with Porter's (1980) concept of customer switching costs and demand-side benefits of scale, where incumbent firms benefit from established social networks and consumer loyalty that are difficult for entrants to overcome.

This environment closely mirrors the dynamics described in the disruptor's dilemma (Ansari et al., 2016), where emerging firms must decide whether to collaborate with powerful incumbents or pursue alternative market paths. Notably, none of the respondents in this study indicated a desire to cooperate with legacy actors. Even VanBruun, a player operating in both the mined and lab-grown segments, has not established formal partnerships with incumbents. This strategic distancing reflects an industry that is not only vertically confined but also institutionally limited, leaving little room for newcomers to integrate into existing value chains.

Beyond structural constraints, new entrants have faced narrative resistance from incumbents. As one interviewee described, there have been attempts by established players to delegitimize lab-grown diamonds through lobbying and communication campaigns. These efforts aim to preserve the symbolic value of mined diamonds by framing lab-grown diamonds as inferior, fake, and less valuable. This form of resistance aligns with Porter's (1980) conceptualization of product differentiation as a barrier to entry, wherein incumbent firms maintain competitive advantage not merely through superior products, but by shaping consumer perceptions and brand loyalty. Such framing strategies reinforce the complexity of the innovation, a factor

identified by Rogers (1962) as a determinant of adoption rates. In the lab-grown diamond case, complexity does not arise from the product's functionality, but from its disruption of entrenched beliefs about what constitutes a "real" or "luxury" diamond. These challenges reflect a common dynamic in the diffusion of disruptive innovations: the burden of education lies with the entrant, while incumbents seek to confuse consumers in their favor.

Despite these considerable challenges, lab-grown diamond firms have developed adaptive strategies to bypass structural and symbolic entry barriers. These strategies reflect core principles from disruptive innovation theory and draw on new market dynamics, including shifting consumer values, open supply ecosystems, and downstream differentiation.

One key strategy employed by lab-grown diamond firms is the strategic framing of sustainability as a source of competitive legitimacy. In contrast to mined diamonds, which face growing scrutiny over their carbon footprint, ecological damage, and historical links to conflict zones, lab-grown diamonds are positioned as an ethical and environmentally conscious alternative. The production process significantly reduces greenhouse gas emissions, water consumption, and mineral waste, aligning with the preferences of a younger, more value-driven consumer base (The Editors of Encyclopedia Britannica, 2016). This sustainability focus allows lab-grown diamond firms to build symbolic value independent of traditional scarcity narratives. Rather than attempting to compete on heritage or exclusivity, they stake legitimacy on transparency, accountability, and long-term impact. In doing so, they align with a redefinition of luxury that increasingly incorporates social and environmental responsibility. That said, the empirical findings suggest sustainability may not be the primary decision factor for most luxury consumers. As several respondents observed, while sustainability is often cited as important, price remains the decisive factor. However, in a market where the negative legacy of mined diamonds is widely recognized, lab-grown diamond firms may benefit from an assumed ethical baseline, where sustainability is not necessarily a purchase driver but a minimum expectation.

Unlike the mined diamond industry, which is characterized by almost oligopolistic control over upstream resources, the lab-grown segment has developed a more open and decentralized supply structure. New entrants can source rough lab-grown diamonds from multiple global producers, reducing reliance on gatekept distribution channels. The findings

suggest that the new entrants may benefit in using flexible sourcing, which stands in contrast to the traditional model of relational sourcing that dominates the mined diamond industry. Instead of forming exclusive, long-term partnerships with select suppliers, some companies, such as VanBruun, opt for a consumer-centric sourcing model, prioritizing availability and product fit over loyalty to specific suppliers. This flexibility in sourcing is strategically significant as it allows companies to adapt rapidly to customer preferences, reduce dependency on any single upstream partner, and thereby mitigate the leverage incumbents traditionally wield over access to materials. It also supports a lean, made-to-order production model, which not only minimizes inventory costs but also enhances product customization, a key differentiator in the luxury market. By reducing fixed commitments and inventory risk, this approach allows entrants to remain agile and responsive to evolving consumer demand, rather than conforming to rigid supply chains shaped by incumbent norms.

Additionally, quality control emerged as a second-order category. While lab-grown diamonds are often criticized by incumbents as inferior, some firms, such as Kimai, have positioned themselves at the premium end of the lab-grown diamond market, emphasizing high standards of craftsmanship and the ability to ensure cleaner, more flawless stones through technological precision. According to Kimai's founder, quality is not merely a matter of aesthetics, but a critical marker of credibility and trust, particularly in a market where lab-grown diamonds must constantly defend their legitimacy. These sourcing and differentiation strategies are not only operational choices, but they also serve as deliberate countermeasures to overcome incumbent control and resistance. They reflect a strategic navigation of resource asymmetries by disruptive innovators, who overcome traditional bottlenecks by leveraging new value propositions and operational models. They also reduce dependency on the traditional institutions and increase the degrees of strategic freedom available to entrants. These responses reflect the adaptive logic of disruptive innovation theory, showing how new entrants can survive and even thrive in institutional environments designed to exclude them.

### 6.3 Building Trust and Legitimacy

A central challenge faced by lab-grown diamond brands is the need to establish brand credibility and customer loyalty in a market historically dominated by the symbolism and

heritage of mined diamonds. This challenge is particularly pronounced due to the relatively recent emergence of lab-grown diamonds and the persistent skepticism surrounding their authenticity and emotional value. As highlighted by several interviewees, early market entrants encountered low consumer awareness and doubts regarding the legitimacy of lab-grown diamonds. Although consumer knowledge has improved over time, emotional trust and perceived authenticity remain under continuous construction.

In this context, trust-building becomes a critical imperative. Lab-grown diamond brands must actively construct emotional and symbolic narratives to offset the rooted advantages of traditional luxury incumbents. Unlike mined diamonds, which naturally derive symbolic capital from its long-standing heritage and tradition (Bastien & Kapferer, 2012), lab-grown diamonds must establish legitimacy from the ground up. This reflects what Porter (1980) terms incumbency advantages independent of size, a key entry barrier that favors established players with reputational and symbolic authority.

The perceived lack of authenticity surrounding lab-grown diamonds highlights a further obstacle: the relative advantage dimension from Rogers' (1962) diffusion of innovation theory. While lab-grown diamonds offer clear functional benefits, such as affordability and environmental sustainability, these are often overshadowed by the symbolic associations of mined diamonds. In luxury markets, superiority is not purely functional, but also deeply symbolic and emotional. Unless lab-grown diamonds are perceived as equally meaningful, their functional advantages may not be sufficient to drive widespread adoption. To address this, brands have implemented a range of strategic responses, each aiming to enhance credibility, reduce perceptions of inauthenticity, and foster loyalty. Emotional storytelling is a foundational tactic. As Kimai emphasized, selling the story is of extreme importance. By embedding narratives of transparency, modern craftsmanship, and emotional significance, brands work to construct symbolic value around their products. This narrative is often complemented by customization, enabling consumers to co-create unique pieces, thereby strengthening personal attachment and perceived exclusivity.

Another strategic avenue involves partnering with recognized gemological institutions, such as the International Gemological Institute or the Gemological Institute of America (Kimai, n.d.; Vanbruun, n.d.). These affiliations function as credibility signals, lending institutional

legitimacy and helping position lab-grown diamonds as equivalent in quality and value to their mined counterparts who use the same certifications.

Brand presence and distribution strategies also play a critical role. Initially, all interviewed companies adopted digital-first business models, enabling them to cost-effectively reach early adopters, consumers more open to innovation and experimentation. This aligns with Rogers' (1962) notion that early adopters are critical in the initial diffusion phase. However, as companies scaled, they transitioned to omnichannel strategies, incorporating physical touchpoints such as showrooms, pop-up shops, and retail stores, thus transitioning into an omnichannel strategy. As several interviewees emphasized, the physical component has become a crucial and indispensable part of their business model, with many now attributing a significant share of their sales to in-person experiences. This can also be seen as a means to increase the level of trialability and observability of their products (Rogers, 1962). The ability to test and experience the product in-person helps reduce perceived risk and supports trialability. Moreover, physical spaces and in-person experiences enhance observability, as it allows potential customers to directly perceive the quality and value of lab-grown diamonds, further emphasizing the identical nature of lab-grown and mined diamonds. In-person experiences allow consumers to assess product quality directly, reducing uncertainty and increasing confidence in the product category. These physical spaces not only meet consumer expectations for high involvement purchases like engagement rings but also convey tangible legitimacy that is difficult to replicate through digital platforms alone.

Additionally, lab-grown diamond brands exhibit a selective approach to marketing strategies. While acknowledging the visibility that influencers offer, interviewees, including Professor Holmqvist, expressed caution. Rather than focusing solely on reach, firms emphasized authenticity, alignment with brand values, and credibility. In contrast, greater emphasis was placed on organic growth through word-of-mouth, public relations, and exceptional customer experiences. These strategies are particularly effective in fostering emotional loyalty and generating peer-driven credibility, further reinforcing Rogers' (1962) concept of compatibility. When prospective customers observe peers or aspirational figures wearing lab-grown diamonds, the product feels more compatible with their own identities and values.

A recurring strategic pattern among the interviewed companies is the deliberate focus on establishing a strong and credible brand presence within a specific product segment or geographic market before pursuing broader expansion. This approach not only enables resource concentration and brand consolidation but also serves as a foundation for building consumer trust and symbolic capital, both of which are essential in the diamond sector. For example, Mockberg, the Nordic market leader in women's watches, is now leveraging its firmly established reputation for quality and craftsmanship to expand into the adjacent category of lab-grown diamond jewelry. As CEO and founder Elvira Eriksson noted, their established market leadership in watches provides a strong base of consumer trust, which they are now translating into the jewelry segment. This kind of category adjacency strategy can help mitigate the credibility gap often associated with lab-grown diamonds by transferring brand equity from one product category to another, thereby reinforcing perceptions of quality, reliability, and emotional relevance.

This strategic logic is equally evident in geographic expansion. Vanbruun, a well-known Nordic brand specializing in engagement rings, is now actively entering markets such as the Netherlands and France. As CEO Victor Halvarsson emphasized, such internationalization efforts would not have been feasible without first developing a solid and reputable domestic foundation. This progression supports the notion that credibility must be accumulated and signaled before scaling, particularly in emotionally charged and symbolically laden categories like diamond jewelry. By entering adjacent segments where existing brand capital can be transferred, these firms strategically reduce perceived risk for consumers and enhance compatibility (Rogers, 1962).

Building trust and emotional resonance with consumers in the lab-grown diamond market is best understood as a phased strategy. The first step involves adopting a digital-first approach to efficiently reach early adopters. This initial digital presence allows brands to test the market, refine messaging, and begin cultivating brand identity with relatively low overhead. However, as the brand gains traction, the second step becomes critical: establishing a physical presence. Integrating showrooms, pop-up stores, or permanent retail spaces not only enhances trialability and observability but also provide tangible legitimacy and help solidify emotional trust, which is often difficult to achieve through digital channels alone. Once a baseline of

credibility and customer loyalty has been established, the third step involves leveraging that brand equity to expand into adjacent product categories or geographic markets. By transferring accumulated symbolic capital from an initial product line or market, brands can mitigate the perceived risk typically associated with lab-grown diamonds and reinforce perceptions of quality and authenticity. This stepwise approach enables brands not only to overcome the credibility gap of being a new entrant, but also to reposition lab-grown diamonds as a compelling and legitimate alternative within the broader luxury landscape.

## 7. Conclusion

### 7.1 Summary of Findings

This thesis explores the research question “*How do new entrants navigate in a disrupted luxury market, what challenges do they encounter and what strategies do they employ to compete successfully?*” through studying the case of lab-grown diamonds.

One significant challenge for lab-grown diamonds lies in achieving perceived luxury status. Traditional luxury is intrinsically linked to concepts of scarcity, heritage, and history, attributes not inherently possessed by lab-grown diamonds. This highlights a core paradox: offering an economically accessible alternative within a market segment where value is primarily derived from price-based exclusivity. To address this challenge, new entrants strategically leverage customization and bespoke design. This approach facilitates a redefinition of exclusivity, shifting its basis from material rarity to co-creation, individuality, and personal meaning. While sustainability is frequently emphasized, its primary function appears to be establishing an ethical baseline rather than serving as a bridge for the luxury perception gap.

Furthermore, new market entrants confront substantial incumbent resistance and structural control. Established players drive delegitimization campaigns against lab-grown diamonds and hold considerable influence over supply chains and industry networks. This creates tough barriers to market entry and constrains opportunities for direct collaboration. To mitigate these structural impediments, lab-grown diamond firms prioritize downstream differentiation and flexible sourcing. This agile operational model minimizes reliance on traditional, closed supply chains and supports lean, made-to-order production. Such flexibility enhances

customization capabilities and responsiveness to evolving consumer demand, thereby effectively reducing the traditional control incumbents exert over the market.

Finally, in the absence of inherent heritage and established symbolic capital characteristic of mined diamonds, and long-standing luxury brands in general, lab-grown diamond brands are compelled to construct emotional and symbolic narratives from the ground up. This requires overcoming initial consumer skepticism and continuously working on increasing the perceived authenticity and emotional trust from consumers. The establishment of trust and legitimacy is achieved through a versatile and integrated strategic framework. This includes the formation of strategic alliances with reputable third-party luxury platforms, thereby acquiring credibility through association. Brands also use emotional storytelling to heighten the symbolic value of their products. Furthermore, a phased omnichannel distribution strategy is adopted, transitioning from an initial digital-first approach to incorporating essential physical presences such as showrooms or pop-up stores. This enhances product trialability and observability, providing tangible legitimacy and increasing emotional trust. Ultimately, strategic expansion into adjacent product categories or geographic markets enables the transfer of existing brand equity, further reinforcing perceptions of quality and authenticity.

Subsequently, new entrants in the lab-grown diamond sector navigate disruption not by imitating the traditional luxury model, but by redefining it. Their strategies focus on redefining value, moving away from material scarcity and heritage toward ethical values, personalized experiences, and emotional connection. By avoiding direct confrontation with incumbents and instead creating independent ecosystems, they reshape the rules of the market. This innovative approach allows them to build a credible and growing presence within an industry long dominated by established players, meaning they are not merely offering a substitute for traditional luxury - they are constructing a new paradigm for what luxury can mean.

## 7.2 Practical Implications

For emerging companies in the lab-grown diamond segment of the luxury jewelry market, several practical and strategic recommendations can be drawn from this study.

First, firms should prioritize customer-driven strategic adaptation and co-creation. Success in this market goes beyond simply responding to demand; it involves actively engaging

customers in creating meaning and value. Offering customizable products can serve as a powerful differentiator, especially for consumers who value hedonistic pleasure, social signaling, and creativity. However, customization efforts should be carefully aligned with the brand's identity to maintain coherence.

Second, building trust through an omnichannel presence is vital. While many new entrants begin as digital-only businesses, physical touchpoints, such as showrooms or retail partnerships, play a crucial role in validating product quality and enhancing customer confidence, particularly for high-involvement purchases like engagement rings. A gradual transition to an omnichannel model is recommended as the business scales.

Third, the brand value proposition should emphasize emotional, ethical, and experiential elements. Lab-grown diamonds cannot compete with mined diamonds on rarity or heritage. Instead, companies should focus on storytelling that highlights their products' modern appeal, and personal significance. Positioning the brand as a sustainable option should be used with caution, however using sustainable efforts in production and sourcing is vital.

Finally, companies must navigate industry barriers strategically. The traditional diamond sector is marked by high entry barriers and tightly controlled supply chains. Rather than attempting to integrate into this closed ecosystem, new players should leverage the more open supply structure of lab-grown diamonds. Strategic alliances with credible third-party platforms in the broader luxury space can help build legitimacy without relying on established diamond giants.

### 7.3 Limitations

While this study provides valuable insights into how entrant firms should strategize successfully in a luxury market, several limitations must be acknowledged to appropriately contextualize the findings.

First, the use of a qualitative methodology introduces certain challenges. The interpretation of interview data is inherently subjective, and despite using structured methods such as the Gioia Method, some researcher's bias may have influenced the analysis. Additionally, the semi-structured nature of the interviews limits replicability, as both participants' responses and the follow-up questions varied. Additionally, non-verbal cues and contextual signals, also may have been lost during transcription and thematic categorization.

Second, the study is based on a single-case design, focusing exclusively on the niche of lab-grown diamonds within the luxury market. While this allows for in-depth exploration, it limits the generalizability of the findings beyond this specific context or to other sectors. The time-specific nature of the interviews (conducted in spring 2025) also means the insights reflect a particular moment in a rapidly evolving industry. Perspectives may shift greatly over time.

Finally, the data collection process involved a sample of five participants, four company representatives and one academic expert, all from firms located in Europe. The limited number of interviews reflects the concentrated nature of the market but still constrains the breadth of perspectives. Additionally, the sample is geographically concentrated, as all four companies studied are based in Europe. While this reflects current market activity in Europe, this market context may differ substantially from other regions.

These limitations do not undermine the relevance of the findings but should be considered when interpreting the results and assessing their applicability in other contexts or future research.

## 7.4 Future Research Directions

Future research in the field of market disruption and luxury goods, particularly within the context of lab-grown diamonds, can be directed along several paths. First, this study highlights a notable gap in the literature concerning strategies for disruptors operating within closed market systems. Existing frameworks, such as the Disruptor's Dilemma, predominantly focus on markets characterized by openness and interconnectivity. However, industries like the diamond sector represent closed markets with low mutual dependence, where formal alliances or collaborations with incumbent actors appear limited or absent. Further empirical investigation is required to understand how disruptors should strategically position themselves in such closed systems and whether partnerships or alliances could emerge as feasible or advantageous mechanisms for competitive advantage.

Secondly, the long-term trajectory of lab-grown diamonds remains an open question. While current trends indicate growth in market share, it is uncertain whether this momentum will be sustained or if the category will face stagnation and require strategic redefinition in the future. Future research could adopt longitudinal approaches to trace the evolution of

lab-grown diamonds' market penetration and their sustained positioning within the luxury segment.

Additionally, the complex nature of consumer perceptions and valuations of lab-grown diamonds warrants deeper exploration. Despite increasing consumer awareness, stigma persists around synthetic diamonds, and their perceived value relative to mined stones is multifaceted and dynamic. Subsequent studies could examine how different consumer segments, divided by demographics such as age, gender, or motivational drivers, perceive and appraise lab-grown diamonds over time. Particular attention should be paid to the interplay of factors such as storytelling, customization, and brand heritage, as well as the tension consumers experience between price sensitivity, sustainability concerns, and luxury aspirations.

Moreover, the role and impact of omnichannel strategies in luxury markets merit further quantitative assessment. This study underscores the importance of physical touchpoints for lab-grown diamond brands; however, the relative effectiveness of various channel configurations, such as owned boutiques, showrooms, and retail partnerships, on sales performance, customer trust, and brand perception remains underexplored. Future research could systematically evaluate these dimensions to inform best practices for luxury omnichannel management.

Finally, given the case study nature of this research and its inherent limitations regarding generalizability, comparative studies across different industries and geographic regions would be valuable. For instance, exploring the disruption of lab-grown diamonds in markets with varying maturity levels, such as the United States versus Europe, could yield insights into contextual differences. Likewise, cross-sector comparisons with disruption phenomena in other luxury categories may further enrich understanding of industry-specific and universal disruption dynamics.

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# Appendix

## A1 - Interview Guide

### Introduction

*Introducing ourselves and the thesis in order to provide a brief introduction to the subject, and to ensure confidentiality as well as consent.*

### Section 1: Background

1. Could you briefly introduce [*company*] and your role at the company?
2. What inspired you to start a business within the diamond industry?
3. What was it like to enter this industry as a new player?
4. Did you have any prior connections within the market, or did you have to build a new network from scratch?
  - a. Are any of those early contacts now part of the [*company*] team?
5. How many employees does the company currently have?
6. What does your market share look like in lab-grown diamond products like engagement rings and other jewelry?
7. What was your turnover in 2024?
8. What is [*company*] valued at today?
9. What do you believe have been the most important success factors for [*company*]?

### Section 2: Broader strategy

10. Through which channels do you sell your products?
11. Which sales channel has proven to be the most profitable?
12. What does the distribution of your product categories look like - for example, engagement rings, necklaces, men's jewelry, etc.? Are there certain categories that dominate your sales?
13. How do you market your products - and where?
14. How do you differentiate yourselves in the market? Why do customers choose [*company*]?
15. How does your pricing compare to others in the market?
16. Have you been working exclusively with lab-grown diamonds since the start?
17. Why did you choose to focus solely on lab-grown diamonds - was it an obvious decision from the beginning?

18. What are the most significant costs in your operations?

### **Section 3: Customers**

19. Who are your different customer groups?

20. Has your “typical customer” changed over the years? If so, how and why?

21. Who would you consider your most important customer segment?

22. To what extent can the customer customize your products?

23. How would you describe your relationship with your customers?

24. How would you describe your relationship with other actors in the industry?

25. How have your customers responded to the fact that you [*only sell lab-grown diamonds / sell both lab-grown and mined diamonds*]?

a. Have you ever considered offering [*mined diamonds / solely lab-grown diamonds*]?

26. Have you noticed any shifts in consumer behavior or preferences? If so, how has that affected your business model?

27. What kind of brand associations would you like your customers to have when they think of [*company*]?

### **Section 4: Supply Chain**

28. What does your supply chain look like today?

29. Has it changed over the years? If so, why?

30. Which part of the supply chain carries the greatest risk?

31. Do you work with one or several suppliers?

32. What is your relationship like with your suppliers?

33. Could you walk us through the process - from the lab to the final product reaching the customer?

34. What is done in-house, and what do you outsource?

a. Have you ever considered producing your own lab-grown diamonds?

### **Section 5: Market and industry dynamics**

35. What was it like to enter this industry as a new player?

36. What would you say are the benefits and disadvantages of being in a relatively new market?

37. What does the competitive landscape look like for [*company*]?

38. Who would you identify as your key competitors, if you're comfortable naming them?
39. Do you apply different strategies in different countries?
40. Have you ever considered producing your own lab-grown diamonds? Why or why not?
41. How do you think the market has changed since lab-grown diamonds became a viable option?
42. How do you envision the future of the diamond industry?
43. Do you think different customer segments will emerge?

#### **Section 6: Conclusion**

44. Is there anything else you would like to add?
45. Would it be okay if we reach out again in case we have any follow-up questions?
46. Do you know anyone else in the industry you think we should talk to?

## **A2 - Interview Guide**

### **Introduction**

*Introducing ourselves and the thesis in order to provide a brief introduction to the subject, and to ensure confidentiality as well as consent.*

### **Section 1: Background**

1. Would you like to tell us a little bit about yourself, and about your experience in the luxury industry?
2. How would you define the main characteristics that differentiate luxury products from other segments?
3. What does the luxury goods market look like for diamonds today?
4. How have you seen the luxury market evolve in recent years?

### **Section 2: The Luxury Market**

5. How do established companies in the luxury goods industry deal with disruptive innovation?
6. What are the challenges and opportunities for new entrants to the market today?
7. Has this changed over time?
8. What is the future of the luxury industry? What challenges and opportunities does it face?

### **Section 3: Sustainable Luxury**

9. How important is sustainability, both social and environmental, for luxury consumers in general?
10. How has sustainability influenced the strategy of established diamond companies in recent years? Transparency, certifications, etc
11. Many companies selling lab-grown diamonds choose to market lab-grown diamonds as sustainable - how do you think this affects customer perception of the product as a luxury good?

### **Section 4: Luxury Strategy**

12. What strategies have proven most successful for new entrants in the luxury segment?
13. How important is storytelling and brand positioning to establish yourself in the luxury market?

14. Do you see digital platforms and e-commerce influencing how luxury goods are marketed and sold?
15. How can new entrants differentiate themselves to compete with established luxury brands?
16. How important are partnerships with traditional luxury houses or influencers for young companies?
17. Is it common for luxury brands to own the entire production chain?

### **Section 5: The Diamond Industry**

18. Can diamonds themselves be classified as a luxury good?
19. What challenges does the diamond industry face?
20. Is the diamond industry different from other luxury goods markets?

### **Section 6: Lab-grown Diamonds**

21. How do you think established companies will deal with the increasing popularity of lab-grown diamonds?
22. What are the main challenges that new entrants in lab-grown diamonds face in the luxury market?
23. How do you think the luxury consumer perceives the increased popularity of lab-grown diamonds?
24. Do you see specific geographic markets (or customer segments) where lab-grown diamonds have a greater opportunity to establish themselves as luxury products?
25. How do you think the luxury industry will evolve in terms of the acceptance of lab-grown diamonds?

### **Section 7: Conclusion**

47. Is there anything else you would like to add?
48. Would it be okay if we reach out again in case we have any follow-up questions?
49. Do you know anyone else in the industry you think we should talk to?