

Blue Nile inc. essay sample

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Blue Nile Inc. in 2011-Case Study

Blue Nile Inc. is an online retailer of certified diamonds and fine jewelry. Blue Nile has grown to be the world's largest online retailer of such items. Blue Nile has found success in the online market by offering the best diamonds and jewelry to customers at low prices. Mainly selling engagement rings, Blue Nile also specializes in customizable jewelry designed to be worn for everyday use along with higher-priced items designed for the special occasion. In a market that totals \$145 billion dollars worldwide and \$65 billion in the U. S alone, it is a major feat for Blue Nile to have found their success, especially with the numerous competitors offering similar products, both on and offline. This case study identifies the competitive worldwide jewelry market and Blue Nile's strategy and business model that has allowed the company to excel in such a market, along with what the company needs to do to stay on top.

Competitive Forces confronting Blue Nile and other online retail jewelers

Rivalry among Competing Sellers: Rivalry among competing sellers in this market is very strong. In the online market, alone, there are numerous businesses offering similar products with similar business plans. Competition

exists among both online and offline retailers, in the sense of products being offered within a higher value segment of the market. Also, in recent history, offline, brick-and-mortar, retailers have begun offering their products online.

Competition among Buyers: Competition among buyers in the market is moderate. Buyers in the market are well-informed with detailed information at their disposal. Buyers in the market will pay for higher prices, as it is expected with the purchase of quality diamonds and jewelry. **Potential for New Entrants:** The potential for new entrants in the market is low/weak. In the market, a strong competition already exists. Brand loyalty and differentiation has already been set in place for existing competitors. Also, entry costs in the market are high, with a large amount of money needed to enter.

Competition among Suppliers: Competition among suppliers in the market is weak. Companies in the market can sell the same jewelry at low prices. For Blue Nile, specifically, only certain suppliers' products are chosen to be sold. Blue Nile does not sell "conflict" or "blood diamonds." **Firms in other Industries Offering Substitutes:** Competition for substitutes is low in the market. It is difficult for substitutes when Blue Nile sells a vast variety of products, all of the best quality. The strongest of the five competitive forces in the market is rivalry among competing sellers. In the market, there are numerous competitors offering similar products to that of Blue Nile. This makes it difficult to grasp a majority of market share. **Key Factors to a Company's Success in the Market**

In a market with a vast amount of competitors offering similar products, it is vital that competitors stay at the front of the market. In order to do this, companies, such as Blue Nile, must increase globalization efforts. As the market shifts worldwide, so must companies. Blue Nile, for example, has recently seen success in the worldwide market, although international profits only make up 13% of revenue. Also, companies must offer reliable customer service, such as Blue Nile offers. Along with reliable customer service, online competitors must focus on reliable shipping, lowering costs when applicable. Finally, marketing efforts must be vamped to ramp up customer traffic and build larger customer bases. Blue Nile's Strategy

Blue Nile's strategy is to have a large inventory of high-quality diamonds, exceptional customer service, and low prices. Blue Nile has adopted a best-cost provider strategy; as a best-cost provider, Blue Nile earns a competitive advantage in the market, by offering more value for the money at a lower cost than competitors. Blue Nile's Business Model

Blue Nile's business model is to offer high-quality diamonds and fine jewelry at competitive and attractive prices. Blue Nile strives to provide customers with useful information throughout the buying process, including educational information such as grading reports on the diamonds. SWOT Analysis of Blue Nile

Strengths:

Reliable Customer Service

Customizable Jewelry

High-quality diamonds at a low price

Brand loyalty

Weaknesses: As a purely-online retailer, customers are unable to view the product in person before they purchase their product. Customers may be likely to return the product after receiving, due to dissatisfaction in the way the product looks on the person. **Opportunities:** The market that is available online is vast. Blue Nile has the opportunity to reach demographics worldwide that would not be available if their products were only offered in-store. **Threats:** Brick-and-mortar retailers, who only sell offline, have the opportunity of also offering their products online. These competitors come with an already-existing brand loyalty that has the potential to offset Blue Nile's market segment.

The SWOT analysis is appealing for Blue Nile. Blue Nile's Strengths and Opportunities outweigh the Threats and Weaknesses. Although other competitors may begin to sell online, as a first-mover, Blue Nile has existing brand loyalty and the opportunity to expand to a vast amount of new demographics through globalization. Analysis of Blue Nile's Financial Performance

Although the Recession hit Blue Nile hard, the company's financial performance has proven to be adequate. Over the past five years, Blue Nile has been able to keep a profitable business. The best clue as to Blue Nile's financial performance is the company's ability to generate cash 40-50 days before it is due to suppliers. Also, as of 2009, Gross Margin for the company 21. 63%, meaning after taking out costs, Blue Nile is still making a profit.

Strategic Issues and Problems Blue Nile Must Address

The main issue Blue Nile must address is the use of Blue Nile's business model by competitors. In order to eliminate this issue, Blue Nile must continuously differentiate products and business models. By doing this, Blue Nile will stay ahead of competitors and keep a stronghold on the market.

Recommendations

In order to stay the largest online retailer of diamonds and fine jewelry, Blue Nile must increase efforts towards globalization. As an online retailer, Blue Nile has the opportunity to reach millions of new customers worldwide. The internet will allow customers, unable to travel to stores, to purchase fine jewelry in a much more convenient manner. Also, Blue Nile should begin opening showrooms, or warehouse, open to the public, in order for customers to better see what is being purchased. Blue Nile has become the largest online retailer of fine jewelry and diamonds, and it is easy to see why. By offering low-cost, fine jewelry, Blue Nile has taken a hold of the online market share. Reliable customer service and low-cost shipping has allowed Blue Nile to stay in the lead and keep a loyal customer base. By increasing globalization efforts and introducing showrooms, Blue Nile can expect continued success as the leader of the online-jewelry market.