

Online custom jewelry biz just the beginning

BY GALEN MOORE
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At the close of its first season in business, online jewelry retailer **Gemvara Inc.** is having a heck of a holiday party. With just a few months in the books, the company's founder is predicting "tens of millions" in 2011 revenue.

First-time entrepreneur **Matt Lauzon** hopes he can do with diamonds what **Amazon.com Inc.** (Nasdaq: AMZN) founder **Jeff Bezos** did with books. Jewelry is only the beginning, the 25-year-old says.

Gemvara launched its direct e-commerce site this spring. Now, fourth-quarter revenue is on pace for an annual run rate approaching \$10 million, and Gemvara is projecting sales three to five times that amount in 2011. Lauzon said the initial success, if it continues, signals a change that goes beyond the jewelry business: "I firmly believe e-commerce is dead," Lauzon said. "All the people who could kill a category because they were simpler, faster, cheaper — they can't do that anymore."

Gemvara has garnered attention as a seller of custom jewelry. The company started out in 2008 as Paragon Lake, offering an in-store monitor for custom jewelry sales. Two years later, with more than \$11 million from VC firms **Highland Capital Partners** of Lexington and **Canaan Partners** of Menlo Park, Calif., Gemvara has shifted that technology into a slick site for consumers, offering designs from independent gemsmiths in custom combinations of metals and stones. Made to order for delivery in one to two weeks, the jewelry aims for a lower price point than inventory-carrying retail stores.

Customization is the key, Lauzon said. If it works in jewelry, Gemvara can begin to apply those lessons

to other industries.

"I'm done thinking just about jewelry," Lauzon said. "I think what somebody has to do is say, 'We're going to build a build-a-bear store for every industry' " — referring to St. Louis-based **Build-A-Bear Workshop Inc.**, a retail custom teddy bear business.

However, Gemvara is planning an international expansion in 2011 and is focused on improving its bottom line. After the success of early pioneers **Blue Nile Inc.** (Nasdaq: NILE) and **Zale Corp.** (NYSE: ZLC), in the past 12 months major jewelry retailers like **Helzberg Diamonds** and **Kay Jewelers** have woken up to sales potential online, said industry analyst **Liz Chatelain** of **MVI Marketing Ltd.** Online sales could grow past 10 percent of U.S. jewelry retail, she said. Market analyst **IBISWorld Inc.** estimates U.S. jewelry retail as a whole is a \$30 billion industry.

In its \$681.7 million (unaudited) most-recent quarter, **Tiffany & Co.** (NYSE: TIF) reported Internet and catalog sales up 7 percent, compared with an 8 percent decline in the same period last year.

Profits have been challenging, Chatelain said, because most online customers appear to want some kind of human connection before dropping thousands. More than 70 percent of Blue Nile's sales are completed over the phone — a much higher number than the company had hoped for. Lauzon said at Gemvara that number is more like 30 percent — but he's not concerned about comparing his company with its online-only competitors.

"We don't intend to outcompete Blue Nile," he said. "We intend to outcompete Tiffany."



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First-time entrepreneur Matt Lauzon, 25, has struck gold with his online custom jewelry website.

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