

## Accessories Report

## Sam's Club Taking a Shine to Diamond Business

By Sharon Edelson

**SECAUCUS, N.J.** — Sam's Club wants to be a bigger player in the \$72 billion diamond jewelry industry.

The warehouse club division of Wal-Mart Stores Inc. already does significant sales volume in diamond jewelry. The company doesn't break out sales for individual product categories, but with \$40 billion in annual sales, "everything we do is big volume," said Sharon Van Roo, senior director of merchandising for jewelry.

The luxury cars in the Sam's Club parking lot here attest to the fact that any stigma associated with buying food, paper goods and health and beauty aids at a warehouse club has disappeared. But while shoppers are eager to save money on consumables, buying diamond jewelry at a warehouse club still has its share of skeptics.

Sam's has improved its jewelry offerings and the locations of the department within stores. As a result of Project Portfolio, Sam's Club's three-year remodeling project, the 14-case jewelry area was moved to the center aisle adjacent to apparel. In its previous location next to electronics, jewelry shoppers were subjected to the constant din of video game demos and blaring TVs.

Sam's Club has been steadily upgrading merchandise since 2001 when it phased out leased jewelry departments to manage the business itself. Sam's used a 2003 holiday catalogue to gauge customer interest in higher-priced jewelry, for example, a \$300,000 one-of-a-kind necklace with 75 ideal cut diamonds and \$260,000 ring with a 3.85 carat radiant-cut pink diamond.

Sam's found there was a market for exceptional pieces. "We recently sold a \$102,000 diamond ring," Van Roo said. "Almost every week we're working on something worth \$10,000 or more." Sam's helps members design jewelry and change settings and sells loose diamonds through its suppliers.

The club is introducing new brands, offering eValue coupons for jewelry and making a marketing push aimed at members. "For the holiday collection we're working on direct mail, club TV, national magazine ads, e-mail blasts and postcards," said Van Roo. "Our Source magazine goes to 10 million people. We're really excited about the eValues for jewelry." EValues are discounts tailored to club members that are taken at the register. A \$100 eValue for \$700 diamond hoops is an example.

Among the new brands at Sam's is Effy, rose-shaped rings with pavé diamonds and colored stones and diamond and cognac diamond necklaces. Regal Elegance, diamond engagement rings priced from \$599 to \$6,000, will be launched this fall. Judith Ripka, which bowed in 100 clubs a little over a year ago, is expanding to 570 clubs. De Beers' Diamond Love Knot Everlon collection — Sam's was one of 12 outlets in the U.S. to launch it last year — is being expanded. "We're working with them and they're building the collection for us," Van Roo said.

Other important brands include Love Earth, billed as the first traceable fine jewelry collection and exclusive to Sam's, and Silver Mist jewelry, which combines gray and white diamonds with sterling silver.

The retailer in September held its first ever diamond event. "We made some incredible buys," Van Roo said. "We reduced prices on select items" to make room for new products.

"Jewelry and diamonds are an important piece of our overall merchandise portfolio where we can build member loyalty and demonstrate superior value," said Marybeth Cornwell, senior vice president of home and apparel at Sam's Club. "Our members are responding positively to a mix of luxury brands such as Judith Ripka as well as fashion and bridal pieces. We believe our success here can help us win other brands in various categories, and help us deliver unique shopping experiences based on occasion and use."



Sam's Club is intent on developing its diamond jewelry business.

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— Stuart Samuels

At an afternoon meeting, Stuart Samuels, president of Premier Gems, the supplier of the Premier Diamond Collection for Sam's Club, Van Roo and Katrina Knight, a buyer for samsclub.com, looked over a tray of diamond engagement rings. "We created the Premier Diamond Collection for Sam's Club," said Samuels. "Sam's has evolved over the years in terms of selection and quality. The concept was for Sam's Club to build a first class jewelry department."

Premier also supplies diamonds to luxury jewelers such as Graff. "You can get better merchandise at Sam's than you get at the majors," Samuels said. "There have always been challenges to building Sam's jewelry business. I call Sam's 'Tiffany with a concrete floor.'"

Developing Sam's diamond business will depend on whether consumers are willing to forgo the ambiance and higher level of service of upscale jewelry stores. "In all of the important clubs I would love to see dedicated jewelry salespeople," Samuels said. "The way it works now is an associate could be selling tires today and jewelry tomorrow. That would be a very important addition to the jewelry department."

The savings at Sam's Club can be significant. "Harry Winston could be 50 percent more," Samuels said. "At a high-end jeweler, you're paying for an experience. It takes a confident person to say, 'I know I'm getting the best. Slowly but surely, the public will accept the fact that it's OK to buy expensive diamonds at Sam's.'"

"There's another area — online. It's growing and it's a tremendous source of sales," Samuels said. "Marketing and advertising do get more sales. I would love it if Sam's decided to budget more money for marketing and advertising." But often, Sam's relies on the national advertising campaigns of the brands it sells. So far, Premier's collection is in 100 clubs. "Not all clubs are places where this would be an appropriate investment for Sam's to make," Samuels said.

Sam's is trying to sweeten the offer with a new diamond certificate program that will benefit consumers. Certificates, or grading reports, list characteristics of the diamond that make up its value. It's not unusual for a variance in the weight of a stone to exist with the standard industry disclaimer, "diamond weights are not exact and may vary by 0.05 carats, plus or minus." Under Sam's program, any variance will always be in the consumer's favor, Van Roo said. "This is an effort to exceed consumers' expectations," Van Roo said.

Eager to show some of his more exceptional diamonds, Samuels unwraps a small envelope filled with uncut diamonds and picks out a 7.11-carat stone worth \$500,000, and an 8.91-carat B-flawless diamond that will be worth \$1.5 million after it's cut down to 8.88 carats. "I'm selling this to a Chinese client," Samuels said. "Eight is a lucky number in the Chinese culture." By contrast, Sam's merchandise includes a 3-carat canary diamond surrounded by pavé diamonds for \$225,000 and a 3-carat I-flawless stone surrounded by pavé diamonds for \$35,000.

At Rosy Blue's showroom at 529 Fifth Avenue, workers empty bags of uncut diamonds onto trays and enter their weights and measurements into computers. Rosy Blue in November is launching the Regal Elegance Collection at Sam's Club. The collection claims to use uncommonly sparkly diamonds. "We only use well-cut diamonds for this program," said Birain Parikh, vice president of Rosy Blue. "They have more brilliance than regular diamonds."

Regal Elegance originally bowed at Sam's in 2003. "We've had Regal Elegance for a number of years but haven't really marketed it or brought it to the forefront," Van Roos said, adding Regal Elegance stones will be certified by Gemex and measured for brilliance (white light), fire (color light) and sparkle (scintillation).

## Digital Fitting Rooms Continue to Evolve

By Denise Power

**CHICAGO** — Start with an armadillo. Then dress it up and take its picture. That's the latest approach to the digital dressing room, and the "armadillo" in question is a robotic mannequin developed by Fits.me Biorobotics.

London shirtmaker Hawes & Curtis' Web site has offered Fits.me for men's wear since April and will expand it to women's apparel next month. U.K. retailer John Smedley launched the virtual try-on tool for men recently and plans to introduce it for women next year. The goal is to reduce disappointment for online shoppers and costly returns for the merchants.

Other retailers have tried computer-generated 3-D animation or augmented reality. Lands' End led the march in 1998 with My Virtual Model. More recently, Tobi.com introduced Fashionista, which superimposes a photo of a garment onto live video of a shopper from her Web cam, much in the way she might hold up a dress against her body in front of a full-length mirror.

The Fits.me robotic torso's armadillo-like moving surface plates can contort to 100,000 body shapes, driven by algorithms drawn from more than 30,000 three-dimensional human body scans, said Heikki

Haldre, chief executive officer of Fits.me, a startup based in Estonia. The technology was developed in conjunction with Estonia's Tartu University, Tallinn Technical University and Human Solutions GmbH.

Fits.me takes about 2,000 photos of each item of apparel on the mannequin to correspond to the various possible combinations of garment sizes and shoppers' measurements. Fits.me photographs five to seven pieces per brand instead of a whole collection because it assumes sizing is consistent within a brand. "It would be a logistical nightmare if every single garment should be shipped for photography," said Haldre.

Antony Comyns, head of e-commerce at Hawes & Curtis, said 18 percent of male shoppers who place an online order do so after using the sizing tool; further, the sizing tool has reduced returns due to wrong size by 0.25 percent. Possible challenges may involve shoppers' ability to measure themselves precisely but Comyns said the potential to improve customer service and increase sales is what's so attractive, especially when shipping abroad. The ability for shoppers in other countries to visualize how a garment will drape on a mannequin that mimics their personal body proportions greatly reduces the fear of "what am I going to do if I have to send it all the way back" to the U.K.

Surface plates on the robotic torso simulate 100,000 body types.

