



**Module Title: Strategic Management**

**Student Name: Mediana Hilaj**

**Student ID: 1705337**

**Organisation Name: Brilliant Earth**



BRILLIANT  
EARTH

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## Executive Summary

Nowadays, with an increase in the information technology, digitization and globalisation many companies have to face some challenges. These developments can serve as a barrier sometimes but in other times it can be exploited as an opportunity. The way these phenomena affect the organisation depend on the company's strategies. On the other hand many companies take cutting-edge technology for granted without thinking the impact on the environment. Fortunately there is an increase in the awareness of people about the environmental issues and are looking after the environment. But, not only the environment is a concern. Labour rights are very important. Some companies do not follow ethical standards of working conditions, some others pretend and the rest respect and follow these standards strictly. This report will discuss about a jewellery company which is strictly responsive to the environment and to human rights as well. The analyse will start with a brief summary of the company profile, then the analyses of strategies followed by this company and in the end of the report after a brief conclusion there will be given recommendations for this company not only to survive now but to have a bright future.

## Introduction

The way Brilliant Earth was established is very unique. A girl called Beth Gerstein was ready to be engaged but finding her engagement ring was a challenge for her since she wanted a conflict free ring. She wanted a responsibly-sourced ring. Since she could not find what she was looking for she decided to use her idea to establish a responsibly-sourced jewellery company in collaboration with Eric Grossberg in 2005. It started from a challenge to find a ring which represented Beth's social and eco-friendly character and now it is a community. They want to call it community because there is a large group of people responsive to the environment. This American company offers a wide range of products, from rings, necklaces, earring, bracelets etc. They use different kinds of gemstones like diamond, sapphire, emerald, aquamarine etc. All of these gemstones are conflict free in terms of environment issues. They use and re-refined and recycled gold for their jewellery. They were inspired by the dirty gold mining long history where the labour force is abused, the environment is destroyed, low salaries in one hand and terrible work conditions on the other hand. They wanted to stop this phenomenon by establishing a company which look after the environment, human rights, people security and safety. They reclaim all the recycled and re-refined metals like silver, gold, platinum by converting them into a pure elements with the same quality like they would be newly mined metals. They do not only pretend that they use recycled metals because their re-refined material are certified by SCS Global Services. Their recycled metal origins comes from existed jewellery, electronic components and industrial materials. *"At Brilliant Earth we strive to make jewelry as beautiful as it can be. We are passionate about cultivating a more ethical, transparent, and sustainable jewelry industry"*. This is their mission which emphasize three major impacts: Awareness which consists on increasing customer's awareness to be more informed when they want to buy something. Community and respect are two other important impacts that they emphasize, take into consideration and respect a lot. There are many other values of this company which will be discussed during the analysis of

this report using strategic management tools like swot analyses, five forces of porters, and strategic capabilities.

**Mission:** Johnsons et al.(2011) define the mission as a statement which helps managers and the organisation to focus on their main goals and essential purpose. For Brilliant Earth their mission consist on producing the best jewelleries while being eco-friendly, cultivating the ethical practises which every jewellery industry need to implement and building a sustainable jewellery industry.

**Vision:** Vision consists on goal as well but in future aspirations. It mobilise not only managers like the mission but it engage all members of the company cultivating to them the energy, passion, motivation and ambition in order to achieve what they predicted to be in the future. (Johnsons et al.,2011) . Brilliant Earth vision is not only offering conflict free diamond but furthermore. Their vision is to produce jewelleries with pure diamond which is mined by a labour which is managed following the strict standards for their safety and security issues, while using sustainable alternatives.

## Swot analyses.

**Strengths:** It should be said that this company since it was established it started with a clear vision. Being eco-friendly, implementing ethical practises, respecting human rights, establishing a jewellery industry responsive to the environment were their major purpose. This did not remain just an idea but now they are certified by SCS global services (Setting standard for sustainability). According to a case study by marketline about rare earth elements, as demands are increasing day by day the same trend is being followed by industries which use a lot rare earth materials causing many problems nowadays but more serious problems in the future. This case study suggest that even companies in developed countries tend to exploit these rare metals and materials but now there is an increase competition within the companies that tend to be eco-friendly.Brilliant Earth not only choose eco-friendly alternatives but is very strict toward sustainability standards that every company needs to follow. As mentioned in the introduction this company follow strict standard related to work conditions as well. As discussed in a case study about collective working it is said that many companies and businesses tend to be ethically and eco-friendly but only these that are being perceived as ethical and social, can attract talents, engaged and motivated employees as well as attracting more customers

**Weaknesses:** This company is very famous in America but unfortunately not well-known in other countries where the GDP is growing. Brilliant Earth offers online shopping but shipping only in UK. In order to achieve its vision and mission it should go global emphasizing strengths mentioned above because in developing countries the number of companies destroying the environment and exploiting the workforce is higher than in developed countries like USA.

**Opportunities:** Globalisation as defined by Budzinski (2008), is driven by many important drivers: liberalisation and deregulations which give the companies the opportunity to operate internationally with no big barriers and to having a strong global image. The other drivers that Budzinski (2008) suggest is technology, innovation in information technology, innovation in transportation technology which help companies to reduce their cost of importing and exporting goods globally while money transfers can be done with a mouse

click. As long as there are many benefits from globalisation it is considered as a big opportunity for Brilliant Earth to go globally rather than operating only in U.S.A. Information technology consist on human, hardware and software processes which ensure the information to be spread within the company and worldwide but companies should bear in mind that information technology is efficiently exploited only if they see the relationship between these three components more important than only one individual component and seeing people as the most critical element (Budzinski, 2008). By putting the information technology to the optimal use Brilliant Earth can create value by using databases, data processing and can create better channels of communication within the company and within the customers. Not to left behind is the social media as well. Brown (2012) see social media as a very important opportunity for entrepreneurs since it is a channel of communication with customers while discovering customer expectations, using it as a microphone to change their expectation, perception and enhancing their image. Furthermore this author see social media as a very effective tool to meet more people and to learn from people and organisations around them which gives the organisation opportunity to discover what they are missing and correcting things in accordance with what is happening to others. In cases of Brilliant Earth it can be said the social media would be a very efficient way of promoting their values and their mission to be responsive to the environment and human rights and promoting itself internationally. For example, Facebook, Instagram, Twitter and other online media are so popular and people connect to each other all over the world. As people communicate in such big distances the same trend is being followed by information. With a click on these applications everyone can get information for every company so advertising through social media could be a great opportunity for Brilliant Earth to emphasize their value. Nowadays there is an increase awareness of human-being to be more sensitive toward the environment issues and human rights as well. YouGov conducted a research about the people awareness about the environment and then Guardian News and Media published it. According to this research 86% of GNM audience prefer to buy products from companies which make a contribution to the environment protection and human rights. 84% agreed that companies which do not take care for humans and the sustainability should be penalized. By focusing on this research this can be considered as a brilliant opportunity for Brilliant Earth. It is certificated SCS global services as responsive to the environment company, consequently, this is not only an opportunity to increase their sales but to create a competitive advantage and building a strong and global brand image. They do not only try to be responsive to the environment while operating as a jewellery business but they go beyond, donating 5% of their profits for education for environmental and human rights issues.

**Threats:** Morden (2007) comment that threats same like opportunities are some features of external environment but threats serve as a barrier to extend the business and at worst they can threat their survival to the market. These features cannot be controlled but on contrary they have impact on the businesses performance. As the author suggest these threats include demographic trends, social and cultural changes, economic recension or development, political uncertainties, free trade developments, free trade zones etc. Many of the features mentioned above are seen as an opportunity for Brilliant Earth but some of them depends how efficiently the try to exploit these factors. For example, free trade development and free trade zones mentioned to the opportunities allow this company to go globally but on the other

hand this is a benefit not only for Brilliant Earth but for every company so this increase the threats of new entrants consequently the business environment become more competitive. On the other hand social media was mentioned as an opportunity but according to Brown (2012) if companies want to be present in social media they should keep an eye on the threats that this may present. Since your customers can have access on the information that companies publish, they will give their opinions and perception about the company and these information is accessible by competitors as well as the comments and opinions from the customers are eye catching for competitors. Following the suggestion of this author Brilliant Earth should be a good listener and response to customers needs quickly because otherwise competitors on backstage will learn from Brilliant Earth mistakes and fulfilling customer's needs quicker creating a competitive advantage toward this company. On the other hand Venugopal (2010) see the chances that one certain product can be copied are very high due to the social media and other innovative channels is a threat not to left behind. Brilliant Earth has a webpage and shows every type of jewelleryes produced by it so, other competitors can easily navigate to their webpage and copy the design of its products.

### Porter's Five Forces

Morden (2007) describes Five Forces of Porter as a group of five inter-related variables which serve as a function of business environment competition. These variables are as below.

**Industry rivalry** which consists on diversity and number of competitors, barriers to leave the market, product differentiation, growth prospects (Morden, 2007). According to Brilliant Earth it should be said that industry rivalry in general is medium to high. This is a young company established in 2005 while other jewellery companies are established since in nineteenth century like Tiffany & Co (1837) or BVLGARI (1884). Customers recognize these brands due to the long period they are operating in jewellery industries. It would be a bit difficult for customers to diverse their preferences for these well established companies to a newly established company. On the other hand as explained during the swot analyse free trade zones instead of being seen as an opportunity they can be seen as a concern because in this case Brilliant Earth is a company operating in the USA environment where before it was impossible for foreign companies to operate there while now every big company can extend their business in USA and furthermore. This leads to an increase in the level of competition not only from USA competitors but from foreign jewellery companies as well.

**Power of Buyers:** Boddy (2007) argue that consists on the ability that customers of a certain company can influence on the product or services prices and according to him the power of buyers is considered high if customers buy a large part of the company output, there are many competitors and substitutes on the market, the product is a large part of the buyers expenditures or if the customers have some facilities to supply themselves. Based on these criteria the power of buyers for Brilliant Earth is low. This is a jewellery company so it tends to be more a luxury industry. Since it sells luxury products it means that customer do not need necessarily to buy its products. Even if it can be said that if one customer want to buy a jewellery from this company he/she have to pay a lot of money it cannot be said that the product is a large amount of their expenditures because it is like a funny shopping or is like an indulgence statement. In this way they can seek lower prices but it is less likely to see the

prices decreased. The other reason is because not only Brilliant earth but all the jewellery companies tend to sell at high prices. Furthermore, Brilliant Earth produce high quality jewellery and it is certified as a company which use the pure elements. Meanwhile, when talking about the competitors it is obvious that number of competitors is at a high level due to the increase of jewellery industries but prices are almost the same which witness again the power of buyers is low. The last reason why power of buyers is low in this case is because customers do not have any facility to produce gold, silver or other jewellery with gemstones by themselves.

**Power of Suppliers:** Johnson et al (2008), comment that suppliers of a company do not include only suppliers of raw materials, equipment etc but the sources of finance and the workforce as well and the power of suppliers include the opposite factors of power of buyers. As defined by these authors, power of suppliers can be high in cases that there are only few suppliers, the switching cost is high which means that is a high cost to diverse from one to another supplier, supplier competition which indicates that the company has the opportunity to supply itself. In case of Brilliant Earth the power of suppliers is high. The reasons are as below. Their group of suppliers is selected based on very strictly standards. One criteria of their suppliers is that they should be in accordance with some protocol of saving diamond, should be able to segregate the diamonds depending on their origin, the gemstones should originate from selected mine operators which follow environmental, labour rights and trade standards which are recognised internationally. Also, they use some other eco-friendly alternatives such as recycled diamonds or lab-created diamonds. Lab-created diamonds as the name suggest are grown in a lab environment which is highly controlled using advanced technology. They prefer to call man-made diamonds because they are produced as a result of arranging many atoms of carbons from pre-existed diamonds in the characteristic structure of diamonds. These diamonds as well should be certified as grown ethically with the minimum of environmental impact. All of these features of suppliers indicates that there are very few suppliers, the switching cost is very high since they have to find another suppliers which follow the standards required, they have the facilities to produce in their lab some of their jewellery but as mentioned before is not only raw material important but the labour as well so people responsible for producing these diamonds in an advanced technological lab are very few. All these evidences lead to a high power of suppliers.

**Threats of New Entrants.** *“A barrier to entry is a condition that creates a disincentive for a new firm to enter an industry”* (Barringer and Ireland, 2015, page 178). As they define there are six factors to take into account when deciding to enter an industry such as Economic of scales which means that mass producing can reduce the cost of one product, product differentiation, capital requirements, access to distribution channels, government or legal barriers and cost advantages independent of size. Regarding to Brilliant Earth threats of new entrants is low to moderate. The explanation is: In one hand economy of scale and government barriers are not a high barrier to enter a jewellery industry but on the other hand capital requirement and cost advantages are high. To start a jewellery business today is more difficult than it was when Brilliant Earth was established because it is related to gemstones which are going to disappear due to land destruction and other natural phenomena. The other reason is related to the suppliers. If someone wants to operate like Brilliant Earth he/she have

to find suppliers with the same standards as this company. While about product differentiation there is no unique design made this company only but the way they are produced is very special and unique.

**Threats of Substitutes.** This consists on the risk that a certain company offers products with the same benefits compared with some other products. Threats of substitutes for Brilliant Earth is high because there are many companies which sell jewellery products starting from companies which offer products with low prices like Pandora , to very expensive products by Tiffany & Co. Meanwhile there are many companies between these categories which offer these products. For instance, the benefits given to customers when buying a ring from one certain jewellery shop, remains almost the same as buying to another jewellery brand.

## Strategic capability

*“There are two components of strategic capability. Resources are assets that organisations have or call upon (e.g. from partners or suppliers: competences are the ways these resources are used or deployed effectively” (Johnson et al.,2011, page 51).*

According to Johnson et al (2011), strategic capability is not only having as much resources as a company can but the way they put to the optimal use is very important. There is no point to have many resources while many of them are not being used. As these authors suggest there should be a strong relationship between the resources, processes, systems, people collaboration, innovative capacity, relationships with the customers and suppliers. If a company has better assets that are difficult to be imitated from other companies while the way they use is very effective and ensure their competitive advantage, these assets can be called unique resources (Johnson and Scholes, 6<sup>th</sup> ed,2001). Brilliant Earth use recycled gold from existing jewellery, industrial use metals and electronic components. These metals are not rare but only this company use these type of metals to convert into gold as well as producing man-made diamonds. The way this company use this metals is very unique due to the strict standards that it want to follow to protect the environment and the employee's rights. They follow ethical practises of working conditions and they have only certified suppliers of diamond and other types of gemstones. Meanwhile other jewellery companies tend to be supplied by whatever mining operations without taking into consideration of environmental impact or the labour ethical conditions. This makes Brilliant Earth to have a strong capability.

## Conclusion

Jewellery industry is an industry producing luxury goods. Generally speaking luxury industry is very profitable but on the other hand its performance is very sensitive to macroeconomic factors. As stated in one article published by Marketrealist.com in 2014 luxury industry in USA faced a considerable decrease in their prices which caused a decrease in the jewellery industry profit margins. For example, if there is a recension Brilliant earth sales will decrease considerably while Tesco Grocery sales will remain almost the same. Diana Key conducted a report published in Marketrealist.com which represents three trends of shaping

jewellery industry: the increasing demand for luxury jewelleries indulging themselves, increase in jewellery industry in developing countries of Asia and the increase in the focus that both developed and developing countries are giving to e-commerce sales. Brilliant Earth is focusing to create the perception to customers as a luxury company and ethically resourced company. Its Image by itself shows too much about their brand. The diamond gemstone among two leaves and the green colour of the picture makes their environmental care very visible. They want to be distinctive in the quality of their products as well as in the way they promote human rights and Environmental issues. Brilliant earth donate 5% of its profit for labours who suffer from conditions in the mining operations.

## Recommendations

The competitive environment , information technology development, globalisation and free zone trading are becoming features for the market today. These features may can help companies to increase their reputation and profits but if there are not proper strategies implemented in these companies the effect of these phenomena can diverse to a threat. In case of Brilliant Earth the key strategies should focus on exploiting opportunities, focusing on the strengths, improving the weaknesses and implementing strategies to be immune toward future challenges.

**Focus on international expansion:** Brilliant Earth operates only in U.S.A and free shipping in the UK but there are many countries in process of development where this company can be present and increase their brand image, profitability and reputation. Wood (2007) define potential market as all the customers who may be interested in certain products but some people may be not aware of these companies, some others may have not access to their products, some others may not afford its products. So if there will be a focus on the international market, this company will offer access of its products to many interested customers and may increase its brand awareness.

**Being an ethical resourced company:** people recognise Brilliant earth as a luxury company which is distinctive in the way it treats the environment and the labour force. As discussed during the analyse there are many case studies that show an increase in people awareness to protect their habitat. This is mentioned as an opportunity for this company so if it put this opportunity to the optimal use there will be a great positive impact for it.

**Social media:** This company do not advertise a lot its profile in the social channels. Social media is a great communication with new customers so if there will be a focus on this opportunity the company will see a greater reputation recognition. On the other hand it should keep an eye to response to the members of this media because otherwise other competitors will listen and response to them quicker.

**Implement resourced-based strategies.** According to Jeffs (2008) , resourced-based view consists on exploiting unique resources and capabilities in order to generate a competitive advantage by building in its strengths consequently there will be an increase in their innovation and creativity in the market. Brilliant and Earth possess ethical resources and

apply ethical practises so, if they continue focusing on these strategies they will not only survive in the competitive environment but being a strong competitor. According to an article about the pressure on rare elements companies are trying to find a solution which is using recycled elements. Brilliant Earth has implemented this strategy since it was established which creates a competitive advantage. For this company there is no need to think about changing suppliers which is a high cost, while others need to change their resources completely. It only should emphasize its ethical way of being supplied and to take other initiatives and innovative ideas to protect the environment.

**Decrease the price.** US department of commerce states that there will be a decrease in jewellery industry sales in 2019 due to the increase in the number of people that want to spent on holiday rather than in luxury goods. Based on this Brilliant Earth should saw a decrease in its prices or designing new cheap products in order to avoid a big decrease on its sales, consequently in its margins.

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