

Jewelry Sales Uneven in 2006, Online Sales Continue to Rise

Jewelry sales in the United States were mixed in 2006. The year started off extremely strong, up 8.7% in the first six months, an increase that was particularly encouraging considering sales grew only 3.8% in 2005 to \$59.4 billion. According to analysts, the increase was short of expectations after increases of 4 or 5% annually over the past decade.

Sales dropped in the fall, but rebounded in November and December, when sales were up 8%. Retailers were relieved, due to worries regarding the release of the film *Blood Diamond*. Jewelry sales in November and December account for nearly half of the industry's total sales and publicity surrounding the film's depiction of the illicit gem trade could have had disastrous implications for holiday sales.

Official numbers have not been released, but overall jewelry sales for 2006 are thought to have risen 7%. Specialty jewelers lost ground, particularly those in malls, while sales for discount retailers such as Wal-Mart and Costco rose. Luxury sales for retailers like Bulgari and Tiffany were strong. Online sales for jewelers reached the \$1 billion mark in 2002 and doubled in the subsequent three years, an impressive climb considering that these retailers have been in business only about a decade.

BlueNile.com, the leading web retailer, ranks only behind Tiffany's and Zales in sales. The company, along with other internet retailers like Diamonds.com and Whiteflash.com, are popular with men purchasing engagement rings, accounting for approximately 70% of all online jewelry sales. The economy is expected to slow in 2007, which historically means a downturn in demand for jewelry.