

Online Jewelry Sales Continue to Rise in Sluggish Market

Sales of jewelry in the US are expected to increase only a modest 3% this year, with high metal prices and a lackluster economy largely to blame. The international Diamond Exchange predicts jewelry sales of \$65.9 billion in 2008, up from \$64 billion the previous year. The bridal market is still a reliable segment of sales, with couples spending more on these purchases than previous years. Sales for online jewelers continue to be a bright spot too.

Business for online retailers and traditional retailers selling on the web grew significantly in 2007. Blue Nile's sales grew 27% to \$319 million, and the company plans to offer a larger product range and expand beyond the US, Canada and the UK. Sales for Bidz.com grew 42% to almost \$190 million, and they also plan to expand further into the \$160 billion international market. Bidz.com also launched a sister site this spring, Buyz.com, which offers jewelry and watches at a fixed price.

Amazon.com also saw strong gains in direct as well as third party jewelry sales. Diamond sales for the company increased over 100% in the fourth quarter of 2007 compared to the same period in 2006. The internet has even helped television shopping retailers, as jewelry sales for QVC, HSN, Shop NBC, and Jewelry Television have reportedly all experienced double digit increases through their respective websites.

Online operations generally have fewer expenses than brick and mortar stores, such as rent, and many cut expense further by eliminating wholesalers and working directly with manufacturers. Low prices, money back guarantees and free delivery have all been persuasive incentives to shoppers. Traditional retailers selling on the web report that customers feel more secure knowing that a store exists should they want to visit it and that online inventory is necessary for some to complement in store inventory.

Online jewelers are still worried about the current economic climate and have projected much lower sales for 2008. Blue Nile anticipates only 10% growth this year, and first quarter profits were only \$2.6 million, down from \$3.2 million from the same period last year.

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