



Watches & Jewellery



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Thursday June 2 2016

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Brexit runs risk of price rises and store closures

Economy Brands will compensate for a weak pound, says Robin Swithinbank

The prospect of Britain voting to leave the European Union on June 23 is unsettling the UK watch industry and may lead to a rise in prices, stores closing and difficulties in finding skilled workers, say industry executives.

Prices in the UK have remained static for several years; Rolex has not raised them since 2012, although it is rumoured to be scheduling an increase in June. But the pound's weakening over the past six months, due to the possibility of Brexit, has made watches cheaper to overseas customers.

The pound has fallen against the euro from 1.42 in November to 1.31 at the end of May, a decline of 7.8 per cent. Retailers are therefore expecting manufacturers to increase prices to compensate.

"If you're from, say, China and you're buying tax-free [in Britain], you can pick up a great bargain at the moment," says Brian Duffy, chief executive of Aurum Group, parent company of luxury retailers Watches of Switzerland, Mappin & Webb and Goldsmiths.

"We are now seeing an across-the-board increase in tourist activity in luxury watches," says Mr Duffy. "Last year, we had real difficulty and we were losing customers to France, but now it's the other way round. It's logical to assume the disparity will be addressed by price changes."

The effect of the current imbalance appears to be reflected in data from research firm GfK's POS Tracking unit, which reports that the average sales price of a watch over £1,500 in the UK in the six months to April rose from £4,581 to £4,791. Industry analysts point to the rising number of tourist consumers buying expensive watches as part of the explanation.

Opinion on British membership of the EU among brands and retailers is divided. One UK-based executive for a Swiss watch company says he would welcome Brexit because a weaker

pound would be good in theory for watch sales to tourists. Yet if prices rise, this benefit would be negated.

But many feel Brexit poses a greater threat to the industry than staying. "What this business needs is growing individual wealth, a stable exchange rate and free movement of product," says David Coleridge, chairman of the Watch Gallery, which operates the Wonder Room in Selfridges and the Rolex boutique at One Hyde Park. "Staying in will deliver this, while leaving and pursuing isolationism is charging into the unknown."

Brands are not yet confirming what they would do to prices in the event of Brexit. "We haven't made any decisions," says Mark Hearn, Patek Philippe's UK managing director. "We will wait and see what happens in the Brexit vote and review it again then."

In Switzerland, there is nervousness about raising prices in the UK. "How much can the UK customers take before they stop buying watches because of high prices?" asks Jean-Claude Biver, TAG Heuer's chief executive and head of watches at LVMH.

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'How much can UK customers take before they stop buying watches because of high prices?'

Rough love \$70m diamond may defy the market

Sotheby's will be hoping the 1,109-carat Lesedi la Rona rough diamond breaks a record when it is sold on June 29. But even if it does, the overall diamond market remains in the doldrums, with too much supply and too few consumers. That is why the Diamond Producers Association is launching a new ad campaign to woo millennials. **Full diamond coverage on page 10**



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BOUCHERON

PARIS



SERPENT BOHEME

FIRST JEWELLER OF THE PLACE VENDÔME-Paris

In 1893, Frédéric Boucheron is the first of the great contemporary jewellers to open a Boutique on the Place Vendôme

boucheron.com

British EU exit runs risk of price rises and store closures

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A comparison of global watch prices confirms the current disparity. In China, a rose gold Patek Philippe Annual Calendar currently carries a retail price of Rmb311,000, equivalent to just under £33,000. Tax-free, the same watch in the UK costs around £22,700, a price difference of 31 per cent. Similarly, a Rolex GMT Master II in the US currently retails for about \$10,000 or £6,900 (depending on state taxes), while the UK tax-free price is below £5,000.

Chancellor George Osborne has warned that "tens of thousands" of jobs in the financial services industry, large consumers of watches, would be at risk following Brexit. In its quarterly inflation report in May, the Bank of England's Monetary Policy Committee said in this case sterling was "likely to depreciate further, perhaps sharply".

British brand Bremont has two stores in London, one in Mayfair and another in the Royal Exchange. "You only need a couple of big institutions to pull out [following a vote to leave the EU] and there'll be a big impact on the performance of those stores," says Nick English, Bremont co-founder.

Brands and retailers are also concerned about the impact Brexit would have on their ability to recruit skilled workers from outside the UK. Watchfinder & Co, which sells pre-owned watches and reported turnover of £55.5m last year, employs watchmakers from Spain, France, Denmark and Finland at its Maidstone service centre. "We want to continue recruiting from the EU," says co-founder Lloyd Amsdon. "And we're looking to expand our business into Europe in the next 24 months. It would be a nightmare for us if new restrictions were put in place."

Bremont is in the process of transferring much of its manufacturing operation to the UK from Switzerland and has similar concerns. "A lot of the skills we need, finishing for example, still can't be found in the UK," says Mr English.

But for consumers, the biggest impact of the EU referendum could be a rise in prices. Historically, luxury companies have taken prompt action to balance retail prices around the world, as Chanel did in March 2015 when it cut them in Asia and raised them in Europe in response to the fall of the euro.

For brands, the challenge of maintaining price parity across key



Rolex by the Watch Gallery at One Hyde Park – TheWatchGallery.com

markets has rarely been more challenging. Currency fluctuations created by the prospect of Brexit have added to worries caused by the fall in watch exports to Hong Kong (down 38.5 per cent since 2014), falling oil prices and fragile consumer confidence in China, Southeast Asia and Latin America.

The decision by the Swiss National Bank in January 2015 to unpeg the franc from the euro unsettled the market, too. As a result, some markets have had multiple price increases in the 18 months since; Rolex increased prices in Europe as recently as February.

The effect on retailers can be costly. "Obviously, prices going up isn't a good message for consumers," says Mr Coleridge of the

Watch Gallery. "But prices going down is as troublesome because it upsets customers who've just bought and can leave brands in a position where they have to compensate retailers for lost margins," he adds.

The concern for the Swiss watch industry is that future UK price rises may curtail one of its few good news stories. Figures released by the Federation of the Swiss Watch Industry reported global exports of Swiss watches were down by 11 per cent in April. The same report indicated a rise in exports to the UK of 3.7 per cent.

In the event of Brexit and further weakening of the pound, brands can be expected to push up prices in the UK proportionally.

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Recovery glimpsed despite economic gloom

Overview The US could lead a pick-up in fortunes for the watch industry, even if Hong Kong and China are still in trouble, writes *Ralph Atkins*

The news for the watch industry is bad. “The headwinds are very strong – especially for watches,” warns Richard Lepeu, chief executive of Richemont, the Swiss luxury goods group whose brands include Cartier and Montblanc. The group’s sales in April 2016 were 15 per cent lower than the year before, in constant currencies.

Statistics on foreign sales of Swiss watches show trouble across the industry: in the first quarter of 2016, exports were 8.9 per cent lower than in the previous year, according to the Federation of the Swiss Watch Industry. The trouble has been blamed on a range of factors, from China’s economic slowdown to a strong Swiss franc.

The industry’s hope is that this year will bring an improvement, particularly in the US. “The global environment is tough mainly because of the significance of Hong Kong as a market. There is an overhang of inventories, but I think the more affordable watches are already selling better,” says Scilla Huang Sun, a luxury sector specialist at GAM Investment Management in Zurich.

Even as Hong Kong has suffered, sales in Japan have been lifted by a weaker yen, which has lost 12 per cent of its value against the dollar since its 2015 low. The US this year could also offer grounds for optimism, sector experts reckon. Last year, a stronger dollar led to European purchases displacing US sales, but those effects may start to weaken.

“We can see that the American continent is showing great potential and positive growth,” says François Thiébaud, president of Tissot, the Swiss watch brand.

A recovery in the US would strengthen the case for those who expect traditional luxury timepieces to ride out the challenge from smartwatches (see below). Mr Thiébaud argues that, contrary to the watch industry’s gloomy view, the arrival of the Apple Watch has not changed US attitudes. “A traditional watch is not just about giving time, but it is



Guests at the TimeCrafters show in New York
FilmMagic

“There is an overhang of inventories, but more affordable watches are already selling better”

also about conveying emotions related to a gift or a certain time in life,” he says. “There is nothing emotional about an electronic device.”

Nobody is rushing to predict a rebound, however. “The global economy is going to be very slow this year. It may take a couple of years for the industry to pick up,” says May Ling Tham, an analyst at Euromonitor International. In April, the International Monetary Fund warned the global economic recovery had “weakened further amid increasing financial turbulence”. It expected the global economy to grow by a modest 3.2 per cent in 2016 – roughly the same as last year but less than it had expected as recently as January.

In emerging markets – previously bright spots for luxury brands – “prospects across countries remain uneven and generally weaker than over the past two decades”, the IMF’s World Economic Outlook reported.

Watch and jewellery industry revenues are likely to follow such trends closely. “The health of luxury watch sales largely depends on GDP growth prospects and consumer sentiment,” says Thomas Chauvet, luxury sector analyst at Citigroup.

But it is not a simple correlation. Watch sales have been buffeted by currency movements. The slide in Swiss watch exports has been exacerbated by the strength of the franc (1.20 to the euro before it was unpegged in January 2015, now 1.10), which

has increased manufacturing and employment costs in Switzerland. A strong dollar and weak euro have offered “greater price arbitrage opportunities for tourists and facilitated the emergence of well-organised parallel markets, particularly in Europe”, notes Mr Chauvet.

Sales to the Chinese, meanwhile, are still being hit by the crackdown on offering gifts to authorities as part of the country’s anti-corruption drive.

The industry’s difficulties remain particularly acute in Hong Kong, where the effects have been worsened by excessive stock levels in an overcrowded market. Swiss watch exports to Hong Kong were almost a third lower in the first quarter of 2016 than a year earlier.

Richemont revealed recently it was helping dealers in Hong Kong with excessive inventories by buying back products – and either reallocating them to other markets or dismantling and recycling them.

In a report published in April, Euromonitor forecast that in the next five years the US would cede the title of the world’s biggest spender on watches to China. “The transfer of power from west to east had seemed on course to happen earlier, but was derailed by the Chinese government’s crackdown on ostentation and extravagant gifts, and by a depreciation of the Chinese currency since 2015,” the report noted.

Fossil to flood the smartwatch market

The company hopes that releasing 100 models will establish a broad base of buyers, says *Paul McClean*

The market for smartwatches is worth billions, but not everyone is convinced they are here to stay. “Most people lose interest in them pretty quickly once they figure out they take the same number of steps each day and get the same miserable sleep each night,” says Omar Saad, head of luxury apparel at Evercore ISI investment group.

“It’s a product that people wear for a few weeks and then drop. When they realise they’ve got to charge it every night, it just sits in a drawer,” says David Coleridge, chairman of UK retailer the Watch Gallery.

This scepticism is why a big move by Fossil Group – which makes watches under its own brand and for designer companies such as Armani Exchange, DKNY and Marc Jacobs – is all the more interesting, and risky. Having spent \$260m last year on Misfit, a wearable activity-tracking company, and having formed a partnership with Google for its Android operating system, Fossil will be launching 100 smartwatch models under eight different brands this summer. At stake is not just one business’s sales but whether a permanent place for smartwatches in the broad market will be established.

Sales of smartwatches have grown quickly over the past few years, rising from worldwide revenues of \$943m in 2013 to \$12.5bn in 2015, according to Euromonitor. Volumes are expected to jump 66 per cent to 50m units this year.

Fossil Group will not say how many it expects to sell, but Greg McKelvey, chief strategy and digital officer, says he will be “scaling the business to sell millions and millions”, adding: “We will reinvent watches.” He also sees smartwatch purchases as a way for consumers to be introduced to new brands.

Mr McKelvey’s enthusiasm looks more ambitious in the light of Fossil

Group’s latest market announcement: last month its shares fell 29 per cent in a day when it said it expected full-year earnings of \$1.80-\$2.80 a share instead of \$2.80-\$3.60, an earlier forecast.

Fossil will bring to market smartwatches, fitness trackers and hybrids – a regular analogue watch with some basic connected features built in – under its own brand and those with which it has a licensing agreement, such as Diesel and Michael Kors. Fossil-branded fitness trackers will retail from \$95, the hybrids from \$175 and the smartwatches from \$275, while wearables from brands in its licensing agreements will retail at a higher premium.

The mid-market has been poorly supplied with smartwatches, with most products priced more expensively. TAG Heuer says it has sold more than 20,000 Connected smartwatches, priced at \$1,500, since it launched the product in November, while analysts estimate that Apple sold 1.6m Apple Watches, which start at \$349 and rise to \$17,000, in the first quarter of 2016.

Industry experts have decried smartwatches for their excessive bulk, constant buzzing and poor usability; fashion labels hope to make smartwatches slimmer and sleeker, and therefore more desirable.

John Idol, chief executive of Michael Kors, thinks that the coming together of fashion and technology represents “a tremendous growth opportunity” and that “over the next five to 10 years, most fashion watches will be sold with some type of wearable technology”.

Commentators believe hybrid models, which include a chip to record steps or vibrate when your phone receives a notification, are the most likely to break into the mainstream.

Paul Lamkin, editor of connected device blog Wareable.com, says: “It’s also not that expensive to put the connected technology into a regular watch, and by next year I think we’ll have [hybrid] connected watches and jewellery in places like Claire’s Accessories. If you can buy a watch and pay just a pound extra to have it buzz when your phone rings, why wouldn’t you do that?”

Smartwatches by Fossil for its own brand and Michael Kors



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Time stops for no man (or newspaper)

This issue celebrates 30 years of Watches & Jewellery. We take a look at how the watch world has changed over that era

Perhaps the most astonishing phenomenon one can observe in the 30 years since Watches & Jewellery started regular publication has been the arrival of the luxury goods conglomerate. The chart on the right illustrates this: in 1986, the only company to have more than two prestige watch brands was SMH, itself then a recent formation from two companies. Most were held by the founding families or other private individuals, and two were based in East Germany, which nationalised them in the 1940s.

Now, four conglomerates dominate, holding 25 of those original brands: Kering, LVMH, Richemont and Swatch. Some came into their possession through crisis, others through canny business, and they sit there among champagne houses, fashion *maisons* and, of course, jewellers.

In 1986, the report was called Clocks and Watches, and the former had as much space as the latter. Alastair Guild, seemingly author of the whole report, was bemused by the rise of the watch: "Watches have become just as much a means of expressing lifestyle and personality as the car you drive or the clothes you wear." Some watch-owners even have more than one, he confided with astonishment.

One story, headlined "Life of a visiting clockmaker", met John Redfern, a maker and restorer who used "modern techniques to improve on designs from the past". Mr Redfern was unhappy that much of the clockmaker's art might be lost: "There is no proper horological training available. The recent upsurge in interest and the value of antique clocks and watches has created a demand for craftsmen who do not exist. This demand is seemingly satisfied by a spate of probably well-meaning but poorly trained and totally inexperienced and incompetent hands, doing more damage than good."

Even in 1996, clocks were still hanging on: the report then was called World Watch and Clock Industry. That year, 435m clocks were made, according to the Japan Clock & Watch Association, against almost 1.1bn watches. The headlines offered familiar stories: "Swiss firms defend brand"; "Status drives demand". As the graph to the far right show, appetite for Swiss watches was edging lower then.

By 2006, jewellery had made it into the report's title and there was not a clock to be seen, although Simon de Burton, one of our longstanding contributors, offered a piece on pocketwatches old and new.

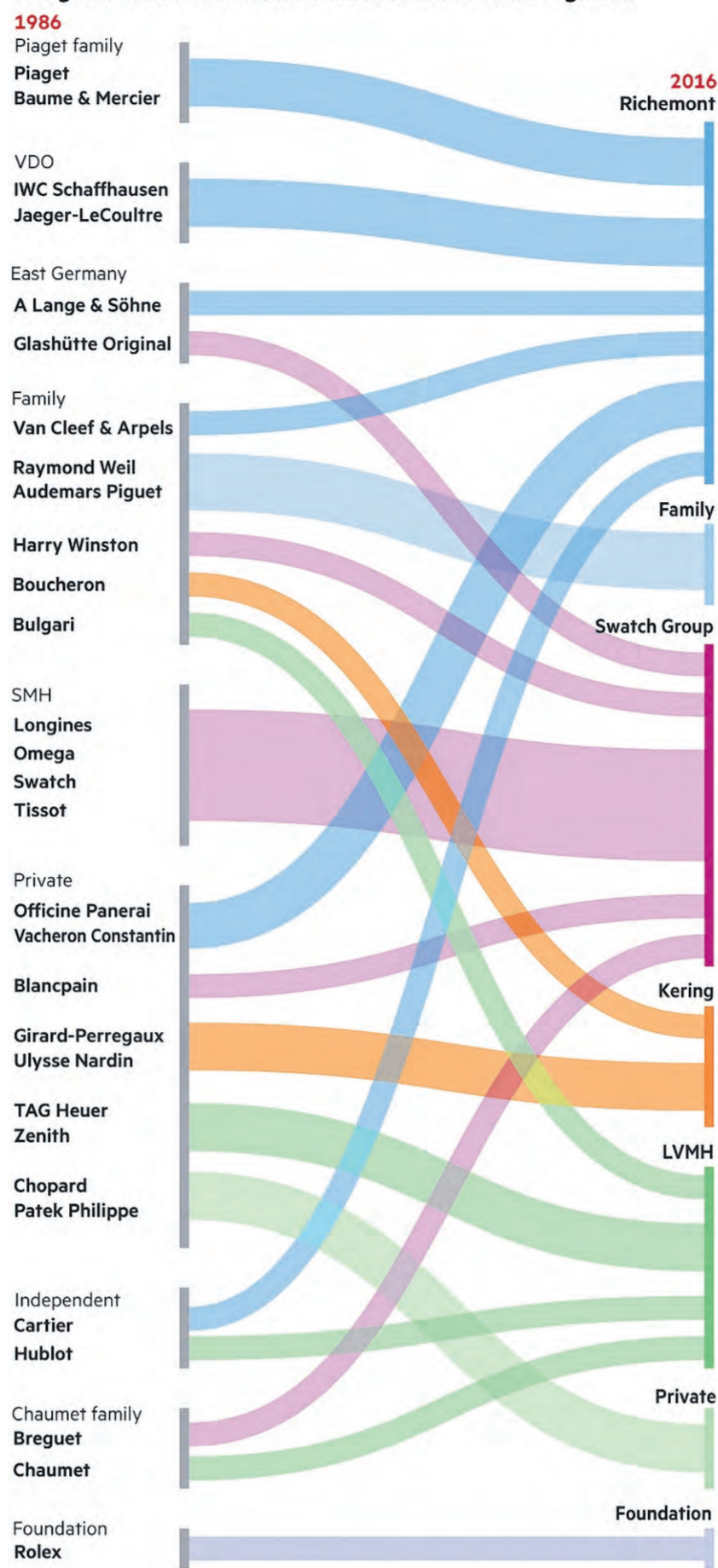
All is not now lost for clocks, however. When the FT spoke to Mr Redfern last month, his spirits were much cheerier: "Restoration and repair are thriving. There are plenty of people around doing it... There is no replacement for experience but apart from that the situation is better." Perhaps we are even due a clock revival.

Mr Redfern now combines his ancient techniques with the most modern technology and horological know-how: he makes animations of the inner workings of expensive watches. You can read a new interview with him at ft.com/watches.

Josh Spero



The great consolidation: how watch brands came together



FT graphic Source: FT research

1986 Watches less than a century old had started to come to auction. Buyers would now consider their prices bargains: "Auction room interest in watches is not confined to antiques. Over the past four years Mr Turner has noted a continued growth in the collection of wristwatches for everyday wear made between 1920 and 1940. Rolex, Cartier and Patek Philippe watches from that period will usually fetch between £1,000 and £5,000."

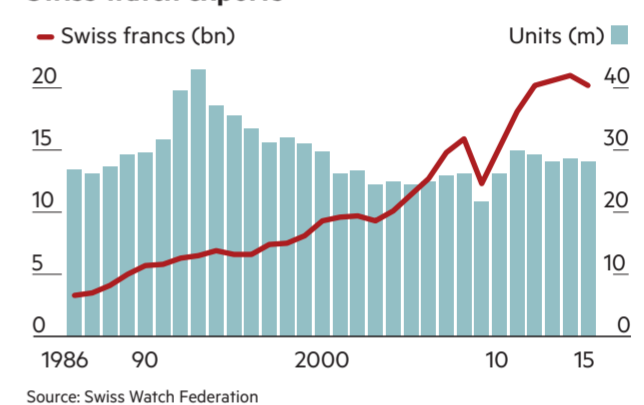
£1.9m

That is what the Henry Graves Jr 18-carat yellow gold tonneau minute repeating wristwatch by Patek Philippe sold for in June 2012. Its movement was made in 1895, its encasement in 1927.



1996 Swiss watch exports were looking healthy 20 years ago; they have now levelled off in units sold if not in value: "According to the Federation of the Swiss Watch Industry, the value of Swiss watch exports in 1995 amounted to SFr7.67bn (\$6.3bn). This figure — 8 per cent of the total — made watches Switzerland's third biggest export."

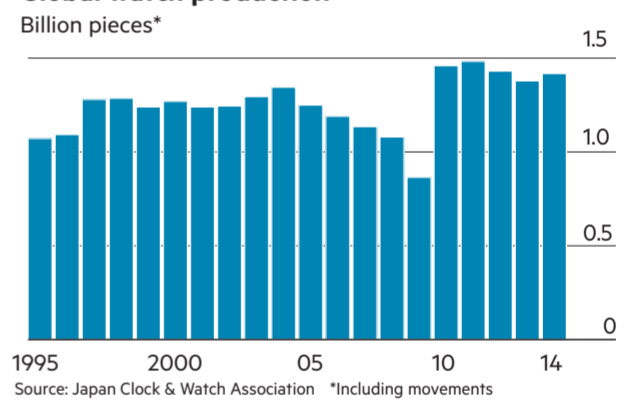
Swiss watch exports



Source: Swiss Watch Federation

1996 The world was making fewer watches then: "Certainly, time is today of such importance to our lives that most who can afford to possess a wristwatch do so — 1,100m were sold last year around the world — and many people have more than one."

Global watch production



Source: Japan Clock & Watch Association *Including movements



Photography: Anthony Anex/KEYSTONE

Deconstructed watch Bulgari Octo Finissimo Minute Repeater

The technology behind Bulgari's new Octo Finissimo Minute Repeater — a mechanism that chimes the hours and minutes through a system of hammers and gongs — was devised for telling the time in the dark in an era long before Thomas Edison had his lightbulb moment.

But, as we are often told, modern *haute horlogerie* is not about what we need but about what watchmakers can achieve — in order to attract well-heeled collectors. In this case, the remit was to create the thinnest minute-

repeating wristwatch in the world, but one that was still one of the clearest-sounding.

At 6.85mm thick — a full millimetre less than the 2014 Vacheron Constantin that previously held the "thinnest" record — the Octo Finissimo represents a horological milestone both by virtue of its slim dimensions and its 21st-century interpretation of a 17th-century invention. Its hand-wound movement, which comprises 362 individual components, is a mere 3.12mm thick.

The minute repeater mechanism takes the form

of a "gong" — which is actually a length of finely tempered steel coiled around the outside of the movement — and two tiny, different-sized hammers, which strike it to indicate the time.

Instead of more conventional metals such as gold or platinum, the watch case is made entirely of titanium, chosen because its low density minimises any muffling. To further enhance the volume, the hour markers take the form of gill-like slits in the dial that increase resonance and optimise the sound from within.

A push-piece located at the nine o'clock position is used to activate the "decimal" minute repeater mechanism. First, it strikes the number of hours on a single hammer; then each hammer strikes consecutively to indicate the time past the hour (each strike represents 10 minutes); finally, the mechanism reverts to a single hammer that sounds any leftover minutes.

If, for example, the time shown on the dial is 9:44, nine initial strikes on a single hammer will be followed by four strikes in close succession, after

which a single hammer will strike the remaining four minutes.

Perhaps the most impressive aspect of the Octo Finissimo Minute Repeater, however, is that it wears its abilities lightly and appears, to non-horophiles, to be nothing more than a rather understated wristwatch. But those prepared to spend £123,000 for one of the 50 examples being made will surely know different.

Simon de Burton



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Watches & Jewellery

In this summer's Olympics, every millisecond will count. But how did sport and the watch industry become inseparable?

By Ravi Mattu and Robin Swithinbank

The Beijing Olympics, 2008. The 100-metre men's butterfly final. US swimmer Michael Phelps is chasing his seventh gold medal of the games. Victory will put him level with fellow American Mark Spitz as the joint record-holder for winning the most gold medals in a single Olympics. Spitz had set the bar 36 years previously, in Munich in 1972, and Phelps' effort to surpass him is one of the defining narratives of the games.

He is up against Milorad Cavic, an old rival. The Serbian swimmer has said ahead of the event that it will be good for their sport and the Olympics for the American not to break the record – provocative trash-talking to rile Phelps. Cavic also has time on his side: he won his semi-final in 50.92s; Phelps won his in 50.97s.

The crowd cheers for Cavic when they emerge from the locker room, but it roars for Phelps as the swimmers take to the blocks. Cavic starts well, leads for the first 50 metres. At the turn, Cavic is clearly ahead, Phelps behind by nearly half a second.

The swimmers approach the finish and the shouts and whistles from the crowd roar louder. Phelps has made up the gap but it is impossible to see who is ahead. Cavic looks like he is about to ruin Phelps' dream.

As they push to the wall, it seems Cavic has pipped the American to the gold medal and blocked him from matching the record. But the electronic pads that the swimmers must touch to finish a race tell a different story. Within seconds, the result flashes up on the screen: Phelps wins in 50.58s, a new Olympic record – ahead of Cavic by 0.01s.

Omega, the Swiss watchmaker and official timekeeper of the Olympics, developed those touchpads. The full results beamed to televisions around the world – alongside Omega's logo – were supplied by the company, too. Watchmaking and sports are, today, inseparable – and in ways few realise.

The association of sports and watches has an unimpeachable logic: the winner of a race depends on the time taken, and time is the very purpose of watches. But beyond that, sports have become an essential showcase for the watch industry, from demonstrating the technical prowess of a brand to ensuring it is associated in the public's mind with a marquee event and its star athletes.

Omega became the first official timekeeper to the Olympics in 1932, when the games were held in Los Angeles. Until they became involved, every official would use their own stopwatch, says Alain Zobrist, chief executive of Swiss Timing, the unit which oversees sports timing and data handling technologies at the Swatch Group.

For their first games, Omega sent 30 high-precision chronographs able to capture results within a 10th of a second – and a watchmaker for repairs.

Technology has evolved beyond watches, and indeed the needs of sport have pushed the development of new ideas and machines. "Magic Eye", the first photo-finish camera, was introduced at the 1948 games in London. It was developed by the British Race Finish Recording Company which worked with Omega's timing devices. In the final of the men's 100m that year, when Americans Harrison Dillard and Barney Ewell both clocked 10.3 seconds, the camera revealed that Dillard had won.

In 1968 in Mexico City, the first generation of touchpads were used, and at the Los Angeles games in 1984, Omega launched the first false-start detection devices in athletics.

Today, Omega's role has changed beyond recognition. Mr Zobrist neatly sums it up: "It's the start and the stop of a race – and everything in between." To fulfil its function at the Rio games in August, the company will send 480 timekeepers, deploy 450 tonnes of material and roll out a little more than 200km of cable and optical fibre.

Omega and the International Olympic Committee do not disclose the value of their deal.

Record keeping in its broadest sense now involves every measurement tool, from tracking scores and relaying data such as stroke speed and distance on the golf course – a new Olympic sport

On your marks . . . Get set . . . Time!



this year – to gauging the accuracy of an archer's shot at the target.

Mr Zobrist says the company designs and produces all of the products it uses, from the photo-finish cameras to the electronic starting pistols. "We have a lot more software engineers," he says.

The touchpads used in swimming spew out the results within milliseconds. Mr Zobrist says the devices are designed to respond only when hit by sufficient pressure so that it is clear the impact is from a swimmer pushing through rather than by a wave caused by the athletes in the water. This, he says, is why he is sure that Phelps beat Cavic in Beijing.

Another watch brand with a long pedigree in sports, TAG Heuer, is also on the cusp of a new era. At a glitzy launch event in late April, the company revealed its latest big bet: it has now signed on to be the first official timekeeper and watch of the Premier League.

The company, part of the LVMH group, has been involved in sporting events ranging from Formula One to the London Marathon. This time it has enlisted the help of Leicester City Football Club manager Claudio Ranieri. He was just about to lead his team to the most unlikely win in sporting history, victory in the English Premier League. Leicester had started the season with odds of 5,000/1.

The absence of a watch sponsor would seem strange for such a global business whose clubs had a record revenue of £3.4bn in the 2014-15 season, according to the annual Football Money League study by Deloitte, the professional services firm. Football is currently rather low-tech in its refereeing. There is no standardisation of devices; officials use their own watches – some are analogue, some are digital – and a pencil and notebook to keep track.

Mike Riley, a former Premier League referee who now heads the body that represents officials, says he has worked

Michael Phelps (left) races Milorad Cavic in the last metres of the 2008 Olympic 100m men's butterfly final

Sports Illustrated/Getty Images

Omega's role is 'the start and the stop of a race – and everything in between'

with the company to develop a bespoke version of its Connected smartwatch all referees will find easy to use from next season. Among the innovations are a heart-rate monitor and a system that will mean officials can refer to standardised data when challenged by players or team managers over how much extra time must be added to a match because of substitutions, injuries and yellow or red cards.

"In Premier League football, there are probably more incidents that appear from 90 minutes to the end than occur in any 15-minute period of the game," he says. He hopes that this new device will help limit controversy.

TAG Heuer's move into football – it is also official timekeeper of this summer's Copa América – is being driven from the top of the company by Jean-Claude Biver, head of LVMH's watch group and TAG's chief executive.

Before joining LVMH, Mr Biver was best known in the watch world for having turned round Hublot. The brand was in the doldrums when he took it

over in 2004 but after increasing turnover tenfold in four years, he sold it to LVMH in 2008. One tactic that was essential to reviving Hublot was associating it with sports, including Formula One and especially football.

At the time, Mr Biver says, no one was bothering with football because they saw it as too "popular" and not exclusive enough for luxury business.

However, he says, "We saw the money going into football – and the money watching football," referring to a new class of wealthy fan. In 2006, according to Deloitte, the top 20 clubs in the world had combined revenues of €3bn; this year they were €6.6bn.

He says the company started small, aligning with the Swiss national football team. Then it built further, working with the European Championship, then the World Cup, Manchester United and Chelsea. They also partnered with individuals including Pelé, Diego Maradona and José Mourinho, the former Chelsea manager who took over at Manchester United last month.

The day after Leicester City were crowned Premier League champions, Ranieri joined TAG's ranks as a brand ambassador.

Watch companies and sports bodies do not disclose the value of these deals, so calculating a precise return on investment is not easy. But in terms of brand awareness, it is hard to find a more useful tool.

Research by Digital Luxury Group, a consultancy, showed the gap in "global interest", measured by the number of online searches, between Rolex and nearest rival Omega had shortened by 2012: Rolex was ahead by 8.4 percentage points in 2009 but only 2.9 points in 2012. Omega was enjoying the brand enhancement from its deals with the London 2012 Olympics and the James Bond film *Skyfall*.

That December, Rolex signed a 10-year contract with Formula One to be its official timepiece. Some observers believe the company's swoop on F1 was to counter Omega's surge. "My guess is that they knew Formula One would have a major impact if, say, TAG Heuer or Omega or one of the other competitors had been able to grab the spot," says David Sadigh, DLG's chief executive. "Most of these moves are made in a defensive way and to prevent the competition from becoming too popular."

Three years on, DLG's research indicates Rolex has stretched the gap in global interest to double digits over Omega. Its most recent World Watch Report, published last year, showed Rolex taking 22 per cent of global interest, with Omega trailing in second on 12 per cent, a wider gap than in 2009. Mr Sadigh says it is impossible, however, to credit that entire shift to the Formula One relationship, particularly given the multiple sports relationships that watch brands have.

After 30 years with the McLaren team, TAG Heuer signed a deal with Red Bull Racing at the beginning of this season. Hublot works with Ferrari; Richard Mille signed deals with McLaren and Haas at the beginning of this season; Oris has worked with Williams since 2005. A number of drivers have their own watch deals.

The challenge for brands is to secure what Mr Sadigh calls the "worldwide channel". In F1, with Rolex in pole position, others are left to form individual partnerships to gain traction. The danger for the companies behind these individual partnerships is that they feed the principal sponsor, he says. "The brand that gets control of the worldwide channel has a big competitive advantage over the others because the others risk cannibalisation."

When Red Bull driver Max Verstappen won his first Grand Prix on May 15 this year, making the 18-year-old the youngest race winner, TAG made sure its ads with him appeared worldwide, and it will use him at events. It now has a new star around which to work.

There are always risks, however, when brands associate themselves with athletes or a sporting competition: a star may be caught doping or the sport itself might fall into disrepute, as witnessed by the corruption scandal which has descended on Fifa, football's governing body. These are, of course, bad for the brand in the short term, but companies have tended to move fast to disassociate themselves from the controversy. Nike has not felt lasting damage from its relationship with disgraced cyclist Lance Armstrong.

The real danger for the companies is if their technology goes wrong. Watch brands are staking their essential credibility when a swimmer dives into the pool or a sprinter breaks out of the blocks: they need to be right, to the millisecond, every single time. When an athlete competes, it is not just themselves they are testing.

Cartier defies retreat like clockwork

Interview

Pierre Rainero

The house's style director says the only way is forward, writes Robin Swithinbank

While other Swiss watch brands are responding to the global downturn by paring back their collections and exploiting best-sellers, there is no such parsimony at Cartier, which this year has unveiled 83 pieces. "In this environment, distinctiveness is key," says Pierre Rainero, director of image, style and heritage.

Cartier's 2016 collection includes the Drive de Cartier, a cushion-shaped men's watch, and Hypnose, an elliptical diamond-set watch for women – two original designs (pictured below) it hopes will shore up its foundations. At a time when most brands are peddling "consolidation" and "building on a core collection", Cartier is sticking to its guns. "We have a tradition of coming to the market with a lot of new creations – we have our own rhythm and culture," says Mr Rainero.

The luxury watch industry in Switzerland has seen two of its biggest markets shaken: exports to Hong Kong and China between January 2015 and April 2016 were down 28 per cent and 11 per cent respectively, a drop in total sales value of SF721m (\$727m), according to the Federation of the Swiss Watch Industry.

Meanwhile, the unpegging of the Swiss franc against the euro last year led to a rapid rise in its value, only partially reversed, which has undermined exports.

The worry for the industry is that it faces a painful tangle of factors. Anti-corruption moves in China, the threat of an unravelling Europe, currency fluctuations, crises in Syria and Ukraine and other problems besides have left some wondering if Swiss watchmaking is facing its biggest challenge since the quartz crisis of the 1970s.

In times of crisis, some brands retrench rapidly. Zenith was among the first, slashing hundreds of models at the end of the past decade.

Audemars Piguet did the same more recently, simultaneously taking the knife to its global retailer network. Yet François-Henry Bennahmias, chief executive of Audemars Piguet, announced in January that his brand's turnover was up year-on-year.

Others have simply dropped their prices – TAG Heuer says its sales are climbing following a repositioning of its collection in 2015.

Not all companies are on board with this strategy of scaling back. Cartier has taken to introducing new models and ranges every year, confident new products will stimulate the market.

"We are present in more markets than any other house and we have many different types of clients," says Mr Rainero. "It would be a reduction of what we are [to reduce the inventory]. We are conscious that this can create confusion – we have a masculine offer, a feminine offer, an accessible offer and an offer at the very top, all at the same time," he continues. "But that's the way Cartier is. We know it's difficult to apprehend for most people, but that's the way we are and the way we have always been."

Mr Rainero maintains that introducing new models every year stimulates a market accustomed to buying more than one luxury watch. "It's very rare to see someone buying a watch for their entire life," he says.

While some would view a collection that includes the quartz-powered Tank Solo at £1,750 and the wildly complicated Rotonde de Cartier Grande Complication at £535,000 as unbalanced, Cartier sees it as a strength.

Despite being the world's largest luxury watch and jewellery brand when ranked by combined sales – and a master of regeneration – the Parisian house is no stranger to the downturn. Cartier, like Rolex, has felt the impact of Chinese premier Xi Jinping's clamp-down on gifting while China's economic slowdown has hurt, too.

In its half-year report published last November, Cartier's parent company Richemont said there had been lower demand for its watches and that Asia-Pacific "posted a significant decline, primarily due to weakness in Hong Kong and Macau", territories whose previous growth was underpinned by travelling Chinese. Group sales in the region were down 17 per cent year-on-year at constant exchange rates.

To lend weight to its new product strategy, last year Cartier introduced a glossy term to its marketing lexicon: "montres de forme". Was it adopted so that when Cartier announced a new model, it was not simply a new watch but a new "form"?

"Exactly," says Mr Rainero. "We have two fields of expression in our watches – pure shapes and expressive shapes. Expressive means you should very clearly identify the inspiration behind it, like the Crash [said to be inspired by a watch crushed in a car accident], or the Roadster of the early 2000s that took its inspiration from the car industry."

The Drive de Cartier, by contrast, is merely "for the sake of a shape", he says. "In the case of the Drive, you cannot associate it to something else."

What is interesting about the Drive is that it is aimed solely at men. By comparison, last year's invention, the Clé de Cartier, was unisex. With its fluid lines and curvaceous silhouette, it was too feminine for many men: Reuters reported at the end of 2015 that 90 per cent of sales had been to women.

Drive is the antidote, a more explicitly masculine design that buys Cartier some traction with a male audience that traditionally spends more on watches than the female equivalent.

Mr Rainero is also at pains to point out that Cartier's new designs strengthen the codes, or signature features, that give its watches their distinctiveness.

"We were born with a sapphire cabochon," he says. "That was in the Santos, a gift from Louis Cartier to [Brazilian pioneer aviator] Alberto Santos-Dumont in 1904. It was the first watch ever designed to be worn specifically on the wrist."



Cartier is confident a product influx will stimulate the market

In time came the sword-shaped hands, the rail track that can sit either inside or outside the numerals, the Roman numeral dials and the use of "IIII" at four o'clock, a tradition Mr Rainero says was picked up from 17th-century clocks. It is these tropes that make every new *montre de forme* a Cartier, he says, no matter the shape or the target audience.

Mr Rainero has been managing style at Cartier for almost two decades. Today, his responsibilities include "image" and "heritage", two central pil-

lars of a brand that has been making watches for more than a century and jewellery since 1847.

"If you're responsible for style at Cartier, it presupposes that you have a certain knowledge of the heritage," he says. "You cannot pretend to say this is the Cartier style without knowing about the tradition and the spirit behind the brand. It's not only the facts, it's the philosophy behind it."

It is an allegiance to that philosophy that Cartier is banking on to help it ride out the current storm.

Style guru: Pierre Rainero sees image and heritage as the pillars of the brand



All hands on deck as rigged watch comes into dock

One of the most talked-about launches of the Baselworld fair was Ulysse Nardin's imaginative "Grand Deck" Marine Tourbillon, which celebrates the brand's 200-year history as a maker of ships' chronometers. The dial of the watch is finished in a teak planking effect to emulate the appearance of a deck; the minute display takes the form of a boom-shaped pointer that is pulled forward by a system of connected wires and capstans based on a ship's rigging. The watch is limited to an edition of 18 and will cost around £195,000.

This watch is fast

This year marks the 40th anniversary of James Hunt's victory in the Formula One world championship, prompting TAG Heuer to enlist his sons Tom and Freddie to design a suitable watch to commemorate the occasion. The result is the James Hunt Chronograph, which will be available in an edition of 1,000, each subtly decorated in the red, blue and yellow detailing of racing colours of "Hunt the Shunt".

Repeat after me

A year after the official opening of its new manufacturing facility in Neuchâtel, Switzerland, Officine Panerai has launched the most complex watch in

its history. The Radiomir 1940 Minute Repeater Carillon GMT is powered by an in-house movement comprising 633 components and features a double minute repeater that lets the wearer select whether the watch strikes home time or local time if abroad. The 49mm rose gold piece has a skeletonised dial and sapphire crystal caseback to show off the mechanism. Available only to order, it costs €359,000.

Precisely

London department store Harrods is staging its largest watch event between July 1 and mid-August. "Made with Love and Precision" will feature watches from 23 brands, including global launches and models specially made for the exhibition such as a platinum-cased, diamond-set Rotonde de Cartier Mysterieuse double tourbillon and a £25,000 Harry Winston Premier Moon Phase, one of only five examples.

Time to go

One of the most respected executives in the Swiss watch industry, Stephen Urquhart, stepped down from his role as president of Omega on June 1 after 17 years in the role. The move coincides with Mr Urquhart's 70th birthday and marks the end of an era during which the brand introduced its highly regarded Co-Axial mechanical movements, returned as sponsor of the Olympic Games (see opposite page) and recruited George Clooney and Nicole Kidman as brand endorsers. He is replaced by Raynald Aeschlimann, who joined Swatch-owned Omega in 1996 and has been international director of sales since 2001.

Simon de Burton



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SERPENTI

Watches & Jewellery

If it's 3pm, I must be in Baghdad. Or is it Moscow?

World time watches have changed with the times – and they have a curious story to tell us. By *Josh Spero*

Using a world time watch – a timepiece with global cities arrayed around the dial or bezel, one per timezone – to find what the hour is in, say, Denver or Dubai is one thing. But we can learn much from these watches about history, politics and economics if we look at them in the right way.

That is why the Financial Times has examined 25 world time watches, dating from a 1951 Breitling to 2016 models by Vacheron Constantin, Louis Vuitton and IWC Schaffhausen. We fed all the cities on the watches' dials and bezels into our system and came up with two lists: the places most mentioned on watches between 1951 and 1971, and those most mentioned between 2005 and 2016. You can see the results of this endeavour in the picture to the right, the earlier ring on the inside, the later on the outside.

This is for more than curiosity. Given the relationship between these watches and wealth – their cost runs into the tens of thousands of pounds – we expected the cities chosen would reflect where wealth has grown and diminished.

And so it has proved. Some cities have remained constant in wealth and on watches: London, Tokyo, Sydney, New York and Rio de Janeiro are all six-decade stalwarts. But there are many more replacements: Baghdad has given way to Moscow, Réunion to Dubai, Bombay to Karachi, San Francisco to Los Angeles.

Baghdad, like Tehran, used to be a cosmopolitan capital in the Middle East. But its recent history, from dictatorship to invasion to chaos and the attempted caliphate of the so-called Islamic State, does not render it quite as glamorous. Watchmakers shy from putting such a reminder on their work. By contrast, Moscow has moved from the austerity of the Soviet Union to a city home to 78 billionaires, according to Forbes. A switch between the two makes sense in that context. (A note: Moscow only moved into Baghdad's timezone – Greenwich Mean Time +3 hours – in 2014; previously it was +4.)

The rise of Dubai (GMT+4) tells a similar story. The GDP of the United Arab Emirates in 1973 was less than \$20bn, according to the World Bank; in 2014 it was \$400bn. Dubai's rise, based first on its oil reserves, then on its pivot into a business hub, brought it to global attention. The island it displaced in its timezone, Réunion, is a small department of France in the middle of the Indian Ocean.

There is, of course, an element of luck over which cities appear: the Atlantic and Pacific Oceans lack major cities. Contrarily, there are many contenders in Europe and Asia. Geneva, the home of watchmaking, might feel legitimately aggrieved to have been displaced by Paris in GMT+1. Singapore, formerly GMT+7, now competes with Hong Kong and Beijing in the +8 timezone – and disappears from the dial. Hong Kong itself has given way to the mainland.

What is most intriguing to consider is which cities might appear if we revisited this in 30 years' time: where will power and wealth reside in 2050?



Around the world (from top): 1951 Breitling Unitime; 1960 Jaeger-LeCoultre Master Memovox; 1992 Porsche design by IWC; 2009 Habring; 2011 Vacheron Constantin. Main image by MEESON

Auction round-up

A Heuer motors on, a box offers answers

A Heuer Carrera chronograph was sold for more than ten times its estimate last month when it fetched SFr225,000 (\$227,000) at Sotheby's in May, making it the most expensive Heuer sold. The gold chronograph (far right) was originally a gift to the Swedish Formula One star Ronnie Peterson and was inscribed on the back "Success. Ronnie Peterson from Jack W Heuer". Peterson died following an accident at the 1978 Monza Grand Prix. The previous record for the make was €55,000, paid for a TAG Heuer S/el that once belonged to the late Ayrton Senna.

Aux armes, citoyens!

A gold Breguet watch made during the late 18th century fetched SFr3.2m at Christie's in Geneva last month, the second highest price paid for a watch by the legendary maker, who died in 1823. The self-winding, quarter-repeater with calendar, equation of time and power reserve indications is



regarded as one of Breguet's masterpieces. It was originally sold to the French general Jean Moreau for 3,600 French francs before being bought for 4,800 francs in 1817 by Charles-Louis Havas, founder of the news agency now known as Agence France-Presse. The new owner is believed to be the Breguet museum.

Phillips eclipse

Phillips exceeded the combined totals achieved by Antiquorum, Christie's and Sotheby's at last month's flagship watch sales in Geneva when it made more than SFr32.8m (\$33.1m) from 326 lots. Phillips resumed horological auctions only a year ago after an absence of more than a decade, but under the guidance of former Christie's star Aurel Bacs, it has quickly established itself as the most successful house. The star pieces from Geneva included a 1942 Rolex split-seconds chronograph which realised SFr2.4m and a 1956 Patek Philippe perpetual calendar chronograph at SFr1.6m.

A mind of their own

On June 8, Sotheby's New York will disperse 20 lots forming the second and final part of a major collection of clockwork automata. The collection includes a 19th-century gold and enamel snuffbox decorated with the scene of a fire brigade rescuing a child from a blazing house and a "coffret" (small



box) which hides a tiny singing bird beneath its lid. The star of the sale, however, is the remarkable "Magician Box" (far left), which contains an automaton scene made from four colours of gold depicting a sorcerer casting spells. When one of ten tablets containing different questions ("What does not last long enough?") is pushed into a slot, the wizened character points his wand to a window in which the answer is revealed ("Love"). The box, once in the collection of King Farouk of Egypt, could fetch up to \$2.5m.

Watch out

As part of a drive to capture an increased share of the lucrative watch auction market, Paris-based house Artcurial has recruited former Sotheby's department head Geoffroy Ader to run its horological operation. Mr Ader, who was born into a family of auctioneers and has been in the vintage watch business for 20 years, will initially oversee two specialist watch auctions per year as part of Artcurial's regular January and July sales in Monaco. The watches will be offered alongside jewellery, vintage handbags and other luxury collectibles. In February this year, Artcurial established a world record price for a car at auction when it sold a 1957 Ferrari 335 S Scaglietti for €32,075,200 (\$35.7m), which it called "the queen of speed".

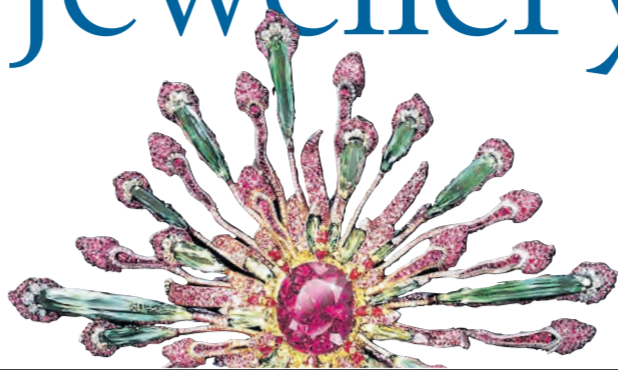
Simon de Burton



Put on your paste,
rock your rhinestones

ARTIFICIAL GEMS Page 11

Jewellery



China's jewellers
take on the world

INTERNATIONAL Page 12

Tribal trinkets
triumph

LESLEY SCHIFF Page 11



Las Vegas fairs fight apathy and economic fears

Trade shows Brands must find new ways to engage retail buyers beyond taking a stand, says *Rachel Garrahan*

Las Vegas does not lack for sparkle on any given day, with its plethora of casinos and hotels. But every June it glitters a little more brightly during Las Vegas Jewelry Week. JCK, the Couture Show and the Las Vegas Antique Jewelry & Watch Show run concurrently, last year attracting 43,800 visitors, according to the Las Vegas Convention and Visitors Authority.

This year may be a little more muted, however, as retailers report sluggish sales thanks to election uncertainty, stagnant wages and a strong dollar dampening tourist spending. Indeed, some key retailers are staying away.

For department store Barneys, "jewellery is performing OK but is softer than we would like," says Jennifer Sunwoo, general merchandising manager for womenswear. Following a reduction in spending by its Russian and Brazilian clientele, the store is focusing on tempting local customers to keep returning by offering new products or brands they will not find in other outlets.

For this reason it has decided to skip Las Vegas this year, where it usually finds stock for its nine flagship stores. "We are on the hunt for new brands that are not yet distributed elsewhere," Ms Sunwoo explains.

Yancy Weinrich, senior vice-president of Reed Jewelry Group, which owns JCK, sees reason for optimism, however. The show is 3 per cent up in registered retailer attendees on last year and she is confident that people will be bringing their cheque books after slow trade in Basel and Hong Kong this spring.

"Historically, when the first quarter is slow, it makes for a good show for us," Ms Weinrich says.

Joanne Teichman, co-owner of Dallas jewellery store Ylang 23, will be there



Visitors at last year's Las Vegas Jewelry Week – WireImage

but she is also experimenting with more specific ways to connect with customers. In April, the company opened its first pop-up shop in New York to meet clients who had previously only bought on its e-commerce site. "That level of engagement is priceless," she says.

Many of today's consumers are faced with tighter budgets as well as a multiplicity of brands and places to buy, both online and offline, so attracting — and holding — their attention is key. Sticking to trusted brands, stones, items or styles is one way of doing this, even when it is at the cost of innovation and adventure.

But Gannon Brousseau, vice-president of the Couture Show, does not agree. "New opportunities present themselves in uncertain times," he says. "Those that are constantly innovating and finding new ways to excite their customers will ultimately prevail."

Muse, a showroom in New York representing independent designers, will unveil a collection with mining company Gemfields, using its coloured gemstones in Muse designers' classic and best-selling styles.

Jennifer Shanker, Muse's founder, hopes the collaboration, which includes 120 products and accompanying marketing material, will provide stores with a ready-made merchandising narrative to convey to customers.

With boutique Twist and online store Moda Operandi having agreed to launch the collection during the show, "it's about making life easier for our retailers," says Ms Shanker. "I'm thinking about their limited spend and guiding them towards what's proven to sell."

Designers are adapting their strategies too. Jemma Wynne has been attending the Couture Show for eight years and

"It makes for an easy self-purchase for customers," Ms Lalin adds.

For many, the high end is where brands are enjoying the best growth. Claudia D'Arpizio, a partner at consultancy Bain & Co and lead author of its annual luxury report, believes this reflects the increasing concentration of global wealth among the super rich.

In her view, fine jewellery is one of the brighter spots in a tough luxury landscape since precious materials are viewed as a hard asset. "A high-end jewellery product will hold its value," she says, adding that the category is particularly successful in fostering a sense of exclusivity among wealthy clients.

For the first time in 10 years, New York-based designer Nina Runsdorf is not exhibiting at the Couture Show. Acknowledging that such participation is important for emerging designers who want to establish a retail network, she is shifting her focus to developing an exclusive shopping experience for her premium customers.

'It makes sense in a period of uncertainty that we should focus on our classic products'

after speaking to its existing retailers, the brand has decided to go back to basics this year. "It makes sense in a period of uncertainty that we should focus on our classic products," says Stephanie Wynne Lalin, one of Jemma Wynne's co-founders.

It will unveil new variations on its core bangle collection and focus on a lower price point between \$800 and \$5,000.

UK designers are also making this shift. In its 10th year of business, Hannah Martin London, a fine jewellery house for men and women, is reducing its wholesale business in order to focus on engaging its wealthier clients with invitation-only events and limited-edition pieces. "We've found that exclusivity creates desirability," says co-founder Nathan Morse.



Dying is easy — comedy is hard Joan Rivers' jewellery up for sale

"I don't exercise," Joan Rivers once said. "If God had wanted me to bend over, he would have put diamonds on the floor."

The late comedian may not have found diamonds on the floor but Joan Rivers nevertheless had no mean collection of them, as the sale of her estate at Christie's in New York on June 22 testifies. The sale has 39 items of jewellery, including (above, from left) a Fabergé diamond and star sapphire

brooch, an aquamarine brooch by Fabergé and a gold, diamond and platinum brooch by Marianne Ostier.

Christie's promotional material for the sale includes a reference to Rivers as "multi-faceted", which is appropriate after her varied career as writer, actor and television host.

Josh Spero

Fabergé
Visionnaire DTZ
Central Dual
Time Zone (24hr)

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Watches & Jewellery

Diamonds are forever, their slogans are not

Rachel Garrahan on a new advertising campaign which hopes to turn millennials into enduring lovers of diamonds

A marketing campaign aimed at millennials will be unveiled to press and industry tomorrow to try and convert a sceptical, cash-poor generation into long-term buyers of diamonds. Its creators hope it will be as effective as De Beers' "A Diamond Is Forever" was in capturing the hearts and dollars of earlier generations.

The objectives of the campaign, created by the Diamond Producers Association, are clear. "We want to forge a deep and durable connection with the millennial consumer," says Jean-Marc Lieberherr, chief executive of the DPA, formed last year by seven mining companies including Alrosa, De Beers and Rio Tinto. "They are the future of the category."

Millennials are already considerable buyers of diamond jewellery, according to De Beers. In a US market worth \$39bn, they account for 41 per cent of sales, the same as Generation Xers (those born from the early 1960s to the early 1980s).

They do not yet have anything like the spending power of yet-older baby boomers, however. This group born between 1946 and 1964 will have spending power of \$15tn by 2020, according to Euromonitor, whereas millennials will have \$1.4tn by the same date, say consultants Accenture. There are 75.4m millennials in the US, according to the Pew Research Center, which defines them as people aged 18-34 in 2015, compared with 74.9m baby boomers.

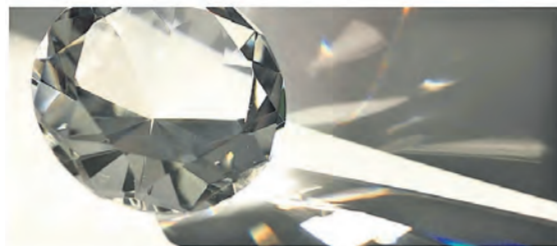
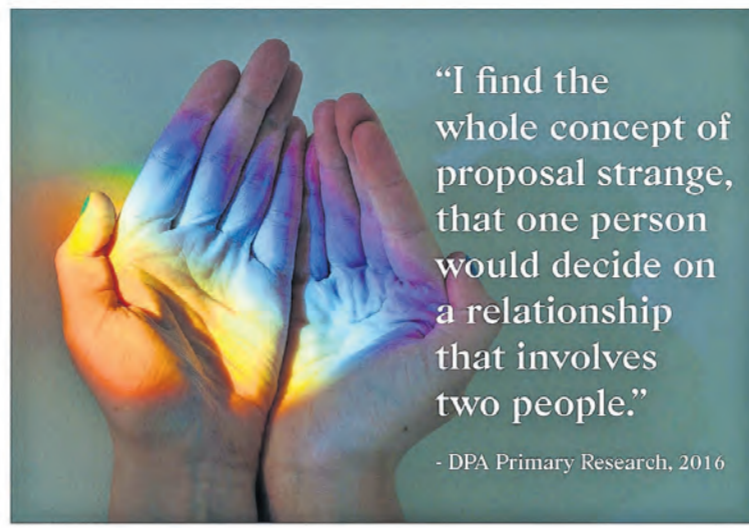
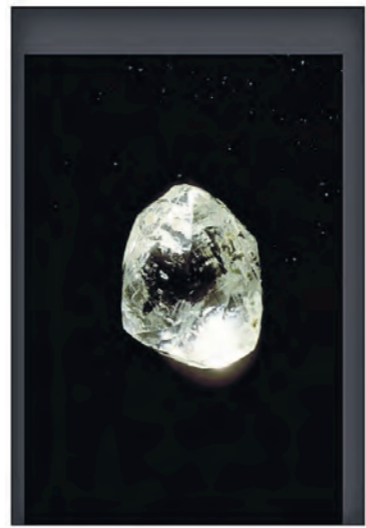
The diamond industry sees a need to start winning over millennials now. "It's a numbers game," says Marshal Cohen, chief industry analyst at market research company NPD Group. "A campaign like this is overdue and is critical for the industry's future."

The DPA is not expecting immediate results. Whether it is speculating about new mines or developing markets, "we are used to taking a very long-term view," says Stephen Lussier, the DPA's chairman and chief executive of Forevermark, the De Beers division for responsibly-sourced diamonds.

With an initial budget of \$18m over three years, the campaign, whose details were still being finalised when this report went to press, will consist primarily of video advertising on digital platforms including YouTube, pay TV and social media channels.

Thomai Serdari, a luxury marketing strategist, agrees that this kind of multi-layered approach is key to successfully engaging with millennials. "Brands need to create a story that feels authentic to a consumer who has been overexposed to traditional advertising messages," she says. She singles out Hermès as one of the few luxury brands effectively using digital platforms in this way. "On Instagram they create beautiful, playful vignettes that aren't overtly sales-driven," she says.

Jewellers Tiffany & Co have announced that they have developed a "filter" for Snapchat, an app popular with



Millennials are rejecting social conventions such as engagement rings and anniversary gifts

millennials which allows people to send doctored photos to one another. This filter adds sparkle to photos and lets users "try on" a Tiffany ring.

For Mr Cohen, selling diamonds to millennials is also a question of adjusting the product offering for consumers who have less to spend than their parents, and a more casual approach to wearing jewellery. The adjustment might include using smaller stones and putting less emphasis on the "four Cs" of diamond evaluation: cut, colour, clarity, carat weight.

Forging a lasting emotional connection with today's consumer, says Mr Lussier, is no different from 1947, when the "Diamond Is Forever" campaign was created. De Beers retained the copyline — named by industry publication Advertising Age as the 20th century's top slogan — until around 2009.

The market research driving the new campaign reflects millennials' wholly different approach to life, careers and relationships compared with previous generations.

With more experience of divorce, and having grown up through a technological revolution, where superficial relationships via social media are the norm, they are getting married later, if at all, research shows.

They are also comfortable forging their own paths,

Above: The Diamond Producers Association's millennial-inspired moodboard

rejecting social conventions if they do not resonate personally. These include engagement rings and anniversary gifts, which were formerly the focus of diamond marketing. "The campaign is about shifting perceptions from diamonds commemorating specific milestones and social rituals to them marking genuine moments that are chosen by the individual," says Mr Lieberherr.

"Their approach to life is a real challenge to the diamond industry," says Ms Serdari, suggesting that 18- to 34-year-olds value experiences, such as Instagram-able rock concerts and exotic holidays, over material goods. "The trick is for diamonds to become more of a lifestyle aspiration than a product-driven one," she adds.

This is exactly what the DPA is hoping to achieve by plugging into what it believes is the research's key discovery: millennials' enduring need to seek deep, lasting connections with others. "While they are living more and more in a virtual world, they are craving authenticity and sincerity in their relationships more than ever," says Mr Lieberherr.

Given a saturation of advertising aimed at millennials, the DPA's work is cut out. But success is worth striving for, Mr Lieberherr adds: "If we can connect with the millennial generation here in the US, in a few years they'll become the biggest diamond consumers in the world."

Big stones sparkle to deceive as market remains weak

High prices for large diamonds should not disguise an otherwise ailing sector, says Allan Secombe

Recent headlines have highlighted record prices commanded by large rough and polished diamonds. However, this news is in danger of blinding investors to the market's true straits.

Diamond producer Lucara sold the Constellation, an 813-carat stone from a mine in Botswana, to trader Nemesis International for a rough-diamond record of \$77,649 per carat in May 2016. The total price for the stone was \$63m. Lucara has a 374-carat diamond it found last November with the Constellation but the company may decide to delay selling the stone until next year for tax and marketing reasons, says William Lamb, chief executive.

The Constellation's price is likely to be dwarfed by Lucara's sale of the Lesedi la Rona, a 1,109-carat gem-quality diamond also found at the same mine. It has an estimate of \$70m for its sale at Sotheby's on June 29 (see right).

The Lesedi La Rona, unearthed at the Karowe mine, is the second largest diamond ever mined and is ranked only after the Cullinan diamond discovered near Pretoria in 1905, which was cut and polished into diamonds now in the British crown jewels.

Lucara spent up to \$300m buying the Karowe deposit from De Beers and building a mine, according to one industry analyst, adding that these large stones are very significant finds for the company and help to justify its outlay in buying the mine.

Polished diamonds, too, have made news. A 14.62-carat fancy blue diamond owned by Sir Philip Oppenheimer was sold for a record \$57.5m by Christie's in Geneva in May.

But the performance of these exceptional stones does not reflect the trend in global diamond jewellery sales. To

align its output with weak rough diamond demand, De Beers has stopped or sold some mines, and slowed production at others. It also reduced rough diamond prices by 15 per cent last year to stimulate the market, which was choked by oversupply in the cutting and polishing segment and thin profit margins. Overall, rough diamond prices fell by 20 per cent last year, investment bank Macquarie reports.

De Beers spent \$20m on top of its annual \$100m marketing budget to target advertising at buyers in the US in the six weeks ahead of Christmas last year. It also zeroed in on China in a bid to boost diamond jewellery sales and clear



Shining light: Botswana's Karowe mine has given up a 1,109-carat stone

out excess stock, says Philippe Mellier, De Beers' chief executive.

The US diamond jewellery market was the standout performer in a year when other key areas recorded flat or falling sales. Sales there hit a record \$39bn last year, according to De Beers. But that did not prevent a 2 per cent fall in total global sales to \$79bn. India, Japan and the Gulf states all delivered lower sales, caused by factors including global economic uncertainty, tighter consumer credit and falling crude oil prices. Indian purchases fell 9 per cent to \$5bn, Japan was down 13 per cent to \$5bn and the Gulf fell 3 per cent to \$4bn.

There are signs that, in the medium term, diamond prices could recover. Rough diamond production is forecast by Macquarie to rise from 125m carats in 2014 to 145m carats in 2018 before the closure of big, depleted mines and the lack of new large diamond deposits erodes output over the next decade back to levels achieved in 2014, Macquarie says.

"The implication, in our view, is that while diamond prices remain subdued in the short term, the long-term supply shortage should result in a significant upside to both rough and polished prices," says the bank.

Mr Mellier of De Beers says the global diamond market is showing signs of a "fragile recovery" after a difficult year and a half. De Beers is the largest producer of rough diamonds by value and the company formerly controlled up to 90 per cent of the world's rough diamond sales.

It was a view generally shared by panellists at Macquarie's annual Global Gemstone conference in London in May. "Our key overall takeaway was that the rough diamond industry is in a much healthier position than it was last year at this time," analysts Patrick Morton and Daniel Sepe said after the event.

"Profitability has returned to cutting centres, and a significant restocking event is under way. While opinions remain mixed regarding end-user demand, the overall view is that global demand is growing at a slow but stable pace," they said.



Spencer Platt/Getty Images

Hammer time An enormous diamond expects an enormous price

At your common or garden auction, you can rely on anything from 50 to 500 lots going under the hammer. If you miss one Meissen porcelain figurine, another one will be along in a second. But at Sotheby's in London on June 29, blink and you will miss it: there is only one thing for sale.

The sole lot is a 1,109-carat rough diamond, Lesedi la Rona (pictured above), which means "our light" in the Tswana language of Botswana, where it was found. It was the largest diamond dug up for more than a century, roughly the size of a tennis ball, according to Sotheby's.

Sotheby's estimates its value at \$70m. But if it matches the world record for a rough diamond per carat — \$77,649 (see left) — it would fetch over \$86m.

David Bennett, chairman of Sotheby's jewellery division,

says he envisions three types of people who might buy the stone: the professional who will cut and sell it; the private individual who will have it cut to their own taste; or someone who will keep the stone as it is, "one of the rarest objects in the world".

"I was trembling," Mr Bennett says, when he first laid hands on the diamond, and he talks about it in reverent, appreciative tones. He is speaking from Antwerp, where the stone has stopped on a global tour put on by Lucara, owners of the mine it came from.

Mr Bennett points out that the stone's emergence was due to "randomness": a volcano happened to belch it up to 80m below ground, when it was formed 3bn years ago 100 miles beneath the Earth's surface. **Josh Spero**

Tribal trinkets, trials and tribulations

My favourite pieces Dealer and collector Lesley Schiff loves pieces originating from remote communities, says *Kate Youde*

Used to seeing neat Victorian turned beads, Lesley Schiff was fascinated by the organic shapes of the huge, centuries-old Tibetan coral beads a dealer brought into her London shop in the early 1970s. "These things glowed because they were so old and they'd been worn," she says.

She likes natural minerals because of "the way, when they age, they wear down and have that wonderful patina and smoothness, almost like picking a pebble off a beach", and so she bought a coral necklace from the dealer. This started what she calls her "quest" for tribal and folk jewellery.

Ms Schiff has since amassed a collection of several hundred pieces worn by people in rural communities with their own distinct culture and which she describes as "jewellery that defines who they are and where they come from".

After specialising in jewellery at Harrow School of Art, Ms Schiff, 61, started selling antique pieces but as her interest in tribal jewellery grew, she switched to that. "It was a fascinating world and a very social world," she says. "It wasn't about money in the same way as buying and selling antique jewellery was . . . This was about people's passion."

She opened Talisman Gallery in the London department store Harvey Nichols in 1983 to sell tribal jewellery, before making a final move into contemporary jewellery in the late 1990s as the supply of tribal pieces dried up.

She still collects tribal jewellery, however: "If I see something, I still buy it, but there's less and less left to find."

Kazakh necklace (late 19th century, top)

Ms Schiff's interest in tribal pieces grew out of her fascination with ancient Greek and Roman jewellery, which she sketched at the British Museum when a student, and the similarities in their workmanship. "With the trade routes, these techniques spread all over the world," she says.

Her silver and coral necklace is covered in granulation work – tiny balls of precious metal – and although it was made by Kazakhs in Afghanistan, this is, she says, a technique seen on ancient Greek and Roman pieces.

Originally intended as wedding jewellery, Ms Schiff received the necklace from her father on another special occasion – her 21st birthday.

Uzbek necklace (late 19th century, second from top)

As with most of her tribal pieces, Ms Schiff does not know who made her "over the top" silver Uzbek necklace with glass stones, bought from an Afghan dealer visiting the UK. "It's almost like theatrical costume jewellery, even though it's silver, and is very colourful."



Pieces were not signed, she says, but were often made by itinerant craftsmen who would travel between settlements.

Ms Schiff says jewellery from Uzbekistan is not often seen, perhaps because it was sold or destroyed during the Soviet era while "people weren't encouraged to wear their national costume and tribal things like that".

Necklace featuring antique Tibetan amber by Lesley Schiff (main picture)

Inspired by buying some flat pieces of 300-year-old amber, which had originally been sewn on to Tibetan felt headdresses, Ms Schiff decided to make a necklace.

It took her about five years, hunting through bags of amber sold by dealers in the UK and India, to source all the antique flat stones she needed. "You could buy a whole headdress [in Delhi] but I . . . certainly wouldn't have dismantled it to take off the amber," she says.

Fashion magazines and designers including Betty Jackson borrowed jewellery from Ms Schiff for photoshoots and catwalk shows, and a young Naomi Campbell wore the necklace in an early modelling shoot for Elle magazine.

"It's strung in a way that it looks so dramatic on a black dress because the black string disappears and you just see these glowing large amber pieces," Ms Schiff says.

Kabyle Algerian cuff (late 19th century, third from top)

On her first trip to Morocco, in the 1980s, Ms Schiff bought a pair of silver and coral cuffs and an enamel necklace from a dealer in a souk. They were made by Kabyle people in Algeria.

"The Moroccan Kabyle people didn't use coral. They used a glass stone and the colours were more muddy," says Ms Schiff. "The [Algerian] Kabyle enamel and coral jewellery had such vibrancy and, because of my knowledge of making jewellery, I could see when something was really good quality and old."

Zuni cuff (probably 1930s, bottom)

Ms Schiff's sister Amanda, a film producer, collects Native American jewellery and brought back two silver and turquoise cuffs, made by people of the Zuni tribe of western New Mexico.

The Zuni style is distinctive, says Ms Schiff, because "it's lots of little stones in a pattern, whereas [with] something like Navajo [jewellery], which people know better, they would use big chunks."

She wears the cuffs and her other tribal pieces regularly, rather than displaying them. "Some collectors put them on the wall in cabinets," she says. But jewellery, she insists, is meant to be worn.

Fake gemstones shed undignified image as fashion jewellery thrives

Artifice Cubic zirconia is no longer just for those who cannot buy the real thing, says *Hettie Judah*

Imitation gemstones have, for decades, carried the heavy burden of being perceived as naff. Their déclassé associations rest on the assumption of pretence, the idea that the stone itself is not what it seems. What happens, though, when imitation gemstones stop trying to imitate and are sold without pretence as a bit of affordable sparkle?

A shift has taken place within the industry which has made jewellery set with stones such as cubic zirconia, often used in place of diamonds, not simply acceptable but actively chic.

"Contemporary brands using the stones have improved perception," explains Flo Campbell, buyer for Net-a-Porter. "Designers are also using the stones in the style of fine jewellery, which is a huge, fast-growing category that our customers love."

According to research company Key Note, the market for costume and fashion jewellery in the UK in 2014 was £501m; the market for precious jewellery was £3bn.

While Ms Campbell cites the affordable price point of designs set with imitation stones as a significant draw, the notion is relative. On Net-a-Porter's fashion jewellery pages, the more costly offerings include a gold-plated Swarovski crystal necklace from Dolce

& Gabbana for £1,450 and one strung with cubic zirconia from Bottega Veneta for £1,395; prices that elsewhere on the same site would easily cover fine jewellery pieces set with diamonds.

This elevated price bracket for what would formerly have been called "costume" jewellery reflects a trend in purchasing patterns that has emerged over the past few years. Jewellery of all kinds has become an important part of the fashion (rather than luxury) market.

Many also recognised that a seasonal jewellery purchase performs well on cost per wear: it is unlikely that anyone would slip on the same £1,500 dress every day for six months, but there is nothing unusual in doing so with a £1,500 necklace.

On the high street, mid-price jewellery purchased as gifts or fashion accessories has boomed, led by the success of the Danish company Pandora, which had a total revenue of €2.2bn in 2015, in part thanks to its popular charms and rings, many of which are set with cubic zirconia.

Peter Andersen, president of Pandora, says: "In 2015, we set over 2.6bn stones into our jewellery, and the vast majority of these were man-made."

"By substituting semi-precious gemstones for materials such as cubic



'Having imitation gemstones in period pieces is not always a deal-breaker'

zirconia, we have full visibility over where the stones are sourced, and can also ensure price points are kept competitive."

The Icelandic fine jeweller Sif Jakobs launched her range of fashion jewellery – priced between £49 and £499 – in 2009. Angular and graphic, extending to modish pieces such as ear cuffs, it makes lavish use of black and white cubic zirconia. According to Jakobs: "After the economic crisis, more focus has shifted to artificial stones."

"The rise of high street fashion has also affected consumer shopping habits: people are perhaps more interested in buying several different types of jewellery than one expensive piece."

A 2014 McKinsey report cited "hybrid consumption" – consumers buying high and low jewellery – and fast fashion as key trends in the jewellery market.

The rise of interest in imitation stones has had both positive and negative effects on the raw materials available, says Ms Jakobs. "Today, there is a larger gap between poor and high quality due to the increase in supply and providers of artificial stones – so it's easier to find poor quality stones, but also to find high quality," she explains.

Away from self-consciously flamboyant costume and fashion pieces,

Jean Ghika, European director of jewellery for Bonhams, the auction house, is troubled by imitation gemstones' verisimilitude. "The difference between natural gemstones and imitations can be difficult to tell with an untrained eye, and some people may purchase a jewel believing it to be set with a gem when it is actually a piece of glass or similar."

Ms Ghika often sees antique pieces that have had stones replaced with paste (see box). "The presence of imitation gemstones in period pieces is not always a deal-breaker, though," she says. "In September last year, Bonhams London sold a 19th-century diamond necklace for £62,500 in spite of three paste replacements."

Jewellery set with paste or imitation gemstones can fetch a high price at auction if it is of extraordinary provenance. Twenty years ago, a triple-strand necklace of glass pearls formerly owned by Jacqueline Kennedy Onassis set a reserve of \$700 to sell for \$211,500.

Designs sold by the major fashion houses of today are a different proposition: with the accelerated cycle and the broadening of the market, contemporary costume jewellery is something to buy for love rather than investment.

Newly chic jewellery using artificial stones (left to right): Bottega Veneta's oxidised cubic zirconia necklace; a ring by Sif Jakobs; Sif Jakobs' Fucino Grande bangle

What rocks? Know your fakes

Paste and crystal

In the 1720s, the French jeweller Georges Frédéric Strass developed a leaded glass that he could cut and polish with metal powder so that it sparkled like diamond, a material known in French as "strass" and English as "paste". In the late 19th century, Daniel Swarovski developed a method that allowed him to mass-produce very precisely cut lead crystals that closely resembled diamonds or coloured gems when mounted with a foil backing. A resemblance to rock crystals from the river Rhine gave rise to the term "rhinestones".

Imitation and simulant stones

These are man-made, non-diamond materials that imitate (and sometimes exceed) the brilliance of mined gemstones. The most widely used in place of diamonds is synthetic cubic zirconia, which was first produced for use in the jewellery industry in 1977, and synthetic moissanite, which was introduced on to the market in 1998 and is harder than zirconia.

Synthetic stones

"Laboratory" gemstones share the precise chemical composition of their mined counterparts, so a synthetic diamond is a real diamond, albeit one that has been manufactured rather than mined. In February, the directors of Arctic Circle Diamonds launched the Promise of Created Elegance, a range of fine jewellery made with fairly traded gold and coloured diamonds produced by Belgian company Madestones. Those in the market for mourning jewellery can procure diamonds made from cremation ashes from companies such as LifeGem.

Watches & Jewellery

Asia An economic slowdown and corruption crackdown have not kept homegrown companies from expanding into national and foreign markets, writes *Ming Liu*

When it comes to luxury goods in China, “the future”, says Erwan Rambourg, “is female”. Mr Rambourg, who is global co-head of consumer and retail research at HSBC, says the market has undergone a deep shift, in no small part because of China’s anti-corruption drive, which tightened up rules on “gifting” between executives, largely men. “It’s moved from a male-, watch- and gifting-driven market to a more female-dominated luxury space.”

While luxury watchmakers selling in China have been plagued by overstock, volatile currency fluctuations and the anti-corruption campaign, the jewellery market in comparison looks brighter. Both are facing slower growth, says Mr Rambourg, but there are “fundamental differences” between the sectors which look likely to favour jewellery.

China’s jewellery market will not in the near future see 22 per cent annual growth, as it did from 2009 to 2015, but it nevertheless grew by 7.3 per cent to Rmb306.9bn (\$47bn) in 2015, according to HSBC. This is above the 5 per cent HSBC forecasts for the sector in each of the next three years, which – while pallid – is at least positive. (Euromonitor forecasts 7 per cent compound annual growth in 2015-20.)

Where watches are predominantly wholesale driven, jewellery is retail-based – with brands distributing within their own stores, including “concept stores” with radically new designs. Branded jewellery (ie from global companies) is due to grow from 20 per cent today to 30-40 per cent, according to figures from consultancy McKinsey. The McKinsey report identified “emerging-market consumers, for whom established brands inspire trust and the sense of an upgraded lifestyle”, as one of three groups driving growth.

Urbanisation and rising disposable income will drive it, too, though “companies have to change their branding strategy and product offering to capture the incremental market growth”, says HSBC analyst Lina Yan.

The biggest names may still be foreign, such as Cartier and Tiffany, but several homegrown houses have expanded in recent years, providing Chinese consumers with Chinese jewels.

Hong Kong-listed Chow Tai Fook is the world’s biggest jeweller by market capitalisation (HK\$54bn, \$7bn) with a retail network of 2,286 stores. Revenue decreased 4.1 per cent in the six months ending in September, but executive director Adrian Cheng sees “potential” in some sectors of its business. Last month, however, the company warned that it expected 2016 profits to fall by 40-50 per cent because of “weak consumer sentiment in [the] Greater China region”.

Sales to its top clients – those spending at least HK\$10,000 annually and who make up 50 per cent of sales – had posted monthly double-digit growth on average in 2014 and 2015. “[These clients] are younger and more willing to embrace international traditions, such as engagements and Valentine’s Day,” says Mr Cheng.

Whether a greater embrace of engagement traditions will bolster the market when marriages have dropped 5 per cent, according to HSBC estimates, remains to be seen. The wedding sector accounts for a third of the country’s jewellery market.

Still, pursuing the fresh popularity of diamond jewellery for weddings and more, in 2014 Chow Tai Fook purchased Hearts on Fire – an American luxury brand – for \$150m.

The Chow Tai Fook and Hearts on Fire collections, priced Rmb20,000-Rmb30,000 (\$3,000-\$4,600), are currently in stores, with more than 120 new Hearts on Fire points of sale due to open throughout next year.

Chinese brands are also catering to their citizens abroad. Qeelin – founded in Hong Kong in 2004

Chinese brands have global glitter



and acquired by luxury conglomerate Kering in 2013 – is banking on Chinese travellers.

While Hong Kong has suffered from a fall in tourism from the mainland – down 18 per cent from January to March 2016, according to HSBC – a rebound in trips to Korea, Japan and Thailand has compensated. “They’re just shifting,” says HSBC’s Mr Rambourg. (In Hong Kong in January and February 2016, watch and jewellery sales were down 24 per cent, HSBC says.)

Qeelin, whose main markets are the mainland, Hong Kong and France, will launch four new stores this year, including two now open in South Korea. Its chief executive, Christophe Artaux, adds that women are increasingly buying for themselves – and seeking more design-led pieces, compared to the status-oriented purchases they sought before.

Currency goes some way to explaining the move. The renminbi has fallen 6 per cent against the Hong Kong dollar since early 2014, while it had strengthened 17 per cent against the South Korean won by early February; at the time of writing, it was up 10 per cent.

Another homegrown brand, TTF Haute Joaillerie, is expanding into Europe. The company currently produces only 30 high jewellery pieces per year, priced from about Rmb3m, all privately sold. Founded in 2002 in the industrial hub of Shenzhen, TTF will open its first boutique, in the Rue de la Paix in Paris, later this year.

The new flagship will sell a more accessible collection, priced from Rmb50,000, which will keep

TTF Haute Joaillerie’s Magnolia Blossom necklace encircles Wallace Chan’s Vivivivity brooch

‘[Our clients] are younger and more willing to embrace international traditions, such as Valentine’s Day’

its signature Sino-French aesthetic of using jadeite and white jade.

“France is home to the most important international jewellery brands,” says TTF’s founder, Frank Wu. The growing number of Chinese tourists was also a factor, as wealthy overseas Chinese and mainlanders make up his client base. Chinese outbound tourism has gone from 11m in 2000 to 117m in 2014, and is expected to grow to 200m in 2020, based on data supplied by Exane BNP Paribas.

According to consultants Bain & Company, jewellery is “ever more perceived as a safe investment in an uncertain economic and financial environment” – a sentiment that resonates with smaller Chinese *maisons*.

Hong Kong-based Wallace Chan is sought after for his rare gemstone designs, which start from \$150,000. He has no points of sale and expanded only by word of mouth and by participating in jewellery and fine-art fairs. Mr Chan calls the China downturn an “adjustment”.

Chow Tai Fook is also focusing on unique pieces, having launched an annual high jewellery collection five years ago. After touring China, the 15 pieces are then privately auctioned, with only its top 200 or so clients invited to bid.

At jeweller Cindy Chao’s showrooms in Taipei, Hong Kong and Beijing, Chinese customers buy for investment. “The top of the pyramid are still shopping, but aiming for the best,” says Yuting Hung, Cindy Chao’s marketing director, who points to recent auction records for coloured diamonds.

We do! Ten pieces of wedding jewellery that are not rings

Russian nuptial crown 1884

After the marriage of Alix of Hesse to Tsar Nicholas II in 1894, this became part of the imperial wedding regalia. Set with 1,535 old mine diamonds, it formed part of a weighty nuptial ensemble, including a *kokoshnik* headpiece and gemstone-laden bracelets.



Pair of kaluthiru necklaces c1800

Their owner, Sameer Lilani of the jewellers Amrapali, says these necklaces from Tamil Nadu would have been worn only twice – by the bride and groom on their wedding day and on their 60th anniversary. The necklaces weigh 2.5kg, with tiger-claw pendants.



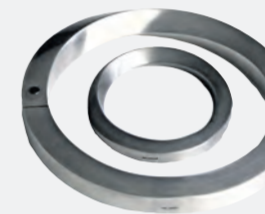
Delfina Delettrez, ‘Marry Me’ septum ring 2016

“Why do women who refuse standard love accept a standard ring?” asks the designer Delfina Delettrez. She has turned the wedding band into a white gold and diamond nose-ring for those who sport the piercing *du jour*.



Gijs Bakker, ‘Ter Horst’ Möbius set 1967-72

This aluminium Möbius necklace and matching bracelet have only one side, thanks to their Möbius twist. They lock closed with screws that can be opened with a Dutch five-cent piece.



Harry Winston, Noor-ul-Ain tiara 1959

This was worn by Farah Diba at her wedding to the Shah of Iran. Set with 324 white, pink and yellow diamonds, the tiara is named for its centrepiece, one of the largest pink diamonds.



Byzantine wedding belt Late 6th century AD

This belt, found in Baniyas, Syria and now in the Louvre (left), is strung with 22 gold medallions, some of which carry reliefs of a wedding scene. Mixing iconographies, they show the figure of Jesus and the Roman custom of the bride and groom uniting right hands.



Bulgari, emerald and diamond necklace 1962-64

The central brooch, set with an 18.61-carat emerald, was an engagement present to Elizabeth Taylor from Richard Burton after they fell in love in Rome in 1962. The necklace it hangs from was his wedding gift to her in 1964.



Ilya Kabakov, ‘Flies’ wedding set 1992-2010

This design by the artist Ilya Kabakov for his wife, Emilia, was created in 1992 but not realised for almost 20 years. For the Soviet-born Kabakovs, the fly represents freedom – uncontrollable even in a totalitarian state.



Philip Treacy, wedding helmet 1989

Stylist Isabella Blow’s fascination with the medieval extended to her wedding, for which she wore a jewel-embroidered dress inspired by Eleanor of Aquitaine, topped with a wimple and gold lace helmet.



Cartier, Mackay Emerald necklace 1931

A wedding gift from Clarence Mackay to Anna Case – a prima donna of New York’s Metropolitan Opera from 1909 to 1920 – the pendant of this Art Deco necklace was set with a 167.97-carat stone that became known as the Mackay Emerald.



Selection and text by *Hettie Judah*

Mandarin much heard in Manchester

Tourism The city’s jewellers have been enticing Chinese shoppers, reports *Andrew Bounds*

The north of England has never been more popular with Chinese tourists. In 2015, there were 64,000 visits from China, up from 35,000 in 2014 – a record, according to national tourism agency VisitBritain. Direct flights to Beijing from Manchester begin this month, and Shanghai could follow, further boosting tourism.

Rising numbers of visitors – often to see relatives or to watch Premier League football – have increased their economic contribution. In 2015, Chinese tourists spent £83m in the north, up 17 per cent on the previous year, according to VisitBritain. The Marketing Manchester agency has developed a guide in Mandarin to tax-free shopping in the city, distributed in China as well as in Britain (the guide is also available in Cantonese and Arabic).

Luxury businesses in particular are benefiting from the influx of Chinese visitors: at Boodles, a family-owned jeweller that dates back to 1798,



Chinese clients account for more than 10 per cent of turnover at its Manchester shop. The company has hosted several meals at Chinese restaurants for valued clients.

Michael Wainwright, managing director, says that the Liverpool-based business had always been popular with local Chinese. “Now we have their relatives from China and Hong Kong coming in. Students also bring their parents. Sunday afternoons are when we usually see them.

“They really like diamonds – they do not go so much for coloured stones. They also like Patek Philippe watches – they are the only third-party item we sell. It is hard to get them in China and they are a lot more expensive.”

Hancocks jewellers, also in Manchester’s prime King Street shopping district, occasionally opens specifically for wealthy Chinese customers in the evenings. Roy Lunt, the owner, says there has been a big increase in Chinese shoppers, who now account for a 10th of sales. One of his prize possessions is a sales slip for £220,000 for a single ruby that went to a Chinese customer.

“There is nothing of this quality outside London. We get a lot of referrals from jewellers there,” he says. Word of mouth also works well. “We sold a sapphire ring worth £50,000.

The lady took it back to Hong Kong and someone saw it and said how beautiful it was, then they came over to buy from me.”

Another attraction of Manchester is that prices there can be lower than in London because of the northern city’s lower rents and wages.

Manchester has more than 14,000 ethnic Chinese residents, according to the 2011 census, along with thousands more students at its universities. Nearby Liverpool has 8,000 Chinese residents, as well as 3,200 students, and is twinned with Shanghai, which

A prize possession is a sales slip for £220,000 for a single ruby that went to a Chinese customer

modelled its waterfront on that of the British port.

Boodles’ shop at Harrods department store in London has a Chinese-speaking member of staff, and Manchester could be next, Mr Wainwright says.

The jeweller has no plans, however, for a store in China, after closing its Hong Kong branch. “It is a very difficult place to do business. We are very happy to sell to them here in the UK,” Mr Wainwright says.

Watches & Jewellery

Online A new wave of websites claims to offer buyers and sellers of second-hand gems transparency and keen prices. By *Rachel Garrahan*

Not your grandmother's jewellery store

The RealReal is a US-based online luxury resale marketplace where shoppers can find anything from a Chanel quilted handbag to a Van Cleef & Arpels Alhambra necklace. Having inspired confidence in investors about its prospects, it raised \$40m in venture capital funding in April, after attracting \$83m previously. The company expects to sell merchandise worth \$400m in 2016, a quarter of which will be from its fastest-growing category, fine jewellery and watches. (In comparison, auction house Christie's sold \$624m of jewellery in 2015, online and in physical auctions.)

The site is one of several that are seeking to benefit from the growth of global annual jewellery sales, which, according to consultants McKinsey, will reach €250bn by 2020, up from €148bn today. Those surveyed by McKinsey in 2014 expected online jewellery sales to go from 4 or 5 per cent of the market to 10 per cent by 2020.

These sites are seeking to guarantee value and trust for buyers and sellers alike, and provide alternatives to the online auction group eBay, which does not verify or curate any of its listings.

Coming from a family of jewellery manufacturers and with online retail experience at Groupon and Fab, Tirath Kamdar launched TrueFacet, a consignment site focusing entirely on watches and jewellery, in 2014. He saw an opportunity to bring transparency to the market for second-hand or estate jewellery which traditionally has been dominated by pawn shops, independent stores and dealers. The opportunity is a substantial one, he adds, estimating that the estate jewellery market "is worth more than \$15bn in the US alone and three times bigger globally".

Michael Groffenberger, The RealReal's senior category director for fine jewellery and watches, agrees that the broader industry has been opaque in its dealings until now, making it hard for owners to assess the value of their unwanted jewellery and for buyers to know whether they are paying a fair price.

Putting the emphasis on creating a full service for sellers and buyers, The RealReal takes possession of all consigned items, authenticating and professionally photographing them before listing them on its glossy site.

The company accepts items via mail, but given the complexities inherent in valuing jewellery and watches, it has opened four valuation offices across the US in the past year. Mr Groffenberger says this face-to-face approach has been worth the investment. "We see higher-value items and higher conversion in customers who come to our offices," he says.

Prospective consignors meet gemologists, who authenticate and assess the value of an item, giving a much



A glimpse inside The RealReal's storage vault in San Francisco
Eric Risberg/AP

more realistic idea of an obtainable price than if a consignor were to set it themselves on, for example, eBay. In return, consignors pay a 40 per cent commission on items sold, falling to 30 per cent for annual sales of \$10,000 or more.

TrueFacet allows customers to send pictures of items through the site or by text message. In return, they receive a real-time valuation from a specially created algorithm that uses internal and third-party data and takes into consideration a piece's attributes, materials, condition, packaging and popularity.

Once an item is sold, it is sent to TrueFacet's New York offices for authentication before proceeding to its new home. TrueFacet holds the buyer's money while it authenticates the piece; if it passes that process, the payment is sent to the seller, less an average of 15 per cent commission on the final sale price. TrueFacet also offers to take charge of the

entire listing process in return for an average commission of 20 per cent.

New York-based Del Gatto, meanwhile, seeks to give its sellers the best value by using a hybrid business model. Once an owner receives Del Gatto's valuation for an item, they have two options: to accept a cheque from the company to purchase it outright or to offer the item on Del Gatto's marketplace, I Do Now I Don't, for a 15 per cent success fee (10 per cent for sales of \$100,000 or above). I Do Now I Don't achieves an average sale price of \$5,000, compared with an average Del Gatto purchase of \$15,000, the company's founder, Chris Del Gatto, says.

But who are the consumers purchasing from these luxury digital marketplaces? Ayako Homma, senior research analyst at Euromonitor, says millennials are the key consumers. Having grown up online, "they rely on fashion blogs and social media to follow trends in fashion and style", she says. This consumer is more likely to find products in The RealReal's under-\$1,000 "Editors' Picks" shop than on I Do Now I Don't, at least until their income increases.

Mr Groffenberger says the age range of The RealReal's customers is wider, from 25 to 65. He attributes the growth enjoyed by the watch and jewellery department, at least in part, to its having attracted some of the 4m customers who were already using the site to buy handbags and fashion.

Mr Kamdar adds that search engine-friendly products such as Cartier's Love bracelet and Van Cleef's Alhambra collection have been a key factor in TrueFacet's growth. A Google search for "buy Cartier Love bracelet", for example, brings up TrueFacet on the first page.

Christie's jewellery department also seeks to include web-friendly products in its digital sales. Angelina Chen, head of jewellery ecommerce at Christie's in the US, says the company's far-reaching resources and mixture of established collectors and first-time buyers mean it does better with more unusual products than the purely digital marketplaces. "Pieces like a pair of 1970s VCA turquoise ear-clips appeal to our sophisticated buyer," she says.

Sucharita Mulpuru, an ecommerce retail analyst at Forrester, says that now that many of the emerging luxury consignment sites have received their millions in venture capital funding, the pressure is on them to perform. For example, Vestiaire Collective, a French website for second-hand luxury goods, received €33m in an additional funding round in 2015, bringing its total fundraising to €60m.

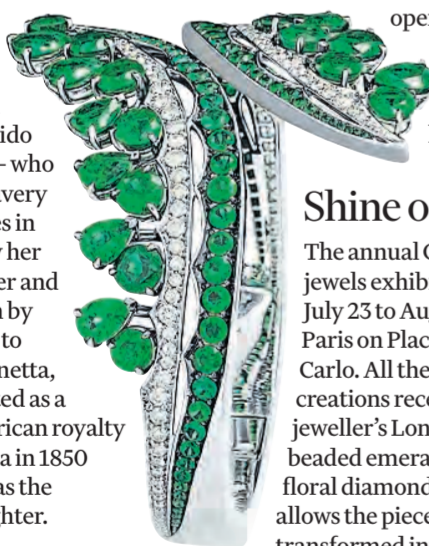
The problem, as far as Ms Mulpuru sees it, is a classic digital one of supply and demand. "High-end luxury is a very small part of the overall retail market and there are only a finite number of people with the kind of merchandise that other people actually want to buy," she says.

A Google search for 'buy Cartier Love bracelet' brings up TrueFacet on the first page

Freed slaves celebrated in ethical emeralds

Vania Leles, born in Guinea-Bissau, west Africa, has created a six-piece high jewellery collection using responsibly sourced Zambian emeralds and diamonds from Gemfields, the ethical mining company. A former catwalk model for Saint Laurent, Leles studied at the Gemological Institute of America before working for jewellers Graff and De Beers. She opened an atelier on London's New Bond Street last year.

The collection pays tribute to Dido Elizabeth Belle — who was born into slavery in the West Indies in 1761 but freed by her aristocratic father and raised in London by his family — and to Sarah Forbes Bonetta, who was presented as a "gift" by west African royalty to Queen Victoria in 1850 and later raised as the queen's goddaughter.



The boutique will showcase a selection of 10–12 jewellers at a time, and will exclusively launch a new fine jewellery designer every month. This month is Mattioli, run by Licia Mattioli, who trained as a lawyer, then

opened a contemporary art gallery in Turin to support young artists before turning her hand to jewellery.

Shine on show

The annual Graff Diamonds rare jewels exhibition will be held from July 23 to August 7 at the Hôtel de Paris on Place du Casino in Monte Carlo. All the pieces on display are creations recently finished at the jeweller's London workshop, such as a beaded emerald necklace with a floral diamond clasp that allows the piece to be transformed into a brooch; a 50-carat D flawless heart-shaped diamond ring; and a yellow and white diamond necklace with an internally flawless pear-shape drop.

Up in the air

Having launched its first three women's pendants last November, this month Alice Made This will offer its first complete collection for women. The predominantly men's accessories brand was founded in 2011 by former Tom Dixon designer Alice Walsh and is stocked by department stores including Liberty, Harvey Nichols and Bloomingdale's.

Alice Made This works with a family-run factory in Hertford in the UK that manufactures parts for the aerospace and engineering industries to create precision mill-turned jewellery, with each piece sculpted from solid brass, steel or copper.

Windsor check

The first in a series of new Cartier

boutiques has opened across four floors in Cheongdam, Seoul, where a celebratory exhibition will run until the end of the month. Its exhibits contain diamond tiaras, including a millegrain-set example that belonged to Elisabeth, Queen of Belgium, and a trio of British brooches: a flamingo made of diamonds, emeralds, sapphires, rubies and a citrine that was sold to the Duke of Windsor; a clip monogrammed "WE" made for the Duke and Duchess of Windsor; and the diamond rose worn by Princess Margaret to Queen Elizabeth II's coronation. The Seoul boutique will be followed by a new space in Tokyo, the reopening of Cartier's Fifth Avenue mansion in New York and another shop in London next year.

Factory fresh

Bulgari will combine its two jewellery production plants later this year into an environmentally friendly 14,000 sq m site in the Piedmontese municipality of Valenza, northern Italy. While Bulgari's high jewellery creators will remain in its Rome workshops, the new facility will increase the brand's production capacity and is expected to recruit more than 300 employees. "The Bulgari Group will have at its disposal the biggest jewellery manufacture in Europe," says chief executive Jean-Christophe Babin. The site will house a college to provide students and new employees with specialist training. It will also be home to a restored 19th-century goldsmith's workshop. The site's green credentials, including efficient water management and the use of renewable energy, are aimed at securing the internationally recognised Leadership in Energy and Environmental Design certificate.

Great Peter Street

Dior will open a new four-floor boutique on New Bond Street at the beginning of this month — its largest shop in the UK. Peter Marino, who also designed the renovated Bulgari jewellery boutique that opened a few doors down in April, has this time mixed Louis XVI furniture and silk townhouse carpets with contemporary metal sculpture. Clothing, homewares and accessories will be sold alongside watches and jewellery. A commemorative series of limited editions inspired by the Union Jack will include new versions of the Cygne collection in diamond, ruby, sapphire and purple spinel, and a mother of pearl Dior VIII Grand Bal Plissé Soleil ladies' watch with blue or red alligator straps.

Camilla Aparca

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