

COMMERCE

Bluefly CEO: Luxury shoppers show signs of frugality fatigue

February 17, 2011



By RACHEL LAMB

Bluefly reported a 17 percent year-over-year increase in profits that the company's CEO claims is indicative of a significant rise in what she calls frugality fatigue.

Sign up now

Luxury Daily

The etailer experienced the blows of the economy in 2008, but has been gaining speed since then. Its fourth quarter and full 2010 year are the most profitable periods in a while.

"Bluefly has always been the go-to destination for luxury goods because people are forever looking for designer brands at a good price," said Melissa Payner, CEO of Bluefly, New York. "It's always been our focus and we excel at bringing our customers the designer products they crave at a significant value."

"Strong sales during the holiday season indicates to us a clear rise in what we call frugality fatigue," she said. "Luxury shoppers are clearly back and have given themselves permission to buy which we hope will extend deep into 2011."

Bluefly is an online ecommerce destination selling luxury apparel, accessories, fragrances and eyewear from brands such as Chanel, Perry Ellis, Michael Kors, Marc Jacobs, Diane von Furstenberg and Dolce & Gabbana.

Bluefly's buzz

The retailer's fourth quarter sales for 2010 were the best that the brand has had in years, and it has the numbers to prove it.

A sales growth driven by the vast demand for luxury goods accounted for the decrease of gross profit margin, from 41.3 percent to 2009's 34.9 percent.

Additionally, cash and cash equivalents increased from \$10 million in 2009 to \$10.4 million at the end of the 2010 year, while inventory increased from \$17.7 million in 2009 to \$25.1 million in 2010.

These fourth-quarter statistics support the retailer's overall 2010 success.

Net sales increased by almost 9 percent, to \$88.6 million from \$81.2 million in 2009, primarily as a result of a 12 percent increase in average order size to \$299.98 for 2010, compared to \$266.66 in 2009. .

This is a result of a 12 percent increase in average order size of \$299.98 for 2010, compared to \$266.66 in 2009.

The year's total net sales and total operating expenses increased, while its gross profit margin percentage total net loss dropped significantly.

Although Bluefly could not release the names of specific luxury brands that topped the charts, Ms. Payner did note that designer handbags and shoes did especially well in 2010.

What does this mean?

Bluefly's increased profits are indicative of an increased spending pattern among luxury consumers that are out of "frugality fatigue."

The retailer expects this momentum to keep going for a while, especially where ecommerce destinations are concerned.

Unlike bricks-and-mortar retailers, consumers do not have to travel to ecommerce sites to get what they want, when they want it.

Ecommerce destinations like Bluefly also have the advantage of offering multiple brands that consumers can access all at once.

Indeed, Bluefly's large choice of luxury brands is most likely the reason why the brand experienced such success in the past year.

"Since we shop for and launch new merchandise on the site every single day, Bluefly has the marked advantage of being extremely nimble and responsive to consumer trends and shopping patterns," Ms. Payner said. "Given our model, keeping the momentum going is seamless and organic since our primary objective is to provide exactly what our customers need at all times."