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Pricey baubles in demand

Luxury businesses emerge from dark days of recession; some still waiting for rebound

By Eilene Zimmerman

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MORE SPARKLE: Jeweler Wendy Brandes has seen private-show sales pick up.

In early 2008, business was humming for Wendy Brandes, a jewelry designer who produces her pieces by hand. During a Valentine's Day sale for a small group of private clients, she grossed $25,000 in a few hours.

"My private show sales had been more than doubling year-to-year since we started in 2005," she said.

Then the economy tanked, making many of her clients skittish.

"Everything collapsed," Ms. Brandes said. "We saw a huge drop in business."

But today, her company is on the mend. Sales in 2010 were up 10% over 2009, a year in which revenues plunged 30%. She expects 2011 sales to be 15% higher than 2010 sales, with most of her jewelry retailing for $2,000 to $6,000.

She's not the only luxury purveyor who sees business picking up. Many struggling high-end brands were "kicked out of the market" during the recession, according to consulting firm Bain & Co.'s annual Luxury Goods Worldwide Market Study. The luxury sector has been steadily recovering, with sales up 10% in the last quarter of 2010.

Certainly, a rebound is far off for many players in New York's luxury sector. Milton Pedraza, chief executive of Manhattan-based research firm Luxury Institute, says the jewelry and watch industries were hit especially hard over the past two years, and recovery will be tougher.

Firms that expanded aggressively or took on debt to prepare for growth that never came often faltered, says Ketty Pucci-Sisti Maisonrouge, president of Manhattan-based luxury industry consulting firm KM & Co., who also teaches a course at Columbia Business School.

“The businesses that reached out the most into aspirational luxury were the most affected,” she said. “If their bottom line was relying heavily on younger executives who don't make as much money as the truly affluent but still want the Louboutin shoes, they were out of luck, because those people stopped spending.”

Ms. Brandes found that a nimble marketing strategy was vital to weathering tough times. She expanded a blog she launched in 2007 to help make her jewelry and other luxury goods less intimidating to the average consumer. It now receives about 17,000 views a month. She also has about 3,000 followers on Twitter.

“I developed a network of people who think of me as a friend, and when they got engaged or celebrated an anniversary, they [came] to their friend to design the jewelry,” she said.

Sweet dreams up 40%

A flexible approach to pricing helped Magniflex, which sells mattresses that start at $1,000 but can run as high as $24,000. The company offered decorators discounts of 20% to 30% and offered boutique hotels and single-store retailers the same discounts it gave to larger hotels and retailers. It also provided five-day delivery in the U.S. for $45, says Andrea Mugnai, general manager for Magniflex North America, based in SoHo. U.S. sales increased 40% from 2009 to 2010 in large part because of these programs.

Private Picassos, a Brooklyn-based art education company, grew by introducing lower-priced classes. In 2006, the company provided private art lessons to children of wealthy clients. When the recession caused a slowdown, owner Valeen Parub-chenko started offering group classes and giving a discount to parents who committed to 10 lessons. She began holding classes at retailers and bookstores in late 2008, and demand rose in 2009 and 2010.

“The lessons aren't customized for the child, but it's also less expensive—$22.50 per child, as opposed to $85 an hour for private lessons,” said Ms. Parubchenko.

The company doubled its business from 2009 to 2010.