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# Online diamond sales shine

by **Giannina Smith**  
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**A**n Atlanta company has struck a rich vein mining online jewelry sales, even as economic uncertainty is taking some of the sparkle off the luxury retail sector.

Union Diamond Corp., founded in 2001, has grown from a one-man operation to 18 employees selling diamonds, pre-made and custom jewelry and watches through its Web site ([www.uniondiamond.com](http://www.uniondiamond.com)). The company also has a showroom on Paces Ferry Road in Vinings, but 98 percent of its sales are online, says Scott Anderson, president and CEO.

Union Diamond had three record sales of \$250,000 last year, Anderson said. Some frequent customers are getting close to the million-dollar mark for combined spending, he said.

"People are getting more and more comfortable and obviously we've built a reputation where they can trust us as well, and that is probably the most important part."

He declined to disclose the company's 2007 sales figure, but said overall sales last year grew about 25 percent. He expects sales growth in 2008 to be about even with last year.

Nationally, online jewelry sales are growing. Amazon.com Inc. (Nasdaq: AMZN) reported Feb. 12 that its diamond sales increased more than 100 percent in the fourth quarter of 2007 compared with the same quarter a year before. The same day, Seattle-based Blue Nile Inc. (Nasdaq: NILE) reported its 2007 sales jumped 27 percent while profits soared 33 percent.

But slowing consumer spending could tarnish some of that luster. Blue Nile's results didn't meet Wall Street's expectations, and the market sent its shares down 20 percent. Executive Chairman Mark Vadon said



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Business is forever?  
Scott Anderson, left,  
and Tony Rixom of  
Union Diamond, which  
sells diamonds online  
and ships via FedEx.

in a statement that 2007 was exceptional with outstanding sales growth. "Given the current economic environment, however, we believe it is prudent to be extremely cautious in our expectations for the year. There is tremendous uncertainty in the luxury retail sector, which is experiencing a widely reported consumer slowdown."

Anderson, however, is optimistic about 2008.

"Blue Nile was just predicting slower growth for them and that is exciting news for us because our sales are up again almost 25 percent coming in through January and if they are looking at flat [growth] then we are obviously gaining market share," Anderson said.

## An inauspicious start

A native of Wales, Anderson arrived in America 20 years ago and made his way cleaning toilets by night and working in a warehouse by day until he landed a job at a wholesale diamond company where he

spent 12 years before going out on his own. Starting the business was not an easy feat, however. Union Diamond was self-funded, and its first day in business was Sept. 11, 2001. As Anderson sat signing for the keys to his new office, his wife called and told him about the terrorist attacks of that day.

"Everything got taken over by those events, but I was committed. I was in the business," Anderson said.

Union Diamond was originally designed as a wholesale diamond business, but after a month of almost no commerce Anderson decided to sell primarily to consumers. He cut out the jewelers, but maintained the wholesale pricing structure. He began by selling a diamond on eBay Inc. and in mid-November 2001 launched a Web site. Tony Rixom joined the company as chief operating officer in 2002.

## Cutting the middle man

Union Diamond's Web site now has a billion dollars worth of diamonds on it,

Anderson said. Rather than purchasing diamonds from diamond exchanges, Union Diamond deals directly with the manufacturers, which Anderson said eliminates added expenses.

Shipping globally from Vinings to places like South Africa and Hong Kong in insured FedEx packages, the Web site has about 78,000 individual diamonds with prices ranging from \$300 to \$1 million.

"We basically bypass the wholesale level," Anderson said. "We eliminate so many layers because we deal directly with the people that cut the rough diamond. It comes out of the mine and then it is cut and that is who we deal with. We get access to the diamonds first."

"What were doing is taking all of these manufacturers' inventory and offering it to the public," Anderson said.

Customers can place their orders online or by phone and although they don't get to preview the diamond before purchase, Union Diamond offers a 30-day "no questions asked" return policy. Though Union Diamond accepts credit card purchases, Anderson said about 60 percent of sales are by wire transfer.



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**'No questions asked':** Union Diamond offers a 30-day return policy.

"It's quite amazing. People will wire you the money, \$250,000. It's so easy it's absolutely incredible," Anderson said. "We used to go crazy over a \$50,000 to \$100,000 sale and now it is becoming commonplace."

The showroom continues to be a very small part of the operation. "But people really feel much more comfortable knowing there is a real operation behind it and that we're not just in our basement sending FedEx packages," Anderson said.

Anderson said the company invests very little in advertising and believes repeat customers and referrals are what drive the business. "Our advertising is less than 1 percent of sales, which is quite incredible when you look at the growth. So it has really been the word of mouth that has pushed the business along," he said.

Union Diamond's referrals come from customers like Larry Hufty, senior vice president at a Memphis-based brokerage firm, who has bought jewelry from Union Diamond six times in the last four years, including his wife's engagement ring. He said he recommends the company to anyone that is in the market for jewelry.

"Not only do you get incredible service, but you get incredible prices at the same time," Hufty said.

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