



Online retailers cater to luxury-starved buyers

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-- Deborah L. Cohen covers [small business](#) for Reuters.com. She can be reached at smallbusinessbigissues@yahoo.com --
Deborah L. Cohen

CHICAGO (Reuters.com) - These days, it's the little things that are making a big difference for some online retailers.

"What makes us successful is that we have a lot of unique products that are hard to find, small things that we import ourselves," said Anthony Qaiyum, president of Smallflower.com and its brick-and-mortar sister business, Merz Apothecary, a historic independent Chicago retailer with two locations. They offer some 15,000 items to satisfy nearly any urge for indulgent body-care products and natural-health remedies.

Take pomegranate body lotion, \$32.50 for 15 ounces, original Swedish bitters at \$51.50 for 33.8 ounces and Feau de Bois candles - that's "firewood scented" for the non-Francophiles - at \$60 each. These prices might seem over the top to the un-indulged eye, but they appear to be just what the doctor ordered for luxury-starved buyers in a tight economy.

"We've put more effort than ever into identifying unique items that we can be ahead of the pack on," said Qaiyum, whose Internet business is up more than 20 percent year-to-date. "It's very easy to buy a candle and a nice box of soap," said Qaiyum, who won't disclose the business's combined sales numbers, but said they're between \$5 million and \$10 million annually.

Qaiyum said while his overall transactions are higher, he sees less blowout orders from \$500 to \$1,000 by big spenders. He said he has also reduced some of his pricing since the recession hit.

Smallflower and similar specialty sites are feeding middle-class Americans' entrenched desires to be good to themselves, even when they can't afford big-ticket purchases like cars, flat-screen TVs or furniture, according to Sageworks Inc., the Raleigh, North Carolina-based research firm that tracks privately held businesses across the United States.

Categories the firm defined as "small indulgences that make life better in the recession" have posted surprising growth in the past 12 months and appear to be staying strong in time for the critical holiday shopping season.

Besides online retailers, leading categories included personal care services, such as massage, full-service restaurants and bars, sporting goods stores, hobby shops and athletic clubs. All offer affordable pleasures many people are unwilling to relinquish, despite some two years of belt-tightening.

"People are saying, 'I want to treat myself,'" said Sageworks' CFO Drew White, who pointed to his firm's data which showed several of these categories have improved sales as the recession lingered. Independent online retailers were the standout winners, with average sales growth of 7 percent through mid-October. That compares to a 5.6 percent uptick in 2008. Automobile dealerships, by comparison, saw declines of 11.2 percent in the last 12 months, while home furnishings stores had a drop of 5.8 percent.

And compared to overall retail sales, which the U.S. Commerce Department said were up just 1.8 percent through October, specialty independents are looking pretty good.

While shoppers continued to troll the big-box stores for commodities like toilet paper, diapers and kitty litter, they are increasingly viewing online independents the same way they might traditional boutiques, as a means to get hold of something out of the ordinary, said White. The big difference now is they seem to want to do more buying from the convenience of their homes.

"It looks like people are less willing to get in their cars and drive, with unemployment high and consumer sentiment down," he said. "But they are willing to go on line and buy something."

That's good news for sellers like Adrian Salamunovic, co-founder of an Ottawa, Ontario site that sells - get this - original artwork made from DNA. For \$199, a buyer can get a miniature portrait made from their unique genetic code, just by sending a cheek swab through the mail to Salamunovic's site, DNA11.com.

"We believe in the category called affordable luxury," said Salamunovic, whose sales have grown to "seven figures" since launching his business in 2005. "Here's original art priced a little higher than what it would cost to buy a framed print from Crate & Barrel."