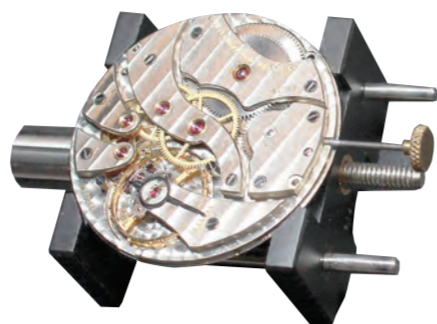


Watches & Jewellery



Moving with the times
‘No dilution of the Ulysse Nardin brand’

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Perfect storm closes in on luxury goods sector

Unrest in Hong Kong adds to Swiss watch woes, writes Adam Thomson

When pro-democracy demonstrators took to the streets of Hong Kong in September, the luxury industry was challenged by another tumultuous event in a year it would rather forget.

The Chinese government's 18-month-old clampdown on lavish gift-giving by officials in mainland China was already taking its toll. Then in March, the outlook for the industry was mired in further uncertainty, provoked by Russia's annexation of Crimea and the problems in Ukraine, which resulted in political fallout with Europe and the US.

The situation in Hong Kong - a third unforeseen calamity, this time taking

place in the world's biggest market for Swiss watches - provoked Luca Solca, a luxury analyst at Exane BNP Paribas, to declare this month: "There seems to be a perfect storm closing in on the luxury goods sector."

The unrest in Hong Kong is particularly worrying. The territory accounts for about 20 per cent of global sales of Swiss watches, according to Jon Cox, an analyst at Kepler Cheuvreux.

Hong Kong's rise is largely the result of its status as the go-to shopping destination for mainland Chinese, who take advantage of lower consumption taxes. But its importance has also been magnified by the relative lack of dynamism in leading European markets.

Indeed, a report this month by Bain & Company and Fondazione Altagamma concluded that Chinese consumers are now the most important market for personal luxury products, accounting for a whopping 29 per cent of the global total.

By contrast, Americans account for 22 per cent and Europeans just 21 per cent.

Against that backdrop, and a day after the first protests broke out in Hong Kong, Mr Cox of Kepler Cheuvreux cut his 2014

growth forecast for the Swiss watch market from 5.5 per cent to just 3.5 per cent - about half the annual average over the past 30 years or more.

Barely a week after the Hong Kong protests began, Tag Heuer announced that it would cut 46 jobs in management and production.

Jean-Claude Biver, who heads the watches division at LVMH group, which owns Tag Heuer, said in September that the industry had grown just 2.7 per cent in the year to August - considerably less than his earlier prediction of between 4 and 6 per cent. A few days earlier, Cartier, which is owned by Compagnie Financière Richemont, confirmed it was implementing a reduced working week for 230 of its employees in Switzerland.

Shares in Switzerland-based Richemont, whose brands include Jaeger-LeCoultre and Vacheron Constantin, have fallen 11.9 per cent so far this year, reflecting the more complicated global trading environment.

Swatch Group, the world's biggest maker of Swiss watches with about 21 per cent of the market, has declined

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‘Concerns about falling prey to anti-corruption efforts are widespread among the wealthy’



True blue \$15m Mellon diamond under the hammer

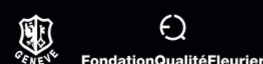
A 9.75-carat blue diamond pendant and 111-carat rivière necklace by Cartier (above), set with 29 diamonds and made in 1900, are among fine jewels from the collection of the late Rachel

"Bunny" Mellon to be auctioned this month by Sotheby's in New York, writes Sharon Akaka. The pendant is estimated to fetch between \$10m and \$15m and the necklace up to \$15m.



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If the wearer of a L.U.C Tourbillon watch observes a child playing on a swing, he will immediately grasp the mechanics of gravity. On a miniature scale, the same forces are constantly threatening to perturb the precision of a watch by slowing down or accelerating its various components. By placing all the escapement organs inside a single tourbillon carriage, our watchmakers have succeeded in neutralising the effects of gravity and also in earning chronometer certification - a rare accomplishment for such a movement. Like all components of L.U.C Calibre 02.13-L, each tourbillon carriage is hand-decorated and finished by the artisans of Chopard Manufacture. The L.U.C Triple Certification Tourbillon is the world's only watch to simultaneously bear the label of the Fleurier Quality Foundation and the Poinçon de Genève quality hallmark, while also housing a movement chronometer-certified by the Swiss Official Chronometer Testing Institute (COSC).



L.U.C TRIPLE CERTIFICATION TOURBILLON

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Watches & Jewellery | News

Golden Week Retailers report falling sales despite an influx of shoppers from the mainland, says *Amie Tsang*

Hong Kong luxury retailers count cost of street protests

More than a month into the occupation of Hong Kong, the protesters are settling in. There is a tent housing a study area with DIY desks; the highway running through Admiralty is lined with small tents for sleeping in; and a makeshift bucket-shower has been fashioned. It is all decidedly sparse, save for the enormous Piaget adverts staring down at the protesters – a reminder of the luxury sector that dominates shopping areas in Hong Kong. The protest in Admiralty is on the doorstep of government buildings and there are few luxury shops. But this is not the case in Causeway Bay, Tsim Sha Tsui and Mongkok, where other protests sprang up after police used tear gas on protesters at the end of September. Causeway Bay on Hong Kong island and Tsim Sha Tsui across the harbour on the Kowloon waterfront have a concentration of high-end luxury stores.

Mongkok, a working-class neighbourhood, has its fair share of jewellers. The protests seeped into Golden Week – a national holiday to celebrate the founding of the People's Republic of China – during which Hong Kong receives an influx of mainland tourists looking to make the most of its shopping opportunities. There were fears the protests could harm sales. But visitors from mainland China were undeterred – partly because many had non-refundable tickets and partly because news of the protest was censored. The number of mainland visitors grew 4.8 per cent year on year, and Hong Kong was the most popular holiday destination for mainland tourists. The Watches and Wonders exhibition at the end of September at Hong Kong's exhibition centre down the road from Admiralty went ahead. Raymond Yeung, a senior economist at ANZ Research, estimates Hong Kong retailers lost about HK\$2.2bn (\$284m)



Aftermath: a labourer clears abandoned barricades in Mongkok – Bloomberg

– some 6 per cent of the month's total retail sales. But he points out that the estimates of a year-on-year decline of 70 per cent in sales were based on anecdotal estimates and were made during Golden Week. The situation may have changed since. The Hong Kong Retail Management Association (HKRMA) said that in a survey its member companies "expressed disappointment" in the retail sales performance during Golden Week, with the majority of them recording double-digit drops in retail sales. Although the survey, taken on October 6 at the end of Golden Week, featured responses from 30 companies – five SMEs and 25 chain stores – a representative of HKRMA was unable to specify how many stores were covered. In the survey, watches and jewellery shops in the Central and Admiralty areas reported drops in revenue of 35-45 per cent compared with Golden Week last year; shops in the Causeway Bay

area reported 28-40 per cent drops; while shops in Mongkok saw drops of 35-55 per cent. But sales had already been falling in the first half of this year. After the government released sales data showing that retail sales increased 6.6 per cent year on year in September, Caroline Mak, chairman of HKRMA, says the full effect of the protests would not be evident until October data was released. The main concern, says Mr Yeung, is that continued deadlock between the government and protesters will affect business and consumer confidence in the long run and make a dent in domestic spending as well as tourist spending. International and local luxury brands have been reluctant to comment until they get trading updates for the quarter. In the meantime, the protests in Tsim Sha Tsui have dissipated, while Causeway Bay and Mongkok continue to hum with people – many of them looking at offerings in jewellery shops.

'Perfect storm' strikes industry

Continued from page 1
nearly 25 per cent so far this year. Even the more diversified LVMH, the world's largest luxury group controlled by French billionaire Bernard Arnault, is slightly down since January.

So how bad are things going to get? After all, Hong Kong represents some 17 per cent of sales in the case of Richemont; for Swatch Group, it is an estimated 15 per cent of group revenue.

Mr Cox of Kepler Cheuvreux contrasts the structures of the Swiss watch and the fine jewellery markets.

The fine jewellery market is worth about €150bn a year. But only about 20 per cent of that is branded, with the rest fragmented among hundreds – perhaps thousands – of companies selling their products through independent stores.

The result, says Mr Cox, is an industry that has proved far more resilient to the clampdown on luxury gift-giving in China, with overall growth this year expected to reach the high single digits.

He also thinks that bigger groups will continue to win market share over time. "The bigger players have deeper pockets and bigger balance sheets," he says. "That matters in an industry where global distribution and marketing are increasingly important."

The fine watches industry, by contrast, is already highly consolidated. Swatch Group, Richemont, Rolex and LVMH, the four biggest groups, together account for almost two-thirds of the SFr21bn (\$22bn)-a-year Swiss watch market.

With considerably more high-profile branding than the jewellery market, it is no surprise that the Swiss watch industry has suffered much more at the hands of the Chinese government's clampdown.

"Concerns about falling prey to anti-corruption efforts seem to have become widespread among wealthy Chinese," says Mr Solca of Exane BNP Paribas.

Mr Cox puts it more bluntly. "The mainland's well-documented clampdown on public-sector gifting has knocked the stuffing out of the mainland Chinese watch market."

But the crackdown has also coincided with a macroeconomic change of pace, with the world's second-largest economy moving from double-digit rates of growth to an expected 7 per cent this year and beyond.

Mr Solca believes the big luxury brands

have suffered a triple-whammy effect. First, many wealthy Chinese customers have become more sophisticated and moved on to smaller, niche brands. Second, he says, the Chinese have cut gift-giving and reined in their personal spending. Finally, the big brands are not capturing aspirational consumers, because these people are turning to brands at lower price points.

The result is, he says, that Chinese consumers tend to concentrate on what is new, then move on, often with alarming speed, to the next brand.

In spite of obvious short-term difficulties, most analysts remain optimistic about the medium-term prospects for watches and jewellery – not least because the numbers of rich people are still increasing. According to the annual Capgemini World Wealth Report, the number of high-net-worth individuals – defined as people who have at least \$1m of

'The clampdown on public-sector gifting has knocked the stuffing out of the mainland Chinese watch market'

investable assets, excluding their primary residence – increased by 2m in 2013 to 14m. In Asia, the number expanded 17.3 per cent last year, and is now level pegging with North America.

There is even some initial evidence that the fall in Chinese sales may be bottoming out. According to the Federation of the Swiss Watch Industry, export growth to China, which fell last year, started to recover in July 2014.

Moreover, the total wealth of high-net-worth individuals grew 14 per cent last year, reaching \$52.6tn. During that time, the Swiss watch industry exported just 1.6m high-end watches, which have a retail value starting at \$17,000.

Untapped demand, in a market in which the leading manufacturers do not compete on price, is likely to mean a fairly rapid reversion to the industry's mean growth rates when the present troubles have abated.

As Mr Cox says: "Overall, we remain fully convinced about the business model of the listed watchmakers."

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Watches & Jewellery | The Big Interview

'Kering was the right partner to keep Ulysse Nardin innovation in place'

Patrik Hoffmann tells *James Shotter* why the company will not be sharing expertise with its new stablemates

The number of independent Swiss watchmakers has dwindled to a handful in recent years. That group shrank further this year, after Kering, the French luxury conglomerate, snapped up Ulysse Nardin, the 168-year-old brand from Le Locle in the west of the country.

"It's a sign of the times," says Patrik Hoffmann, the softly-spoken Swiss who has been chief executive of Ulysse Nardin since 2011.

"I don't think that's the end, I think there will be more [acquisitions of independents]."

Some of Ulysse Nardin's peers have opted to forgo their independence in exchange for help in dealing with rising costs. Those costs are likely to mount further, as Swatch Group, long a supplier of movements - a watch's mechanical heart - begins to cut back deliveries over the next few years to brands outside its group.

However, Mr Hoffmann says the sale of Ulysse Nardin - which analysts estimate has revenues of €250m per year - was not a result of financial pressures, and stresses that the brand is profitable, although he declines to give details.

Instead, he says, the sale was a logical step for the company following the death of Rolf Schnyder, the visionary businessman who bought the brand in 1983, and ran it until his death in 2011.

"I think for Mrs Schnyder [his widow], it was always important that there was a continuation of Ulysse Nardin... a way of keeping its innovation in place. And there, Kering was the right partner," he says.

"Rolf Schnyder was already in contact with François-Henri Pinault [chief executive of Kering] many, many years back. Mr Pinault had an eye on Ulysse Nardin for a long time.

"He's an avid watch collector... and there was a certain passion there for a long time."

The deal - the terms of which were not disclosed, but which analysts reckon cost Kering €760m - adds to the French group's stable of brands, which already includes Girard-Perregaux and JeanRichard, as well as Gucci's watch division.

However, Mr Hoffmann insists that there will be no "dilution" of Ulysse Nardin, stressing that production of movements will not be merged with Kering's other brands, such as Girard-Perregaux.

The CV Patrik Hoffmann

1964 Born in Reigoldswil, Switzerland

1991 Becomes regional sales manager for Oris, the Swiss watchmaker

1996 Joins Swiss Prestige, the watch distributor

1999 Joins Ulysse Nardin and moves to the US

2008 Becomes vice-president, sales and marketing worldwide

2011 Becomes chief executive

"What is not going to change is the DNA of Ulysse Nardin, when it comes to the product, when it comes to our movements, there will be no dilution with other products. This is very clear," he says.

It is not surprising that Mr Hoffmann is keen to make this point. In recent years, Ulysse Nardin has invested substantially in building its *manufacture*, and is now one of the few brands capable of making its own hairsprings, the delicately coiled strips of metal that sit at the heart of a watch's movement.

Such accomplishments confer great respectability in the Swiss watch industry, and over the next couple of years, Mr Hoffmann says one of his priorities is to boost the percentage of Ulysse Nardin's movements that are made entirely in-house, from 60 per cent to close to 100 per cent.

"That's the main goal that we have, to keep that independence in the *manufacture*, to drive that forward."

He intends to rejig the brand's communication strategy.

"Ulysse Nardin is historically very much a product-driven company... I think where we can probably improve is in how we communicate this," he explains.

"So far, we have been very quiet, but I think you will see a bit more adaptation in how we communicate what we have."

Like his peers, Mr Hoffmann will have to contend with increasingly difficult market conditions.

Watchmakers' progress so far this year has been held back by the continuing slowdown in China, as well as the conflict in Ukraine, which has had a chilling impact on the Russian market.

On top of this, pro-democracy protests brought Hong Kong, the world's biggest watch market, to a standstill at the beginning of October.



Mr Hoffmann - whose three-decade career in the watch industry has taken him to both Asia and the Americas - says the situation in China has had little impact on Ulysse Nardin, given its relatively small presence there. But the unrest in Ukraine has taken its toll.

"Russia and Ukraine are tough. Because we are so strong, particularly in Russia, we are holding our breath. I couldn't tell you we are expecting a double-digit [sales] increase there next year, that's not going to happen," he says.

'Russia and Ukraine are tough. The challenge for luxury brands in the next six months is geopolitical'

In such market conditions, Mr Hoffmann says that it does not make sense for Ulysse Nardin to boost its production, which currently runs at about 25,000 units a year, even though it has the capacity to do so.

Instead, he says, he plans to focus on qualitative - rather than quantitative - growth.

"For luxury brands, if you look at the next six months, the challenge is going to be the geopolitical situation," he says.

"The way to survive is to be different. When I look at our collection and I see what is [working], it's very clear: it's the product that is crucial."

This may be the only time you ever see an H. Moser.



Ulysse Nardin's Moscow boutique: unrest in Ukraine could affect sales

Contributors

Adam Thomson
Paris correspondent

Aimie Tsang
Hong Kong correspondent

James Shotter
Switzerland correspondent

Elizabeth Paton
Companies reporter

Chris Newlands
Editor, FTfm

James Wilson
Mining correspondent

Simon de Burton, Nicholas Foulkes
Contributing editors, How to Spend It

Camilla Apar
Researcher, How to Spend It

Sharon Akaka
Researcher

Claire Adler, Elisa Anniss, Gavin Blair, Jessica Diamond, Liza Foreman, Rachel Felder, Rachel Garrahan, Hettie Judah, Gabrielle Paluch, Robin Swithinbank, Syl Tang
Freelance journalists

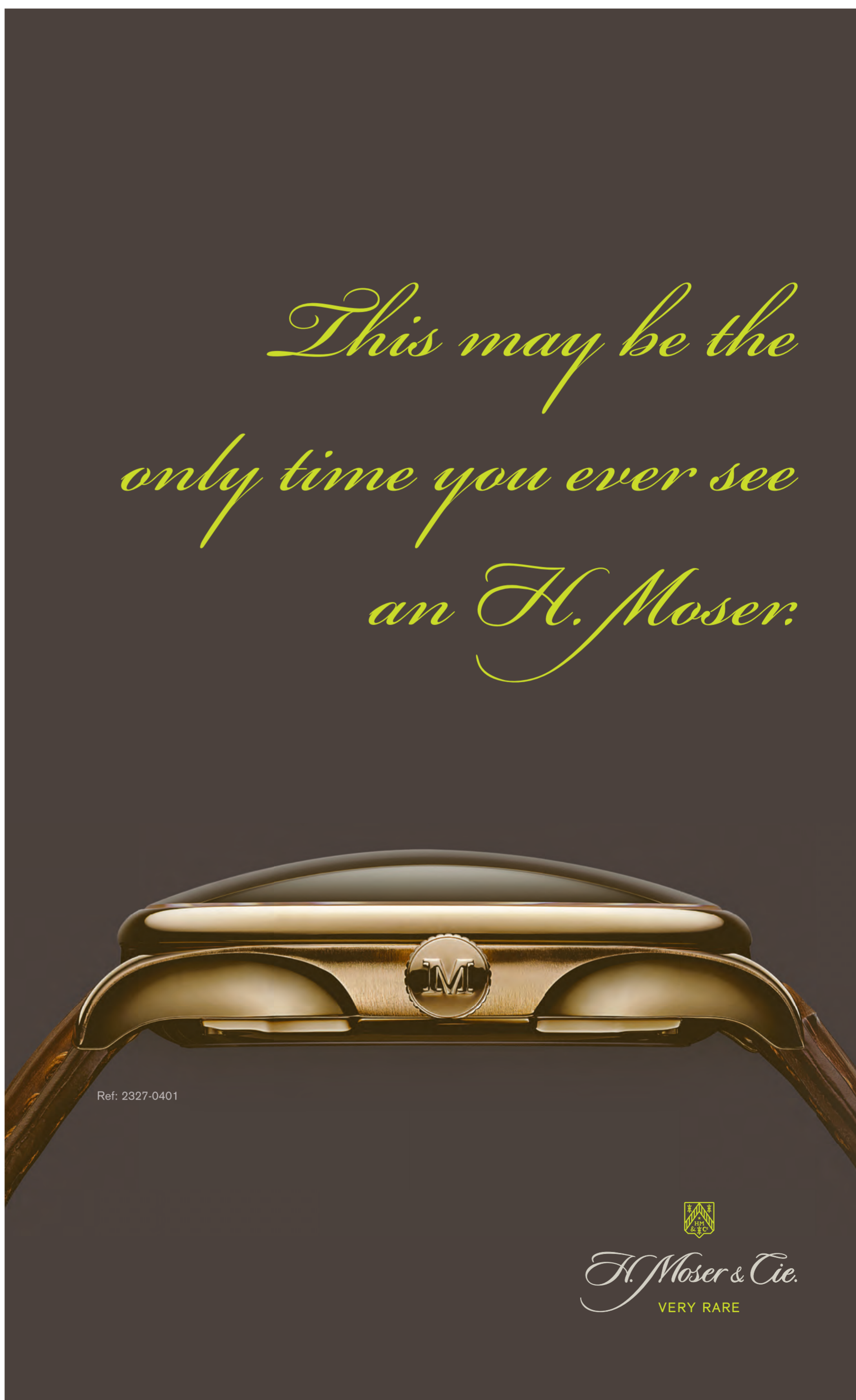
Helen Barrett
Commissioning editor

Tracey Beresford
Subeditor

Steven Bird
Designer

Andy Mears
Picture editor

For advertising details, contact: **Charlotte Williamson**, +44 (0)20 7873 4038, email charlotte.williamson@ft.com



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VERY RARE

Small miners are the key to more glittering prizes

Diamonds Investors seek out 'junior' miners with lean operations and the knack of recovering large stones, says *James Wilson*

It is notoriously difficult to scratch the surface of a diamond – but what about the diamond market?

A number of smaller diamond producers are showing a steady rise in production and dividends. The companies, including Petra Diamonds, a UK-listed miner, and Lucara Diamond of Canada, are also attracting attention for the way they produce and sell rare large rough diamonds, with sales campaigns to pump up interest before special auctions of the best stones. A 232.08-carat white diamond from Petra sold for \$15.2m last month to Diacore, the multinational diamond company.

Such companies are remote from the scale of the established larger diamonds groups, such as De Beers. Nevertheless, they are increasingly interesting investors, not least because of the way some seem to have squeezed new value from

assets once owned by bigger companies.

Finsch and Cullinan in South Africa, Petra's most important mines, were once owned by De Beers. So was Lucara's Karowe mine in Botswana. Gem Diamonds, another "junior" producer, has based most of its production on the Letšeng mine in Lesotho – also once owned by De Beers.

Companies such as Lucara and Petra "were given birth to by De Beers", says Stuart Brown, former chief financial officer at De Beers and now chief executive at Firestone Diamonds, another smaller African producer.

Dominion Diamond, a Canadian producer, is another stepping up to replace a larger company. It runs Canada's Ekati mine, formerly held by BHP Billiton, the world's largest miner, which decided last year to get out of diamonds completely.

"It is the more entrepreneurial companies that are taking the lead in diamond production now," says Russell Shor, an analyst at the Gemological Institute of America.

Bruce Cleaver, executive head of strategy at De Beers, says diamond mining remains heavily consolidated in spite of inroads by smaller companies. De Beers still has about 21 per cent of the



Uncut: Petra Diamonds specialises in rough stones

market's annual volume and 33 per cent by value, while Alrosa of Russia is an even bigger producer by volume and has a quarter of the market's value.

Clifford Elphick, Gem's chief executive and another former De Beers man, acknowledges that his former company – now owned by Anglo American – remains in a different league.

"De Beers is like the 747 Jumbo and we are the propeller plane under its wings," he says.

Yet the smaller companies can thrive partly because they are leaner. Mr Brown says he can be entrepreneurial and more hands-on than at De Beers. "Whatever we do [at Firestone] has to go to the bottom line. That is the difference between the two," he says.

Some of the smaller companies say they can also mine so as to increase the chances of turning up larger, very valuable stones. Mines owned by Petra, Gem and Lucara all produce such stones.

Petra "figured out that the occasional honker is what makes it", says Mr Shor. For De Beers, he says, "it was worth crushing a few [large stones] in the name of efficiency".

Other companies seem to be taking the same approach. Stornoway

Diamond, which is developing a Canadian mine expected to open in 2017, last month said it would modify its plant so as to be able to recover larger stones.

De Beers told analysts this month that it also tries not to "smash" large stones, but does not disclose as many details of such finds as smaller producers.

The rewards can be high. Lucara, which just completed its tenders of "exceptional" stones for 2014, sold 50 stones for combined revenues of more than \$135m – or \$32,468 per carat. Its average for all its sales for the first half of the year was \$764/ct.

Gem's Mr Elphick says production of big stones may be a good model for a time when there are new holders of great wealth, particularly in Asia.

"There are so many more millionaires and billionaires out there, who can afford to spend serious money," he says.

De Beers' Mr Cleaver says his company does not regret selling mines such as Finsch and Cullinan, while Mr Elphick expects that whatever new mines do emerge may be built in staged ways, with smaller amounts of upfront capital and less risk. Slowly but surely "investors are starting to trust" smaller developers, he says.

The rule breaker at IWC on the move to go global

Interview Chief executive Georges Kern tells *Elizabeth Paton* how he has shaken up the industry

In an industry renowned for cautious, reserved executives, Georges Kern is an exception.

The sharp-suited, silver-tongued German took the helm of Richemont-owned IWC Schaffhausen 12 years ago at the age of 36 – making him at that time the youngest chief executive of any brand within the luxury conglomerate's portfolio.

He was charged with a difficult task: turning a small, 146-year-old watch house – the only watch brand based in eastern Switzerland – into a competitive global name.

To date, his approach – once described by the Financial Times as the creation of "a butch, luxury sport-watch brand that offers the take-it-or-leave-it proposition of large watches for real men" – has met with commercial success.

So when IWC unveiled a "mid-sized" collection as part of its Portofino range this year, the industry took notice. The collection was IWC's first aimed at women as well as men.

"I don't know why people are surprised. We've always sold to women – they now make up 25 per cent of our sales base, so it seemed a fitting next step," says Mr Kern. The option of reduced case-diameters was also devised with Asian customers in mind.

"I like that we break rules. We must be a contemporary brand – we are not a dusty brand. And the appetite for our designs is there, from a valuable and growing customer demographic."

That approach is also evident in the frothy advertising campaign shot by Peter Lindbergh, the film-maker, which features a constellation of Hollywood stars wearing tuxedos and lounging about in the Italian coastal town after which the collection was named.

Mr Kern, who once described one IWC product as "beautiful and useless", stresses that expensive advertising and sponsorship is critical to building enduring client relationships and brand loyalty in a competitive industry.

"We live in a world fixated on the transactional power of the image. So you need to find ambassadors and environments that resonate universally with consumers," he says. The campaign is also running on social media. "One must be progressive and relevant," he adds.

In less than three weeks the Portofino video gained 4.7m views on YouTube – notable, given the reluctance of Swiss luxury watch houses until recently to harness

'We are not a dusty brand . . . One must be progressive and relevant'

the potency of digital advertising platforms.

But with the rise of wearable devices, and the prospect of the launch next year of the Apple Watch, brands such as IWC must show more agility online than ever before.

"I am not concerned by the impact of smartwatches on our sales – they are at a vastly different price point, so we are not competing for the same consumer," says Mr Kern.

But the battle for wrist real estate looks likely to be a fight between fast fashion and timepieces that represent traditional craftsmanship. "To make sure consumers understand this involves positioning ourselves in all the right places."

This means the brand is adding to the number of its boutiques globally, including a flagship store on London's New Bond Street, expected to open in December. But it is not only concentrating on Europe: luxury spending hubs such as New York, Miami, Dubai and Tokyo have also seen IWC stores open in recent years.

"A decade ago we were a very Eurocentric brand – we had zero visibility in the US or Asia, let alone emerging markets," says Mr Kern. "We've worked very hard with our retail strategy to ensure we are not dependent on any one region."

"These stores – all of which are interactive, experiential environments themed around our collections – are critical."

But volatile exchange rates and mounting geopolitical instability appears to be taking its toll on the global growth rate of the watches and jewellery sector.

Richemont, IWC's parent company, reported organic growth of 4 per cent in the five months to August 30 – excluding currency shifts – missing analysts' expectations.

Sales have slumped in Hong Kong thanks to recent democracy protests, while conflict in the Middle East and fears over the Ebola virus have hampered travel. All continue to cast a shadow over the industry.

But Mr Kern refuses to give in to gloom. "My job – what I am paid to do – is steer my company and staff through moments like this."



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Staying positive: Georges Kern



CHANEL

FINE JEWELLERY



"CAMÉLIA"

RING WHITE GOLD AND DIAMONDS

Watches & Jewellery | Auctions

Geneva on the cusp of setting horological history

Highlights The most valuable watch in the world is among 1,800 pieces on offer, writes *Simon de Burton*

Horological history is likely to be made on Tuesday, when the Henry Graves Patek Philippe Supercomplication pocket watch comes to auction for the first time in 15 years. It last sold in the US for \$11,002,500, and remains the world's most expensive watch.

When it appears at Sotheby's, the double-faced, gold-cased, 20-function pocket watch - which also held the record for the most complicated timepiece ever made from the day it was completed in 1933 until 1989 - is likely to exceed its previous sale price by at least \$4m.

Before that happens, however, more than 1,800 other rare and valuable wrist and pocket watches will cross the block as part of the autumn series of flagship sales being staged by Sotheby's and its two rivals, Antiquorum and Christie's. Not including the Graves piece, the watches on offer have a combined value of more than SFr50m (\$53m).

Antiquorum's auction today offers an

initial 393 lots, followed by a further 599 lots sold in two sessions tomorrow. The exceptional size of the offering is a result of recent unrest in Hong Kong, which caused Antiquorum to cancel its October 26 sale there and combine it with the Geneva auction.

It will also offer a range of high-end, contemporary wristwatches by makers such as Greubel Forsey, Richard Mille and Urwerk, with estimates of up to SFr180,000. But in this, Patek Philippe's 175th anniversary year, collectors could push the price of what is believed to be a unique Reference 1463 wristwatch beyond its SFr150,000 estimate.

The Reference 1463 was launched in 1940 as Patek's first water-resistant chronograph and, although it remained in production for more than 30 years, just 750 were made. None, however, was quite like the minimalist example being offered at Antiquorum: its dial has neither Roman numerals, Arabic numbers nor markers to indicate the hours - it features only a minute track and two chronograph sub-dials.



Schedule Geneva auctions

Antiquorum Important Modern and Vintage Timepieces, today at 1pm and November 9 at 10am, at the Mandarin Oriental hotel, Quai Turrettini 1. antiquorum.com

Christie's Patek Philippe 175th Anniversary Sale, November 9 at 8pm and Important Watches, November 10 at 10am, at the Four Seasons Hotel des Bergues, 33 Quai des Bergues. christies.com

Sotheby's Important Watches, including the Patek Philippe Henry Graves Supercomplication, November 11 at 10am, 2pm and 6pm, at Sotheby's, 13 Quai du Mont Blanc. sothebys.com

Bidders will have plenty more to contemplate tomorrow, when Christie's stages its Patek Philippe anniversary theme sale, in which 100 pieces are expected to realise up to SFr20m.

Special enough to warrant its own, hardback catalogue, the sale will be highlighted by two 1950s models, a Reference 2499 perpetual calendar chronograph and a Reference 2523 world time wrist watch, each of which could realise up to SFr2.5m.

Less valuable, but perhaps more interesting, is a 1930 Reference 130 split-seconds chronograph, made for the US aviation pioneer William E Boeing, whose name is engraved on the case back.

The hour hand is painted with three red, parallel stripes - an intriguing and unique addition, which is likely to push the price above its SFr800,000 high estimate.

A chronograph that belonged to the late King Farouk of Egypt will also be on offer, along with a 1940 Reference 1563 - which is being offered by Jean-Claude Biver, head of watch brands at LVMH (at SFr800,000-SFr1.3m) - and a

1955 Calatrava valued at SFr40,000, which comes from the collection of Benjamin Clymer, founder of Hodinkee, the specialist watch website.

Christie's follows its Patek Philippe-themed sale on Monday with a 407-lot mixed auction, which will include a Rolex Cosmograph Daytona with a so-called Paul Newman dial in an unusual champagne colour (SFr300,000-SFr500,000); a Panerai dive watch from 1985 with a rare, experimental case made from titanium (SFr80,000-SFr120,000); and a Breguet pocket watch, bought in 1806 for the large sum of \$200 French francs by the Spanish Duke of the Infantado.

Four days of bidding will come to a close at Sotheby's on Tuesday, when the house holds two daytime sessions to clear 321 lots with estimates ranging from SFr2,000 to SFr150,000 - before the big moment, when the most valuable watch in the world takes another turn in the spotlight.

Up and away: William Boeing's split-second chronograph



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Miniature works of art call for a nerd's expert eye

Interview Sharon Chan, one of the most influential fine watch auctioneers, describes her career path in fine jewellery

Sharon Chan recently rediscovered the humble Tag Heuer Link watch she was given as a child, while packing for a move.

It is not the type of timepiece one would expect to see at a high-end auction. But for Ms Chan, it represents her earliest introduction to horology, a discipline that was later to become her career.

Ms Chan is probably the most important woman in Asia when it comes to the booming business of collectable fine wristwear.

Since February, she has been regional head of Sotheby's watch department with a remit to seek out, value and consign the best pieces to the auction house's major Hong Kong sales.

Born in Hong Kong, she moved to Canada aged 12. Now 36, she joined Sotheby's watch department in 2011 after nine years with Christie's, where she worked as a jewellery specialist.

"My father was a diamond dealer and I remember following him into his office from an early age and playing with the raw stones," she says.

"That's how I became interested in jewellery. As soon as I had finished studying for my economics BA in Canada, I travelled to Taiwan to work in a jewellery shop belonging to the family of my godparents.

"They were longstanding collectors, particularly of ceramics. That is how I came to understand auctions."

This introduction to the auction world led Ms Chan to a job with Christie's Hong Kong, where she worked as a fine-jewellery specialist for more than five years before transferring to the watch department.

"I gradually found that working with [fine jewellery] in the Asian market was not as inspiring as it can be in other parts of the world," she says. "The design element is not so appreciated here as it is elsewhere.

"To the majority of Asian buyers, the attraction of a particular piece of jewellery lies in the quality and size of the gems rather than the thought that has gone into the way they are set," says Ms Chan.

"I moved across [to the watch department] and quickly realised just how fascinating and different it was."

She has worked with watches for almost seven years, but still feels she has lots to learn.

"In the jewellery world, there

Chan: 'study and gradual learning'

The CV Sharon Chan

Age 36
Title Head of watches, Sotheby's Asia
Date appointed January 2014
Auction house experience 14 years
Major auction moment Working on Sotheby's record-setting HK\$221.5m watch sale in April 2013
Most recent thing Sotheby's October 8 Hong Kong watch sale, which realised HK\$124.3m

are established training courses to provide a grounding," she says. "Such things don't exist for watches - it's a matter of experience, study and gradual learning.

"Fortunately, I am nerdy, so all the different details, designs, complications and variations that one finds in the watch world hold huge appeal. I see watches as miniature works of art."

Ms Chan knows from experience that watch enthusiasts are remarkably well-informed about their subject.

"That means it is even more important to build one's expertise in vintage and modern pieces as well as in individual makes and references," she says. "I'm still a little nervous whenever I have to give a talk to a group of Panerai collectors - there are so many tiny variations across so many models, and even the smallest mistake gets spotted."

A broad spread of detailed knowledge is essential for any auction specialist working in Asia, because the region's market is moving fast, with more collectors emerging and tastes developing.

"Buyers are now becoming interested in vintage watches and even antique pocket watches - not only in Hong Kong but throughout the region."

Ms Chan believes the majority of pocket watches remain undervalued across the board, and especially in Asia, but is confident that prices will rise as more collectors emerge. "I recently spent three days at the

British Museum with a curator of horology to discover more about [early pocket watches]," she says. "When Asian buyers increase their knowledge, we will see a sharp rise in interest."

For now, Ms Chan's personal watch collection comprises wristwatches by makers including Cartier, Panerai and Gérald Genta - and, of course, Tag Heuer, now she has been reunited with the Link model she was given when she was 12. "It was amazing to see it again after all these decades. And it still works."



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Watches & Jewellery | Technology

Smartwatches

Apple's wearable smartwatch is due to shake Swiss makers of sub-\$500 timepieces the most, writes *James Shotter*

History is littered with gadgets that never quite enthused the public as much as they did their inventors. But among the motorised ice-cream cones and gerbil coats, there are also products, such as the iPhone, that have changed whole industries for ever.

The question exercising Swiss watchmakers is whether Apple's smartwatch – a device that, as well as telling the time, gives its wearer access to a host of functions from movement-tracking to messaging – could be another game changer.

The announcement two months ago of the gadget, which will cost \$349 when it goes on sale in early 2015 and work in conjunction with its wearer's iPhone, has already been compared with the advent of quartz watches, which almost destroyed the Swiss watch industry in the 1970s.

For now, the smartwatch market is small. Thomas Chauvet and Jim Suva, analysts at Citi, reckon it will be worth around \$1.5bn this year. But by 2018, they predict, it could be worth \$10bn – half of which will come from traditional watch wearers.

Quite apart from the range of functions offered by the Apple Watch, which far outstrip those provided by traditional Swiss watches, analysts say the sheer size of the US tech group behind them should be enough to give watchmakers pause for thought.

"A huge competitor has arrived and set up camp in the traditional watchmakers' back garden," says Jon Cox, head of Swiss equities at Kepler Cheuvreux, the financial services company, in Zurich. "Apple's market capitalisation is bigger than the entire Swiss watch industry. This is the arrival of the proverbial 800lb gorilla, and there is certainly potential for disruption."



Design of the times: Kovert rings have a faceted surface that looks like a precious stone but conceals wireless technology

High-tech Fine pieces to help women disconnect but stay in the loop

Before setting up Kovert, her high-tech fine jewellery company, Kate Unsworth interviewed 350 women about their hyperconnected lives. What she discovered seems to contradict received wisdom about what consumers want from wearables.

"This segment of the market wanted to disconnect – but they needed to be contactable at the same time," says the 26-year-old UK entrepreneur. She founded Kovert 18 months ago, to offer women "smart" jewellery that vibrates at the messages they choose.

Rings, pendants and bracelets look like conventional fine jewellery, but are set with a removable, ceramic "stone" – really a pack to house the technology. The range will soon be stocked by Net-a-Porter, the luxury online retailer. **Helen Barrett**

Low-end market looks ripe for Apple

However, the impact is unlikely to be felt equally across the industry. Hit hardest will be those whose watches sell at a similar price to the smartwatch. Watches up to SFr500 (\$520) comprise 6 per cent of annual Swiss watch sales by value. Those up to SFr1,000 account for 20 per cent, Mr Cox reckons.

"There are certainly risks at the lower end of the spectrum," he concludes.

"But, to put this in context, watches that sell for more than \$17,000 make up 65 per cent of the Swiss watch market by value. The impact on the mid and top end of the industry will be limited."

For the moment, most higher-end watchmakers, though cautious, take a similar view. "I don't think at all that this will change what we are doing," says Patrik Hoffmann, chief executive of

Ulysse Nardin, whose watches sell for between SFr8,500 and SFr1m, although he concedes watchmakers in lower price brackets may come under pressure.

Others, however, are dipping toes into the water. Tag Heuer, known for its sporty and innovative watches and owned by French luxury group LVMH, is looking into the possibility of making a smartwatch of its own. The brand has

experience in the area, having last year made a one-off smartwatch for the Oracle sailing team in the America's Cup. This provided technical information such as the tension in the boat's sails.

However, the marque's chief executive, Stéphane Linder, says the project is in its very early stages, and does not yet occupy a large amount of Tag Heuer's resources – just "a few" of the team

responsible for new projects have been diverted to work on it, Mr Linder says. "We cannot make a smartwatch like Apple. It is so strong in technology that we should not aim to compete with that. We need to make a luxury product."

The main challenge, he says, is to find a feature that would not undercut Tag Heuer's status as a luxury brand, and would still have a "timeless" element. "Until we find the answer, we should not do something like this," he says.

Mr Linder sees other difficulties for luxury watchmakers, notably in relation to performance – existing smartwatches have to be charged daily – and durability.

The technology that underpins iPhones – and will do so for smartwatches – becomes obsolete relatively quickly, whereas customers buying luxury products want something that will endure, he says. "There is a totally different type of consumer desire between a smartwatch and a luxury watch."

Swatch, which is most exposed to a potential smartphone onslaught because it has a 7.8 per cent share of watches costing less than \$150 and

'This is comparable with the advent of quartz watches, which almost destroyed the industry in the 1970s'

13.1 per cent of watches costing between \$150 and \$1,000, is also keeping a close eye on developments.

Nick Hayek, chief executive, said in July that the group would integrate electronic functions allowing users to monitor personal fitness into its Swatch Touch line of watches. The group has also said it has the knowhow to make a smartwatch, and has not ruled out co-operating with electronics companies to help make the watch.

But, for now, the bulk of the industry seems to be waiting and watching. Many executives hope the advent of smartwatches will turn out to be an opportunity as much as a threat.

"In the US, 40 per cent of people don't wear a watch – they carry time in their pocket, on their phone," says Mr Hoffmann. "The Apple Watch might appeal to some and make them buy a watch for the first time."

"Perhaps they will move up to a luxury timepiece later."

IWC. THE FUTURE OF WATCHMAKING SINCE 1868.



Portuguese Perpetual Calendar. Ref. 5023: One thing at IWC always remains the same: the desire to get even better. Here is one of the finest examples, with the largest automatic movement manufactured by IWC, Pellaton winding and a seven-day power reserve. The perpetual calendar shows the date and moon phase,

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'I hoped it would transform my life. It felt very James Bond'

Review On a day out with his young daughter, FTfm editor *Chris Newlands* tries to monitor share prices with the Hotblack Stockmarket, a British-made smartwatch

I do not usually wear a watch. Sadly, they provide little more than annoying and indisputable proof of my lateness. So when an email was circulated at the FT asking for a volunteer to review a smartwatch called the Hotblack Stockmarket, I was surprised to find myself replying that I was keen.

My hope was that the watch would transform my life. The email read: "The watch would lend itself to a reviewer – male or female – who is out and about and has an iPhone for syncing."

It felt very James Bond. I envisaged unfastening a zip at 10 paces or remotely detonating an explosive charge.

The watch obviously does neither. As the name partly suggests, the Hotblack Stockmarket allows you to do three things: track the performance of a company's share price and tell the time and date. Created by London-based physicist Richard Hoptroff the watch uses Bluetooth technology to transfer data from your phone. Buyers get access to an app that – according to the technical notes – allows the watch to "converse with real-time stock market data".

A hand on the watch face subsequently twitches up or down on a dial ranging from +7 to -7 percent to show the percentage price change of your selected stock.

Despite the £1,000 pricetag (a gold version costs £6,000), however, the Hotblack Stockmarket feels significantly less clever than other smartwatches. Yes you can check the price of a share or the rise and fall of a particular stock market index, but you cannot, for example, check your emails, monitor texts or keep up to date with Twitter.

But that is not the point, according to Mr Hoptroff, a former pilot. "We weren't looking to make a complicated wrist computer," he says. "Hotblack features current technology but still possesses the qualities of a high-end mechanical timepiece with an analogue face and more than 60 moving parts."

The Hotblack Stockmarket will no doubt find appeal among some City



In sync: Chris Newlands tests out the Hotblack Stockmarket
Charlie Bibby

types. Unfortunately for Mr Hoptroff, I do not own any shares. I did, however, have a day where I would be out and about to test it – it was half term and I had taken the day off to look after my daughter. And as I bank with Halifax, which is owned by Lloyds, I decided I would spend the day keeping tabs on Lloyds' share price. This is how it went:

9am Lloyds is having a much worse start to the day than me. According to the watch, which I find is a little difficult to put on and take off, Lloyds' shares are down somewhere between minus 2 and minus 3 per cent.

10.30am We get to our local café and, while my daughter builds what looks like a UK bank out of Lego, I tread on the iPad of a fellow diner that Lloyds has announced it will lay off 9,000 people. The hand dangles dangerously close to minus 3 per cent.

12pm We leave the café and momentarily I have forgotten I am even wearing a watch until my four-year-old asks me how "Floyds" is doing. I have no clue. The watch appears to have stopped "conversing" with my iPhone.

2pm We are in the cinema. I fruitlessly check the watch and make a mental note that the Hotblack would benefit from having a backlight.

4.30pm I take one last look at the Hotblack Stockmarket to see how Lloyds has fared. It ends the day down 2.5 per cent and my overwhelming sense is one of relief that I can finally take it off. A good 45 seconds later, I finally manage to do so. I do not put it back on.

'I read that Lloyds has announced it will lay off 9,000 people. The hand dangles close to minus 3%'


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No red carpet, but an eyeful of industry diamonds

Awards Grand Prix d'Horlogerie de Genève juror *Nicholas Foulkes* gives a behind-the-scenes look at the watchmaking Oscars

About this time of year, the watchmaking industry rolls up at Geneva's 19th-century Grand Théâtre to gossip, network and pat itself on the back at the annual Grand Prix d'Horlogerie de Genève.

Inevitably, the prize is known as the Oscars of watchmaking, except there is not much red-carpet celebrity action. It does, however, have an eclectic dress code, ranging from long gowns and diamonds to jeans and open-necked shirts.

But while it may lack the slickness of the film industry's shindig, the prize is taken increasingly seriously by the fine watch industry.

The awards started in 2001 on a more modest scale, with seven prizes

awarded. Between 2007 and 2011 the event was privately owned by Edipresse, a publisher of GMT, a watch magazine, among other titles.

During this period the awards' profile rose significantly. And in 2011, the organisation behind the prize became an independent foundation. The intention was to strengthen the independence, solvency and regulation of the awards and ensure the transparency of voting procedures.

Just how significant the GPHG has become was made clear to me in 2012, when I was invited to join the jury by Aurel Bacs, the former head of Christie's watch department. His appointment signalled not only a willingness by GPHG to canvas opinion from a broad constituency, it was also regarded as a coup in that Mr Bacs is known and respected in horological circles.

During a two-hour ceremony on October 31, 18 prizes were awarded. It was the culmination of a selection process that began in the early summer, when the list of entrants - who pay a fee of SFr500 (\$519) to put a watch into competition and a further SFr5,000 if the watch makes it on to the shortlist - was announced.



2014's big prizes

Grand prix Breguet Classique Chronométrie
Ladies' watch Blancpain Women Off-centred Hour
Ladies' high-mech watch Christophe Claret Margot
Striking watch Hublot Classic Fusion Cathedral Tourbillon Minute Repeater
Chronograph De Bethune DB29 Maxichrono Tourbillon
Tourbillon Grönefeld Parallax Tourbillon
Mechanical exception Urwerk EMC
Petite Aiguille prize Seiko Grand Seiko Hi-Beat 36000 GMT

Jury members cast their first round of ballots in July to produce a shortlist of six entries in each of a dozen categories.

The shortlisted watches then hit the road, to be exhibited in India and China before returning to Geneva in October when the jury met to vote for the victors.

The big prize was picked up by Breguet, a Swatch Group brand. The biggest Swiss watch conglomerate's marques had featured regularly among the winners until 2006, and their return lent further validation to the awards this year.

The winners' list was intriguing because of the number of non-Swiss marques featured: Bulgari, the French-owned Rome-based brand; A Lange & Söhne, the German brand; Grönefeld of the Netherlands; and perhaps most intriguingly, Japan's Seiko, which entered a watch in the category that rewards reasonably priced watchmaking.

In the 1980s, Seiko symbolised

the wave of Asian quartz watches that threatened the future of mechanical watchmaking in Switzerland.

But the number of overseas brands honoured this year indicates that the awards are relevant to watchmaking around the world.

For those of us on the judging panel, service is unpaid, but I accepted because of Mr Bacs's powers of persuasion.

I imagine he also persuaded a number of others to accept, among them horological historians, leading collectors and watchmakers.

The result is a range of opinion, and in an effort to make sure the competition is fair and transparent, a notary sits in the corner of the room in which the jury makes its deliberations.

For those lucky enough to attend, this year's GPHG was certainly entertaining and I hope very much that Mr Bacs will invite me back next year.

Big night: guests arrive at the Grand Théâtre, above left; Breguet's Classique Chronométrie, left



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Richemont's Roger Dubuis is growing in Taiwan, South Korea and Jakarta

Richemont group plans to expand beyond China

Asia As the biggest market slows, the group shifts its focus to consumers elsewhere in the region, says *Syl Tang*

The Richemont group's watch brands are continuing their Asia push with gusto - and, as the luxury market slows in China, the company is prepared to look across the wider region.

Before the end of 2014, Vacheron Constantin, for example, will have opened a second boutique in Singapore, a fourth in South Korea and agreed boutique franchise deals in Australia and Thailand, and a second franchise in Vietnam.

This will bring the Swiss brand's stand-alone boutique count in Asia to 30. Of those, 14 - including Australia - will be outside China.

"Through agents representing us, we have been in Singapore and Tokyo since the beginning of the 19th century. All of Asia has always been important," says Juan-Carlos Torres, chief executive of Vacheron Constantin. Today, the brand is focusing on rapidly increasing its number of stand-alone boutiques.

Mr Torres says the expansion is not about targeting Chinese tourist shoppers, who explore the region avidly. "If we wanted, we could sell all our production in China and be done, as it's a very hungry market. But we don't want to do it that way.

"You have to satisfy customers in Indonesia. If you open in Malaysia, it's to give satisfaction to the residents, to give opportunity to the local customer."

Richemont has long had a foothold across Asia. According to the Digital Luxury Group, an industry analysis company based in Geneva, in the second quarter of 2014 Richemont brands performed well in Japan, India and Taiwan.

Markets in South Korea, Indonesia and Vietnam have less potential, however, according to some analysts. "The volume of searches in those countries is very low, through interest expressed by internet users on search engines such as Google, Yandex, Baidu or Bing," says Inès Lazaro, Digital Luxury Group product and marketing manager.

Other Richemont brands are exploring these markets. Jaeger-LeCoultre, which has three stores in South Korea, plans to expand further in Seoul. Roger Dubuis is adding a store in Taipei, Taiwan, three in South Korea before the end of the year and a boutique in Jakarta, likely to open in 2015.

"Asia divides into three consumer areas: Japan; China and Chinese travellers in Asia; and local Indonesia, Singapore, Malaysia, Thailand and Korea," says Jean-Marc Pontroué, chief executive of Roger Dubuis, another Richemont brand.

Roger Dubuis has five stores in mainland China, four in Hong Kong and three in Macau, catering ostensibly to Chinese tourists. However, the addition of the seven shops in Asia shifts the company's focus away from China. Does this indicate a reduction in appetite by the Chinese for high-end accessories?

Chinese shoppers worldwide make 50-55 per cent of all luxury watch purchases, according to Richemont. Roger Dubuis's Chinese customer base is smaller, representing 40 per cent of its sales.

Mr Pontroué says the expansion has more to do with available property for boutiques. "Brands think about identifying key countries. You can wait years for a market, then suddenly three spots become available at the same time. The cities are becoming so big that somewhere like Seoul justifies three locations."

'If we wanted, we could sell all our production in China and be done, as it's a very hungry market. But we don't want to do it that way'

Analysts say Richemont is prepared to gamble on countries that may not be quite ready to buy its products. "The growth of the middle class and elite is on fast forward in many of these countries," says Jon Cox, head of Swiss equities at Kepler Cheuvreux, the financial services company. "South Korea is only 2 per cent of the overall market, but is having a big tourism boom.

"While the big-three brands [Rolex, Omega and Cartier] are the biggest players, when Richemont goes into a market such as South Korea, it can leverage its purchasing power. It helps when negotiating rent, [to say it is] 12 or so brands, not one. This is all about a first-mover advantage."

Zenith Academy Christophe Colomb Tribute

Duration of Baumgartner's jump
(4 minutes, 19 seconds)

'Milky Way' made from aventurine,
a type of black, spangled glass

Figure of Baumgartner
preparing to jump

Gravity control module

'Earth' made from turquoise

45mm case made from platinum, has been
blackened with diamond-like carbon coating

The back

Statistics relating to the three records
achieved by the jump

Baumgartner's silhouette

Jewel marks where Baumgartner
wore his watch



Sources: Zenith; Simon de Burton FT graphic

Deconstructed Simon de Burton on a timepiece in tribute to the spirit of exploration

There are many methods for testing the reliability of a wrist watch, but on October 14 2012, skydiver, base jumper, racing driver and stunt man Felix Baumgartner devised one that was entirely new.

With a Zenith Stratos chronograph strapped around the expansive cuff of his high-pressure suit, the Austrian ascended to 39,045m above Earth – four times greater than the cruising

altitude of a passenger jet – in a helium-filled balloon and then jumped from the edge of space.

Four minutes and 19 seconds later, he landed in New Mexico, having become the first human to break the sound barrier without using a vehicle, achieving a speed of 1,357.6km/h. He also broke the records for the highest manned balloon flight and – not surprisingly – highest parachute jump.

Zenith's Stratos Flyback Striking 10th watch survived extremes of pressure, altitude, acceleration and temperature – much of the stunt took place at minus 62C.

Limited edition versions of the watch followed, but now Zenith has unveiled a considerably more spectacular timepiece to commemorate the jump – the Academy Christophe Colomb Tribute.

The large bulge at the bottom of the crystal contains what Zenith calls a "gravity control module", in which the escapement is kept in its optimum, horizontal position to enhance accuracy. The mechanism is mounted in a tiny, 171-part gyroscopic carriage which mimics the gimbal arrangement for ships' chronometers.

To the right of the turquoise dial representing a

stylised Earth is a tiny, hand-chased depiction of Baumgartner preparing to make his leap.

Engravings on the back of the watch show his silhouette, balloon capsule, Earth in the distance, and details of the three records he achieved.

Yet one figure not referred to on any of the 10 examples of the watch being made is the price: each one costs an out-of-this world £180,000.

Panerai brings manufacturing under one high-tech roof

Expansion Eco-friendly factory offers space to grow. By Simon de Burton

‘T here was a desk, a chair, and me,’ says Angelo Bonati of his first days as chief executive of Officine Panerai. That was back in 1997, shortly after the then little-known dial name had been acquired by the Vendôme Group (now Richemont) and Mr Bonati had been charged with transforming it into a modern-day luxury brand.

The fact that Panerai now has a cult following globally shows that he pulled it off – but a perhaps more telling measure of the company's success is that its big expansion necessitated a move to an impressively large and fully integrated *manufacture* building at Pierre-à-Bot on the heights above the town of Neuchâtel.

Until recently, Panerai conducted its operations from an assemblage of disconnected buildings around Neuchâtel in an arrangement which, by 2011, was becoming both untenable and stifling to a company with ambitions to achieve complete autonomy.

Like any growing watch brand, it needed to bring its key departments under one roof to ensure a seamless flow from the design through to the shipping of completed products – a sequence of processes that demands a large and highly specialised facility that, ideally, needs to be purpose-built.

In Panerai's case, this has meant the investment of an undisclosed sum (believed to run to tens of millions of Swiss francs) to create a *manufacture* with an internal area of 10,000 sq m and built to state-of-the-art standards that have enabled it to achieve Minergie Label compatibility through the use of eco-friendly design and materials.

The building is cooled and heated by a ground-source heat pump, uses roof mounted solar panels to generate its electricity and warm its water, and has its own rain recycling system. The light-flooded, carbon-neutral building lays claim to being one of the most advanced and environmentally friendly watch factories.

To further reduce its carbon footprint, the *manufacture* operates an “eco-mobility” policy, through car-sharing schemes and by providing staff transport. Staff have the opportunity to make a mark in the company through Panerai's *Laboratorio di Idee* initiative which



Bright future: the Neuchâtel facility is one of the industry's most advanced

invites all employees to contribute to the development of everything from the products to the way the business operates globally.

“The new factory has enabled us to optimise the production process in terms of both quantity and quality,” says

Going green Building brands

Jaeger-LeCoultre The company extended its *manufacture* in Le Sentier, Vallée de Joux using eco-friendly, high insulation materials and installed an energy recovery system to run its heating and hot water systems.

Chopard The family-owned company converted a century-old, former polishing factory in Fleurier (where it makes its LUC watches) into an environmentally-friendly production facility combining traditional looks with sustainability.

HYT This niche brand, which launched its first watch just two years ago, has expanded so quickly that, this summer, it moved from a small facility in Bienne to a large, multimillion-franc building on the lake shores of Neuchâtel.

Mr Bonati. “Previously, the stages of development, manufacturing of components, assembly and quality control were all carried out internally, but on different sites. Unifying the various stages in a single, significantly larger location brings several benefits, notably greater capacity, greater independence and better quality control.

“It is something that we had to do to take Panerai to the next level and transform what was really a small business in to a truly major player. Within a year, we will be able to prototype all of our cases in the *manufacture* and, in two to three years, we will produce 100 per cent of the components for our movements in-house and probably increase the number of staff from the current level of 230 to about 350.”

The building has enabled Panerai to upgrade its security with biometric recognition facilities, triple-door access systems and a team of guards – part of a bigger drive by Richemont to protect the products made by its watch brands and to prevent the theft of pending designs and other sensitive information.

Meanwhile, Audemars Piguet, the independent *manufacture* in the Vallée de Joux village of Le Brassus, has plans to create a modern extension to its 19th-century headquarters for a museum.

The Maison des Fondateurs, designed by the Bjarke Ingels Group, will take the form of an overlapping spiral covering an area of 2,400 sq m. It will house the brand's collection of 1,300 timepieces spanning a 250-year period.



Idyllic Pont des Amoureux Poetic Complications watch, white gold, diamonds, “contre-jour” enamel, mechanical movement with retrograde hours and minutes.

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Watches & Jewellery | Collecting

Geneva sales It may not grab headlines but the specialist auctioneer is confident in its niche, writes *Simon de Burton*

Forty years on, Antiquorum still practises art of perfect timing

Collecting watches was once a minority interest – something that is hard to believe today, when historic brands are thriving and the best vintage timepieces fetch seven-figure sums at auction.

Much of the credit for this shift rests with Osvaldo Patrizzi, a Milanese watch and clock restorer who, in 1974, co-founded the Galerie d'Horlogerie Ancienne in Geneva, from which he sold pocket watches by private treaty and auction.

The business stood out because of Mr Patrizzi's technical skills. He stole a march on established houses, such as Christie's and Sotheby's, by producing well-researched and illustrated catalogues to highlight the desirability of the best pieces.

This simple idea attracted collectors from around the world and proved so successful that, in 1981, Mr Patrizzi expanded the concept to include wristwatches, and renamed the business Antiquorum.

Some expected the venture to fail – but the first sale, held on a Sunday afternoon, resulted in contemporary models fetching more than they cost new. A Patek Philippe Reference 2499, for example, realised SFr18,000 although it could have been purchased at the brand's nearby boutique for SFr16,000.

The business heightened interest in collectable wristwatches, and Antiquorum remained number one in the field for two decades, during which it introduced the concept of the one-brand watch auction; established a still-unbroken record price for a wristwatch (SFr6.6m for a 1939 Patek Philippe World Time in 2002); and pioneered real-time online bidding.

But, following the 2006 sale of a large stake in the company to Tokyo-based Artist House Holdings, Mr Patrizzi was ousted. Having paid a reputed \$30m for Antiquorum's shares, Artist House subsequently sold the then-struggling business to a Hong Kong investment company in May 2008 at a significant loss. Just a few months later, majority ownership passed to a different group of buyers.



'Clients want us to continue as we are, offering pieces at conservative estimates, and selling to collectors at all levels'

In May 2014, however, Zurich-based Fides Business Partner, a private equity firm, paid an undisclosed amount for what was thought to be a significant share in the company, allaying earlier concerns about Antiquorum's financial health – and offering the hope that it might fight back against the growing strength of its competitors.

The most powerful of these is Christie's, which has overtaken Antiquorum as the world's most successful watch auctioneer, with a run of record-breaking sales that peaked in 2011, when the house shifted \$116.3m of watches, compared with Antiquorum's \$61m. Sotheby's too, has caught up, largely through the strength of its Hong Kong operation.

In the next three days, the gap seems likely to widen again, as the three houses stage their flagship Geneva auctions and Sotheby's offers a single watch, the Henry Graves Patek Philippe Supercomplication, which is expected to sell for more than the SFr10m (\$10.6m) estimated value of Antiquorum's entire sale.

Tomorrow, meanwhile, Christie's fields 100 exceptional Patek pieces with a combined value of up to SFr20m, before following on Monday with a 390-lot mixed sale worth a further SFr13m.

Despite such stiff competition, Julien Schaerer, Antiquorum's European managing director, remains sanguine, pointing out that his company is the only international auction house in the world to specialise solely in horology.

"We continue to focus specifically on watches, just as we always have done," says Mr Schaerer.

"And that doesn't mean trying to sell only the super-expensive, headline-grabbing pieces, but consigning for sale watches that people around the world can afford to buy and collect – which is why our sales include relatively inexpensive pieces, such as Heuer Carreras and Breitling Navitimers, [as well as] six-figure Rolex and Patek Philippe models.

He regards his competitors' successes as part of a cycle. "Clearly, Christie's has had fantastic results in recent years,



Bids invited: (from top) singing bird cage clock, c. 1785; Blancpain 1735 Grand Complication; Patek Philippe Reference 2499 chronograph

Antiquorum Sale highlights

The flagship Geneva sale is made up of 1,000 or so lots and will take place over two days, starting today.

Highlights include a **1785 automaton singing bird clock** (left) by Jaquet-Droz and Leschot of Geneva, estimated to fetch between SFr200,000 and SFr400,000 (\$209,000-\$418,000).

Collectors will be eyeing a 1990s **Blancpain 1735 Grand Complication watch** (middle left), one of the world's most complex wristwatches and the third of 30 made. Its estimate is SFr250,000 and SFr350,000.

Also on offer is a 1980 **Patek Philippe Reference 2499 perpetual calendar chronograph wristwatch** (bottom left), put at between SFr250,000 and SFr350,000.

selling big Patek Philippe pieces. But exactly why the major, multimillion-dollar watches have been going to our rivals of late, I can't really explain.

"All I can say is that the market has always shown shifts, with Sotheby's on top during the late 1980s, Antiquorum leading the way during the 1990s and Christie's in the 2000s."

Mr Schaerer says that much about the watch auction market is uncertain, which could be to Antiquorum's benefit. He adds: "I believe one of our great strengths to be the fact that we have now been specialising in watch auctions for 40 years. That gives people confidence, and collectors have grown to know and trust our condition grading system and our catalogue footnotes.

"Our rivals compete very aggressively in terms of offering reduced commission rates and guarantees on consignments [guaranteeing to return vendors a minimum sum even if a piece fails to sell at auction]," he says. "We have never been prepared to make such offers, not least because the size of the company doesn't allow it.

"Clients want us to continue as we are, offering pieces at conservative estimates, providing useful and accurate descriptions and selling watches that are accessible to collectors at all levels."

My favourite pieces Jerry Lauren

I do not buy watches for investment. Everything is bought out of fascination. It has to be the right quality and have the right depth.

I have about 75 watches. I don't keep them in a box. Once or twice a week, I look in my drawer and say: "Hey! I haven't worn that for a while."

It's about the appropriateness. I do not want to wear a Rolex with black-tie. It is about how you put it together – not because I am being a peacock.

As I grew up, I was intrigued, from the day I saw a guy get his bar mitzvah watch. I said, 'One day I'm going to have a watch like that.' I bought my first Rolex – a Submariner – in Switzerland when I was on my first trip to Europe with my wife, 48 years ago. To me, Rolex is one of the great [brands], not because it is the most expensive, but because it has mystique.

In 1984, I found a Rolex with three dials: the **Daytona**. Within the next year or two, people were saying: "How much do you want for that watch?"

Paul Newman was seen wearing it in one of his movies, driving his racing car, so it became a monster. I acquired a few more, and gave the original to [my brother], Ralph.

Then I discovered the ultimate, another iconic name: Patek Philippe.

I bought a couple,

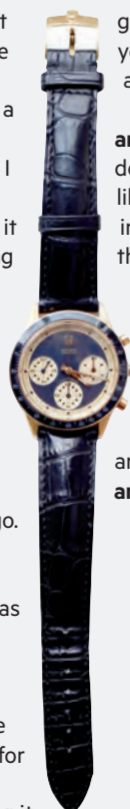
one of them from the 1920s. It's gone through a lot of living, but I look for the most perfect ones.

It has got the mechanism going. It is [almost] 100 years old, so it has taken abuse.

I bought a **150th-anniversary Patek** from a dealer in New York. It opens like a pocket watch. I was intrigued by the reputation, the quality and the finesse.

In between business meetings, I would look in stores in London, Milan and Florence. You must buy from somebody you really trust. I went into one of the fine stores and there was a watch by **A. Lange and Söhne**. This is one of the finest

watches, originally made in Germany. They are the most elegant. I started to discover these things and occasionally I bought myself an A. Lange and Söhne, and now I have four or five.



Rolex's Daytona (far left) and Patek Philippe's 150th anniversary watch

I have a 1940s **Panerai** with a brown face, and it is one of the most beautiful watches, with a Rolex movement. I bought it for \$12,000 and it now goes at auction for \$100,000.

And I have a **black Porsche** watch. Ralph bought it for me, and he bought one for himself. It is so ahead of its time. There is nothing about it that is glitzy.

Ralph and I have always loved watches. With Richemont [the Swiss-based luxury group with which Ralph Lauren produces its watches], it was a partnership made in heaven.

Everything that Ralph and I love, we are able to contribute. It is on-brand – that's the key.

As told to Rachel Felder



'I am terrible – it is a hopeless endeavour'



Skills Fine watches are expensive, but why? *Syl Tang* finds out the hard way by learning the watchmaker's craft

Why do luxury mechanical timepieces cost so much? After all, beneath the elegant dials, one complicated watch must be just like another?

I can fix my car and I can gut a fish. So when I was invited to try my hand at watchmaking at three luxury brands' workshops, I wanted not only to test my dexterity, but also to discover how time-consuming the process really is – and how those high prices are justified.

In California's Napa Valley at A. Lange & Söhne's academy, I try my hand at engraving a balance cock. I quickly realise how much technical know-how a watchmaker needs.

In a mechanical watch, a balance spring – also called a hairspring – is attached to a balance wheel. The spring and the wheel oscillate together, which controls the speed at which the wheels inside the watch run, which in turn leads to the movement of the hands.

The watch uses regulating pins to control the rate of oscillation, and those pins are mounted on a piece called the balance cock.

Though many watchmaker's balance cocks are hidden, A. Lange & Söhne's are a visible feature in all their watches, so they are hand-finished with elaborate decorations. Each is hand-engraved, taking a skilled craftsman about 45 minutes apiece.

Using a flat edge burin – a metal tool with a wooden handle – I attempt to decorate my balance cock with *intaglio* engraving, which involves scraping material away from the surface.

Simone Rauchfuss, Lange's engraver, instructs me to shift the tool in my hand back and forth, making a sort of V-shape as I move the tool forward. In less than five seconds, I slip and make a giant gash in my design. I had drawn out what I intended to *intaglio* on the piece, but it seems I am unable to move it precisely enough to follow my own lines.

Lange balance cocks are decorated with ornate flowers or custom drawings, at the request of clients. Unless my client is asking for a nine-year old's attempt at drawing a daisy, I fear my balance cock is not going to be sold to a collector.

I try again, this time attempting to engrave an image of a fish, since I decide that the balance cock is shaped a bit like a salmon to my amateur eye. My "salmon" looks more like a mutant creature from an *X-Men* movie.

Next, I am handed a tiny tool with which to insert minuscule screws into the balance wheel. These screws fit round the rim of the wheel and are used as weight to adjust the balance.

Unfortunately for me, the screws are so small I can barely hold them in the tool, and when I attempt to insert one into the wheel, it promptly flies to the floor, disappearing as a fleck never to be seen again.

Even with my loupe, and with 20/15 vision in my glasses, it is a hopeless endeavour. I easily lose five screws before giving up. Not a single one makes it into the wheel.

Finally, I try to wind a mainspring and load it into the barrel. In a mechanical watch, this is a flat piece of metal ribbon. Winding the ribbon into the barrel stores energy, which is released when the ribbon unwinds. The barrel then turns the watch wheels.

Winding it is no problem. But when I begin winding, I learn I have to attach the end of the spring into a tiny notch inside the winder handle, and this part is impossible.

I load the barrel again and again – to no avail. My spring does not catch. My future in watchmaking looks increasingly grim.

Determined to acquire some skills, I head to Geneva. There, the Roger Dubuis *manufacture* is the workplace of some of the most skilled professionals in Swiss watchmaking.

The 20-year-old company was started by one of the most respected watchmakers in Switzerland, who made timepieces for Patek Philippe before setting up his own brand. All watches that leave the factory are *Poinçon de Genève*-certified, with the Seal of Geneva. The seal is given to watches that meet a particularly high standard.

Every piece of every Dubuis watch

Frustration: Syl Tang tries – and fails – to work on delicate movements at the IWC Schaffhausen workshop in New York

Pascal Perich

must meet that standard, and I walk thousands of feet across the manufacturing floor, watching 160 craftsmen working on their individual skills.

I try my hand at "dressage" – the process of creating straight lines etched on a surface. At the dressage station, I am instructed to put a watch part under a champagne cork.

Then I drag the piece in a straight line down a sheet of abrasive paper, which I guide entirely by sight. The action etches a line on to the piece.

Two Dubuis craftsmen inspect my work. My lines are crooked. I then spend an hour attempting to make a straight line. My lines are still wobbly or uneven in texture, the groove too deep or too light at various points.

But to pass *Poinçon de Genève*, the line cannot just be straight; it also has to be perfectly even in depth, top to bottom, requiring the exact amount of hand pressure at all points. That is just one of potentially 590 pieces that go into a Roger Dubuis watch.

I resign myself to supplying more corks by drinking the champagne.

Back home in New York, I take on my hardest challenge with IWC Schaffhausen. I attempt to make the sort of movements used in the maker's Portuguese Handwound.

Once I have removed the balance bridges from the watch, I attempt to assemble the wheel train in a watch.

Imagine two wheels with teeth, where one rotates the other. Loosely described, the wheel train converts the watch's power into time measurements.

My wheel train does not come together correctly. When assembled, it does not turn.

I attempt the hardest task of all: to align the roller jewel with the pallet fork.

The pallet fork is a part of the lever escapement inside a watch. Each time it moves, it pushes the balance wheel back and forth and each swing moves the gear train a fixed amount forward, which generates a steady rate of movement of the hands.

But there is a problem: the tiny pin I must insert between the pallet fork is on the underside but also attached to a spring. So not only is it minuscule, I also cannot see it as it bounces from side to side.

After 20 minutes of failure, I am saved. A customer arrives to see the watchmaker, wanting to have his timepiece adjusted.

As a fine watchmaker, I was truly terrible at these things differently, and have a newfound respect for the agility that goes into the tiny parts.

I also realise that incredible skill – with an intense amount of precision – goes into all aspects of these pieces.

Which, of course, explains those high prices. But unfortunately for me, not only have I realised I have no future in watchmaking, I am also smitten with admiration for the craft.

So much so that I am now desperate to own all these tiny – and very expensive – works of art.

'I try again, this time attempting to engrave an image of a fish. But my salmon looks more like a mutant creature from an X-Men movie'

Breitling chooses to do its own thing with quartz

Manufacturing The Swiss brand's in-house strategy reveals the scale of its ambition. By Robin Swithinbank

Leading watch brands have invested heavily in developing mechanical movements in-house in recent years, in response to changes in supplies to the industry.

Now, one of the most famous dial-names has announced a quartz movement manufacturing strategy - adding a new dimension to an evolving trend.

Brands have adapted over the past decade, after Swatch Group, a leading supplier of movements, announced it would reduce volumes of mechanical movements to brands outside the group. Collectively, hundreds of millions of Swiss francs have been sunk into manufacturing self-sufficiency, and - almost without exception - into the production of mechanical movements.

As well as making its own mechanical movements, Breitling, the Swiss manufacturer, is now turning its attention to quartz. Breitling's B50 Calibre was unveiled in September and is described by the company as a "brand-exclusive" movement.

While it is not making 100 per cent of the movement's components, Breitling developed it and is producing some of the more traditional parts - such as wheels and bridges - at Breitling Chronométrie, its manufacturing facility in La Chaux-de-Fonds. Electronic parts are outsourced to undisclosed suppliers.

Since launch, Jean-Paul Girardin, Breitling's vice-president, has said that the move is not an indication of problems with supply from the company's long-term quartz movement manufacturing partner ETA, owned by Swatch Group.

"There is no problem with the supply or production of quartz movements, as was the case in 2004 [with mechanical movements]," he says, referring to the



Adventure: the Cockpit B50 marks a change in direction for Breitling

'This strategy gives us the tools we need to be in charge of our own destiny'

announcement by Swatch Group. "But we don't have access to innovation. We want to offer new products to our consumers, but we can't do that with the movements we are buying in at the moment."

Last year, Breitling introduced the Emergency II, a quartz watch that was also the world's smallest personal locator beacon (a distress signal).

The Breitling Cockpit B50 - the first watch to carry the brand-exclusive quartz movement - has modest specifications by comparison, but is still a high-tech, multi-function adventurer's watch. Among those functions is a "chrono flight" device - a computer that records flight times by memorising departure and arrival times.

This marks a change in direction for Breitling, which has relied on ETA for its quartz movements since the late 1990s, when it embarked on a project with the supplier to produce a suite of "thermo-compensated" quartz calibres, all of which would be chronometer-certified.

These were called "SuperQuartz" and contained a temperature sensor and a corrector that would automatically adjust the movement's rate as conditions changed.

Quartz movements, like their mechanical equivalents, become less accurate with big changes in temperature. This innovation made them 10 times more accurate than standard quartz movements, to within 15 seconds a year, according to the brand, which

more than qualifies them for chronometer certification from the Contrôle Officiel Suisse des Chronomètres. "Swatch Group had the knowledge, and we had the market," says Mr Girardin.

By taking control of quartz movement manufacturing, Mr Girardin believes he can satisfy his diverse customer base and maintain the company's independence at the same time.

"We still have customers looking for our regular products," he says. "This [strategy] gives us the tools we need to be in charge of our own destiny."

Breitling has a grip on its independence. It says it currently has capacity to produce 50,000 in-house chronograph movements (of which it is currently

using 80 per cent), but if demand increases, it is confident it can respond. "If we want to do only in-house movements and double production, we can," says Mr Girardin. "We designed our building so this could happen."

Like Breitling's core collection quartz movements, B50 is thermocompensated, but there the similarities end.

It uses optic fibre rather than a more traditional film to backlight the digital displays in the Cockpit B50's two dial apertures (it also has analogue hands for regular timekeeping), meaning illumination is concentrated on those two areas, rather than across the whole dial.

This has benefits for energy consumption, which some observers have argued is just as well - the B50 is powered by a rechargeable battery. Mr Girardin says the battery will run for between one and five months, depending on environmental conditions and usage, and that charge time is about two hours.

The in-house quartz movement manufacturing programme will need to contribute to what Mr Girardin describes as the company's "stable" growth. While he will not be drawn on the investment into the new movement strategy, he indicates it has cost the business less than its decision to develop mechanical movements. Much of this can be attributed to the fact that Breitling has manufacturing facilities at its disposal. He estimates that "several thousand" B50 Calibres will be made a year, and confirms it will not be made available to third parties.

Mr Girardin suggests Breitling's turnover is rising at between 5 and 10 per cent a year, and says that because the company has yet to find a footing in China, it is not feeling the pinch as the Chinese market for luxury goods slows. "We are not saturated in the global market," he says.

Traditionalists may wonder why one of the great names in mechanical watchmaking is developing a quartz strategy - Mr Girardin confirms further quartz movements will follow B50.

"One is not better than the other. We're developing new electronic movements using the latest technology because our customers want them," Mr Girardin says.

Tag Heuer's mothballed movement could return

Strategy The 'pragmatic' decision to shelve Calibre CH80 may not be a permanent one, as Robin Swithinbank reports



Doubts: Jean-Claude Biver believed CH80's launch was too early

In one of the most unexpected developments of 2014, Tag Heuer recently announced it was mothballing Calibre CH80. The in-house chronograph calibre was only launched in March to widespread acclaim at Baselworld, the international luxury watch fair.

The company has expanded over the past five years, following Swatch Group's announcement a decade ago that it would reduce supply of its ETA movements and Nivarox parts to watchmakers outside the group.

Since then, Tag Heuer, which is part of the LVMH Group, claims to have sunk SFr40m (\$42m) into vertical integration, including a state-of-the-art movement *manufacture* in Chevenez, which opened last year and where Calibre CH80 was to be produced.

The calibre, first unveiled last November under the code name Calibre 1969, had all the hallmarks of a market-segment leader. It had a larger-than-usual 80-hour power reserve, a classic 3-6-9 subdial arrangement, and its proportions were thin, given its specifications. At Baselworld, it was presented in the Carrera Calibre CH80 Chronograph - a watch that was expected to cost about £5,000.

But behind the scenes, the brand was debating CH80's future. On March 1, Jean-Claude Biver, the executive credited with turning Hublot, Tag Heuer's sister brand, into a global phenomenon, took over as chief executive of LVMH's watch division, with responsibilities for Hublot, Tag Heuer and Zenith.

Mr Biver had doubts about the strategy behind CH80. Despite being Tag Heuer's first in-house automatic chronograph movement in decades, it was priced to compete with the brand's models carrying Calibre 1887, the automatic chronograph calibre it introduced in 2011.

Based on a Seiko calibre, Calibre 1887 was reskinned by Tag Heuer and produced at the company's site in La Chaux-de-Fonds, until it moved to Chevenez.

"I was of the opinion that it was much

too early to launch another chronograph movement with the same quality, same diameter, same properties and same cost [as Calibre 1887]," says Mr Biver.

"How many brands are using and producing two in-house movements with the same dimensions and characteristics? There is nothing wrong with CH80. But we cannot have two similar movements in our collection."

According to Tag Heuer, the situation was largely down to circumstances beyond its control. When Swatch Group reduced the supply of movements and parts to its competitors, the high-volume automatic chronograph calibre produced by ETA was largely unchallenged in the market place.

Tag Heuer's strategy, under the leadership of then-chief executive Jean-Christophe Babin, was to invest in movement manufacturing. Borrowed

'There is nothing wrong with CH80, but we cannot have two movements so similar in our collection'

from Seiko under licence, Calibre 1887 was the quick fix, but the long-term goal was CH80.

"Then a simple thing happened," says Stéphane Linder, who took over from Mr Babin in mid-2013. "Sellita [the movement maker] brought out an automatic chronograph. We started with a Sellita product on the market at the end of 2011, in small volumes. You need two or three years to understand if a calibre is of good quality, and we've had impressively few returns. Now we're thinking this movement is good, it's reliable, and the price gives us a solid margin."

Initially, Tag Heuer was reluctant to commit itself to a future based on Sellita movements. "We had some doubts," says Mr Linder. "We wondered how they could make a movement as aggressively priced as Swatch Group." Sellita has

been an independent movement manufacturer since 2003, and in 2011 ETA alternatives, such as its automatic chronograph calibre, were largely untested. Tag Heuer, says Mr Linder, could not afford to rely solely on Sellita, so it continued to develop CH80 alongside its Sellita strategy.

The end of the trial period coincided with the moment CH80 was ready for launch, according to Mr Linder. In what he describes as a "pragmatic" decision, CH80 was shelved in favour of a bilateral strategy, with Calibre 1887 as the high-end alternative to the more accessible Sellita movement, Calibre 16.

That meant Tag Heuer could go to market with two automatic chronographs that spanned the market segment, costing between SFr2,000 and SFr5,000, with an aftersales network already in place. According to Mr Linder, it would take several years and additional investment to create the same infrastructure around CH80.

The strategy means Tag Heuer hopes to be better positioned to weather changes in consumer behaviour globally. Exports of Swiss watches have flatlined in the past 18 months after several years of growth, following a clamp-down on corporate gifts in China. There is also increasing evidence that luxury watches have hit a price ceiling.

"Over the past three to five years, many brands have raised their prices, not only us," says Mr Linder. "The demand was so high that nobody could keep up with it. And if you can't keep up with the demand, what do you do? You set higher price points."

For now, Tag Heuer claims that with a little fine-tuning, Calibre CH80 will be production-ready, giving it a pre-packaged in-house movement solution for when the time is right for launch.

"It's a very good movement and it could be relaunched as soon as we have more volume," says Mr Linder.

"If we expand the brand, we could become big enough to justify the second movement."

Mila Kani photographed by Peter Lindbergh



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'Manufacturing is alive and well in Motor City'

Mid-market As the American-made brand ticks off an overseas expansion, *Robin Swithinbank* reports on a company with big ambitions

Detroit was once synonymous with carmaking, but is now a city associated with decline. But efforts to stimulate the economy are showing tentative signs of success, and fine watchmaking is among the industries at the forefront of that revival.

More than 1m Detroiters abandoned the US Motor City over the past half decade - forced out by complex forces including automation in manufacturing and a shrinking auto industry.

But now, Detroit seems to be edging towards revival. Figures published in September showed unemployment across the state of Michigan down to 7.2 per cent from an August 2009 high of 14.2 per cent. Forbes reported in January that 37,000 blue-collar jobs had been created between 2010 and 2013.

Shinola, a small watchmaker, is among the local companies contributing to the revival, not quite 18 months since it made its first watch. The brand has ambitions overseas: last month, it opened its first store outside the US, in London's Soho.

Named after an early 20th-century shoe polish, the company made 50,000 watches last year and expects to triple that figure in 2014.

"So much has been written about Detroit, the challenges of the city, everything that's negative," says Steve Bock, the company's South African-born chief executive. But like every city - like every business - there is good and bad. And what we see and what we always saw in Detroit was a city that was based on its heritage of manufacturing, craftsmanship and quality work.

"The gamble was, could we find the right people who would have the capability to do the work?"

Mr Bock, who previously held senior positions at LVMH and Fossil, the US watchmaker, joined Shinola in 2011 as one of half a dozen business people with a vision to create an "American-made" brand. They settled on watch manufacturing and a position in the affordable luxury segment.

The watches are powered by Swiss



Skill: the brand intends to make mechanical watches at some point

Fabrizio Costantini

quartz movements made by Ronda, one of the company's backers, and cost between \$475 and \$1,000.

"There was a great opportunity in the watch market at this price point," says Mr Bock. "The industry had, to a large degree, consolidated itself at the \$150-\$200 retail level, and with fine watches at \$1,000 and up."

The company launched in March 2013 with a campaign in four US newspapers offering 2,500 watches - one style in two sizes. The watches had not been made at that point, but the advertising promised that if customers signed up, they would receive their watches in the summer. They sold out in eight days. "Almost without exception, every-

body paid for their watches in March and they were delivered in July and August," says Mr Bock.

Today, it offers a diversified product range, selling bicycles, leather goods, cola, pet accessories (made in partnership with Bruce Webber, the US fashion photographer) and, in tribute to its erstwhile namesake, shoe polish.

"There was opportunity in the market at this price point"

Mr Bock acknowledges that the range is eclectic, but describes Shinola as a company "driven by the concept of design" - rather than a watch or lifestyle brand.

"We don't see any reason why we can't design, manufacture and bring to market a wide variety of product categories" he says. Would he consider designing cars? "Anything is possible."

Shinola is so confident in the quality of its watches that each will be sold with a lifetime guarantee that covers everything but the strap, buckle and battery.

"It's not a marketing gimmick," says Mr Bock of the guarantee, which also covers water resistance. "We [produce] watches of the highest quality. That gave us the confidence to stand behind the statement we've always made about our watches: they're not disposable."

Shinola's ability to convey the positive side of the city is not lost on the Detroit authorities. The website Crain's Detroit Business recently described the company as "synonymous" with the city. John Gallagher, whose book *Reimagining Detroit* explores regeneration, draws a similar conclusion. "Shinola has become one of the symbols of Detroit's recent revival," he says.

As a privately held company Shinola does not publish its financial results. But Mr Bock reports that, after significant initial investment, the company is not profitable yet, but will "break even in the next year or so".

In May, it opened a 12,000 sq ft leather factory, where 50 employees make straps, bindings and accessories. At some point, says Mr Bock, Shinola intends to move into mechanical watchmaking.

Local authorities eager to trade off the brand's reputation are keen to work with the company. Shinola recently donated six public clocks to the city.

Thomas Lewand, group executive for jobs and economic growth in the Detroit mayor's office, says: "We facilitated obtaining the sites [for the clocks] on very short order - almost overnight. Manufacturing is alive and well in Detroit."



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Official failings make Thailand a rip-off Rolex Shangri-La

Intellectual property The fakes market is flourishing across Asia, explains *Gabrielle Paluch*

Arjun, an ethnic Gurkha immigrant to Thailand from Myanmar, has sold counterfeit watches for years on the street outside tailors' shops in Bangkok's Nana district, where sex workers are ubiquitous.

His customers, mostly tourists, are under no illusions when handling the rhinestone-studded \$70 watches. He will try to convince them that his wares are quality fakes: "Not from China! It's better - from Thailand!"

Without so much as an attempt at haggling by prospective purchasers, he will lower the price to \$60 and offers an even bigger discount for bulk purchases. And should a police officer walk past, he would not bat an eyelid.

Bangkok has long been a destination for tourists seeking to buy counterfeit Swiss watches, and the response from the authorities has often been inconsistent. When Lady Gaga, the pop star, tweeted to say she wanted to buy a fake Rolex on her arrival in Bangkok in 2012, she sparked protests and a clampdown on the counterfeiters by the authorities. But a few weeks later, business for vendors was back to normal.

"There's a big contradiction in attitudes and action here," says James Evans, an intellectual property lawyer at Tilleke & Gibbins, a Thai law firm. "They are disappointed that somebody with such fame tweets that to try to make a joke - and it clearly did hurt."

From the Thai authorities' perspective, clamping down on vendors tackles the problem only on a superficial level. Raids are more effective when carried out on the elusive suppliers and manufacturers of counterfeits.

More than 95 per cent of the world's counterfeit watches are produced in China, according to the Federation of the Swiss Watch Industry (FH), whose anti-counterfeiting unit includes a specialist section staffed by expert watchmakers to analyse fakes.

Many of those counterfeits make their way to Thailand, though the size of that country's counterfeit watch market is nearly impossible to quantify, the federation says.

Raids in Thailand have been carried out at a steady rate of between 2,000 and 3,000 a year since 2006, mostly by customs officials, according to the Department of Special Investigation

(DSI), Thailand's equivalent of the US Federal Bureau of Investigation. Thailand's Department of Intellectual Property held a destruction ceremony in Phuket last year, during which counterfeit goods worth millions of dollars were destroyed.

Thailand's central intellectual property and international trade court takes on counterfeiting cases. But, according to the DSI, luxury watches are a low priority for the courts, because fakes do not pose a risk to health or safety - unlike, for example, fake car parts.

Even when watch counterfeiters are prosecuted, the penalties are considered lenient, says Mr Evans. "The maximum penalties are so rarely handed out, and even if they are, they're too low."

The Office of the United States Trade Representative's Special 301 Report, on arrangements in the countries with which the US does business, gives Thailand a low ranking for intellectual property enforcement. A lack of *ex officio* powers for customs agents was among the reasons cited.

A military coup in May has caused further frustrations. Mr Evans says that while Thailand's National IPR Center of

Enforcement was established last year to address enforcement issues, momentum with government agencies has slowed.

"It's more difficult to carry out raids, more difficult to get authorities involved, and even the pieces of legislation that were close to being finalised are on hold," he says.

These include an amendment to the Trademark Act, as well as seven other pieces of intellectual property-related laws that cannot be passed without a functioning legislature.

It is also difficult for luxury brands to claim damages for lost revenue, because counterfeiters are not targeting the same customers as those for legitimate goods.

According to the FH, Thailand ranked 16th in the world in 2013 for Swiss watch imports and has maintained a steady ranking for years, despite its counterfeit market. Hong Kong and China top the rankings for both legal and illegal markets.

"We are very concerned about counterfeits, but somehow we cannot control [them]," says Omega's Thailand brand manager. "If we try to do something

Pick a brand: fake watches seized in Bangkok bear the Rolex name

Getty

about it, we have to go through a cumbersome process in court. We just have to do our best to make our brand successful in legal retailers."

Nevertheless, the FH estimates losses from intellectual property infringement in the luxury watch market amount to SFr1bn a year. Yves Bugmann, head of the federation's legal division, admits the problem is difficult to tackle, but he says it is a question of willingness.

"Counterfeiting should be punished no matter what," he says. "We work with the Thai authorities and they do good work, but it's a question of human resources, and how many of those they want to engage in this fight."

"I understand there are other tasks they have to do, but in most places in Thailand you can easily buy counterfeit Swiss watches, so they could do more."

Meanwhile, back in Bangkok's Nana district, trade is brisk for Arjun. In the past, he and his fellow vendors have been forced to pay fines after intermittent clampdowns, but he says plentiful supply means he is no longer worried.

"We get our merchandise not far from Bangkok; we don't even have to cross borders," he says.

'We are very concerned about counterfeits, but we cannot control them'



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It takes more than a tax rise to spoil the taste for luxury

Japan Economic reforms and tourist shoppers have fuelled steady spending on fine watches, writes *Gavin Blair*

Japan's hard luxury sector is optimistic: the market has experienced steady but certain growth after extended periods of decline and stagnation.

According to the Federation of the Swiss Watch Industry, exports of Swiss watches to Japan were up 1.8 per cent in September on the same period the previous year, to SFr113m (\$119m), and up 11.2 per cent on the same period in 2012. Continuing solid growth from the previous two years, Japan rose from being the fifth- to the fourth-largest market in the world for Swiss timepieces.

The effects of Abenomics, the stimulus, easing and reform policies of Prime Minister Shinzo Abe, are responsible for boosting income and sentiment among luxury consumers, according to Masatoshi Takahashi, general manager for Zenith in Japan, whose sales are on course for a 20 per cent increase again this year, the company says.

Wealthy tourists are widely cited as driving growth, and reports about their big spending appear frequently in the local media. But opinion is divided as to their real significance.

According to Mr Takahashi, the growing economies of Asia combined with the weaker yen have led to more tourists from the region, and for Zenith to begin placing advertisements in Chinese magazines aimed at the tourist market.

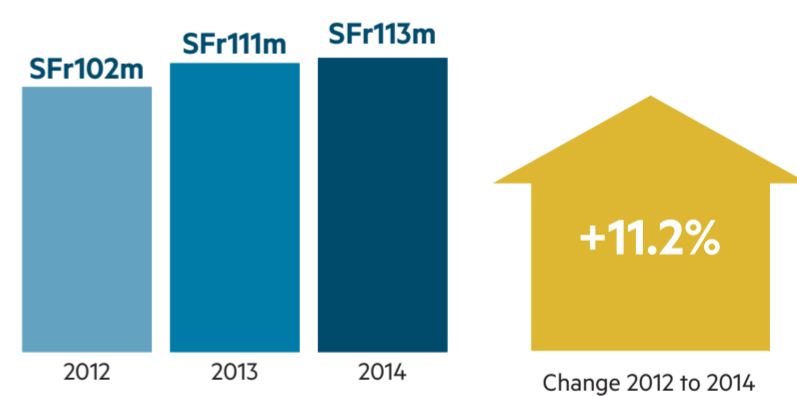
"Foreign high-net-worth individuals visit Japan with the intention of purchasing luxury goods, as they want to buy genuine products, not imitations, as are often sold in their home country," says Ayako Homma, an analyst with Euromonitor.

"The purchasing power of overseas visitors to Japan is a key driver of the Japanese hard luxury market."

However, Albert Bensoussan, chief executive of the watches and jewellery division at Kering, the French luxury group, believes tourist shoppers account for just a few per cent of sales in Japan.

"There aren't the numbers you'd see in [London department store] Harrods, for example, as this kind of tourist shopping is relatively new to Japan," he says. His view is echoed by Masaki

Exports of Swiss watches to Japan
September 2014



Source: Federation of the Swiss Watch Industry FH

Kobayashi, manager of Best Shinjuku, flagship store of the Ishida watch and jewellery group, who says overseas customers come in waves, "depending on the movements of stock markets and exchange rates".

Nevertheless, neither Mr Bensoussan nor Mr Kobayashi is in any doubt about the strength of the sector overall. After years of decline in the high-end watch market, "that trend has now totally reversed, with strong double-digit growth", says Mr Bensoussan. "And by that, I mean 30 per cent."

Almost the entire luxury industry in Japan was predicting a bumper March

'Japanese women are increasingly treating themselves to luxury items as symbols of their independence'

this year, as consumers made big-ticket purchases before a rise in value-added tax (from 5 to 8 per cent), followed by a corresponding contraction in April.

"March was the best month we've had since we opened in 2000. We made double our normal sales. But April didn't fall off as much as everyone was expecting," says Mr Kobayashi. Solid sales continued through the summer, as brands such as Hublot, which ran Fifa World Cup-linked promotions, enjoyed boosts, he adds.

Shifts are occurring across the hard luxury sector, according to Mr Bensoussan, who is responsible for brands including Boucheron, Dodo and Gucci. One such change is a growing propensity

for Japanese women to treat themselves to luxury items as a "symbol of their independence", he says. "There is also a changing qualitative trend towards consumers looking for products that are more meaningful, less ostentatious."

Brands are reaching customers through more diverse sales channels, according to Jorge Puentes, chief executive of Montblanc Richemont Japan.

"All brands now have both strong retail and wholesale points of sale. In addition, e-commerce is entering luxury very fast," he says, pointing to a fragmented luxury market in which the middle has been squeezed.

"We see a continued bi-polarisation, stronger demand in both the high-end and access-price level. Customers are more wary about the value that products offer them, so access-price-level products need to be able to offer strong perceived value through technical innovations and unique product stories."

Zenith's Mr Takahashi reports a widening divide. "High-end models - costing Y1m (\$10,000), Y5m and Y10m - are selling well. So are entry-level watches between Y100,000 and Y300,000," he says.

Japanese consumers' love for the story behind a brand is unchanged, notes Mr Takahashi, who says that communicating Zenith's history is a central element of its strategy in the local market.

Meanwhile, Japan's ageing population is not necessarily a negative for the luxury watch market. "Many of our customers are in their 40s, 50s and 60s," says Mr Takahashi. "As they get older, they already have the habit of buying and wearing quality timepieces."



Radiate the night
Black is back for jet,
diamonds and onyx

DARK MATERIALS Page 21

Jewellery

Building inspiration
The trend for
mechanical jewellery

INGENIOUS PIECES Page 19



Queen Mary's pearl
'Rare, rare –
fabulously rare...'

GIRLS IN PEARLS Page 18



Fear of the period piece is a thing of the past

Vintage Buyers in Asia have shaken off superstitions about pre-owned jewellery, writes *Amie Tsang*

When a 1925 Cartier necklace set with rubies and diamonds came up for auction in Hong Kong in 1994, it went unsold. Nineteen years later, the same necklace fetched more than twice the 1994 estimate, selling for HK\$4.82m to a private collector.

The dazzling gems were set in a classic art deco style, designed by a renowned French jewellery house. Yet despite the necklace's provenance, experts say demand for such pieces, particularly in China, did not exist 20 years ago.

In the past decade, however, interest from the Asian market in antique and heritage jewellery has gathered pace, partly because buyers have thrown off superstition about pre-owned pieces and partly because such jewellery makes an attractive proposition for investors.

As the market matures, buyers are eyeing a range of styles and periods - from antique through to art deco and right up to designs from the 1990s by JAR (Joel Arthur Rosenthal), the exclusive and reclusive Paris-based jeweller.

Sulabh Madhwal, personal accessories and eyewear analyst at Euromonitor, notes that collectors from Hong Kong, Shanghai and Jakarta - among other cities - are opening up to western designs and online information about heritage styles.



Glory days: 1925 Cartier necklace, sold at auction in Hong Kong

Dedicated galleries at events such as the Hong Kong International Jewellery Show are playing an important part in educating buyers.

Asian buyers are bidding further afield, at sales in New York and Geneva, where they are particularly keen to acquire western jewellery from the early 20th century. Sotheby's has noted strong interest in *belle époque* pieces of the 1910s, Cartier art deco and 1950s jewellery by Van Cleef & Arpels.

set the world auction record for jadeite and for Cartier jewellery sold at auction.

A younger generation of buyers, who may have inherited jewellery, and those who have spent time in the west, are paying attention to period pieces, says Graeme Thompson, head of jewellery for Bonhams in Hong Kong. He has seen interest from across Asia: "It's not just Hong Kong, it's Taiwan, Tokyo, Kuala Lumpur, Jakarta, Singapore."

In the past, period jewellery was taboo for many Asians, he says, often because they did not want to own or wear something that had once belonged to someone who had died.

"The previous generation [of buyers] was wary - there was superstition about who had worn it before," says Quek Chin Yeow, chairman of Sotheby's international jewellery business in Asia.

"The newer generation is more open, much more research is done... everybody has a much greater understanding."

This group, he says, includes many women who are buying for themselves. "Vintage is for wearing - it's a lifestyle thing," says Mr Quek. "Women can select what they want to wear with their wardrobe... It's a little more personal."

He points out that "it's easier for guys to give a plain diamond". Mr Thompson says a significant amount of interest is from young, independently wealthy single women - particularly in Hong Kong and Singapore.

"They own their own companies, manufacturing, finance, PR. They have money to spend."

Asian buyers interested in vintage pieces tend to be younger than buyers in other markets, he adds. "They understand you won't find it elsewhere."

Owning a unique piece has a cachet - whoever wears it knows they will not run into somebody else wearing the

same piece. And limited availability enhances the value.

"The whole point with vintage is that the numbers are dwindling; that's why the prices have been steadily going up," says Mr Quek.

But perhaps the most obvious explanation for Asian buyers' enthusiasm for heritage western jewels is that such pieces may turn out to be sound investments.

Mr Thompson points out that vintage jewellery looks like an undervalued commodity when compared with, say, artworks of the same era.

"Compare that to jewellery, where these pieces are set with stones that spent thousands of years in the earth. It sells for half a million - is that undervalued? Will they be 10 times the price in 10 years? Not impossible."

He believes an appreciation of the workmanship that goes into such jewellery is driving demand. Period pieces will be handmade from beginning to end, which is not always the case with

'The whole point with vintage is the numbers are dwindling - that's why the prices have been going up'

modern jewellery, where computers are often used for precision cutting.

However, Mr Quek is quick to point out that prices in this market have not reached the millions paid for single diamonds.

The record price for a diamond was set by the Pink Star, which sold at Sotheby's in Geneva for \$83m last year.

"It depends if you get these big star pieces. It's not that frequent... it's in the intrinsic design rather than the stone."

It survived a revolution. Now Fabergé is reborn as a start-up

Interview The jeweller's president faces a unique challenge, he tells *Camilla Aparcar*

When Robert Benvenuto joined Fabergé, the luxury jeweller, as president and chief operating officer in 2013, he took over a brand that was recognised globally - but had not, until recently, been in the commercial high jewellery business for almost a century.

The task ahead of him is not likely to be straightforward, because Fabergé is mired in history and mythology. The house was founded by Gustav Fabergé, who in 1882 took over the St Petersburg jewellery shop that his father had opened 40 years before.

He created more than 150,000 separate items, but Fabergé will always be renowned for its 50 imperial Easter eggs, bejewelled ornaments created in the late 19th and early 20th century for the Russian tsars Alexander III and Nicholas II.

Mr Benvenuto, former co-chief executive of US jeweller Harry Winston, describes Peter Carl Fabergé as "a rock star back in the 1800s. It is our mission to really think of what would he be doing today."

He acknowledges that "people do equate Fabergé with [the] eggs" (today mimicked in Fabergé's pendant collections, one of its best-selling categories), but says his job is "to unlock this unexploited global growth potential by showing the world what we are about".

Following the Russian Revolution in 1917, Fabergé's associations with the imperial family forced it to close, and its stock - including many of the intricate eggs - was confiscated.

The Fabergé family moved to Paris, but in 1951, it lost the right to use to produce and market designs under the Fabergé name.

The branding rights were eventually bought by Unilever in 1989, and were subsequently used on products including household cleaner and Barbie dolls.

In 2007, Fabergé Limited bought back the trademarks for an undisclosed sum. Fabergé relaunched in high jewellery two years later.

Last January, Fabergé was acquired by Gemfields, the mining company that specialises in ethically sourced coloured gemstones. The deal gave

The CV Robert Benvenuto

1981-84 Joins Oppenheim, Appel, Dixon as a senior auditor

1984 Becomes audit manager, Ernst & Young

1988 Becomes chief financial officer, chief operating officer then co-chief executive, Harry Winston

2003 Becomes partner, Kier Group

2008 Founds Benvenuto

2013 Becomes president, Fabergé

the Fabergé business an enterprise value of \$142m.

Next year promises to be pivotal for growth: the range of watches and jewellery will expand, Fabergé will have its own watch movement, and four watch collections will be launched - three for women and one for men. In women's complications, Mr Benvenuto regards Van Cleef & Arpels as a competitor.

Another product will be *objets d'art* - bespoke private commissions or one-of-a-kind creations, such as automata and those decorative eggs.

"This is a marketplace that we feel we can create. It doesn't necessarily exist," he says.

Entry-level collection price points will start at \$2,500, while fine jewellery will start at \$35,000, and some high jewellery sets will cost seven figures. Production numbers are in the thousands for entry-level pieces; other lines are of limited edition.

In its 2013 annual report, Gemfields stated that, since its acquisition, Fabergé had contributed \$4.2m to group revenue and \$6.9m to group losses.

"Today, we are investing in our future," says Mr Benvenuto. "Gemfields will not forgo long-term growth for short-term gain."

But the pace of growth will require careful management, and distribution will remain relatively limited, even in five years' time.

This is important, says Mr Benvenuto, noting what he describes as the saturation of the luxury marketplace in recent decades.

"We believe specialists are the key to our growth, as opposed to being a generalist."

"One of the things that we have noticed from our clients is that they are not looking just to wear what everyone else is wearing."

Sales are strongest in the US, Middle East and Europe, regions where the brand plans to expand first, followed by southeast Asia. Currently, Fabergé has seven wholesalers globally, in a patchwork of countries including Malta, Thailand and Azerbaijan. Its four boutiques (in Geneva, New York, London and Kiev) attract an international clientele, generally between 30 and 50 years old.

Its top customers will stay the same, Mr Benvenuto says, but the brand will be more widely available, through increased distribution via multi-brand retailers and department stores.

The challenge remains the transition from a near-100 year hiatus. The new Fabergé "has only been doing business commercially for a few years, so you have a start-up business model", he says.

"And at the other end of the spectrum, it's about to launch an accelerated growth model. I've seen all of these situations in my career, but never all together in one company."

"It's challenging and amazing all at once."



Robert Benvenuto: to specialise is crucial



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Watches & Jewellery



A secret mission in pursuit of the world's finest stones

Interview The head of Cartier's coloured gemstone department remains incognito, but is trusted by dealers wherever she goes, writes *Jessica Diamond*

A leading jewellery houses employ experts to scour the globe for the most exquisite gems - and their acquisitions help keep their brand's offering at the most desirable level.

However, these stone hunters carry out their duties in secret, and for security reasons their identities remain under wraps.

Cartier's coloured gemstone department is led by a woman whose name cannot be revealed, but whose job title is director of precious stone purchasing.

She joined the company 36 years ago at the age of 24 as the only woman in the stone acquisitions department, and now heads an all-female team in Paris.

Her mission is to secure stones to create an annual high-jewellery collection of about 150 unique pieces, and maintain the company's position among those jewellery houses offering exceptional work.

She is glamorous but understated in appearance, and talks in a quiet and considered way, and wears very little - and unidentifiable - jewellery.

I ask her how she started. "I trained to be a jeweller, and then I learnt gemmology, but that was all theory," she says. "My real formative learning has taken place during my 36 years at Cartier, where I have had the opportunity to experience the complexity of this area and to somehow master it."

Constant travelling, she adds, is essential to keep track of what gems are available from the large network of dealers in her contacts book.

"I participate in the main stone fairs, which include Baselworld in March and the Hong Kong Jewellery and Gem fair in September, where we meet with all the suppliers from the whole world."

"And also Tucson's Gem and Mineral fair in the US, which is unique. I can see all of the actors from the stone world there, from raw stones to gems." (Her



'Rare, rare - fabulously rare': Cartier's Royal collection includes a pearl once owned by Queen Mary (above and top); a 57.95-carat Australian opal (above right)



out there. After so many years in the field, the dealers are confident and trust me, and so give me opportunities to discover and buy exceptional gems. Above all, it is important to understand that I do not really search, but rather meet with stones."

A recent purchase is a 166.18-grain natural pearl, once owned by Queen Mary, the wife of George V, that forms the centrepiece of a tiara. It is one of the highlights of Cartier's recently launched Royal collection. She describes the pearl as "rare, rare - fabulously rare" and says of its purchase: "I did not make the discovery of the pearl, rather it was brought to me," suggesting that her reputation, and the brand's name, means she is sought out by those wanting to sell.

An exceptional unmounted ruby sourced by her was recently displayed in the windows of the Rue de la Paix Cartier boutique in Paris.

She recalls: "I first saw it in Jaipur 30 years ago. It belonged to a family of brothers and every year I would go back and visit. 'Show me the ruby,' I would say to them every time. And then finally, they decided to sell it, but only to me and to Cartier."

The Cartier Royal collection is full of stones that she has sought out over the past decade, including a 49.74-carat spinel from Tajikistan - unusually, she visited the mine in the remote mountains to make the acquisition - a 79.52-carat tanzanite and a 57.95-carat Australian opal.

I ask her how she maintains quality. Inevitably, she says, as the number of wealthy people in the world increases, "it is getting more and more difficult to find big and beautiful stones. Across the board, prices are becoming higher and higher."

With diminishing global stock, her task - and the tasks of the few who do this clandestine, skilled work - may in future become as rare as the stones they seek.

primary role, however, is to purchase stones that are already cut.)

She is always on the move, meeting dealers in Geneva, New York and Jaipur - though her schedule is typically disrupted at the last minute.

"I arrive in the morning at my desk with a precise idea of what my day will be like, but this can be interrupted with a client request [special orders make up a small but financially significant proportion of Cartier's annual inventory], a supplier's offer or a sales person's project."

Security is paramount. She is, she says, vigilant at all times when she is on the road, checking constantly to ensure the Cartier logo - on paperwork, on bags and on jewellery boxes - is hidden from view.

In terms of the buying process, she says experience has taught her to avoid playing games: "I never pretend I'm not interested when actually I am."

With thousands of dollars changing hands in single transactions, large purchases require sign-off from the Cartier headquarters in Paris. "The process must always be sincere - with the stone, with the dealer and with Cartier."

We talk about the perfect viewing conditions for coloured stones (uninterrupted natural daylight is considered best). "I will try to view a stone during different times of the day to assess the intensity of the colour, and always ideally in north light, as it is more regular."

And while diamonds can be scientifically graded for cut, clarity, colour and carat weight, the coloured gemstone industry is less precise. Here, she says, her emotional response plays a part in decision-making.

"Key to the role is knowing what is

'I first saw the ruby in Jaipur 30 years ago. Finally, they decided to sell it, but only to me and to Cartier'

The macho appeal of stylish bracelets for the boys

Masculine ranges Diamonds and macramé now decorate a man's world, writes *Rachel Felder*

Jewellery for men was once limited to cuff links and tie clips. But today, designs made specifically for men are just as likely to include bracelets, cuffs and necklaces - and retailers are reporting strong sales.

The men's jewellery market is worth \$3.3bn annually in the US, according to figures from the NPD group, an annual increase of 3 per cent from 2013 to 2014.

One reason might be that men's sartorial habits are changing, according to the research company. "Men are using [jewellery] to change an outfit," says Marshall Cohen, NPD's chief analyst.

Whatever has piqued men's interest, jewellery designers are responding to demand.

Sam Kershaw, a senior buyer at Mr Porter, Net-a-Porter's website for men's clothing and accessories, says: "Brands have seen that a lot of the growth is coming from menswear, and categories that haven't been focused on in the past are suddenly big."

"Jewellery is a very successful business for us. We never expected it to be. But it's funnelled through a tight number of brands." He will not give sales figures, but Mr Kershaw adds that some men's styles - such as a red and gold bracelet by La Gramme - have sold out in a week.

'It used to be impossible to find cool men's jewellery. Now, men buy jewellery for themselves - and change it depending on their look'

Bracelets make up 90 per cent of jewellery for men on Mr Porter: accessible entry-level pieces that are easy to wear next to a watch or tucked under a suit sleeve. Other standout pieces in stock include Luis Morais's gold, diamond and macramé bracelet (£3,595), a silver and leather Bottega Veneta cuff (£390) and burnished silver and leather Saint Laurent bracelet (£520).

"It's a big trend," says Laure Heriard Dubreuil, chief executive and co-founder of the Webster, a Miami boutique that opened a third branch this year specifically for men. "When I first opened, it was impossible to find cool men's jewellery except for watches. Now, men buy jewellery for themselves, and change their jewellery depending on their look."

In the past 12 months, the store has increased its brands from three to 13, adding selections from Miansai, Eddie Borgo, and Maison Martin Margiela.

The trend is not lost on more familiar brands. Some women's jewellery companies are adding pieces for men to their collections. Solange Azagury-Partridge, for example, unveiled her first men's collection, Alpha, during men's fashion week in London in June.

It includes pieces in 18-carat gold sandblasted with black rhodium for a dark patina, such as a pair of bracelets that look like metal-casted stretches of sailor's rope (£9,800), and a gothic-style ring.



Some pieces with a serpent motif seem designed with the Asian market in mind, but Ms Azagury-Partridge says that is unintentional.

"Nationality and age are not factors," she says. "I never aim for any market - it's enough to be aiming towards men."

Venessa Arizaga, a Brooklyn-based jeweller, has launched a second collection of men's pieces, which is sold at Liberty and Selfridges in London.

It includes a gold-plated enlarged shark-tooth necklace (above, £162), made of metal instead of the bright, hand-woven crochet and crystal that features in her ranges for women - but the design shares an overall sensibility.

"I wanted it to look like an extension of Venessa Arizaga, but also to look very different," she says.

Other lines have expanded their offerings for men. Eddie Borgo nearly doubled the size of his men's collection for autumn, from 23 styles to 48, while Maison Martin Margiela, which has designed men's pieces such as metal cuffs for more than a decade, is now creating fine pieces for men.

Even traditional US jeweller Tiffany & Co is offering men's bracelets, such as a chunky Paloma Picasso bracelet made with thick brown leather and a sterling silver closure (£340), and a wooden bead and silver bracelet (£275).

"Men are going out and buying accessories and calling that a new outfit," says Mr Cohen of NPD.

"They used to do this with ties. Look for this trend to continue into 2015."

Manly: Vanitas ring by Solange Azagury-Partridge



High price tags for humble materials, but will the value hold?

Designers A new wave of up-and-coming jewellers prize skill above the stones. But are they worth it, asks *Elisa Anniss*

Can precious jewellery be made from humble materials? A new breed of designers says it can. They offer craftsmanship and contemporary aesthetics without a diamond, a pearl or a precious metal in sight - and yet they still command high prices.

Anabela Chan's elaborate couture neckpieces - made of minerals, crystals, gold-plated brass, wood and plastic - cost up to £4,000. This month the Hong Kong-born, UK-based designer opens her first boutique in London.

"I think jewellery is changing," says Ms Chan, who hand-crafts her pieces at her studio in the Goldsmiths Centre in London. "In the past, people judged preciousness according to the commercial

value of a stone. But overwhelmed by mass production in both fine and fashion jewellery, they are now more appreciative of the design, the story, how a piece is made and how it looks."

Ms Chan has won awards from the Goldsmiths' Craft & Design Council and the Gemmological Association of Great Britain, but she describes her attitude to fine jewellery as "slightly rebellious".

Heaven Tanudiredja is an Antwerp-based Indonesian designer with a similar philosophy. He has sold pieces at Le Bon Marché, the Paris department store, since 2008. "The jewellery that I create is not so much about using diamonds or precious stones," he says.

His most expensive piece - a crystal and metal bib-like neckpiece - sold at auction in Paris in 2012 for €8,000. "It's a piece of art that you can wear," says Gavin So, a buyer at Joyce boutique in Hong Kong, of Mr Tanudiredja's pieces.



Highly tactile: necklace by EK Thongprasert

High prices reflect skills and craftsmanship. What Mr Tanudiredja describes as his "skeleton process" of casting a brass frame, and polishing then gold-plating or powder-coating it, typically takes about 18 hours to complete.

In his latest collection he uses *grisaille* - a painted enamelling technique whereby every part of the ornamental wings on the pieces is processed twice to create a subtle gradation - a process that takes six to eight hours. The setting of stones, crystal and beads takes 12 hours and the finishing a further two. "In total, a big piece could take four or five days to make," he says, adding that each process calls for people with different skills.

Ivan Perini, a jewellery buyer at Luisa Via Roma, an online luxury retailer, says of Mr Tanudiredja: "He is a visionary, one of the best emerging talents at the moment."

"He combines an optimal production process with ideas that go beyond the concept of jewellery to become a blend of jewellery and sculpture. Pieces are refined and sought out mostly by European customers, who like conceptual jewellery," he says.

Mr Tanudiredja says his customers are unconcerned by the absence of conventional precious materials. "Something that requires a human touch - many processes involving the human touch to create beauty - becomes the metaphorical gold and gems of these pieces," he says.

Thai-born EK Thongprasert, who like Mr Tanudiredja studied at Antwerp's Royal Academy of Fine Arts, is another proponent of humble materials.

His pieces fashioned from silicone are sold at Liberty, the department store in London, and cost more than £500. Silicone appealed to the designer, not only because its rubbery, flexible texture makes it highly tactile, but also because it challenges perceptions about

preciousness in luxury designer jewellery, he says.

Every season, he experiments with a palette of up to nine shades. Silicone is moulded into crenulated shapes and mixed with oversized cubic zirconia in complementary colours.

Pieces made from such materials might continue to be appreciated by today's buyers. But if such jewellery falls out of fashion in future, will its monetary value slide?

For those who want to be sure that their jewellery holds its value, such pieces might make a risky purchase, some experts say.

People purchasing with a view to investment "should buy pieces where the designer is likely to remain well known in years to come," says Kerry Taylor, a UK vintage fashion expert and founder of Kerry Taylor Auctions.

"Some [brands], such as Chanel or Line Vautrin, are dead certs. But for contemporary designers, it is much more uncertain."

Old-style glamour ignites lust for '80s baubles

Vintage Move over Alexis Carrington, the 1980s-era jeweller is back - and the stones are bigger than ever, writes *Camilla Apcar*

It was bold, flashy and unashamedly outsized. Fine jewellery in the 1980s was central to the power dressing that defined the optimism of the Reagan era. Now, the look is back, and with it a resurgence of interest in pieces from the period at auction.

The point of fine jewellery in the 1980s, epitomised by Joan Collins in her role as Alexis Carrington, the most vengeful businesswoman in *Dynasty*, the US soap opera, was to broadcast wealth and success. Alexis was rarely seen without a heavy-set necklace, brooch or earrings - and often all worn at the same time.

Gem-set yellow-gold jewellery was a key look, and designers experimented with buffed or faceted stones, such as citrines and carnelians, to create technicolour pieces. In the workplace, short-length necklaces were worn with bright skirt suits featuring large shoulder-pads.

"People were making and spending a lot of money and there was a newfound confidence," says Keith Penton, head of jewellery at Christie's auction house in London. "Conspicuous consumption and displays of power were an important factor - and subtlety was in short supply."

At Sotheby's Magnificent Jewels and Noble Jewels sale in Geneva on November 12, a signed cabochon ruby, polished onyx and diamond *demi-parure*, featuring a choker and pair of ear clips, by Marina B from the 1980s carries an estimate of \$15,000-\$25,000.



Important jewels from the era have been exceeding estimates internationally, particularly among collectors in Europe and the US. Signed items and pieces by Bulgari and Marina B are the most sought after, experts say.

Bonhams notes that, compared with 2010, fine pieces have this year achieved prices averaging 70 per cent higher than their lowest estimated values - and in some cases more than 200 per cent higher.

Susan Abeles, director of US jewellery

at Bonhams and based in New York, says the auction house is recognising "all the signs that this is going to be super-hot", and predicts that interest among collectors is likely to rise.

The trend can be attributed largely to the vintage cycle. "You always need about 20-25 years for an item to become vintage," says Daniela Mascetti, Sotheby's senior international jewellery specialist, who notes both prices and demand are increasing for fine examples from the period.

Decade collector What to look for

In the 1980s, **Bulgari** linked tubogas chains in combinations of gold with steel, ceramic or silk cord, and set jewellery with coloured gems such as emeralds and pink tourmalines.

Marina B (a member of the Bulgari family) produced exuberant gem-set pieces, and **JAR's** use of coloured gemstones hovered between jewellery and sculpture.

Other notable designers include **Angela Cummings**, best-known for natural motifs and geometric shapes, and **Tony Duquette**.
CA

Status symbols: all pieces by Marina B apart from (top right) Louis Vuitton opal necklace; Joan Collins piles on the glitz as Alexis Carrington (below) - Rex

Rather than being bought as investments or as part of a collection, these pieces are regarded as "wearable assets", versatile pieces that can be worn for both work and eveningwear.

This year at Sotheby's, a gold and diamond Bulgari Parentesi collection necklace, bangle and ear clip set from the 1980s sold for \$Fr27,500 (\$28,800).

Ms Mascetti says: "Jewels that Bulgari designed were to go from the boardroom to the ballroom - and that's why they are becoming fashionable now. You can perhaps wear them in a more relaxed way than you would a huge Harry Winston diamond necklace."

Buyers also include private collectors and professionals from cultural institutions, as well as fine jewellery houses, who search for notable pieces to add to their heritage collections.

Bulgari, for example, is looking for high jewellery pieces that best express the house style of the decade. A 1988 choker set with cultured pearls, emeralds, rubies and diamonds was bought for Bulgari's heritage collection at auction in 2012.

The pool of 1980s fine jewellery is deep, says Ms Abeles. Nine precious lots by Marina B will be auctioned at Bonhams' Hong Kong fine jewellery sale on November 26, including signed pieces.

A 1987 orange sapphire and diamond bangle with an estimate of £11,000-£16,000, and a 1988 diamond and gold torque necklace with an estimate of £8,900-£16,000 will come under the hammer.

But the 1980s aesthetic is not confined to vintage buys. Louis Vuitton's latest high jewellery collection includes a white gold and diamond necklace bearing a triangular 87.92-carat Australian opal - which would not look out of place worn with one of Alexis Carrington's sequined evening gowns.

"There's never a ceiling when something will go out of fashion, but really fine pieces from any period are important to have and collect: they maintain their value," says Ms Abeles.



Ingenious mechanical pieces made for the selfie generation

Contemporary Springs, levers and art-in-miniature look good on camera, says *Syl Tang*

At Loot, the New York Museum of Art and Design's October jewellery show, the main draw was a bracelet by Asagi Maeda, the Tokyo-based designer.

Designed to look like a series of silver "buildings", the linked bracelet opens to reveal miniature dioramas of life inside the tiny homes behind panes of glass. Ms Maeda is one of the high-end designers whose pieces are part of the trend for mechanical - or moving - jewellery.

The fair - in which about 100 designers exhibited - also featured the work of Louis Velasquez, who demonstrated a ring mounted with a spinning disk with a spiral pattern, resembling hypnosis patterns from the early 20th century.

"The idea of moving parts or mechanical aspects is an old idea, [that of] machine-age parts. It has trickled down into art jewellery and to a younger consumer," says Mr Velasquez.

Mechanical jewellery can also be found among the current ranges of leading designers such as Jade Jagger, Patricia Madeja, Amrapali, and Wendy Brandes, where pieces feature hinges or parts that spring open.

Ms Brandes drew inspiration from a macabre tale from history. "I have a series called Juana Peekaboo Skulls Lockets and Poison rings, inspired by Juana la Loca [queen of the Spanish region of Castile in the 1500s]," she says. "She was married to Philip the Handsome, and after he died, legend has it she kept peeking into his coffin at the remains. So you can peek into my locket at the skull."

Demand has increased for other mechanical items in her range, such as a locket with an acorn and squirrel inside.

With such designs, she is responding to changes in consumers' tastes and shopping patterns stimulated by technology and social media, she says. "I noticed a profound difference. We're all taking selfies and sharing information. You're not just a canvas any more for the piece, you're not a shelf for a designer to come along and put a big gem there."

Jade Jagger's work also appeals to those looking for pieces that make for novel selfies. "It's human nature to want something to toy with," says Ms Jagger, who made rings featuring spinning balls for her Disco Diamond collection.

Others suggest mechanical jewellery may be a reaction against such self-absorption. "It's about secret-keeping" says Laura Schneider, head of publicity for 1stdibs, the high-end collectables online

retailer. "Everything now is so public and out-there that you wouldn't be far off saying designers are creating these items as a reaction to the selfie generation."

"Everybody looks the same. The world is such a smaller place. Everyone is wearing the same shoes. Style in New York and style in London aren't that different any more. This is against that."

Doyle & Doyle, the New York vintage jewellery retailer, has noted an uptick in mechanical jewellery. It co-founder Elizabeth Doyle agrees with Ms Schneider. "I see more and more selfie sticks [the telescopic handheld devices to aid

Moveable feast: Doyle & Doyle's spinning locket, above; Asagi Maeda's 'buildings' bracelet, below



filming and photography with a mobile phone). Some people have completely embraced [technology] and nothing is sacred, whereas others are accepting it but want to retain some things for themselves," says Ms Doyle.

The retailer stocks a locket, which springs open on a hinge to display two

sides and a spinning compartment in the middle. Other pieces that are selling well are moving charms, such as scissors that cut, a phone that dials, and gimmel rings with hidden inscriptions.

Even at mass-market level, consumers are demanding mechanical pieces. "Consumers want to interact with their designs," says Nathalie Colin, creative director and executive vice-president of communications for Swarovski consumer goods business. "They want to be coaxed and seduced by a unique experience."

But the trend for mechanical items may be impossible to sustain. Classic vintage designs, such as the mouse on a ring chasing a piece of cheese around the band, are expensive to make in contemporary collections.

"Most of these things have to be machined for the precision, you have to make a lathe or a die so if you're not going to sell many of these pieces, it doesn't pay if you can't spread the cost," says Ms Doyle.

Ms Brandes makes the same point: consumers are entranced by mechanical jewellery, but it is not cheap. The squirrel and acorn locket in gold costs \$16,000.

Mechanical creativity has led to challenges. Beverly Hills-based designer Liv Ballard's most popular items are the moving globes she first created in 2005.

"It was a good thing I didn't know how complicated [they would be to make]," she says. "There's a mechanism that allows it to rotate really smoothly; it's all gold; it's a three-dimensional object; it's sculptural - so it's much more challenging than making something flat and putting pavé on it. It has to be pleasing from every angle, work properly and be durable."

The globes range in price from \$33,000 to \$100,000 depending on customisation. Customers have requested stones be placed in certain positions to personalise the pieces.

But Ms Ballard says such playful pieces are well worth the labour and expense. "You don't tire of it. It is more than just decorative. It's attractive to people other than the wearer, so it brings people close to you, they want to touch it, play with it and ask about it. It keeps it fresh."

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A gleaming pearl grows ever more lustrous

Pearls A combination of global scarcity and royal association have seen prices soar at auction, writes *Camilla Apcar*

Irritate an oyster for long enough and, instead of lashing out, it will produce a rare treasure.

Items of jewellery featuring the finest-quality natural pearls - created by oysters over years as they confine wild irritants within a nacre-coated sac - have recently been outperforming estimates at auction. These pieces represent an alluring investment: unique, and often with interesting provenance.

But pearls are rare because they are a limited natural resource. Global scarcity is increasing because of factors including pollution, overfishing and the difficulty of recovering them from deep waters.

At Bonhams' Bond Street Fine Jewellery sale in September, sales of natural pearl jewellery exceeded estimates - in one case by 10 times. A three-row necklace quadrupled estimates, selling for £92,500, while a pearl and diamond ring almost tripled its estimate and fetched £47,500.

Mario Ortelli, an analyst at Bernstein Research, says: "What is interesting about pearls is the perception that they have in the market - an image more or less of sophistication, heritage, all the tradition."

Pearls have long been recognised as symbols of wealth, from Tudor portraits to 19th-century inventory lists. However, they were out of favour for most of the 20th century, in part because of the introduction of cultured pearls to the market in the 1920s - comparatively inexpensive, in plentiful supply and difficult to tell apart from natural pearls.

Not every lot commands the prestige of La Peregrina, also known as "the Wandering Pearl", believed to have been a wedding gift to Mary I of England,



They are recognised as symbols of wealth, from Tudor portraits to 19th-century inventory lists

which then passed to the Spanish royal family and was later owned by the Bonapartes. In 2011, it sold as part of Elizabeth Taylor's collection at Christie's New York for \$11.8m (at that time hanging from a Cartier necklace with cultured pearls, diamonds and rubies).

Bonhams' star pearl lot in September was a single-strand necklace of 75 natural saltwater pearls from around 1910, which realised £194,500. This year the auction house sold a pair of pearl and diamond earrings that doubled their estimate, fetching £290,500.

"Now they are being appreciated in the way they were before cultured pearls came into existence," says Jean Ghika, Bonhams' head of jewellery in

the UK and Europe. Ms Ghika credits an understanding and appreciation of the "foible of the oyster" as the "determining factor - and not something that man can control".

The main buyers are collectors, industry professionals and those seeking long-term investments, hailing from the Middle and Far East as well as India, markets where pearls have long been valued. Sotheby's is also attracting European and American buyers.

David Bennett, chairman of Sotheby's jewellery department, Europe and the Middle East, notes that the pearls currently appearing on the market are from private collections and often in period mounts (from the 1960s and earlier).

The "spectacular" prices being achieved are often for pieces that were set in the 19th century.

Skin, lustre, size and colour are each important qualities, but pearls with noble or individual provenance are most in demand. A fashionable setting or notable designer, such as Cartier, is an added bonus. Pieces offered include dual-strand or graduated necklaces, brooches and pendant earrings.

The investment prospect is not short-term. Strands of pearls may be restrung in alternative configurations, but Ms Ghika says: "If you've got a pearl within an old piece of jewellery, it dictates to some extent the provenance of that pearl as well, which I think is something

Bid battles Buyers dive for pearls

Fetching prices from thousands of pounds to more than £1m, natural pearl jewellery has outstripped estimates this year.

At Bonhams, a single natural pearl measuring 11.5mm and mounted as a ring, sold in April for £30,000 - 10 times its upper estimate.

Five months later a single-row pearl necklace made up of 70 graduated pearls with a barrel-shaped pearl clasp and a presale estimate of £7,000-£9,000 attracted a telephone bid of £110,500.

A more extravagant piece turned up trumps at Christie's May Magnificent Jewels sale in Geneva: a necklace anchored by a drop-shaped natural pearl with a diamond-set cap and detachable link chain. Its upper estimate of SFr700,000 (\$730,000) was almost quadrupled when the hammer dropped at SFr2.741m.



Star lots: (clockwise from left) a drop-shaped pearl necklace, sold for SFr2.7m (\$2.8m) at Christie's; a pearl and diamond ring (£47,500) and single-strand 75-pearl necklace (£194,500), both sold by Bonhams

that you lose if you remount it in a modern setting.

"It puts it in context, which is always an appealing prospect, especially if you're thinking of reselling."

In next week's sale at Sotheby's in Geneva, a two-stranded necklace with seven detachable drop-shaped and rose diamond-capped pearls, once in the collection of Queen Joséphine of Sweden and Norway, is estimated to fetch between \$800,000 and \$1.4m.

"Pearl fishing is still going on in a very limited number of places in the world," says Mr Bennett, "but basically the resource of natural pearls are the pearls that were produced mainly before the second world war and very soon after."

The millennial girl in pearls gets a modish makeover

Designers Minimal, asymmetrical and brightly coloured, contemporary pieces are rarely ladylike, writes *Hettie Judah*

Fine pale pearls have long been symbolic of attributes associated with Aphrodite, the Greek sea-born goddess: love, beauty, purity and fertility.

With some exceptions - notably the swinging pearl *sautoirs* worn by Gabrielle "Coco" Chanel - pearls have usually been seen as pure and demure, as worn by Jackie Kennedy when a youthful First Lady, and by countless brides-to-be photographed for Britain's *Country Life* magazine, affectionately known as the "girls in pearls".

Recently, however, fine jewellers have turned to pearls for creations that are not only uncompromisingly contemporary, but often distinctly immodest.

Today's pearls are worn asymmetrically as single earrings; on necklaces, they orbit the throat like constellations or loop down in scattered clusters; as rings, they hover magically on the finger, or perch on candy-coloured ceramic like otherworldly bonbons.

"I am particularly attracted by timeless codes and materials - I like to twist them," says Delfina Delettrez, the Rome-based jeweller, whose designs sell in the UK, Italy, the US, the Middle East and Asia. "That's why I started to use [pearls]. I wanted the most stiff and classic material to go with the single-piercing earring that has a young, contemporary shape."

Ms Delettrez has used pearls as a cooling counterbalance to enamelled bees, pom-poms of bright gemstones and sparkling cartoon lips and eyes. For her, their "lunar shape and perfection add a cyborg touch".

In 2009, Tasaki, the Japanese jewellery house, hired Thakoon Panichgul, the young New York-based fashion designer, as creative director.

Mr Thakoon brought with him an uninhibited aesthetic, creating collections such as Balance, centred on a strip of perfect pearls apparently teetering in equilibrium on the gold bar of a ring or pendant, and the playfully dark Danger, in

which pearls appear ranged along jaws tipped with golden fangs, or caught like an insect in the maw of a Venus flytrap.

Speaking of his first foray into the world of jewellery, Mr Thakoon says that he wants pearls to become "something fun that can be worn more often, not just during weddings, funerals and other more formal occasions".

Maria Stern, a Moscow-based designer, says: "Pearls are classic like ballet. But 'classic' doesn't mean 'antique' or 'out-of-date'."

Ms Stern's striking, minimal designs include single earrings and "invisible" rings, where pearls appear to balance naked on the hand. This lack of embellishment allows direct contact between the lustre of the pearls and the skin of the wearer.

The curves of the human form are central to the work of Ana Khouri, which is sold in stores in Europe and the US, and worldwide via online retailers.

"My work involves nature. It's a way to mould the sculpture around the body," says the Brazilian-born, New York-based jeweller. She sells mainly in the US, the UK and France, but is planning to expand into Asia and Australia.

Ms Khouri's innovative settings are matched to the curves of the body, from the arch of the neck to the rounded back of the hand. Her Patricia earring, for example, features white pearls in a gold claw setting that swing up the lobe, while the Jane ear cuff follows the line of the ear from base to top with three studs.

Sophie Bille Brahe's collections stray beyond the pure, white, spherical akoya pearls to embrace natural pinks, or baroque pearls in peacock-accented grey.

"I try to avoid the traditional, ladylike look. Instead, I work to make pearls more modern, so that they appear less like a status symbol," the Copenhagen-based designer says.

Visitors to the 2013 exhibition Pearls held at the Victoria and Albert Museum in London will have learnt that pearls are a mollusc's response to parasitical attacks from a worm or piece of sponge, rather than a mysterious process triggered by a grain of sand.

It seems fitting that they are enjoying a rather less-than-pure renaissance within contemporary fine jewellery.



Tradition with a twist: designs by Delfina Delettrez (above) and Ana Khouri

Their lunar shape and perfection add a cyborg touch

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East and west are in perfect accord, just off the Place Vendôme

Paris stores 'Luxury does not have to be French' – but an outlet in the capital is de rigueur for Chinese brands, writes *Liza Foreman*

French fine jewellery might be widely regarded as the best in the world. But as ever-increasing numbers of Chinese shoppers descend on Paris, a handful of brands they might recognise from home are quietly arriving in the French capital, and setting up shop alongside the most respected names in *haute joaillerie*.

Brands such as TTF, Shang Xia and Qeelin are moving into premium sites in the city's most exclusive districts. At 12 Rue de la Paix, which runs north from Place Vendôme, a TTF boutique will soon arrive alongside exclusive Parisian brands such as Boucheron and Chaumet.

"People want to come to Paris to find

luxury but with a touch of tradition," says Jean Boggio, TTF's artistic director. "China is a different place. It is now open. And Paris is the number-one place for jewellery. We are a new luxury brand."

The Frenchman has more than 30 years' experience in the luxury sector, and brings French design skills to the brand, working alongside Serge Nedot, technical director for fine jewellery.

"It is not the old world. It is not the cold war. We have a mission which respects luxury internationally. Luxury does not have to be French," Mr Boggio says.

TTF plans to open its Paris boutique in the first quarter of 2015 in the same building as its Paris office, which opened last year. Here, Mr Boggio designs pieces to be realised in French ateliers, but featuring Chinese symbols such as the lotus flower, TTF's favoured motif.

The company, founded in 2002, employs about 650 people in China but

the Parisian boutique will be its first standalone store – in China the brand has concessions only.

Qeelin, the Chinese jewellery brand majority-owned by Kering, the French luxury group, opened its Paris boutique in the Palais-Royal in 2007. This former palace opposite the Louvre museum houses upscale boutiques such as Stella McCartney in its neoclassical shopping galleries, which run alongside the courtyard garden. Security guards in suits stand outside the intimate space as jewels shimmer along one wall.

Dennis Chan is co-founder and creative director

China charm: a pendant by Qeelin



of Qeelin, which is based in France but sells its designs on the Chinese mainland, in Hong Kong and in London through Selfridges, the department store.

The company is aiming for worldwide appeal. "Our objective with Qeelin has always been to be international, which is why we launched Qeelin in France," says Mr Chan.

"We want to turn mythical and superstitious oriental symbols into timeless, meaningful and state-of-the-art contemporary jewellery. This is why we talk of our designs as being universal: they can appeal to Asians or to western consumers."

But Chinese tourists are not the brand's main customers in Paris. "Chinese customers represent a minority of our clients in Europe, because they mostly consider it a local brand. And, as

tourists, they would rather spend their money on local crafts.

"However, Chinese customers who do buy in Paris, do it out of pride because for them Qeelin is a brand that has made it abroad. It is perceived as a successful international brand with oriental uniqueness by Chinese people."

But he believes that more Chinese tourist shoppers could be persuaded. "For the past few years, we have seen a real change in big cities in China, with consumers expecting brands to embody certain values – craftsmanship, quality, authenticity – including Chinese brands," says Mr Chan.

"They are ready to be wooed by local brands, as long as they convey a certain sense of excellence."

Shang Xia, the Chinese luxury brand that was launched in a joint venture with Hermès Group, the French company, in 2008, opened a Paris boutique last year.

"The western world has had a long

history of appreciating the culture and art from the east," says Jiang Qiong Er, founder, chief executive and creative director. "We have unfortunately faded from the cultural scene in the past 100 years. With the rise of Chinese economic power comes the rise of Chinese craftsmanship and design."

'We want to turn mythical oriental symbols into timeless, contemporary jewellery. We talk of our designs as being universal'

Some of the pieces are inspired by Chinese history while other designs reflect the move to Paris.

"We have clients all over the world," she says. "It is not a brand just for Chinese people or western people. The French have been very welcoming."

Jet, diamonds and onyx show that black is back

High jewellery Many leading houses presented covetable monochrome pieces at the Paris Biennale. *Rachel Garrahan* reports on a trend inspired by demand for art deco designs

As with all fashion, trends in fine jewellery come and go. Hard on the heels of the recent vogue for coloured gems comes black – with brands creating atmospheric and alluring pieces.

September's Biennale des Antiquaires in Paris saw a cascade of black gems, from Chanel's Café Society to Louis Vuitton's Acte V collections. These reflect a wider monochromatic trend in the fine-jewellery market.

"It started 12-18 months ago and it's still gaining strength," says Michael Hakimian, chief executive of Yoko London, a company that specialises in pearl jewellery.

He adds: "We have been making various combinations of black and white pearls, with black diamonds and rhodium, and we are making more for 2015."

Black materials such as jet, agate and wood were used in Georgian and Victorian jewellery, which in those days were associated with mourning dress.

It was not until the 1920s, however, that leading French designers such as Cartier and Van Cleef & Arpels started using black in high-end designs.

"The art deco period was a shining age for jewellery making, and black became a colour in high jewellery at that time," explains Lee Siegelson, a third-generation gem and jewellery dealer in New York.

He spotted the art deco-inspired trend in high jewellery at this year's Biennale, noting that it coincides with a general resurgence in demand for vintage pieces of the period.

One of the pinnacles of the French art deco period was the 1925 Exposition Internationale des Arts Décoratifs et Industriels Modernes, from which the term was coined.

Gaston-Louis Vuitton, the grandson of Louis Vuitton, chaired the 1925 Exposition.

It was the graphic V in his monogram design of that period that became the basis for

Dark materials

Fawaz Gruosi returns to black diamonds with De Grisogono's new timepiece, the **Crazy Skull watch**, one of three unique pieces, also available in white diamonds or rubies. The mouth opens mischievously to reveal a ruby red tongue and baguette diamond teeth cut in different sizes. "The black version can even be worn by a man," says Mr Gruosi.

For those who prefer pearls, Yoko London offers an elegant black-to-white ombre **triple-strand necklace** with natural-colour Tahitian, Australian South Sea and Japanese Akoya pearls. "They are among our fastest-selling pieces," says Michael Hakimian.

Meanwhile, the **Tuxedo necklace** from Chanel's Café Society collection is a balanced geometric cascade of carved onyx with white diamond camellias nestled among the three-dimensional black shapes.

David Webb, the New York designer beloved by Diana Vreeland, the former Vogue editor in chief, and Jackie Kennedy, was heavily influenced by art deco, often using black materials in his bold, urban designs. His jewellery, still created today, includes a striking **Radiator ring**, below, that contrasts black enamel against yellow gold and white diamonds, on sale via Net-a-Porter, the online retailer.

Bold move: Radiator gold, enamel and diamond ring by David Webb



the latest Acte V collection. Among the most striking pieces is the Apotheosis cuff – so-called because it ends the collection on a high note, explains Hamdi Chatti, Louis Vuitton's vice-president of watches and jewellery.

The unique piece sets a pear-shaped tsavorite in a white diamond V against a wide black onyx and gold cuff. The piece was sold the day it was unveiled.

But might a comparatively less valuable material such as onyx affect a jewel's long-term investment potential?

Mr Chatti believes that, as with art deco jewellery, black makes a powerful statement in terms of aesthetic appeal and monetary value.

"The value is in the strength of the design," he says.

Benjamin Comar, international fine jewellery director at Chanel, says black – with its natural partner, white – leads to classic designs.

The house, which has used a monochromatic palette ever since its first fine jewellery collection, turns to it again in the Café Society collection to emphasise its familiar geometric lines, in part inspired by the art deco period.

"It's what you do with a material like onyx that matters," he says.

"Black provides a lot of class and elegance. I think it appeals to every woman," says Mr Comar, who says that response to the collection has been positive in all markets.

Mr Hakimian of Yoko London also notes that the monochromatic trend is global. "Our black pearls are selling very well in the Middle East, Europe and the US. Asia was slower to warm, but they are now buying them too," he says.

Fawaz Gruosi, De Grisogono's founder and creative director, popularised the use of black diamonds in the mid-1990s when he launched the brand. He says that the stone was previously little used in jewellery and was slow to take off, but has performed robustly for the company since.

"Black diamonds continue to be a stable business for De Grisogono," he says.

It is not only black jewellery that is performing well. Moda Operandi, the high-end online fashion boutique, has also enjoyed strong sales with blackened watches from the Bamford Watch Department, the London-based boutique customiser of fine watches by makers such as Rolex.

Amalia Keramitsis, Moda's director of fine jewellery and timepieces, says: "Our high-end clients may have three or four Rolexes, but a blackened watch makes them feel part of an elite group that is in the know."



At auction Lauren Bacall's dazzling private collection

Fine jewellery from the collection of Lauren Bacall, who died this year aged 89, will be auctioned by Bonhams in New York in March.

Lots include this 18-carat gold, enamel, cultured pearl and rose diamond brooch by Elizabeth Gage,

worn by the actress here to a charity ball in 1990, and with an estimated value of between \$5,000 and \$7,000.

Other lots include a gold and blue enamel bangle by Jean Schlumberger, the French designer, worn by Ms Bacall in 1963 in the US television series *A*

Dozen Deadly Roses and with an estimated value of between \$20,000 and \$30,000.

Another Schlumberger piece, an aquamarine and turquoise ring, is expected to fetch up to \$12,000. **Helen Barrett**

Industry attempts to plug artisan skills gap with scholarships and training schemes

Education Many aspirant jewellers lack the core capabilities that employers want. *Claire Adler* reports on projects to help them

The challenges faced by jewellery graduates, and the quality of jewellery design education in the UK and beyond, is causing concern in the industry.

Nine hundred students graduate from UK jewellery courses every year, but the Goldsmiths' Craft & Design Council says many lack core hand-craft skills and technical capability, while Creative and Cultural Skills, the UK's national body for the creative industries, says candidates are often not job-ready.

"Employers are finding that the majority of applicants, graduates and non-graduates for entry-level roles, lack skills and experience," says Catherine Large, deputy chief executive. "There is clearly an issue with the education and training we are providing those aspiring to work in jewellery."

A report by Creative & Cultural Skills this year, Jewellery Industry Blueprint, found that there are currently 6,577 jewellery businesses in the UK, employing 55,189 people.

Three-quarters of jewellery businesses that plan to recruit in the next few years prefer to take on adult workers who already have the necessary skills and experience, though 40 per cent said they would consider graduates. A third said they had tried to recruit staff over the past three years, with half encountering problems because of a lack of experience and specialist skills.

Now, the industry in the UK and beyond is slowly responding to the skills problem by offering scholarships, training schemes and incentives for young

professionals. LVMH in July signed a partnership with Bjoj, the Paris jewellery school, for a professional training programme. It takes up to eight years for an LVMH master artisan to train a successor, and it is hoped the partnership will formalise the process. The group has plans for a similar arrangement with a watchmaking school.

Avakian, the Swiss jeweller, has a three-year deal to sponsor a final-year Central Saint Martin's jewellery student in London, with fees paid and an internship offered in Geneva.

"The luxury jewellery and watch industries are very dependent on the craftsmanship possessed by a limited number of artisans," says Chantal Gaemperle, LVMH group executive vice-president of human resources and

synergies. "Growing demand from increasingly expert customers and the ageing pyramid in the industry [mean it must] prepare for the future."

On the management side, the number of university courses to train the next generation of luxury executives is growing.

This year saw the introduction of an English-language MBA in global luxury brand management at the Institut Supérieur de Marketing du Luxe in France, often referred to as the Cartier Chair, a member of the EDC Paris Business School. The course encompasses creative business management and social media.



Richemont's Creative Academy in Milan offers graduate and postgraduate degrees for 20 students annually, while

in Geneva, Richemont's £67.6m Campus Genevois de Haute Horlogerie houses the Learning and Apprenticeship Centre for Haute Horlogerie, offering 45 apprenticeships a year.

Says Laurent Feniou, UK managing director of Cartier: "Our success depends on the recruitment of young and promising talents."

Meanwhile, demand for specialist jewellery skills is likely to keep growing. According to Euromonitor, the growth of the luxury watches and jewellery sector, at 4.5 per cent between 2012 and 2013, is outpacing the growth of total luxury goods, at 3.1 per cent in the same period.

But whether the industry's efforts to plug the gap will be sufficient remains to be seen.



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