

Online jewelers aim at high end

Move into luxury sector; traditional retailers are slow to counter threat

BY ELISABETH BUTLER

UNTIL RECENTLY, jewelry industry leaders firmly believed that customers would never buy pricey jewelry anywhere but in a store—

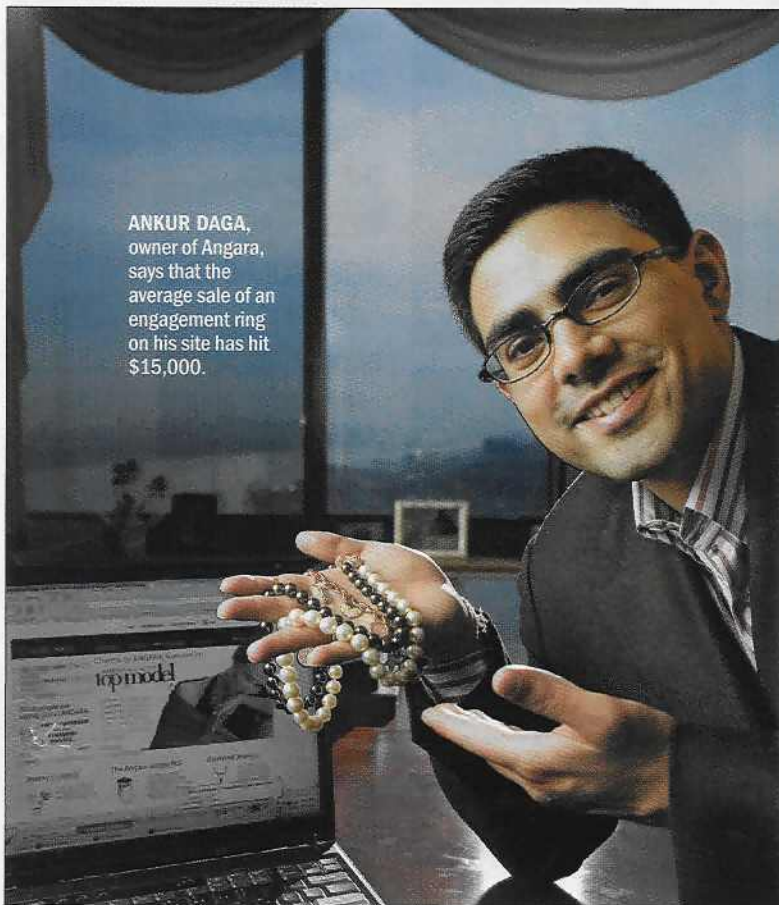
an inviting place where they could feel the piece in their hand and see how the gemstones catch the light.

Those industry heavyweights never met Evren Bilimer. Just before Christmas, the young private-equity firm director went online and bought his new girlfriend a sparkling triple-sapphire pendant for \$2,400 at Angara.com.

"I'm not a big shopper myself," Mr. Bilimer says. "I like the convenience of shopping online."

Angara Inc. was created for people like Mr. Bilimer—those willing to spend big bucks for baubles online. The company is one of a number that for the first time are taking e-commerce to the upper reaches of the jewelry market. They are challenging the long-running dominance of such titans

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ANKUR DAGA, owner of Angara, says that the average sale of an engagement ring on his site has hit \$15,000.

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as Tiffany and Harry Winston, undercutting the majors' prices by as much as 50%.

Thanks in part to the big players, who are still in a state of denial when it comes to the online threat, Angara expects to ring up \$10 million this year—its very first in business. Ankur Daga, the company's owner, boasts that the average sale of an engagement ring on his site has already hit \$15,000.

Recent data clearly showed a drift of shoppers heading online to make major jewelry purchases. When it came time to make their most expensive jewelry purchases, 27% of consumers said that they went online, according to a January survey by the Jewelry Consumer Opinion Council, a market research organization. The figure is double the 13.5% that turned to the Internet just three years ago.

To press its advantage, Manhattan-based Angara will soon introduce two new tools designed to significantly upgrade the online shopping experience. One program

will allow visitors to click on a piece and then view a video of a model wearing it. Soon, the site will also feature a live video link to connect the shopper with a salesperson in Angara's showroom.

"The perception of the Internet is that it's very impersonal," Mr. Daga says. "Our object is to reverse that."

Extension of Blue Nile

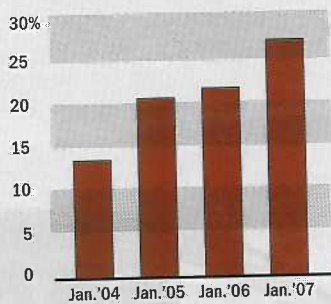
TO HELP GET the message across, Angara gift wraps each purchase and includes a handwritten thank-you note and a choice chocolate. In many ways, Angara is simply a logical extension of companies like Blue Nile, which pioneered the concept of selling jewelry online—albeit at lower prices—nearly a decade ago.

"In 1999, the customer who bought a diamond online was pretty adventurous," says John Baird, a diamond expert for Seattle-based BlueNile.com. "Now, so many people know somebody who's done it."

Last year, Blue Nile racked up \$252 million in sales, up 24% from 2005. Along the way, it sent a shiver up the spines of top-drawer jewelers

STRIKING GOLD

Percentage of shoppers who made costliest jewelry purchase online.



Source: Jewelry Consumer Opinion Council

BEKA LINDSTRÖM

by logging its largest single sale to date, a purchase worth \$324,000.

Manhattan-based Wedding Ring Originals and its Web site have also helped to blaze a trail for Angara. According to owner Mel Krumholtz, WeddingRings.com generates nearly a quarter of his company's sales. Last year, those sales jumped 35%. To maintain that kind of momentum, Mr. Krumholtz is spending \$50,000 on a

site redesign for the fall.

"I really see it as my future," he says.

Happily for Messrs. Krumholtz and Daga, many established jewelers have yet to respond to the threat. Tiffany and Fortunoff sell some jewelry online, but both still keep their big-ticket items locked away in their stores. Meanwhile, upper-crust outfits such as Graff and Van Cleef & Arpels maintain information-only Web sites.

"[The online jewelers] are not selling what we're selling," says Henri Barguidjian, chief executive of Graff USA, the Manhattan arm of the London-based company. "People visit the Web to see what we're all about, but for anybody who buys \$200,000 in jewelry, we want them to come and look at it."

Meanwhile, despite efforts by Cartier's new chief executive for

North America to reach out to younger customers, the jeweler's Web site is stuck in the past. Cartier.com doesn't even list prices for its products.

Cartier online? Not yet

"THEY SHOULD HAVE a Cartier collection selling online," says Elizabeth Chatelain, president of MVI Marketing Ltd., parent company of the Jewelry Consumer Opinion Council.

In the absence of any push-back from the major jewelers, Angara has managed to earn at least one repeat customer. Mr. Bilimer proposed to his girlfriend in mid-March, and they plan to buy their engagement and wedding rings at the site. He's eyeing rings listed in the Strong Box section, which range from \$3,900 to \$82,000.

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