

## Digging for Diamonds

Jewelry has become a major online category, in a counter-intuitive development within the e-commerce business.

Online jewelry sales are expected to reach \$3.2 billion this year, compared with \$2.5 billion last year. Overall, 8% of all jewelry sales in 2005 are expected to come from the Internet, up from 6% in 2004 and 3% in 2002. BlueNile forecasts 2005 sales of \$205 million to \$215 million, up from \$169 million in 2004.

Ann Poletti at eBay said, they do \$1.6-\$1.7 Billion in jewelry and watches, and she gave me these two statistics:

50% (\$0.8M) is in diamonds and watches.

50% (\$0.8M) is in rings and watches.

These are very compelling numbers, indicating a very compelling opportunity.

An easy way to get into this business for an investor could be by buying Odimo (Nasdaq: ODMO) that owns the portal diamond.com, as well as other internet brands such as Ashford. The company did \$52 Million in 2004 sales, but is currently valued at a mere \$13 Million. Of course, they are losing beaucoup money. However, some of the P&L problems seem to be artificially created by their majority shareholder, The Steinmetz Group, who remains the sole supplier of diamonds to the company, but at questionable terms. Gross margin numbers seem suspicious.

Bottomline, jewelry online is an opportunity worth pursuing, and TAM is expected to continue to rise as more of the web savvy generations enhance their buying power.

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### About the Author

Silicon Valley Entrepreneur and Strategy Consultant Sramana Mitra writes about Entrepreneurship, Business Strategy, Emerging Technology, Market Moves, and sundry other topics in her Blog "Sramana Mitra on Strategy". Read more of her writings at <http://www.sramanamitra.com>.