

Watches & Jewellery

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Price cuts are a sign of the times

Market expectations for Baselworld are likely to be subdued, reports *James Shotter*

As record-breaking years go, 2013 was a somewhat down-beat one for Switzerland's watchmakers. Although exports hit an all-time high, at SFr21.8bn (\$24.8bn), they were just 1.9 per cent above the level achieved in 2012.

For an industry used to double-digit growth, the slowdown was something of a shock.

So it is no surprise that as members of the industry gather in Switzerland at the annual Baselworld trade fair, which opens in the city on the French-German border today, there is more than a little caution in the air.

"I think it will be a difficult year," says Michele Sofisti, who doubles as head of Gucci's watches division and chief executive of Sowind Group, the Swiss haute horlogerie company that owns the Girard Perregaux and Jean-Richard brands.

"Of course, things can improve; it depends on the world economy. But I'm not sure when the turnaround will come. I think there is quite a lot of inventory out there."

Analysts agree. "Market expectations for Baselworld will be prudent this year," says Thomas Chauvet, luxury goods analyst at Citigroup. "The mood is unlikely to be bullish after a disappointing 2013 performance for the Swiss watch industry."

A sign of this caution is that a number of brands are considering cutting prices in 2014 – a noteworthy



Anticipation: the Baselworld fair opens in Switzerland this week

Getty

change of direction in an industry that has seemed able to raise them almost at will in recent years.

"There has been a change," comments Jean-Frédéric Dufour, chief executive of Zenith, one of LVMH's stable of brands.

"Lots of watchmakers are pulling prices down a bit to make sure they are competitive. This trend was already there [at SIHH] in Geneva, and I can imagine that Baselworld will confirm it."

Mr Sofisti takes a similar line. "I think this will be a year in which

everyone pays very close attention to price, to ensure that customers are getting very good quality for their money. The years when you could put any price on a product are over," he says.

Even watchmakers that are not overtly cutting prices are reviewing the balance in their collections between more and less expensive watches.

"We are changing our mix," concedes Stéphane Linder, who took over as chief executive at TAG Heuer, another LVMH brand, last summer.

"For example, if we have a collection of watches with prices ranging from €1,000 up to €6,000, we might now have more watches close to the lower end than we had in the past."

This mood of caution is also likely to be reflected in the types of timepieces that shimmer behind Basel's plate glass cases, reckons Jon Cox, head of Swiss equities at Kepler Cheuvreux, a Europe-wide financial services company.

"In terms of new collections, I expect there to be fewer glitzy and

showy watches, reflecting the zeitgeist," he says.

Mr Linder agrees. "I think there will be a return to simplicity, and a focus on timeless and classical watches."

"The industry goes in waves and, for the past five to six years, there has been a focus on extreme products, over-design, oversize. I think there will now be a shift back to more simple and understated watches," he says.

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Watches & Jewellery News

Diversification Assembly plant shows fashion leader’s commitment. *By James Shotter*

Chanel begins to lift the lid on its Swiss secret

Fashion, Coco Chanel once said, is “not something that exists in dresses only”. Couture houses have often taken her at her word, expanding their offerings beyond the items that made them famous. Chanel was one of the first fashion brands to move into watches, introducing its Première range in 1987. Others, ranging from Hugo Boss to Calvin Klein, have followed suit. To underline its commitment to horlogerie, in 1993 Chanel bought Châtelain, a watch assembly plant in La Chaux-de-Fonds, the heart of the Swiss watch industry. Since 2011 the company has increased the number of

staff at its Swiss site from about 270 to 350. And it opened a factory in 2012 that more than doubled the floor space from 8,000m sq m to 18,000 sq m. In recent years the notoriously secretive brand has admitted journalists to the plant, a sleek oblong complex on a windy incline just outside La Chaux-de-Fonds – a town also populated by workshops for other watchmakers, such as Breitling, TAG Heuer and Patek Philippe. Nicolas Beau, the privately owned brand’s international director of watches, says the greater openness is in part a response to a growing desire among customers to understand the provenance of the watches.

“Especially at the high end, customers want to know where their watches have been made. We felt it was important for people to know that their watches are made in Switzerland to the highest standards,” he says. “Our manufacture is a very important part of what we do.” Chanel does not disclose figures about how many watches it makes, or what the division’s sales and profits are. Analysts’ estimates range from 25,000 to 30,000 units a year, with revenues between SFr100m (\$114m) and SFr120m, but most concede this is a rough guess. However, Mr Beau says the impact on the watch industry of Chanel and

other arrivals from the world of fashion has been bigger than such relatively small figures might suggest – total Swiss watch exports were worth SFr21.8bn last year. “I think we have helped create a new market,” he says. “There was a time when women’s watches were just men’s made smaller. Now, there is an understanding that you need to design watches specifically for women.” Laurence Nicolas, chief executive of Dior’s timepieces and jewellery business, makes a similar point. “We are very small. We don’t want to be arrogant, we are a drop in a big masculine market. But I think we have changed

Precision: a watchmaker at work in Chanel’s factory in Switzerland



the habits of the industry by being feminine,” she says. In terms of market share, the impact of the new arrivals will be felt at the lower echelons of watchmaking. “Chanel has had huge success and it is able to sell watches for between SFr3,000 and SFr5,000 on average, but apart from them, most of the other fashion brands’ watches have typically sold for between SFr200 and SFr500,” says Stéphane Linder, who took over as chief executive at TAG Heuer last summer. Analysts largely agree. “They are a bit of a threat, but not to the high end,” says René Weber, an analyst at Vontobel, the Swiss private bank.

‘Now, there is an understanding that you need to design watches specifically for women’

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Price cuts loom as industry sounds note of caution

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“In these lukewarm [economic] situations, people are less keen to show off. They want a watch that they can wear on any occasion.” Despite the caution on display among executives, however, most analysts are still predicting the industry will grow at between 6 and 8 per cent this year, more or less in line with its long-run average. As ever, though, much depends on China. Last year, exports to the country – which following a decade of roaring growth is now the third largest market for Swiss watches – fell 12.5 per cent, according to the Federation of the Swiss Watch Industry. This was partly the result of a slight economic slowdown. But by far the biggest cause was a crackdown by the Chinese leadership on the practice of giving luxury gifts, such as watches, to win political or economic favours. Combined with a 5.6 per cent decline in Hong Kong, the largest market for Swiss watches, the Chinese drop was the main reason for the slowdown in overall Swiss watch exports. So even a tailing off of this decline would be enough to give the industry’s figures a healthier glow in 2014. Some improvement seems likely. But how quickly it will come is open to question. “There has been so much conflicting information,” says Mr Cox. “One issue is the crackdown on gifting; another is the crackdown on undeclared watches at the Hong Kong-China border. But clearly, over the medium term, with the middle class continuing to expand, growth will come back.” Mr Dufour is also confident of China’s long-term attractiveness. In the short term, how-



Wearable: Galaxy Gear 2

ever, he says Chinese customers have switched away from expensive gold watches towards more modestly priced steel ones, now that they are buying for themselves rather than to impress people with whom they have political or business relationships. “The bad news is that they are buying less; the good news is that they still love watches,” he says.

One concern was a crackdown by the Chinese on giving luxury gifts to win political favours

The changing dynamics among Chinese consumers are also likely to play a big role in how fast the European market grows this year. This is because sales in the region have been buoyed in recent years by the shopping sprees of Asian tourists. In other parts of the world, the outlook is sunnier, with the US, in particular, catching the attention of both executives and analysts. “I think the US should be quite strong this year,” says René Weber, an analyst at

Bank Vontobel in Zurich. “[The US market] is still below the peak it reached in 2008, whereas in all the other markets we are ahead of 2008 levels.” Beyond the vagaries of different geographical markets, two issues are likely to figure in conversations around the stands in Basel’s exhibition centre. One is the advent of smartwatches. Last year, Samsung launched its Galaxy Gear, and other tech groups – including Apple – are developing models. Some analysts have suggested that smartwatches could pose a threat to more traditional watchmakers. However, for the moment, watch executives are relatively relaxed about the phenomenon, although they are following developments with interest. “I had my technicians buy some smartwatches to see what they were like, but the interface is not yet that good, and you need to have your phone nearby. And the idea of having to charge luxury watches kills the dream a bit,” says Mr Linder. “At the moment, it seems like a lot of hassle for little benefit.” The second, more immediate, challenge is the Swiss competition commission’s decision last October to allow Swatch Group to cut back on the number of movements – the mechanical heart of a watch – that it supplies to its rivals. Big groups have been able to invest in their own manufacturing facilities to cushion the impact of this change, but for some smaller brands 2014 could be the year in which they start to feel the pinch. “There is a trend towards consolidation going on already in the industry, and it will accelerate,” says Mr Weber. “You need a lot of money to be independent, and some brands don’t have much money to spare.”

Contributors »

| | | |
|--|---|---|
| James Shotter Switzerland correspondent | Camilla Aparcar Researcher, How to Spend It | Andy Mears Picture editor |
| Adam Thomson Paris correspondent | Elisa Annis, Anthony DeMarco, Rachel Felder, Meehna Goldsmith, Stephanie Gray, Simoney Kyriakou, Christina Ohly, Jim Shi, Robin Swithinkbank, Syl Tang, Arthur Touchot, Kate Youde, Freelance journalists | Steven Bird Designer |
| Elizabeth Paton Luxury industry correspondent | Helen Barrett Commissioning editor | For advertising details, contact Charlotte Williamson +44 (0)20 7873 4038 charlotte.williamson@ft.com or your usual FT representative. |
| Rachel Sanderson Milan correspondent | | All FT Reports are available on FT.com at ft.com/reports Follow us on Twitter at: @ftreports |
| Simon de Burton, Nicholas Foulkes Contributing editors, How to Spend It | | |

Watches & Jewellery Fairs

Budgets are blown as luxury groups beat a path to Basel

Exhibitors Prices are up but brands cannot afford not to attend, says *Robin Swithinbank*

The world's largest and most costly watch and jewellery fair begins in Basel, Switzerland's third city, today and is expected to attract more than 120,000 visitors from 100 countries during its eight-day run.

The show is open to the public, who will join retailers and press in scrutinising the 1,400 exhibitors, for whom Baselworld is the business fulcrum of the year.

The near-century-old show was renamed in 2003 (it was previously called just Basel), since when its importance has grown exponentially, as have its rates. Last year, following a \$454.5m makeover to the halls, price increases of a reported 20 per cent were imposed on exhibitors.

The site and the event are owned by MCH Group, a public company that returned a half-year operating income of SFr344.9m (\$390m) in the first six months of 2013, a 30 per cent rise on the previous year. Much of that can

be attributed to increased income from Baselworld. According to sources, MCH expects it will take at least 50 years to amortise its investment in the halls. But it believes it will be worth it.

Baselworld has become the lifeblood of the watch and jewellery industry, and – along with Richemont Group's smaller but hugely influential January fair, the Salon International de la Haute Horlogerie held in Geneva – it dominates the annual schedule.

This is not lost on its organisers. "The worldwide impact of the show is tremendous," says Sylvie Ritter, Baselworld's managing director. "If you are a brand presenting your product at Baselworld, you can be sure that the most important buyers from all over the world will be here."

The investment for exhibiting brands is significant. Insiders suggest the largest stands at the show, some of which are three or four storeys high, can cost in excess of SFr10m

(\$11.4m) for the structure alone. Basic ground rent, paid to the organisers, is SFr420 per square metre. According to Baselworld, the largest stand covers 1,625sq m. It would not confirm who rents it, but it is widely thought to belong to Rolex.

Brands then pay an undisclosed premium dependent on the width of the gangway to the exhibitor opposite, which is at its most generous in the area where Rolex and Patek Philippe are located. According to Ms Ritter, prices were fixed last year until 2017, justifying the 2013 increase.

On top of these fees, Baselworld charges exhibitors separately for water, electricity, air conditioning and

access to its wireless networks. Yet despite the soaring costs, brands say they cannot afford not to be there.

"It's a high investment, of course," says Jean-Frédéric Dufour, chief executive of Zenith, a watch company that is part of the LVMH Group. "But it gives you a good return on your investment. We do up to 50 per cent of our annual business there."

Mr Dufour will not be drawn on exact figures, but admits his investment is between SFr5m and SFr10m. "But not going to Baselworld would be a mistake," he says.

Thierry Stern, Patek Philippe's chief executive agrees. "Basel gives me the opportunity to meet all our partners, distributors, affiliates and retailers," he says. "It's like a family meeting that can only take place there. It's also the largest press platform for us."

Such is Baselworld's draw that this year Graff will exhibit at the fair for the first time, despite the fact it does not sell its products wholesale.

It will take the position on the first floor of hall 1 vacated by Harry Winston, which joins the Swatch Group brands on the ground floor this year after its \$1bn buyout last spring.

"Baselworld... provides the perfect environment for us to continue the expansion of the Graff Diamonds brand and our watch division globally," says François Graff, the company's chief executive.

Emporio Armani has returned to the show after a decade-long hiatus, while British brand Bremont, which is reporting more than 40 per cent growth over the past 12 months, has also taken a stand for the first time.

"We tried not to do it for so long," says Giles English, who co-founded the brand in 2007. "But it got to a point where it was doing us damage not being there. We're too big not to do it now."

One brand still ploughing its own furrow is Louis Vuitton. While officially under the event's umbrella, it

presents its collections in a villa in the town centre. "We are there exclusively for the press – we don't have buying and selling sessions," says Hamdi Chatti, the brand's director of watches and jewellery, by way of explanation. Mr Chatti says this strategy has not harmed the brand, citing more than 1,000 press visitors in 2013.

But consensus remains that being inside the halls is critical. Rob Diver, TAG Heuer UK's managing director, says: "As much as I believe we could do our business without it, it gives us the opportunity to show the trade in particular what we're about."

Despite the stranglehold Baselworld's organisers have over brands, Ms Ritter stresses the symbiotic nature of the relationship. "I don't think ours is a position of power. The return on investment is important for brands – that's why they spend such a lot of money. They aren't supporting Baselworld because they are in love with us. It's a business case."

'It was doing us damage not being there'

Giles English, Bremont



1860 Edouard Heuer founded his workshop in the Swiss Jura.
1916 First mechanical stopwatch accurate to 1/100th of a second.
1963 Jack Heuer designs the Carrera Series.
2013 New Carrera Automatic Chronograph with Calibre 1887 in-house movement.



Industry prepares to unveil its showstoppers

Brands

As Baselworld opens its doors, *Nicholas Foulkes* previews the watches that are likely to become the talk of the town

At time of writing the doors are closed, the turnstiles locked and the stands under construction. But behind the scenes, 2014 is shaping up to be a year of surprises with a flurry of new releases from watchmakers.

Thierry Stern, president of Patek Philippe, sounds a warning. "2014 is going to be a challenging year, in particular for companies that made opportunistic, short-term choices of moving all interests in new markets," he says.

"For us it was important to help our established markets before trying to develop new ones. This pays off today. The US market is catching up in a strong way."

Among new launches from Patek Philippe at Baselworld will be what Mr Stern calls "interesting premiers in the segment of men's steel complications".

"This year we introduce a new steel Nautilus complicated model, combining the chronograph and two-time zones Travel Time indication," says Mr Stern. "We also launch a first version in steel-on-steel bracelet of the Annual Calendar chronograph."

2014 promises to be an interesting year for Jean-Claude Biver. Bernard Arnault, chief executive of LVMH, has appointed Mr Biver to oversee TAG Heuer, Zenith and Hublot.

Hublot, a sponsor of the FIFA World Cup, is launching a football chronograph. José Mourinho, the manager of Chelsea FC, is scheduled to present the watch at Baselworld.

Hublot has established a knack for using new materials and this year will show osmium crystal in a watch.

"Osmium is the rarest metal on our planet," says Mr Biver. "It is crystallised using a highly sophisticated process. This enables it to reach its melting point (3,033 degrees centigrade), changing its structure and transforming it into osmium crystal."

Hermès is strengthening its presence in what it calls "time-to-dream territory".

"For us the major highlight will be the presentation of a new complication which we call a singular



Preparation: Baselworld opens this week

complication," says Luc Perramond, chief executive. This year's launch, L'Heure Masquée – or veiled time – appears to show only passing minutes but on the press of a button the hour hand is revealed.

Jacquet Droz, the niche brand at Swatch Group, is more esoteric. The brand was known in the 18th century for automata – mechanical models – that were the centre of attention at the royal courts of Europe.

Last year, the brand created The Charming Bird, a moving sculpture captured in a timepiece. This year it is showing a "signing machine" the size of a

'Many believe vertical integration has shaped a more mature horological industry'

smartphone. It promises to be the articulation of what Jacquet Droz calls "the art of astonishment".

But such technical jeux d'esprit are underpinned by a serious mood.

The drift in recent years towards smaller watches is industry-wide and is noticeable in women's watches. Dior, for example, has signalled a return to the petite femininity of small cases with the launch of a case that measures just 25mm across.

In men's watches this trend has led to records being claimed for thinness. This January at the SIHH fair, Piaget claimed to have made the world's thinnest mechanical watch and there will be similar claims at Baselworld this week.

Christian Lattmann,

vice-president of Breguet, says: "We will present the final version of the extrathin tourbillon that was presented last year as a prototype." He describes it as "the thinnest automatic tourbillon in the world".

However, Jean-Christophe Babin, chief executive of Bulgari, says that his brand's new Octo Finissimo model "will be the slimmest tourbillon movement in watchmaking history, at 1.95mm, a world record."

Nicolas Hayek's announcement about 12 years ago that the Swatch Group would cut back on supplying its movements to competitor brands sent shockwaves through the industry.

Many new movement launches, such as the six movements announced over the past year by Ulysse Nardin, have their roots in decisions taken up to a decade ago, as the brand's chief executive, Patrik Hoffmann, explains.

"Roll back 10 or 12 years ago when Hayek made the announcement and at that time Rolf W Schnyder [Ulysse Nardin's late owner] made the decision to become independent."

The vertical integration that many companies boast today can be traced to Swatch Group's decision. While controversial at the time, there is a belief that it has shaped a more mature and interesting horological industry producing ever more advanced models.

Mr Hoffmann speaks for many when he says, "I think it is about more depth – not just complications. The history of a brand is very important and it matches what we are doing today."

"Today's consumers value that and those true values count more than they did five or six years ago."



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Watches & Jewellery Fairs

Rival events offer lower-cost access to luxury client base

Alternatives Many exhibitors feel priced out of Baselworld, says *Anthony DeMarco*

Taking part in Baselworld is proving to be expensive for many brands. Several exhibitors complained privately last year that they were pressed into building larger, more elaborate and more expensive spaces, and into moving to less desirable locations. A few said they were priced out of the show altogether. The cost of exhibiting in Hall 1.0, the most important area, was as high as \$5m for long-term leases, according to several sources last year. The \$454.5m renovation of the Messe Basel exhibition grounds was undoubtedly a success in terms of the attendance at the 2013 edition of Baselworld. It attracted a record 122,000 attendees, a 17 per cent increase on 2012.

However, while attendance rose, the number of exhibitors fell by nearly 20 per cent to 1,460, and there will be approximately 1,400 exhibitors attending this year, according to Baselworld officials. Jean-Claude Biver, chief executive of watch brand Hublot, owned by LVMH, said last year his company invested SFr3.3m (\$3.7m) for a 10-year lease in Hall 1.0, the featured space in the exhibition centre, but the company expects that investment to result in a turnover of SFr200m. “Basel is a fantastic deal,” he says. However, if you do not have that amount of investment capital, it may not be such a good deal. As Baselworld becomes more luxurious and exclusive, two other trade fairs have entered the market to fill the void.



Glittering hopes: Basel's Markthalle will be the venue for this year's Diamond Show event

The larger of the two is the Europe Jewellery & Gem Fair, being held from April 1-4 in nearby Freiburg, Germany, organised by UBM Asia, a Hong Kong-based trade fair and publishing company. The second is The Diamond Show, on March 27-28 and 30-31 in Basel, organised by the Rapaport Group, best-known as a diamond industry publisher. Baselworld officials refused to comment on the other fairs. Wolfram Diener, UBM's senior vice-president for Asia, said the Freiburg fair is aimed at jewellery industry professionals in search of middle-market products and services who are based within a six-hour drive or train commute from the city. As one of the world's largest jewellery trade fair companies, UBM Asia hopes to capitalise on its international network of

manufacturers and distributors and bring them into a new market, along with European companies. The dates overlap with Baselworld (March 27-April 3), which is no coincidence, allowing those in the trade the opportunity to attend both shows, as Freiburg is only about an hour away by train. “A lot of the mainstream jewellery in Europe is no longer the stuff you see at a fair like Basel,” Mr Diener says. “The retail price tag of \$300 to \$2,500 is no longer well served by the existing shows. We received a lot of encouragement from the European industry to go into the market and fill this gap.” The fair is billed as Europe's first “international jewellery sourcing fair”, meaning attendees can purchase products on site and take them home,

filling another gap in the European jewellery industry. “At other trade shows, direct sales on the show floor are not allowed. Sales and transactions happen anyway. It's not official, but it still happens to some extent,” he adds. The positioning of the fair seems to be a hit, as space is sold out at the Messe Freiburg exhibition space, with more than 420 companies signed on, about twice the number expected, the organisers say. About 100 exhibitors are from abroad, including some who have never sold at a European fair before, such as precious gem dealers from Colombia and manufacturers from Thailand and Hong Kong. “We are bringing some products that people could only find overseas,” Mr Diener explains.

There are even a few companies exhibiting in both Basel and Freiburg, including Miori, a luxury jewellery brand. Melissa Vance, US sales director, says the company wanted to try something new. “Although we still consider Baselworld among the most important events of the year, we are excited for the fresh perspective that Freiburg has to offer,” she says. “In years past, the lack of lodging in Basel has discouraged people from attending the show. We hope that Freiburg can provide a solution to this problem.” Diamond companies seem to be the most enthused about new exhibitions. About 70 will be exhibiting in Freiburg, primarily from Israel and Antwerp. Another 70 diamond and diamond-jewellery firms will be at The Diamond Show in the Markthalle building near Basel's railway station. “The reason we started it, honestly, is because people wanted to be in Basel during the show with a diamond-focused event,” says Alissa Goren, show director. “The show is

‘The quality of traffic during the past two years has declined sharply’

open to the trade as well as private collectors and investors.” Leibish Polnauer, president of Leibish & Co., an online fancy coloured diamond and jewellery dealer based in Israel, may be speaking for many when he explains why he chose to leave Baselworld. “Baselworld has made very successful efforts to brand its Basel show, giving centre stage to luxurious watches, but leaving diamond, jewellery and gemstone dealers as second-grade operators on the back stage,” he says. “With exploding costs, the quality of traffic during the past two years declined sharply,” he adds. “We believe that the Rapaport diamond show will provide us with a platform that is better suited to our fancy colour diamonds and fine jewellery brand... at a more sensible cost.”

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Chinese retrenchment fosters cautious mood

SIHH

Show points to another subdued year, but long-term prospects are good, says *James Shotter*

The Salon International de la Haute Horlogerie (SIHH) traditionally offers the year's first – admittedly partial – snapshot of the state of the watch industry. On the evidence of this year's show, which took place in Geneva at the end of January, another uncertain 12 months lie ahead. On the face of it, the numbers look encouraging. According to the organising committee, about 14,000 guests attended this year's event, an increase of 9 per cent on 2013. But numbers rarely tell the whole story, and among the executives and guests milling around the sleek exhibition booths in the city's Palexpo centre there was a noticeable sense of caution. “The watch sector is in a consolidation phase,” says Fabienne Lupo, chairwoman and managing director of the Fondation de la Haute Horlogerie, which organises SIHH. “We'll have some growth, as in previous years, especially in Asia. But I think that brands are more cautious at the moment, and I think they're right.” François-Henry Bennahmias, chief executive of Audemars Piguet, one of 16 watch brands exhibiting in Geneva, takes a similar line. “I think SIHH in 2014 confirmed the trends of SIHH in 2013, which is that the industry is in a period of transition,” he says. One of the main reasons for the uncertainty hanging over the industry has been the drop in demand in China, after a clampdown by the country's new leadership on the practice of gifting, and several participants noted a smaller Asian contingent at SIHH than in previous years. However, Jon Cox, head of Swiss equities at Kepler Cheuvreux, said this could be down to the fact that SIHH last year launched an Asian spin-off called Watches and Wonders, rather than reflecting diminishing Chinese interest in Swiss watches. “Given that SIHH held a fair in Hong Kong in September, maybe some people decided to stay closer to home,” he says. Other regions turned out

Show-stoppers Eye-catching pieces

Jaeger-LeCoultre Master Ultra Thin Minute Repeater Flying Tourbillon One of the most striking ultra-thin watches is by Jaeger-LeCoultre. At 7.9mm thick, the group says it is the thinnest minute-repeater on the market, with a flying tourbillon, a flying balance and a self-winding system.



Cartier Ballon Bleu Floral-Marquetry Parrot watch Petals might not seem an obvious material for watchmakers, but Cartier used them on its latest Ballon Bleu. The eye is emerald and beak onyx. Cartier will make 20. The price has not been disclosed.

Montblanc Meisterstück Heritage Perpetual Calendar Montblanc's latest range of watches includes this Perpetual Calendar. Strikingly, it is also available in steel for \$12,800.



in force, however, and Mr Cox says the mood among North American and European retailers was “very bullish”. “Perhaps the most optimistic they have been for five years,” he adds. The main themes of the fair, according to Ms Lupo, were similar to those in recent years. “We saw more and more mechanical watches; lots of ultra-thin watches; more and more watches for women. And we also saw a lot of activity in *métiers d'art*,” she says. Analysts broadly agree. “If I had to sum up this year's themes, I would say: thin, female, understated,” says John Guy, an analyst at Berenberg. Ultra-thin watches had attracted a lot of attention before the show – and records duly fell. “This was the most important trend,” says René Weber, an analyst at Bank Vontobel in Zurich. “Piguet broke the record for the thinnest mechanical watch, Jaeger-LeCoultre came with some very thin watches, and Cartier produced the thinnest divers' watch.” Watchmakers have also spoken for several years of the need to do more to attract women to haute horlogerie. Analysts and execu-

tives said this year's SIHH suggests that there has been some success. “Over the past three or four years there has been an evolution. Watches are on women's radar. You see this in fashion shoots, you see it in advertisements. Watches are becoming part of a woman's wardrobe,” says Mr Bennahmias. As well as the excitement surrounding women's and ultra-thin timepieces, the caution surrounding the industry was evident in the more understated nature of this year's offerings. “Last year, sales of solid gold watches came under pressure, as customers put more emphasis on white gold or platinum pieces,” says Mr Guy. “That fed through at SIHH.” For the long-term, however, watchmakers remain optimistic. “We are still very far from reaching our potential. There are tens of millions of millionaires in the world, and the number is growing – but [the industry] only did SFr21bn (\$24bn) of exports last year,” says Mr Bennahmias. “And those millionaires all have at least two houses, they all have two cars – but very few of them have a nice watch.”



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Watches & Jewellery Markets

Luxury tourists set a trail for hungry exporters

Chinese consumers

The figures tell only half the story – China is still driving industry growth, writes *Robin Swithinbank*

Talk of a slowdown in Chinese luxury consumption has been well documented. On the face of it, exports of Swiss watches to China have fallen significantly in recent years. But while the figures are technically accurate, there is mounting evidence that they tell only one side of the story.

When the Fédération de l'Industrie Horlogère Suisse (FH) published its annual report detailing world distribution of Swiss watches in 2013, it confirmed that exports to China were down 12.5 per cent on 2012. But closer analysis of the figures – and the results of a new report into Chinese interest in luxury watches – suggest China is still driving watch industry growth and will continue to lead the way for years to come.

Analysts say exports to mainland China have decreased because Chinese consumers are more aware that domestic prices are pushed sky-high by VAT, import duties and China's 20 per cent consumption tax on watches costing more than Rmb10,000 (\$1,600). Another reason is that Chinese people are travelling more, visiting countries where watches are considerably cheaper.

According to research published in BusinessWeek in January, Chinese outbound tourists made 97m overseas trips in 2013, up from 83m in 2012. The number of passport holders is also rising rapidly. A report published in China Youth Daily last month indicates buying luxury products is “one of the major reasons” Chinese nationals travel abroad.

“You used to be able to sell in China because people didn't know there was such a price gap,” says Erwan Rambourg, HSBC's Hong Kong-based global co-head of consumer and retail research.

“Now, you'll find it very difficult to find a single Chinese consumer who doesn't know that they should not be buying local, but buying while they're travelling.”

While exports of Swiss watches to China have gone down, exports to



Priced out: exports of Swiss watches to mainland China have fallen on the back of high rates of consumption tax and import duties

destinations popular with Chinese tourists have risen steeply.

The FH's report shows exports to the US up 12.8 per cent over the past two years, with the UK increase at 44.5 per cent. Exports to South Korea, considered an upmarket destination for sophisticated Chinese travellers, were up 35.6 per cent over the same period.

“People assume luxury equals China, but it doesn't – luxury equals Chinese,” says Mr Rambourg. “China accounts for 8-10 per cent of sales through the luxury sector, whereas Chinese account for around 35 per cent.”

The World Watch Report 2014, published yesterday by the Geneva-based strategy and research company Digital Luxury Group (DLG), backs up suggestions that Chinese appetite for luxury watches is rising sharply. The report indicates that 23 per cent of all global searches for luxury watches last year originated in China, an increase of 59 per cent over 2013 and more than in any other territory.

The report also shows a rise in interest of 145 per cent in the ladies' watch category.

Based on these findings and assuming that crippling Chinese domestic taxes remain at today's levels, some experts believe the current trend will continue.

“We don't think the main challenge will be developing the demand for luxury products in China, but boosting local consumption,” says Pablo Mauron, DLG's general manager for China.

“That said, we remain optimistic for future growth because tier two and three cities are still largely unexploited [compared with China's tier one cities – usually defined as Beijing, Shanghai, Guangzhou and Shenzhen], and because of the increasing number of Chinese luxury travellers.”

Others feel the disparity between exports and domestic interest may not be long-term. “As in all markets, there can be a lag effect between interest and acquisition or repeat purchase,” says Zahra Kassim-Lakha,

Jaeger-LeCoultre's global head of strategy.

The drop in exports means some brands have overspent in China. Few seem concerned, though – part of their strategy is to drive awareness of products among the travelling elite. It appears to be working.

“We have overspent in China,” says Jean-Marc Pontroué, chief executive of Roger Dubuis, the Geneva haute horlogerie brand. “Our communication budget in China is by far higher in ratio to sales compared to the rest of the world, because we believe we need to be exposing ourselves to the travellers who buy our products when they travel. We don't consider China a territory, but at least 40 per cent of our standard business is addressed to Chinese.”

Another factor contributing to the decline in exports to China is the impact of President Xi Jinping's campaign to curb corruption. The gifting of luxury watches in deals is believed to have been sharply reduced since the campaign was introduced in 2012.

“Watches at lower price points aren't used for gifting”, says Mr Rambourg. “And if you look at the higher-end brands, the risk you take if you offer those is that the person you're offering them to might not know the brand.”

Juan-Carlos Torres, chief executive of high-end watch brand Vacheron Constantin, confirms this. “We are not a brand used in the corruption business,” he says.

“To understand our brand, you have to have a certain level of knowledge. Most of our Chinese customers are individuals, and if they are gifting, it is to a partner, not as part of a business or political transaction.”

Mr Torres, whose brand has 15 boutiques and 12 further points of sale in China, says the global Chinese community accounts for more than 50 per cent of Vacheron Constantin's sales. “There's no slowdown worldwide of Chinese customers,” he says.

According to the World Watch Report, growth in interest in haute horlogerie brands was up 13.16 per

Findings
World Watch Report 2014

- Global consumer interest in luxury watches grew 5.7 per cent in 2013.
- China led the way with 23.25 per cent of all search, after a domestic rise of 59.43 per cent year on year.
- The US and the UK came in second and third, with 20.69 per cent and 10.04 per cent of global search respectively.
- Bric markets performed well, with China, Russia and India returning the highest year-on-year increases. Brazil, however, saw a 2.9 per cent drop, which is likely to be a concern going into the year it hosts the World Cup.
- Rolex, Cartier and Omega are the most searched-for brands in China.
- Interest in women's watches is led by China (up 145.50 per cent), India (up 27.65 per cent) and Russia (up 11.67 per cent).

Compiled by Digital Luxury Group, Geneva

cent year on year in China, higher than any other country. For Vacheron Constantin, the increase was 34.59 per cent. Much of this growth can be attributed to the explosion of mobile phones in China.

Baidu reports that mobile searches for haute horlogerie brands in 2013 were up 120 per cent.

The report shows the most searched-for haute horlogerie brand on mobile was Patek Philippe. For Thierry Stern, the brand's chief executive, this is cause for optimism. “There is a very strong interest in haute horlogerie coming from Chinese customers and it is the sign of future long-term market potential,” he says.

DLG's research suggests the luxury watch industry's growing reliance on China – or rather Chinese consumers – may not be misguided.

CLSA, Asia's leading independent brokerage and investment group, estimates that by 2020 Chinese will make 200m overseas trips a year, double the current figure. Luxury brands will be banking on it.

Growth in Africa's GDP adds to its attraction for luxury brands

Emerging markets

Big watchmakers are investing heavily in the continent, says *Nicholas Foulkes*

Africa is hardly synonymous with wealth and luxury, but the African Development Bank says this may be about to change. A third of the continent's countries are recording GDP growth rates above 6 per cent.

As a result, many of the world's biggest watch brands are investing in stores and distribution networks on the continent.

For marketing purposes, most watchmakers split the continent into three regions: the Maghreb, central, and South Africa. Brands are most strongly established in the latter.

“We started to open a distribution network in Africa some five years ago,” says Jean-Claude Biver, head of the watch division at LVMH, which sells products in South Africa, Nigeria, Botswana and Angola.

“These last three developed astonishingly well, as our product met the taste of the newly rich,” he says. “We plan to open a store in Angola, where we have established a strong brand presence.”

According to Peter Harrison, chief executive of Richard Mille Europe, Middle East and Africa: “Nigeria is the force today. Obviously, a country of a 100m-plus people and a lot of raw materials... is going to be strong. But you can't forget places such as Angola.”

As proof of this affluence, Mr Harrison cites the example of a limited edition watch costing about £55,000 and made in a series of 10 that was marketed in Angola's capital, Luanda, and sold out in days.

“Africa is up 20 per cent in the year to November,” says Jean-Marc Pontroué, chief executive of Roger Dubuis, comparing that increase with a global rise in sales of just 2 per cent.

Africa's growing home market is only part of the



South Africa is an established market for Cartier

Bloomberg

Montblanc Targeting new middle class

Montblanc started distributing its products in Africa in the late 1990s, writes **Nicholas Foulkes**.

At present, the brand is investigating countries such as Ethiopia, Kenya and Congo for distribution expansion.

According to Jérôme Lambert, chief executive, markets such as Sudan, Senegal and Uganda are showing potential.

Montblanc has point-of-sale presences in 15 countries, including Egypt and Morocco in the Maghreb; Ghana, Nigeria and Ivory Coast in west Africa; Mauritius, Mozambique and Zimbabwe in east Africa; and Botswana, Namibia and South Africa in the south.

It has recently appointed a partner in Algiers and is

about to start doing business in Tanzania.

Besides the expanding economies, Africa's population is its biggest asset, according to Mr Lambert. Young, well-educated Africans are contributing to the growth of a middle class.

Business travellers are another growth area. Mr Lambert notes that in the past, travellers between African countries or between Europe and Africa would shop outside their domestic market.

Now they can buy Montblanc at home.

“And of course,” says Mr Lambert, “it is the local clientele in each market that over the next few years will become more and more valuable to the brand.”

for minute repeaters and high-end pieces in London.”

In common with many, Mr Hoffmann sees South Africa as an established market where he has a number of concessions in larger outlets. But companies find the lack of established commercial infrastructure elsewhere on the continent challenging.

North African countries had been considered stable business environments, but since the political upheaval in the region during the Arab uprisings of 2011, many have seen sales fall.

Nicolas Garzouzi, chief executive for Audemars Piguet in the Middle East and Africa, says: “Retailers interested in opening watch stores are still very cautious when investing in representative collections, [although] we obviously don't want to limit ourselves to a few pieces here and there.”

Jean-Frédéric Dufour, chief executive of Zenith, says: “It is a continent with great potential, but because the structures and the habits are not what we consider as standard in Europe, it is sometimes a little difficult.” Despite this, he says Africa compares favourably with other developing markets. “It is a little bit easier than India.”

Its reputation for instability notwithstanding, Africa has long been taken seriously by one of the luxury sector's most successful brands.

Cartier has been active there for several decades. The company has three boutiques, two in Morocco and one in South Africa, and Cartier watches, fragrances and eyewear are distributed in 20 countries.

“We are looking to extend our presence in the near future,” says Alessandro Patti, managing director of Cartier Africa. “We believe that African clients, who are very attentive to the notions of quality, exceptional craftsmanship and beauty, will gain importance over the next decade.”

As Mr Dufour says: “Everywhere that has potential, you find watchmakers.”

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Watches & Jewellery Interview

Founded 1860 – just in time for the 21st century

Brand development A relative newcomer in the international market, Officine Panerai draws on its maritime heritage, writes *Elizabeth Paton*

Many established watch brands are extremely wary in the current market. Which makes Officine Panerai’s optimism about its prospects and its bullish strategies for growth all the more surprising. The company started life in 1860 as a Florentine workshop and school that provided the Italian navy with specialist diving instruments, but its timepieces only hit international retail markets as recently as 1997 when it was acquired by Richemont, the luxury holding group.

Personally selected by Johann Rupert, Richemont’s chairman and owner, to spearhead the launch of the new brand was Angelo Bonati, chief executive.

“A lot of people told me I was crazy to take on an unestablished brand in such a fiercely competitive environment,” says the amiable industry veteran, who over a 34-year career has also worked for Ferrari, Cartier, Dunhill and Yves Saint Laurent.

“And to some extent I agreed with them – I certainly took a great risk professionally. But coming to Panerai has been the best experience of my career. To take a thousand watches and a two-page business plan and build what we have achieved in so little time is extraordinary.”

Mr Bonati’s sentiments echo those of its owner. Mr Rupert has described Panerai as “his baby”, and his decision to acquire the brand as “one of the best of my career”.

“A watch landed on his desk 18 years ago and he fell in love with it immediately. He saw enormous potential in the product, and that it could captivate the mind of the modern consumer,” Mr Bonati says.

“The past does not need to be our focal point.”

Today, in the wake of high demand from mature and emerging economy consumers – and despite a softening luxury market – the two men are forging strategies for long-term growth.

“I don’t mean to sound too Italian, but if you don’t dream then you can’t realise,” says Mr Bonati. “It’s important for Officine Panerai to continue aiming high.”

The brand unveiled a 1,000 sq km manufacturing workshop in Neuchâtel, Switzerland, this year, centralising its manufacturing, marketing, research and development operations under one roof. It is a move that Mr Bonati believes will hand Panerai a powerful degree of autonomy.

“Every quality luxury label is judged by its craftsmanship, and we want to be known as a strong manufacturing watch brand,” he says, adding that the company’s old offices were bursting at the seams.

“It’s vital that we take this step towards total in-house vertical integration and independently create our watches. It will strengthen us and protect us against headwinds encountered by [our] rivals.”

Major expansion at home is a bold move, but one mirrored by a steady roll-out of boutiques abroad, fuelled by demand from the brand’s passionate fans – known as the Paneristi. There are now 63 stores worldwide and, while the US and Europe continue to show steady growth, Mr Bonati has looked east to invest and capitalise on what he sees as the most lucrative potential sales.

“More and more shopper traffic in mature markets comes from emerging market tourists these days,” he says. “We now have 25 boutiques in the Far East and a further 12 in India and the Middle East to cater for this new customer closer to home.”

He says that Panerai’s designs – clean, contemporary lines, an oversized face and a more accessible price point than some rivals – give the business a strong advantage.

“Other brands’ watches – those with highly complicated movements and adorned with gold and diamonds – have their market with ultra high net worth individuals. But the upper middle class is booming in Asia, and it could be a site of considerable growth for us,” he says.

“They like that, while we offer some of the biggest watches in the world, we are also proud to be a simple sports watch. We are not – and have

no aspirations to be – a Rolex or a Patek Philippe. We will never stray too far from our core aesthetic DNA.”

That is not to say that Panerai does not break new ground when it comes to design and innovation. The latest round of Luminor and Radiomir timepieces unveiled at the SIHH fair in Geneva in January featured dials and precious metals, as well as power reserves lasting days rather than hours – in keeping with the brand’s historic naval links.

Panerai also draws on its maritime heritage with its sponsorship of yachting events and regattas, as well

as its figurehead vessel, Eilean. Mr Bonati found this “beauty of a boat” rotting on a Antigua beach; the brand has spent four years and 60,000 workers’ hours restoring it.

“Our relationship with yachting encapsulates so many of the positive values and hallmarks that we want to be associated with. It’s an exciting form of active storytelling that moulds our past, present and future,” says Mr Bonati.

“I really believe being a young brand gives us an opportunity to create our own heritage and destiny. We are elevating ourselves to a position for the 21st century.”



The CV

Angelo Bonati

1980 joins the Vendôme Group (now Richemont), becoming sales director for niche luxury brands including Dunhill, Yves Saint Laurent and Ferrari

1987 director of sales and marketing, Cartier Italy

1993 executive sales and marketing roles, Ginori and later Trussardi Groups

1997 chief executive, Officine Panerai

Right, Angelo Bonati. Below, the Panerai Luminor



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Watches & Jewellery Collecting

New generation of collectors sets the pace in the saleroom

Hong Kong Discerning buyers in their 20s and 30s are helping Sotheby’s break records in Asia’s regional market, writes *Simon de Burton*

While some believe Asia’s voracious appetite for buying luxury watches at retail might be receding, there seems little sign that the regional auction market for pre-owned pieces is in anything but rude health. Last year, Sotheby’s Hong Kong watch department recorded its best performance, shifting a record \$58.8m of timepieces in four sales. On April 8, the house hopes to set the ball rolling on an equally impressive run of auctions, when it stages its first event of 2014 at the Hong Kong Convention and Exhibition Centre. The blockbuster catalogue contains 480 lots with a combined value of more than \$12.8m, among them a broad selection of complicated pieces including tourbillons and minute repeaters carrying six-figure estimates. Rival house Antiquorum tested the waters in Hong Kong last month with the first major international watch auction of the year, an event that grossed \$5.3m for the 200 watches sold. Among timepieces crossing the block was a 2009 Patek Philippe tourbillon minute repeater, which went for \$798,000.

The results gave Sharon Chan, the recently appointed head of the Asian watch department at Sotheby’s, good reason to be quietly optimistic for her sale on April 8. It is replete with the type of contemporary, high-end watch that holds strong appeal for the region’s collectors. The star of the show is set to be a platinum-cased Patek Philippe minute repeating tourbillon with perpetual calendar, and day-and-night indication – the third most complicated wristwatch the prestigious maker has produced, and one that is virtually impossible to obtain new. The example on offer is a year old and has been consigned in its original, sealed packaging with a \$790,000 high estimate – more than \$100,000 below the retail price. The piece is expected to be hotly contested, as is one of three platinum Breguets made in 1997 to commemorate the 250th anniversary of Abraham-Louis Breguet’s birth (\$280,000-\$410,000), a 2003 Girard-Perregaux Opera Two minute repeating tourbillon (\$180,000-\$260,000) and a six-year-old Greubel Forsey tourbillon, one of 11 white gold versions, which could realise \$320,000. “Increasingly, people are coming to

Above: Watches by Richard Mille, Ulysse Nardin, Girard Perregaux and Patek Philippe for auction in Hong Kong. Right: Sharon Chan



‘People are in search of the rare pieces that even VIP clients can no longer get direct from the brands’

our auctions in search of the very rare and very valuable pieces that even the absolute VIP clients can no longer get hold of direct from the brands,” says Ms Chan. “The group of such collectors has become pretty large, but we are also seeing quite a few new clients in the middle and lower ranges. Asian buyers are now realising that it’s possible for a watch to be second-hand but still in excellent working order. “Most, however, only want pieces that are in pristine condition. If they are buying for themselves, then they will accept watches that do not have packaging, but if they are buying for a gift everything has to be as it was when the watch was new.” Ms Chan expects about one-third of the lots to be bought by local bidders, with a significant portion being snapped up by clients from around the world using Sotheby’s online bidding system. “Many of the people who buy in this way are highly experienced,” she says. “As well as reviewing the large-format, high-resolution images [in] our online catalogue, they frequently ask for more pictures of particular details. They are very knowledgeable in terms of design and technology.”

Ms Chan says she is seeing a marked rise in female bidders buying pieces for themselves as a result of the drive by high-end brands to increase their offerings of mechanical watches for women. “Included in the April sale, for example, is a 2009 ladies’ Richard Mille tourbillon with a diamond-set dial in the shape of a celtic knot. It’s a design that symbolises longevity and the endless cycle of life, something that appeals to the Asian culture. Sophisticated women seem drawn to watches with complex movements, and we’re confident that this piece will fetch upwards of \$180,000.” According to Ms Chan, the buyer demographic is also changing. “Until quite recently, I would say that buyers were invariably in the 40-plus

age group,” she says. “Now, however, there are many more in their 20s and 30s who are buying out of an interest in horology rather than as a means of investment. “One couple in their early 30s, for example, have consigned part of their collection of modern watches, which is made up of pieces by independent brands such as Urwerk and MB&F that are notable because they display the time in unusual ways. They now want to sell some of them in order to be able to buy others. “It’s likely they will lose money on some of the watches they have decided to sell, but they don’t regard that in a negative way. They simply see it as the price that has to be paid in order to gain knowledge.” Sotheby’s Hong Kong, Important Watches: on view April 3-7 at the Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wan Chai, Hong Kong; sale April 8



The battle is on to stop trademark infringement

Cheap imitations
Audemars Piguet has won a landmark victory to protect a design icon, writes *Simon de Burton*

Anyone contemplating making a fast buck by launching a line of “clone” watches based on the classic models of existing brands might want to think again. Audemars Piguet was awarded \$9.8m in damages in a recent US court case after a judge ruled that the trademark rights of its Royal Oak model had been infringed by an imitator. The Royal Oak, which was launched in 1972 and remains the company’s signature creation, is notable for having a bezel secured by exposed screws, a distinctive, octagonal case and a textured “tapisserie” dial. The work of the watch designer Gerald Genta – who is said to have created it in a single, overnight sketching session – it is regarded as being among a small group of all-time classics that includes the Rolex Submariner, the Jaeger-LeCoultre Reverso and the Cartier Tank. Its success has resulted in the production of many direct fakes – copies passed off as having been made by Audemars Piguet – but the recent court ruling concerns a watch that was sold by the Swiss Legend brand under the model name Trimix Diver. Swiss Legend, which advertises a range of 2,000 models on its website, was launched about 10 years ago and belongs to a big US watch distributor, the SWI

Group. Its pretender timepiece retailed at hundreds of pounds rather than the thousands charged for a genuine Royal Oak (the entry-level men’s model costs £9,800), yet the US District Court for the Southern District of New York ruled that selling it still constituted an act of unfair competition. To arrive at the \$9.8m payout, the court awarded the full amount of the defendants’ profits from the sale of the Trimix Diver and trebled them for “bad faith” conduct. Swiss Legend has also been banned from making watches that might infringe other trademarks, and may have to pay Audemars Piguet’s legal fees. Audemars Piguet’s chief executive, François-Henry Bennaïm, said after the judgment: “The Royal Oak was the first of its kind and, 40 years later, it remains unmatched among prestige sports watches. “[It is] an authentic icon that is making an indelible imprint on the history of modern watchmaking, thus, we are fully committed to enforcing our rights to the Royal Oak design and insist our trademarks be fully respected.” Mr Bennaïm would not comment further on the case, since elements of it are continuing – but some of his colleagues in the watchmaking industry who suffer similar problems were more vociferous. Richard Mille, founder of the high-end watch company that bears his name, says: “The Audemars Piguet ruling at last demonstrates that judges are beginning to understand that legitimate brands are investing millions in infrastructure and design, only for these parasites to come

Spot the difference The test for legal rulings



Stewart Cameron of Glasgow-based patent attorneys Cameron Intellectual Property says the laws regarding aesthetic design rights can be complex and ambiguous. But cases such as that involving the Swiss Legend and Audemars Piguet watches (above) boil down to the simple matter of whether or not one object looks too much like another. “There are jurisdictional differences around the world,

but the key to the law in the UK is that an object does not infringe the rules if it conforms a different overall impression on the informed user. In the case of a watch, an ‘informed user’ might be considered by one judge to be a watch aficionado, whereas a different judge might say it could be any member of the public. “How different an object needs to be is one of most uncertain areas of intellectual

property law. An obvious example is the Coca-Cola bottle, which is a registered design. If someone were to copy that to sell their own brand of drink, it would be a clear infringement. “It is often said that altering a few elements of a particular design can make it sufficiently different to get around the problem. That is a fallacy. It still needs to conform to a different overall impression.” **SDB**

along and copy what we have worked extremely hard to achieve. “My strategy from the very beginning has been to give a hard time to the people who copy. When you make a watch with no dial or back and an unusual case shape, as we do, copying becomes difficult. But “Such products dilute the genuine design and affect the exclusivity of your brand” now it is obvious that people are taking legal advice about just how far they can go to copy the spirit of a particular brand without stepping over the line in the way Swiss Legend seems to have done. “It is difficult to measure the financial effect,” adds Mr Mille. “Look at Rolex,

for example. It is the most copied brand in existence, yet its watches sell like hot cakes.” Equally passionate about fighting the fakers is Jean-Claude Biver, the chairman of Hublot and recently appointed president of the watchmaking division of LVMH. “We estimate 1m copies of Hublot watches are made every year – the 142,000 pieces we seized last year probably accounts for 10-15 per cent of what was actually made,” Mr Biver says. “The fake watch is a tragic consequence of a brand’s success, because the people who produce them only copy what they can sell.” He laughs: “So it is also a tragedy if your products are not copied, because that means they are not popular enough.” Mr Biver points to an important distinction: “But, in the Swiss Legend case, these were not fakes. They were watches made by a genuine company, which

operates a proper distribution operation and which is legitimately run. “That is why Audemars Piguet was able to bring the case to court. It is far more difficult to fight the type of fakers who operate underground and are run by shady organisations.” He adds: “The fact that these watches were being sold for a fraction of the price of a genuine Royal Oak is irrelevant. What matters is the fact that such products dilute the genuine design and affect the exclusivity of your brand. “It results in damage to both prestige and exclusivity because, quite frankly, the copies are not worn by the sort of people you want your brand to be associated with. “In my opinion, the US court’s award of \$9.8m to Audemars Piguet was entirely fair. In fact, I think \$50m would have been fair. How do you judge the value of potentially having your image destroyed?”

Time is a vital ingredient for New York super-chef

The collector
Eric Ripert
He explains his love of watches to *Christina Ohly*

Eric Ripert’s love for beautiful, finely crafted timepieces was sparked by a Cartier Santos watch, a gift from his mother, Monique, when he was 15. Now, at 48, the chef and owner of the three Michelin-starred Le Bernardin in New York can list watches by Patek Philippe, Rolex and Vacheron Constantin in his collection. Accurate timing is essential for the master of modern French cuisine, who trained at La Tour d’Argent in Paris and later with chef Joël Robuchon before moving to the US in 1989. Mr Ripert’s collection includes casual watches (Rolex) as well as formal, statement-making pieces (a limited edition, rose gold Vacheron Constantin). He considers them “essential instruments” for running his restaurants. **Christina Ohly** Why do you collect timepieces? **Eric Ripert** Just as you cannot measure flavour, time is intangible and difficult to measure accurately. Watchmaking and cooking are very similar – each has to be carefully calibrated to create a beautiful final result. I hope that by collecting, I am helping to keep this watchmaking tradition alive. **CO** What is your latest acquisition? **ER** The watch I am wearing is a rare tourbillon by Vacheron Constantin that was recently given to me as a gift. This rose gold version with an

alligator band is extremely precise, which counts for a lot in a restaurant. It isn’t valuable because of its gems and gold, but because of its complications. It is the most accurate and technically sophisticated timepiece available. It takes a few years to make just one. **CO** How do you care for your watches? **ER** Watch collectors are typically cautious, but I do not put mine in a vault or regard them purely as investments. I wear my watches while cooking, and at night for formal occasions. Much like the wines I collect, I prefer to drink rather than save them. I like the ritual of winding them – it creates a relationship between the wearer and the watch over time. **CO** Were all your watches received as gifts? **ER** My collection includes a dozen watches that all have special meaning. Some I have bought for myself because I loved the look and feel of them on my wrist. Others have been special gifts, and one of my most prized is a Vacheron Constantin American [1921 given to me by my partner, Maguy Le Coze, to commemorate my 20th anniversary at Le Bernardin. This watch was originally made in the 1920s and is often referred to as a “driver’s watch” because the 12 o’clock position is slightly turned so that a racing driver could read it with his hand on the steering-wheel. **Ripert: every second counts in the kitchen**

Maguy had the exact date and time I first walked into the restaurant – June 11 1991 at 7.40am – inscribed on the watch case. **CO** Which of your watches are you most likely to wear in the kitchen? **ER** For more casual occasions I often opt for a Rolex, but all of my watches work well with my daily uniforms: the jeans and trainers I commute to work in, and later, my chef’s whites. **CO** How important is accurate timing to a chef? **ER** A minute can be an eternity in the kitchen, and even 5-10 seconds matter. We are all about serving 80 diners hot, delicious food, so everything must be perfectly timed. **CO** Do you choose watches to match your sartorial style? **ER** I often make the effort to dress well to show respect – to my colleagues, to a restaurant or to friends – and watches are a big part of this. **CO** Which watch do you hope to pass down to your children? **ER** A vintage Breguet, as they were the original inventors of the tourbillon, or a Patek Philippe. **CO** And which do you particularly admire? **ER** I’m always amazed by the design, quality and price of Swatch, and by the fact that they supply many of the big watchmakers with parts. **CO** If money were no object, which watch would you buy? **ER** Without a doubt, a Vacheron Constantin Tour de l’Île [\$1.5m]. They were only seven of these produced in 2005, to mark the 250th anniversary of the company. It has an incredible combination of horological complications and astronomical indications.



Watches & Jewellery Retail

Halo strategy sets right tone for fine tuning on a grand scale

Emblems High-end collections give brands a reputational boost, says *Robin Swithinbank*

In luxury watch marketing, one strategy never goes away. Topping off a collection with an exceptional piece to demonstrate prowess is a typical tactic in an industry where generating noise is often the difference between success and failure.

Yet for today's watchmakers, the motivation for adopting a so-called "halo strategy" is not always prosaic. For TAG Heuer, it masks far larger ambitions. The brand's Haute Horlogerie collection is spearheaded by pieces such as this year's Monaco V4, a belt-driven tourbillon that will retail for SFr150,000 (\$172,000). Revenue generated by the collection supports the brand's volume business and, more specifically, its in-house movement programme.

"Haute Horlogerie is a laboratory for making exceptional pieces," says Stéphane Linder, TAG Heuer's chief

executive. "It creates a very good image of innovation and avant garde-ism, and it means we can be better when we do commercial products."

Those commercial products mainly retail for between \$1,500 and \$7,500. According to research company GfK Retail and Technology, TAG Heuer has a UK market share of 29.5 per cent in that segment.

But Mr Linder says the figures drop off rapidly once prices pass that point. TAG Heuer's solution is Calibre 1969, its second in-house chronograph calibre. Developed at a cost of about SFr20m (\$23m), it is intended to stimulate growth at a higher price point.

If it works, Mr Linder believes that by 2016 TAG Heuer will be Switzerland's leading chronograph brand, producing 100,000 units in-house.

"Calibre 1969 is an important movement because it will enable us to sell products for SFr5,000-SFr7,000, which

is our next challenge," he says. "At that price, it's important to be able to communicate that we produce in-house. My feeling is that when you go above SFr5,000, you need a movement that's a bit more special than the others."

Like TAG Heuer, Cartier has invested heavily in high-end watches. Its Fine Watchmaking collection, introduced in 2008, has radically altered perceptions of the brand.

"People used to think Cartier was a creative watchmaker, but not necessarily a credible one," says Thierry Lamoroux, the brand's international marketing director for watches.

"Not any more. The collection has helped raise desirability among people interested in watches, particularly collectors."

It has given Cartier leverage to develop its own base calibres, the 1904-PS MC automatic launched in

2010 and the 1904-CH MC chronograph, which was launched last year.

For both brands and many others, in-house movement capacity has become the holy grail.

Following the Swiss Competition Commission's decision last October to allow Swatch Group to withdraw supply of its movements and parts to third parties, sustainable autonomy is now more desirable than ever.

A halo strategy can provide brands with a leg-up as they look to achieve that goal.

For some smaller brands, conversation pieces are not always simply about drawing attention to themselves.

At Baselworld this week, independent watch company Oris will launch Calibre 110, a novel movement with a 10-day power reserve and a non-linear power reserve indicator. As well as having a unique combination of com-

plications, Calibre 110 is Oris's first in-house movement since 1979.

"Calibre 110 shows our capacity, knowhow and ambition to create our own movement," says Ulrich Herzog, Oris's chief executive.

Between 1904 and 1979, Oris made 229 in-house movements. The new calibre marks a return to former glories, and signals – the brand hopes – a bright future.

"We will focus our marketing activities across the globe on this new movement and we strongly believe it will give our brand a significant increase in awareness," says Mr Herzog.

In Baume & Mercier's case, the challenge is to establish and perpetuate a position as an affordable watchmaking brand, appealing to a price-conscious consumer while trying to build a reputation as a legitimate Swiss watchmaker.

Pace setters
The premium models

Baume et Mercier Clifton 1892 Flying Tourbillon
Baume & Mercier has added a flying tourbillon to its Clifton collection, a watch limited to 30 pieces that is the most complicated and expensive model in the brand's line-up. \$39,600

Cartier Rotonde de Cartier Astrocalendaire
Cartier's perpetual calendar displays the day, date and month on a novel three-dimensional dial. At the heart of those concentric circles is a flying tourbillon. Only 100 will be made. £153,000

Oris 110 Years Limited Edition Calibre 110
Oris's first in-house movement in 35 years, has a unique pairing of complications, namely a 10-day power reserve and a non-linear power reserve indicator. The watch is also remarkably priced given its specifications. £9,950

At this year's edition of Salon International de l'Haute Horlogerie in Geneva, it unveiled the Clifton 1892 Flying Tourbillon, a high-end watch that will retail for £39,600 – more than four times the next most expensive watch in the brand's collection, and at least 20 times more than its core pieces. This it believes will play a pivotal role in creating the right profile for the brand.

"If you want to be impactful and sustain the message that you are a Swiss watchmaker, you have to demonstrate your expertise," says Alain Zimmermann, the brand's chief executive.

"If an emblematic piece is consistent with the brand, it will be successful, because it will show who you are. If a customer sees and is inspired by a piece, they might not be able to buy it, but they go for a more affordable piece and get the same philosophy."

Internet revolutionises vintage collectors' world

Online Buyers are getting younger, says *Rachel Felder*

Vintage watch collecting was once the preserve of well-informed enthusiasts. But that has all changed thanks to specialist websites and a handful of international dealers

"[The internet] is probably the best thing that happened to the watch business," says Matthew Bain, one of American's leading vintage watch dealers, who now sells the majority of his watches online.

"It has brought the watch world closer together, and made it a lot more knowledgeable, and it's created more collectors."

Two types of collectors are drawn to buying vintage watches online, and both are growing in numbers in the market, Mr Bain says. Some are shoppers in markets that are comparatively new for watch collecting, such as China, South America, and even secondary and tertiary cities in the US, that benefit from the ease the internet affords.

Others are young collectors, often more familiar with a mouse than an auction room hammer. Stephen Pulvirent, associate editor at Hodinkee, a website dedicated to vintage watches, says: "Maybe, 20 years ago, vintage watch collecting was something reserved for 70-year-old men in their country houses who were going to auctions and reading all the catalogues.

"It was kind of a club and you had to be an insider to participate. Dealers are now understanding that there are customers in their early 20s and 30s who want to

buy something cool and of substance, who are using things such as Facebook, Tumblr, Instagram and the internet to find things."

Selling on the internet and through social media has made it easy for dealers to serve customers from around the world, no matter where those dealers are.

Mr Bain, for example, lives and works in Miami. Another top dealer, Tom Bolt, is based in Mayfair in London. Rolex specialist Eric Ku is based in Los Angeles, while another American vintage Rolex seller, Andrew Shear, works in New York. Andrea Foffi and Marlon DeSimone are both well-respected dealers located in Italy, a centre of

'Dealers are understand that there are customers in their early 20s and 30s'

vintage watch collecting since the 1980s.

While these dealers operate their own websites, some sell to a wider audience through auction houses such as eBay.

Increasingly, Twitter and Instagram are popular (and profitable) avenues, offering a more discreet way to sell to obsessive collectors by simply posting a photograph of a timepiece without a price or detailed description.

As Mr. Bain explains, "There are groups of us on social media who all know one another; we say: 'Look what I found today'. We do business and no one knows we're doing business. Instagram has become huge in the past year and a half in the vintage watch community."

Leaving prices unlisted is a sales strategy that is not reserved for social media.

"You see more and more important dealers who don't give prices on their website, especially for the vintage pieces," explains Julien Schaerer, managing director of Antiquorum, an auction house specialising in watches.

"They just say 'upon request',

because it allows them to ask for the price they feel is right, and also adjust prices quickly according to what the market is doing."

Auction houses are also taking note of how the internet can be incorporated into their business in new ways. Last October, Christie's held its first online-only watch auction, including collectables such as a 1970s stainless steel Patek Philippe Nautilus.

The company is adding a dedicated watch sales area, Watch Time, to its website in June. The new venture will offer timepieces to buy (rather than for auction), which is also how Sotheby's presented 26 specially curated watches in November in a week-long digital pop-up shop.

Although there are plenty of important watches available online with no cap to what serious collectors will spend, the "sweet spot" price in terms of buying on the internet is, according to Tom Bolt, £2,000-£15,000.

Some general luxury resale websites are having success with the addition of watches at the lower end of that price range. On The RealReal site, for example, vintage timepieces, which it began carrying in 2012, now account for more than a quarter of the retailer's jewellery business.

Sellers are finding ingenious ways for potential customers to inspect items online. At Sotheby's, for example, e-catalogues offer magnification, and some pieces are photographed at enough angles to offer a 360-degree view, making details easier to see on a computer screen than in person.

Watch forums, such as those on Timezone.com, allow collectors to swap information and sometimes buy and sell directly with one another.

Yet, no matter how easy the internet can make pre-purchase research, buyers still need to be cautious and discerning. John Reardon, international co-head of watches at Christie's, says: "It comes down the same things as a bricks-and-mortar auction house: trust, value, and expertise."

"People are now comfortable with the medium of buying online, and, combined with a trusted source, that client has a level of comfort that it's safe to buy."



Connected dealer: Matthew Bain

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Watches & Jewellery Trends

G - Sensor

Hour hand

G's scale

Rotary G-Sensor to visualise the longitudinal and lateral forces

G-Sensor hand

Bottom pusher to reset the G-Sensor to zero

Power reserve indicator

G-measurement orientation

Minute hand

Rotating bezel in brown ceramic

Function indicator

Tourbillon cage

Function selector

Fixed bezel and caseback in titanium

Caseband in carbon nanotubes

Source: G-Sensor

FT graphic

Deconstructed Richard Mille launches its Sébastien Loeb tribute G-sensor watch

With his hands furiously working the steering-wheel of an 875hp Peugeot 208 as it scorched up Colorado's Pikes Peak hill climb last summer in a record eight minutes, 13 seconds, it is unlikely that Sébastien Loeb, nine-times World Rally champion, had much opportunity to check the time.

But that has not stopped Richard Mille creating a \$625,000 limited edition wristwatch in the driver's honour. As well as displaying the hour of the day, it

serves as a wrist-mounted G-force meter to gauge how hard the wearer's body is being accelerated, slowed down or shoved sideways in extreme situations.

Some might say the watch is nothing more than a gimmick, but it is widely accepted that the world of haute horlogerie has become less about the anodyne business of timekeeping and more about the demonstration of technical prowess.

In that regard, the RM 36-01

Tourbillon Competition G-Sensor Sébastien Loeb is undeniably impressive. The rotary G-sensor might be a mere 17mm in diameter, but it contains 50 components and can display forces of up to 6G through a moving weight connected to a needle, which oscillates between a green zone (for mild force) and a red zone (critical). The direction in which the force is to be measured can be set by turning the brown ceramic bezel, with the display being

instantly reset with a prod of the button protruding from the centre of the dial.

The eye-watering price of the RM 36-01 is further accounted for by the fact that its case band is made from an anthracite polymer (a form of carbon fibre) injected with carbon nanotubes – microscopically small tubes made from a web of rolled graphene sheet, which is exceptionally strong and rigid.

The back, movement baseplate and bridge screws, meanwhile, are made

from grade five titanium and the dial is hewn from sapphire crystal.

Indeed, the engineering that has gone into this watch almost rivals that of Mr Loeb's record-breaking Peugeot. The manual winding movement features a tourbillon escapement, 70 hours of power reserve, a shock-resisting free-sprung balance wheel and a modular time-setting mechanism that is separate from the main movement for ease of maintenance.

Even the winding crown is special, featuring a "gate" system similar to that of a car's gear lever, with different positions for winding, hand-setting and "neutral".

But if you have the inclination to own an RM 36-01 – and you have the necessary cash – you will probably have to drive as fast as Mr Loeb to get one, as just 30 are being made.

Simon de Burton

Appeal of aviation theme is more than a flight of fancy

Design Pilots' watch sales are taking off, writes *Robin Swithinbank*

According to some industry observers, pilots' watches accounted for 10 per cent of all luxury watch sales last year.

During peace time, pilots' watches have seldom been more popular, as buyers in mature watch markets continue to show a preference for classic designs over contemporary equivalents.

Many modern pilots' watches reflect designs from the golden age of aviation in the first half of the 20th century, while their association with adventure is a lure that watch buyers find hard to resist.

But few pilots' watches sold today will ever be used to calculate speed, distance, fuel consumption or, as some are able to monitor, drift angle – a complex measure of the angle between heading and track – but the knowledge that they can is a fillip to sales.

In recent years, this surge in popularity has encouraged several brands to refocus their attention on pilots' watches; others to introduce a collection for devoted buyers of pilot watches; and others still to take their first steps into the market.

Shortly after taking the helm at Zenith in 2009, Jean-Frédéric Dufour discovered the brand owned the licence for using the word "pilot" on a watch dial.

"I checked all the names we had registered and I found that we had forgotten this," he says. "It was the very first step. I told myself, 'we have so much legacy, we have the name, we have the design, we have the history, we have the testimonials from Louis Blériot – so why aren't we carrying the collection in our line?'"

Louis Blériot wore a Zenith watch when he completed the first cross-Channel flight in 1909.

In an attempt to compete for pilot-watch dollars, Zenith has tapped into its aviation heritage with a col-

lection of watches that, according to Mr Dufour, accounts for 26 per cent of Zenith's sales.

Long-time pilots' watch manufacturer IWC frequently revisits its Pilot Watch family of models, while Breitling has built a brand around its aviation links.

Its activities at Baselworld this week will centre on the 30th anniversary of its flagship Chronomat pilots' watch.

The rookie by those standards is Bremont, the British brand that has staked its future almost entirely on the enduring qualities of pilots' watches.

It launched its first watch in 2007 and in the intervening years has become a watchmaking success story and a flagship for British industry.

Last year, the company opened a watchmaking facility in Henley-on-

Thames to the west of London, and won the Global Connections Competition, a contest organised by HSBC to find Britain's most innovative and forward-thinking companies.

In January, Bremont signed a five-year deal with Boeing, the US aircraft manufacturer, which gives it access to Boeing's Advanced Manufacture Research Centre in Sheffield. Bremont has been working indirectly with Boeing for a number of years – 20 per cent of its

business is producing watches for the military, including squadrons that fly Boeing aircraft.

The first watches to come out of the relationship will be launched at Baselworld and will feature Custom 425, a material Boeing employs in its aircraft that has never been used in watchmaking before.

For its part, Boeing will use Bremont as a vehicle to celebrate its 100th anniversary, in 2016.

"We always wanted Bremont watches to be all-purpose watches you could wear in the boardroom or up Mount Everest," says Bremont co-founder Giles English.

"A pilots' watch falls perfectly between a sports watch and a dress watch – and in the past few years, austerity cool has given the understatement of pilots' watches a place. And they don't age. You look at pilots' watches from the 1940s, 1950s and 1960s and they still look brilliant."

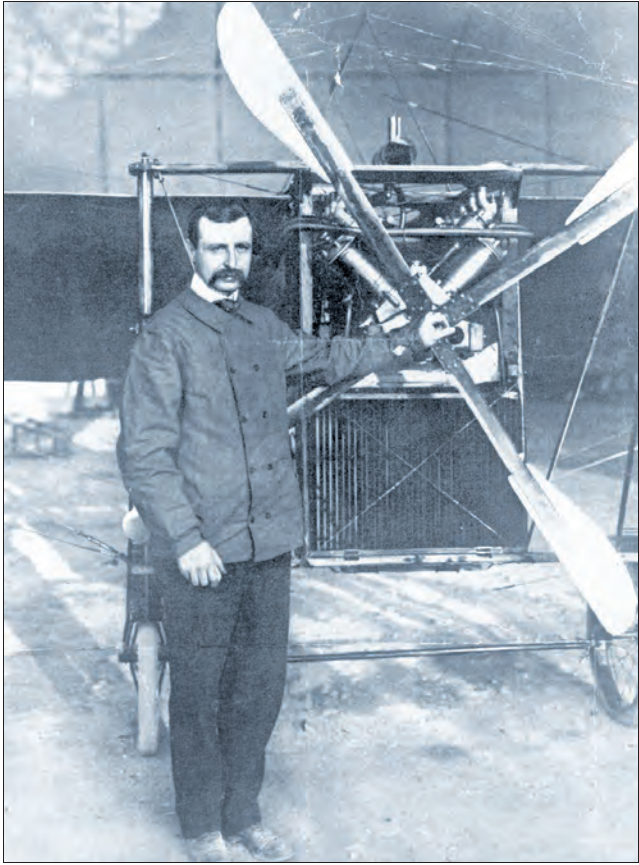
"They are not fashion watches – they are here to stay."

Bremont, IWC, Breitling, Hamilton, Longines and Oris have led the pilots' watch line since the 1930s, some of them as official suppliers to the armed forces.

Hamilton produced more than 1m timepieces to support the second world war effort. That kind of heritage cannot be artificially manufactured.

"It's easy for newcomers to say: 'We do pilots' watches,'" says Mr Dufour, whose company made pilots' watches until the quartz crisis of the 1970s and 1980s.

"They're easy to design – they're classics, and the largest part of the industry is in classic watches. But we were there at the beginning. Emotionally speaking, there is a dream of liberty and freedom connected to pilots' watches. They excite people."



Legacy: Louis Blériot wore a Zenith watch

Watches & Jewellery

Watchmakers fall in love with everyday heroes

Brand image Real-life achievers are replacing celebrities and film stars in advertisements as marketing moves on, reports *Syl Tang*

Breaking away from the usual practice of hiring a movie star to be the face of the brand, watchmakers such as JeanRichard, Officine Panerai and Bovet 1822 are focusing on celebrating ordinary people doing extraordinary things.

JeanRichard's 208 Second watch was created to commemorate the crash-landing of US Airways flight 1549 on the Hudson river in New York in January 2009, when the lives of all 155 people on board were saved by the skill of the pilot.

The timepiece, which marks the fifth anniversary of the event, has indicators around the dial to show the 208 seconds that it took Captain Chesley "Sully" Sullenberger and his crew to land the plane.

Captain Sullenberger, who found himself unexpectedly in the limelight five years back, says that timing is crucial in creating "ordinary" heroes. Ten years previously, he believes, his own story would not have been given as much attention.

"There are many people who do notable things. They just aren't publicly tested as I was. You decide what kind of a person you're going to be long before anything like this happens to you, if it ever does. But the event gave people hope, which is why we still think of it."

There is a logical connection between pilots and timepieces.

"For a pilot, the concept of time is inherently important," says Mr Sullenberger, who as well as the 208 Second has a 1973 Rolex he received from the American Fighter Aces Association. "You have a finite amount of resources before you have to return to earth, so you have to manage these resources well – similar to managing the time we are given in life well."

"Time is a constant reminder that we never know what tomorrow may bring, and a constant reminder to prepare."

But can a campaign of this kind sell watches? Bruno Grande, chief executive of JeanRichard, indicates that profit is not the reason his company is focusing on good deeds. "If a brand can make someone dream, it has to be a dream they can touch, share and reach. In difficult times, people need to see that crazy dreams can become



Everyday miracle: Captain Chesley Sullenberger of the Hudson river crash-landing, marked by watchmaker JeanRichard's timepiece

reality. Selling watches wasn't the main objective – it was finding the right people to convey that message. I don't know if it's the right message, but it's our message."

Another brand celebrating extraordinary achievements by people previously unknown to the wider public is Officine Panerai, which has joined with Ari Greenburg, a Hollywood agent, in his charity work to raise awareness of autism. Its watches have no shortage of celebrity fans (such as Ryan Reynolds and Orlando Bloom) but executives were captivated by Mr Greenburg's passion for his cause after meeting him through the company's Hollywood store.

Mr Greenburg, a partner at William Morris Endeavor, and his wife, Andrea Lee, became fundraisers for

'With our sponsors, it was crucial that they didn't ask for anything in return. That's why we said yes'

Autism Speaks after their son was diagnosed with the condition.

"For a company such as Panerai to get involved in a cause of this type draws big company money," Mr Greenburg says. "You don't associate autistic kids with luxury goods, but this is one of the fastest-growing disorders. It's an epidemic and you can't raise enough money just from individuals to have power globally."

"You need awareness and money in Washington DC to shake out federal funds to have public health initiatives. Then, instead of \$20m, you get an NIH [National Institutes of Health] bill worth a couple billion a year."

Bringing companies such as Panerai on board will, Mr Greenburg hopes, bring the kind of breakthrough for autism research that was seen in the

battle against polio. In the 1930s, research had stagnated until President Franklin D. Roosevelt's involvement led to the creation of a foundation that became known as the March of Dimes. With the money raised, the first polio vaccines were developed.

Panerai has backed other initiatives to help those living with serious medical conditions. In 2011, it extended its Classic Yachts Challenge sponsorship to Sailing Heals, run by Trisha Boisvert. Based in Bradford, Massachusetts, the charity allows cancer patients and their families to "escape for a spirit-lifting day at sea", drawing on what it sees as the healing power of being out on the ocean.

With a fan base among the sailing community, Panerai has often used glamorous regattas in its marketing.

Its charity fundraising received local coverage but did not feature heavily in the media. However, it started to draw the attention of top Panerai collectors, many of them race winners, who have donated the use of their boats and crews to Ms Boisvert and her charity.

Some may see Panerai's involvement in good causes such as these as an indication that celebrity endorsement has become tired and unconvincing as a marketing tool.

However, Karen Giberson, president of the Accessories Council, says the day-to-day struggles of ordinary life play a part in consumer spending.

"People are looking for authenticity in what they buy, what it represents and who we look up to now. People want their accessories to align with their personal values but also their daily concerns," she says.

Throwing money at fixing the world is something Bovet 1822 is also doing. In 2013, the watch brand raised \$1.8m for film-maker Paul Haggis's Artists for Peace and Justice, a charity funding education and healthcare programmes in Haiti.

Having just announced a five-year commitment to the charity, Pascal Raffy, chief executive of Bovet, says: "Sometimes, after 10 minutes conversation, you understand on the spot that you share the same values."

"This is what happened with Paul and I when he was talking about education and the goals of the children of Haiti. This is not about selling watches, but we have a chance to give with modesty and humility."

Mr Haggis confirms that Bovet's support comes with no strings attached. "With our sponsors, it was crucial that they all didn't ask for anything in return. That's why we said 'yes'. It's about shared values, dignity and passion. Now, we can sponsor a hospital and we've built a cholera clinic and so forth."

APJ, which built Haiti's first free secondary school last year, has incredibly lofty goals. "It's about giving Haitians education and the chance at taking back and running their own country," says Mr Haggis.

The days may be over when all a luxury brand needed was celebrity endorsement.

Industry mourns maestro who defied quartz crisis to go solo

Obituary
Raymond Weil

Simon de Burton looks back at the life of the pioneering Swiss watchmaker

Even those with nothing more than a passing interest in luxury horology will probably have heard of Raymond Weil, if for no other reason than the fact that watches bearing his name are found throughout the world.

Mr Weil, who died in Geneva on January 26 at the age of 87, became one of the most successful and highly regarded figures in the business, after setting up his watch brand during the height of the "quartz crisis" in 1976.

By then, he had worked in the industry for 27 years, having started his career in 1949 with the Camy watch company where he worked his way up to the rank of managing director.

Ironically, Mr Weil said it was the threat faced by the Swiss watch industry from inexpensive, quartz-powered imports that spurred him to establish his own dial name.

He felt frustrated by Camy's refusal to adapt to the situation and market its products as high-end, artisan creations which were intended for a far more sophisticated buyer than the mass-produced offerings of its new competitors.

Mr Weil's aim was to prove that it was possible to make luxury watches at affordable prices, and he displayed his first creations at the Basel watch show in 1977, presenting them to retailers on a folding card table from a 16m sq stall.

It was a humble beginning but, by working hard and travelling far and wide to spread the word, he managed to sell 5,000 pieces in the first year. That figure rose to 40,000 in 1978, to 50,000 in 1980 and 70,000 by 1982.



A life-long music lover – his daughter, Diana, is a virtuoso pianist – Mr Weil decided from day one to develop the brand's DNA around the theme of classical opera.

The Raymond Weil watch range still includes families named after Richard Wagner's *Parsifal* and Giuseppe Verdi's *Nabucco* among others.

The brand is an official partner of the Nordoff Robbins music therapy charity, the Brit Awards and the Albert Hall.

Olivier Bernheim, Mr Weil's son-in-law, joined the company in 1982 and took over as chief executive in 1996 – but Mr Weil remained a director for more than 15 years, only stepping down from the board last September.

'We became established in India and China a long time before many of our competitors'

Raymond Weil
At a glance

- Joins Camy watches in Geneva in 1949 and rises to the post of managing director.
- Leaves in 1976 to establish his own brand at the age of 50.
- Sells 5,000 watches in the first year of trading.
- Pioneers sales in China and India during the early 1980s.
- Develops Raymond Weil into an international brand.
- Steps down in 1995 from longstanding role as president of the Exhibitors' Committee of the Basel watch fair.
- Steps down as chief executive in 1996, giving control to his son-in-law.
- Retires from the board in September 2013, leaving the company with 3,500 points of sale around the world.

Indeed, until a few years ago he is said to have still been travelling to the firm's Geneva headquarters by motor scooter, his favoured method of negotiating the city.

"He was a quite extraordinary man who recognised the importance in business of forming good relationships," says Mr Weil's grandson, 33-year-old Elie Bernheim, the firm's director of marketing.

"When he launched the company, he personally travelled around the world to establish the brand. His first retail outlet was in New York as a result of a contact he established at the Basel fair."

"But he was also a pioneer in that he took the brand to India and China during the early 1980s, and part of our present day success is down to the fact that his foresight meant we became established in such countries a long time before many of our competitors."

Away from horology, Mr Weil was a connoisseur of 20th-century artists such as Mark Rothko and Wassily Kandinsky and built up an impressive collection of works. He also had a great love of flying.

"His second passion after watch making was probably aviation," says Elie Bernheim.

"When he launched the company, he was 50 and it left him with so little spare time that he didn't get around to qualifying for his pilot's licence until he was almost 60."

"He subsequently bought his own Dakota aircraft and even taught my brother, Pierre [sales director], how to fly."

Mr Weil's company remains one of the few high-profile, privately owned Swiss watch brands to survive as a family business.

Its founder has left it in rude health with 3,500 points of sale around the world, 15 monobrand boutiques and an annual production of 200,000 watches with an average retail price of about £1,300.

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Watches and jewellery Repairs and research

Time and place are the essence of good service

Aftersales Watchmakers are slashing repair times – and building customer loyalty – by opening local workshops, writes *Jim Shi*

Aftersales workshops are less glamorous than boutiques but are vital to luxury watch companies. Now, Chopard and Patek Philippe have turned their workshops into marketing assets.

“As luxury brands build a presence in leading cities, this helps them bur-nish their image,” says Matt Jacobson, head of market development at social networking site Facebook and a keen collector of Rolex and Patek Philippe timepieces.

Mr Jacobson cites the Apple Store model: consumers have no reason to buy products at an Apple Store other than the reassurance that doing so provides, he says, and it is very different for the retailer from sending products off in a box. “I would rather hand over a watch to somebody than send it to them,” he says.

The logic for watchmakers of the “workshop-as-customer-experience” is simple. Typically, aftersales service involves sending timepieces to Geneva, often for many months. The process can range from simple procedures, such as a check-up or aesthetic service to a complete overhaul, which allows for a full inspection of the timepiece’s most technical and precise feature: its mechanism.

Until recently, a Patek Philippe watch sent from the US to Geneva for servicing was expected to be gone for three months.

Servicing a luxury watch is expensive, but that does not seem to put customers off. “People rarely complain about our pricing. What they complain about is that they want their watch back,” says Larry Pettinelli, Patek Philippe’s US president.

To tackle the problem, Henri Stern Watch Agency, Patek Philippe’s US subsidiary, signed a 15-year lease last year on a 33,000 sq ft office at Rockefeller Plaza in New York, more than doubling its US workshop space in the process.

“The more we can repair in the local market, the better off our clients and retailers, who won’t have to explain why a simple repair takes three months, will be,” says Mr Pettinelli.

The workshop is the largest outside Geneva, with room for 40 watchmakers (the company has 19 in the US).

Similarly, Chopard last year opened



Eyes down: Chopard’s aftersales service centre at Coral Gables, Miami, was set up following a customer survey that produced only ‘average’ results

an 11,000 sq ft customer service centre in the Miami suburb of Coral Gables. The workshop enables more timepieces to be serviced in the growing American markets, including special pieces that in the past had to be sent to Switzerland.

Karl-Friedrich Scheufele, Chopard’s co-president, says the centre complements an existing Manhattan town-house facility and makes it possible to double the rate of domestic repairs.

‘If we don’t service customers at this level, we won’t sell that extra watch’

The move was part of a five-year project that followed a customer survey in which aftersales service received less than enthusiastic approval. “We were average but not excellent,” he says. “It wasn’t easy; it was as much a logistical overhaul as it was a change of culture.”

Retaining customers is paramount, particularly in the US, where Chopard’s business has increased steadily over the past decade. Aftersales has

become a selling point for the brand.

Mr Scheufele says the company has cut the average global turnaround time by 11 days to 12. “There is nothing more important than someone talking about the great experience he or she had,” he says.

Chris Barry, a collector based in the US, bought his second Chopard watch partly because he was impressed by the company’s aftersales service. “I didn’t feel like I was just another

number,” says the 30-year-old, New Jersey-based sales executive. His warranty is extended for one year after each service but more important to him is the individual attention he receives. That relationship is important for watch brands as they seek to retain young clients graduating to their next level of watch buying.

“You only think of service when the time comes or when you have a mechanical problem, but it is good to know it is there for you when it does arise,” adds Mr Barry. “It takes a bit of the bad side of the hobby and makes it more user-friendly.”

In the US alone, between 9,000 and 10,000 Patek Philippe watches are serviced each year. The company’s retailers are given tours of the facility, where nearly 9,000 sq ft is dedicated to the workshop. VIP customer and other PR events include the workshop as a tour highlight.

The reception area is designed to educate: interactive walls showcase the brand’s history while a camera system provides a live stream feed into the workshop.

But this commitment to the future is also a money-losing proposition. “There is no return on investment,” Mr Pettinelli says. “The return is good will and satisfying the customer.”

“We look to break even every year on servicing; we usually are in the red.” But he adds: “If we don’t service customers at this level with expectations as high as they are, we won’t sell that extra watch.”

John Reardon, senior vice-president of the watches department at the Christie’s auction house in New York, who previously worked at Patek Philippe USA, confirms the value for companies of investing in aftersales.

A highlight of Christie’s New York Important Watches sale last December was an 18ct gold Patek Philippe Perpetual Calendar Chronograph. The timepiece, made in 1960 and cared for by Patek since day one, sold for \$725,000.

Much of the value Patek Philippe watches retain at auction is down to the brand’s commitment to servicing every watch made since the company was founded in 1839, Mr Reardon says. “The pay-off is protecting the brand’s heritage and preserving treasured timepieces for generations to come.”

Prototypes prove their value as pieces of watchmaking history

Design Models that were used in the development of chronometers are a surprise hit among collectors and enthusiasts, writes *Arthur Touchot*

Master watchmakers work in miniature. But when developing complicated models, often the best way for designers to test concepts is to build maquettes – 10/1-scale models.

While they were never intended to appeal to collectors, some watchmakers have found ways to make the value of these snapshots of engineering history last long after finished products have gone on the market.

Claudio Cavaliere, head of product management at Audemars Piguet, says the watchmaker’s design team relies on maquettes because they are cheap and quick to build, and make it easier “to solve the first main construction issues”.

“The maquette helps us confirm the principle of a function but also makes it easy to adapt,” he says.

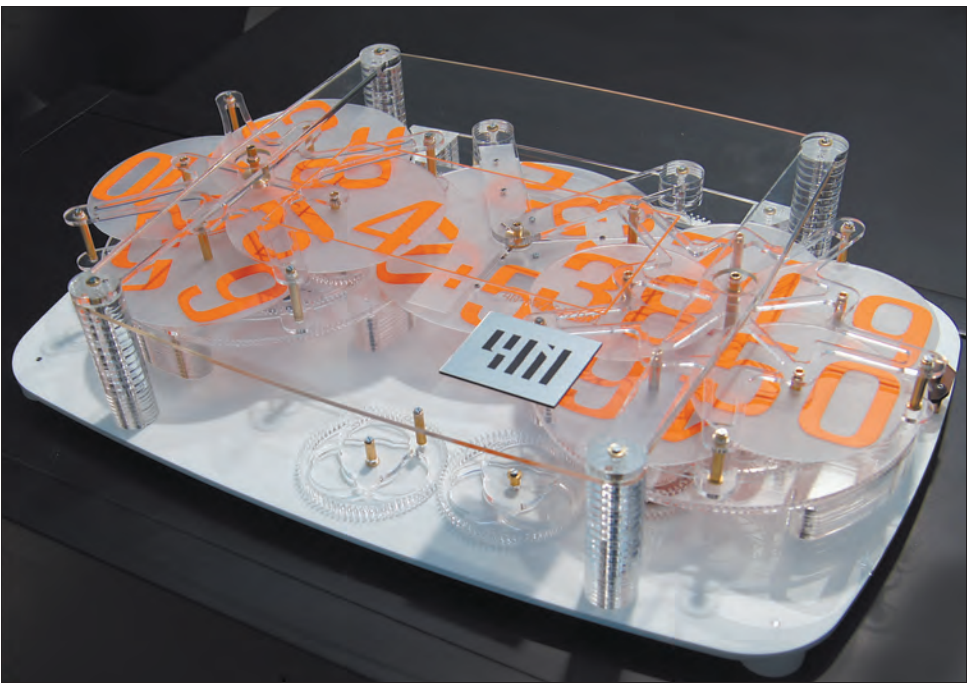
Watch fairs are one way in which watchmakers are extending the useful lives of maquettes. When Audemars Piguet developed its direct impulse escapement, which offered protection against shocks, the brand presented its maquette “to explain the novel function”, says Mr. Cavaliere.

François Quentin, an independent French watchmaker, used a similar approach to establish his brand, 4N, when he presented his first concept, the 4N-MVT01, at the Basel-world fair in 2011.

Audemars Piguet Renaud & Papi, a movement maker that builds maquettes during development, created an example for Mr Quentin’s stand. The scale makes it easy to assemble, Mr Quentin says, “and allows an educational viewing” of the mechanism.

He was surprised by the interest of visitors. “Many admired the Plexiglas model and emphasised [it] would make a nice clock,” says Mr Quentin. He is now tempted to commercialise a maquette based on the 4N-MVT01’s movement.

Mr Cavaliere, however, says Audemars Piguet has



In progress: François Quentin’s maquette caused a stir at watch fairs

declined such offers. “A maquette is part of the development process and it needs to remain in house,” he says.

But his workshop’s maquettes are not stored away and forgotten. “We may also use the maquette as a training tool,” he says.

One brand has decided to give its maquettes away. Greubel Forsey this year offered 150 replicas of its Double Tourbillon 30” maquette.

Stephen Forsey, one of the watchmaker’s founders, built the original in 2002 using a Meccano set, while looking for a way to design a more accurate tourbillon. “We had few resources, so this model was hugely helpful,” says his co-founder, Robert Greubel. Two years later, they finalised a 1/1 scale version, which they included in the brand’s first watches.

The watchmaker says it would not sell replica maquettes because it believes the pieces are priceless. “The Meccano maquette is something very strong symbolically,” says Mr Greubel. “It represents the first time [an] idea has been materially completed.”

‘The maquette helps us confirm the principle of a function and makes it easy to adapt’

Despite interest in maquettes, few are on display in horology museums.

Sylvie Dricourt, administrator of the Patek Philippe Museum in Geneva, says just a handful are kept in its collection, in part because of “the secrecy modern watchmakers keep over their designs.”

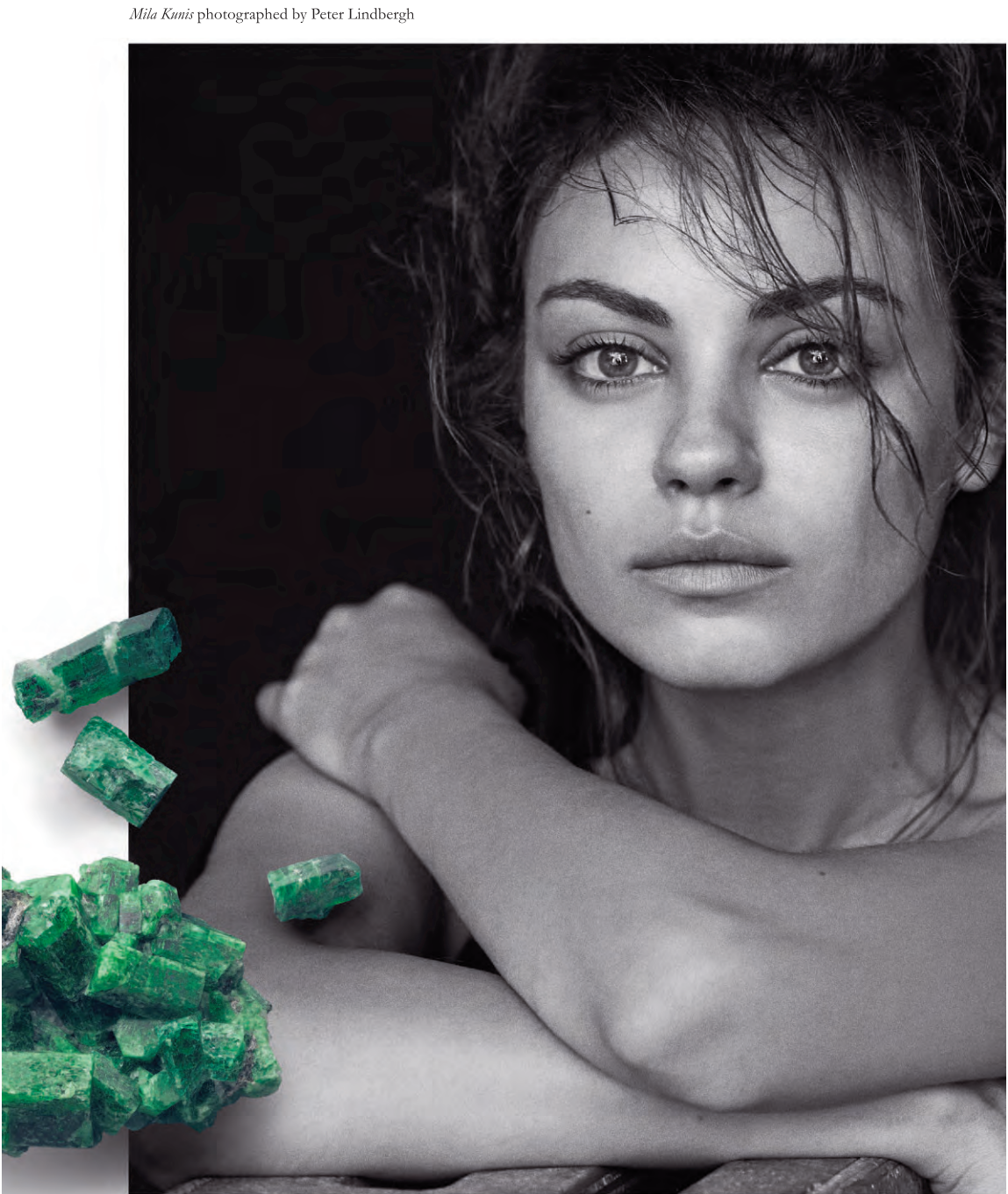
One reason museums may not want maquettes, says Mr Cavaliere, is that most “look ugly – they are not very nice to present”.

The solution, he says, would be to rebuild them with other materials, but that would defeat the purpose of saving an original piece of engineering.

Maquettes often reveal problems with the concepts being tested, but even these are kept. Just because they don’t work now does not mean they will never work, says Mr Cavaliere.

In some cases, he says, they are never mentioned again. “But other times, we go back to them, years later, because we have found a way to use them.”

Several iterations of the same concept can be repeated “up to 10 times”, according to Mr Cavaliere, “or until it is fit to be made on a 1/1 scale.”



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Watches & Jewellery

Jeweller to the stars throws the most glittering parties in town

Independent brands Fawaz Gruosi, the man behind de Grisogono, has broken with tradition in design and marketing, writes *Camilla Apcar*

In a world where luxury brands are acquired and owned by a handful of conglomerates, a brand that remains independent is intriguing.

Fawaz Gruosi, chief executive of de Grisogono, co-founded the private company in 1993. Now 62, he has maintained ultimate creative and commercial direction since taking sole control in 1995.

De Grisogono is known for its vibrant showcase of gemstone-covered jewellery and watches. Mr Gruosi explains: “My vision has always been to shock the market and shock the clients, in keeping and showing the talent of the company and the immense variety we have.”

He describes a 1996 collection using black diamonds as one of the brand’s greatest successes, and working with a material deemed by critics to be ugly and worthless as a “miracle”. The break with traditional materials was an invaluable lesson in marketing that he says he still follows.

The chief executive regards de Grisogono’s small, entirely handmade production – a single collection accompanied by 400 unique pieces each year – as haute couture. He is proud of what the company (with just over 150 employees, mostly based in Geneva) has achieved in 21 years.

“Other brands don’t have the courage to go that far because it’s too costly, too time-consuming and too expensive for what it is. But that’s what these clients are looking for: something different, unusual, unique and so beautiful”.



A foray into watches in 2000 was initially a strategic solution to increase traffic to boutiques. Now, they are among de Grisogono’s best-sellers.

Mr Gruosi regards the brand’s craftsmanship and quality of stone as a blend of his former employers, Harry Winston and Bulgari. Early in his career, he was frequently required to socialise with clients in his role as sales manager.

He recalls formal dinners with soft music, cocktails and “definitely no



one under 50 years old because they wouldn’t have money”. He found such events boring.

At de Grisogono, parties are more vibrant affairs. Guests tend to be younger and take to the dance floor. Being the host with the most is valuable currency. The first de Grisogono gatherings were costly but today Mr Gruosi reports demand from celebrities to attend the company’s annual party at the Cannes Film Festival.

The same fun-loving attitude is reflected in de Grisogono’s whimsical lines of jewel-encrusted fruits and animals (monkeys of black diamond and gold, emerald frogs, ruby-covered cherries) that retail for about £20,000. Mr Gruosi is not worried that his designs may be seen as frivolous; these pieces are sold alongside others priced at £500,000 or £2m.

“I’ve never understood why people take jewellery seriously. I do jewellery thinking of a woman wearing a

beautiful ring – it doesn’t mean expensive or not.”

De Grisogono is recovering from a fall in sales in 2009 of about 40 per cent, before which it was reporting growth of about 25 per cent a year. It will take another couple of years for the pre-crisis equal balance between horological and jewellery products to be restored. Watch sales in the same year accounted for 30 per cent of sales, and jewellery 70 per cent. Mr Gruosi would not be drawn on figures but predicts best sales from 2007 will be matched by 2016.

Recovery will be helped by a large injection of capital from new shareholders. In 2012, 75 per cent of de Grisogono was reportedly acquired by Victoria Holding, which consists of six international investors, including Mr Gruosi.

Forbes magazine reported in January that an Angolan state-owned company appeared to have a stake in Victoria Holding – a claim apparently denied in the report by the chairman of de Grisogono. Mr Gruosi does not seem concerned over such publicity. But he was not forthcoming to questions on the subject, saying: “As with most private companies, de Grisogono’s shareholder structure is a confidential topic.”

A major advantage of not being tied to a corporate behemoth is that ideas can be sketched and designs enter production within only a few weeks. Sales are strongest in Europe, although business is also “huge” in the US, he says, where the company

has boutiques in Miami and New York, two of 17 worldwide.

These are mostly scattered across capital cities but can also be found in destinations such as Courchevel and Saint Barthélemy that cater to a well-travelled, affluent clientele. There are plans to eventually double the number of boutiques, including two additional US locations.

In China, de Grisogono has encountered a problem familiar to brands of its size: it is unknown in the country. Establishing a presence here and in India are challenges for the future. At present, Mr Gruosi sees greater benefit in reinforcing existing retail strengths. Next year the brand may launch its first range of handbags since 2008, but “if I don’t come up with something really unusual then it will not come out,” he adds.

His focus remains originality. “Creativity is the number-one goal I have in the future,” says Mr Gruosi.

“I always had a niche, but the niche is even bigger today.”

He adds: “Human beings in general only buy what they see in magazines, newspapers or shops. But [my market] is also those people who are fed up with having the same things everybody else has.”



Clockwise from far left: Paris Hilton and friend attend the de Grisogono party at the 2013 Cannes Film Festival; earrings, ring and brooch; Fawaz Gruosi

Certification industry provides reassurance on coloured gems

Gemmology

Slips of paper from leading labs can send prices soaring, writes *Elizabeth Paton*

Whether it is a question of bidding on emerald earrings at a New York auction, buying a ruby ring from a luxury flagship in London, or sourcing loose gems from a dealer in Hong Kong, an independently verified precious stone certificate is now an essential component of a sale within the fine jewellery industry.

Global appetite for coloured gems has soared in recent years and with it the demands of discriminating consumers, who want more knowledge about the cut, colour, weight and carats of their purchases.

The fact that sources of coloured gems are dwindling fast, coupled with a growing preference for natural rather than irradiated, treated or synthetic stones, means the identification – and authentication – services of gemmological experts are sought after.

And the presence of the slip of paper that they are able to provide – or lack of it – can have a big impact on a transaction.

“Now that the market has decided that treated stones

are of a lesser value than their untreated counterparts, the absence of a certificate can weigh negatively on price by as much as 30 to 40 per cent,” says Kenneth Scarratt, southeast Asia managing director of the Gemological Institute of America – one of the leading providers of certificates.

“People want to be absolutely sure of what they are buying,” he adds. “Today, you simply cannot sell coloured gems without one. In fact, many buyers require multiple reports for a single stone, all from separate, independent laboratories.”

The value and characteristics of gems are determined in labs through visual analysis, microscopic evaluation, chemical testing and refractive indices.

Afterwards, a report, often containing security features such as a hologram to prevent it being forged or duplicated, is returned alongside the stone to its

seller, be it an independent brand or auction house.

Despite certification often being slow and bureaucratic, it is widely accepted as an integral part of a sale.

Gary Schuler, head of the jewellery department at Sotheby’s auction house, says: “It’s part of a package we offer clients that they see as non-negotiable. Many are buying pieces as investments and are aware that treatments potentially dilute the quality of a stone or distort its value.”

He believes the coloured stone certificate trend began about 30 years ago, when the coloured stones market collapsed. Customers lost trust in what they were buying amid a rapid increase in use of sophisticated treating techniques, including the enhancement of emeralds by Colombian drug barons, using a potentially corrosive resin filler.

Provenance became paramount, particularly when public concern grew about blood or conflict diamonds.

“Today, colour and geography significantly affect prices,” says Olivier Reza of fine jeweller Alexandre Reza. “There is a big difference in the price of an emerald from say, Kashmir or Colombia, for example.”

“Provenance gives a huge premium to stones, even if the stones look virtually identical.”

Mr Schuler believes this also applies to the public’s approach to treatments, saying: “Heating and filling of coloured gems has been

around for decades, but these treatments and fakes became harder to detect with the naked eye, so processes to confirm the authenticity of a stone became more commonplace.”

Pierre Rainero, director for image, heritage and style at Cartier, calls the certificate “fundamental”. But he adds that, as well as being the scientific basis for the price of a treated or untreated coloured stone, grading of characteristics is important because aesthetic appeal is as important to a client as monetary value.

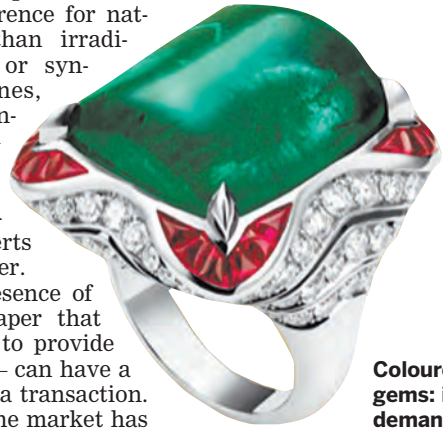
“The notions of beauty and charm are linked to the hues, cut and shape of a stone,” he says.

However, there are some in the industry such as Mr Reza who, while asserting the importance of independent analysis of inventories, ponder its increasing reliance on the reports.

“My fear is that some people, by acquiring this piece of paper, stop really appreciating the stone,” he says. “In some ways, it’s becoming a branding conceit, almost a way of artificially creating price premiums.”

And the irony, he says, is that coloured gems – even those with certificates – still sell for considerably less than their colourless counterparts.

“Truly exquisite emeralds, sapphires and rubies are far more difficult to come by than white diamonds. They are the rarest stones in world and should be priced as such.”



Coloured gems: in demand

Valuation game The industry’s go-to players

Valuation certificates confirming the quality, rarity and authenticity of a gem are becoming an essential component of any sale, no matter who is buying.

A report from one of the three core companies confirming clarity, colour, cut or weight can elevate the value of the examined precious stone. There are also many smaller firms in the marketplace, including American GemResearch Laboratories and GemResearch Swisslab.

Gemmological Institute of America

An independent, US-based non-profit organisation that is the world’s largest authority on gemmology. It has experts

across the globe. Its reputation is foremost in diamond grading, and its labs have pioneered synthetic detection software to be used by diamond trading bourses. It is also a leading school for independent gemmology degrees.

Gubelin Gem Lab

Established in 1924, this Switzerland-based laboratory was developed internally by jewellery house the Gubelin Company after it recognised the need for a broad and well-founded knowledge of the gemstones it was mounting. Today, it is the leading European destination for the entire industry,

specialising in country of origin reports for coloured stones. It now has a second lab in Hong Kong.

SSEF (Swiss Gemmological Institute)

The services offered by SSEF are lauded by industry insiders for being rooted in academic research. The Swiss laboratory is known to focus on identifying the characteristics of loose precious stones, but only to provide characteristics analysis rather than commercial evaluation. It also combats the latest innovations being used to create hard-to-spot synthetics and fakes.

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Watches & Jewellery

Buyout boosts cult brand for independent women

Pomellato Kering deal means new boutiques in prime locations, writes *Rachel Sanderson*

A big trend in recent years in fine jewellery has been consolidation, as conglomerates have bought up independent brands. Pomellato, the Milanese jeweller behind the cult Nudo and M'ama non M'ama stacking rings, was bought last April by Kering, the French luxury goods group behind Italian brands Gucci and Bottega Veneta, after Kering fought off competition from Prada, the Italian fashion house, and the Italian state investment fund. Such deals are good for conglomerates looking to bolster their high luxury offerings, but what is in them for the independents? Andrea Morante, Pomellato's chief executive, says the answer is simple. What Pomellato needed was more funding firepower to better exploit its potential in far-flung markets outside Europe.

"It is all about opportunities that as an independent brand owned by a family with limited capital resources are just more difficult," he says. While Kering has never disclosed the size of the deal, analysts at Kepler Cheuvreux estimate Pomellato had an enterprise value of €270m-€300m (\$372m-\$413m) at the time of the transaction. Pomellato posted revenues of €146m in 2012. Mr Morante, in an interview at Pomellato offices in Milan, says Kering came top of the list of buyers for Pomellato's founder, Pino Rabolini, because the conglomerate founded in 1963 by French entrepreneur Francois Pinault understood that little needed to be changed. "Mr Rabolini wanted to make sure that the company would be handed over in the best way with an element of strong continuity that was easy for Kering to understand and respect,"

ported its plans to venture into new areas. Along with Rouge Passion, Pomellato recently launched three perfumes and most notably a range of watches in collaboration with independent Swiss watches group Parmigiani Fleurier. Mr Morante points out that Pomellato brings an accessibility in fast-growing branded jewellery to the Kering brand stable in watches and jewellery, where it already has stately brands Boucheron – the first jeweller to have a shop on Place Vendôme – and Girard Perregaux. Pomellato is known for its independent approach. Last year it launched the Rouge Passion ring. The design echoed the Italian jeweller's rings for everyday wear made of rose gold and precious stones. But it was surprisingly different in composition: its stones were synthetic. The step was a typical departure by

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Clockwise from left: Pomellato lapis necklace, diamond rings, bracelet, earrings and stacking rings



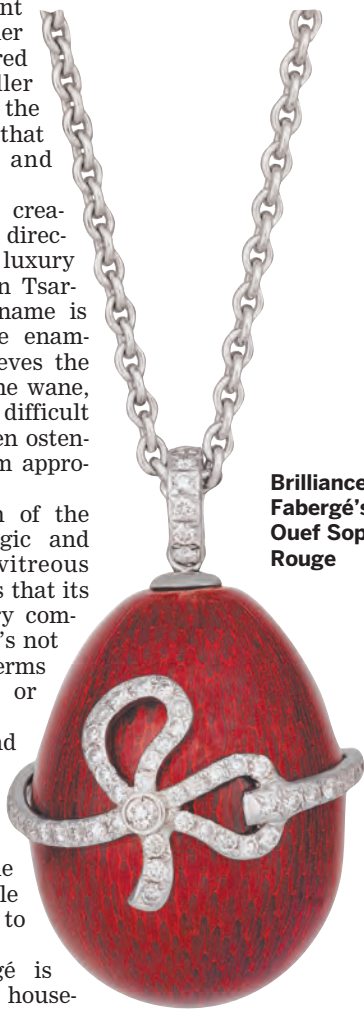
Pomellato, which is among Europe's top jewellery brands by sales after leaders such as Cartier, Chopard, Bulgari and Tiffany. But it is the youngest by as much as a century. And since its founding in 1967 it has built a following as a high-end jeweller that dares to be different. "Coming up with a synthetic stone is pretty daring. No brand that is over 100 years old could do that," says Andrea Morante, Pomellato's chief executive. He points out that Rouge Passion is now one of Pomellato's top five-selling lines. It emerged as a major jewellery brand in Milan in the 1980s. As Giorgio Armani was breaking the fashion mould by designing relaxed trouser suits for newly liberated women in the workplace, Mr Rabolini drew from that trend by creating coloured, stackable everyday pieces of jewellery for those women to wear. "Pino Rabolini made a simple observation. He said jewellery cannot be something that you buy on a special occasion, or that you wear on a special occasion, it has to be something for everyday," says Mr Morante. The brand taps rising demand for statement jewellery. And the premise behind Pomellato's founding remains an alluring proposition as women become a greater consumer force. Today, as much as three-quarters of Pomellato's sales are to women. Nearly half its sales are made to women who are shopping for themselves, with the remainder by women "with a man as a cosignatory" as Mr Morante puts it. It is an usually high proportion for the fine jewellery industry where men shopping for women tend to make up the biggest category of customers. Three quarters of Pomellato's turnover comes from repeat customers. Its Nudo and M'ama, non M'ama rings are especially favourite buys. Mr Morante say this plays to Pomellato's strengths. "More women are independent and more women are buying on their own, and women are becoming more relevant in the choice men are making about buying jewellery. Now it is part of Kering, Pomellato's sales figures are undisclosed but Mr Morante says: "That we have historically been particularly attentive to women's taste is proving very positive."

Demand for ancient art revives as age of bling starts to wane

Enamel
Craftsmanship is taking precedence over brand names, says *Stephanie Gray*

What happens in one sector often affects another. When the big Swiss watch names set about the revival of the nearly lost art of enamelling, it was a reasonable bet that the jewellery industry would follow suit. But why, in a world of computer-generated design, would anyone bother with an ancient, time-consuming and high-risk craft that involves multiple colours all melting at different temperatures, and where a lapse of concentration can lead to a very expensive mistake? David Mills, head of marketing at London's Goldsmiths' Company, says tastes are changing. "There is a renewed interest in craftsmanship and skills-based luxury goods over bling and brand names," he says. "My instinct is that this is in response to the overexposure of luxury brands, in part because of the huge demand from China and other emerging markets. Luxury consumers across the globe are becoming more and more savvy." Craftsmanship is becoming the hallmark of growing consumer sophistication, says Theo Fennell, the London jewellery designer. "Emerging markets want unusual, original grand designs... pieces you cannot get elsewhere and that are the very best. This sort of piece is only going to come out of a workshop and studio environment, somewhere craftsmen with arcane skills can prosper." Barbara Tipple, the Mayfair-based designer, says Chinese clients who once dressed themselves "from head to toe in Chanel have started to realise that it is not a stylish look". Ms Tipple has noticed increasing demand for bespoke designs from the US and China – often with

an enamelled element that is always, in her case, made by Fred Rich, an enameller based in Sussex in the south of England – that fetch £70,000 and upwards. Katharina Flohr, creative and managing director at Fabergé, the luxury brand established in Tsarist Russia, whose name is associated with the enamelled egg, also believes the age of bling is on the wane, partly because of difficult economic times when ostentation may not seem appropriate. She makes much of the "luminescence, magic and alchemy" of vitreous enamel but cautions that its production is a very complicated process. "It's not the first choice in terms of manufacturing or price. "It's laborious and time-consuming and can involve seven or eight firings. At the last instance, the whole thing might bubble up and you have to start from scratch." She says Fabergé is becoming more of a house-



Brilliance: Fabergé's Oeuf Sophie Rouge

hold name in the jewellery sector, having in 2009 launched its first collection since the Russian revolution. Enamel would be an obvious craft to make more of, but the company was taken over by Gemfields, purveyors of coloured gemstones, in 2012, and has more immediate opportunities to pursue. Besides, she says, some of the colours in old enamelled pieces would be difficult to replicate, purely on safety grounds. Crushed glass from which enamel was made in Russia was often recycled church windows with a high lead content that played a big part in the colours. She is an admirer of Limoges craftsmen, Frey Wille, an Austrian company that specialises in bangles and bracelets, and Victor Mayer, the German group that held the original Fabergé licence. But Theo Fennell swears by British craftspeople. "We have the best in the world. We should be much prouder and make more of them." Elizabeth Gage, a Belgravia jeweller, has used enamelling in her pieces for 45 years. She sees increased interest as part of a trend toward the bold use of colour, as clients want something that makes them stand out from the crowd. "When I started using enamel it was colourful and inexpensive. As my budget did not allow rubies, sapphires or emeralds, it was a great way to add vivid colour," she says. She used enamelling in the rings she created for Cartier in 1968 and continues to use it in many of her pieces. Phil Barnes, who has a workshop in the village of Yoxford, Suffolk, produces all her designs. Christoph Wellendorff, managing director and co-owner of the German jewellery company that bears his surname, says it has established an in-house academy to ensure skills such as enamelling are preserved. "Handwork, quality, origin and details have become more important than empty marketing," he says.

Passion and patience

What it takes to make it work

Jewellery designers usually gain experience of enamelling, the fusion of glass to metal under high heat conditions, while at college. But the need to earn a living usually means the high-risk, painstaking, expensive decorative art is sidelined. Those who develop a passion for the skill, often come back to it in their 40s, says Pat Johnson, chair of the British Society of Enamellers. "Once they have the job, the husband, the children, the house, they have the financial backing to do it." One might also add patience to that list. It is a difficult process when multiple colours are involved and they melt at different temperatures of up to 900 degrees.

Techniques include:
● **Champlevé**, a French word for "raised field" in which the artist removes the silver by cutting, hammering or stamping to create a depression to receive the melted glass.
● **Basse-taille**, where the recesses are engraved with patterns or carved with a low relief which can be seen as varying densities of colour through the enamel.
● **Plique-à-jour**, the technique used by French enamelists Lalique and Feuillâtre in the 1900s, in which the enamel is fired into an open framework, resembling stained glass.
● **Grisaille** or painted enamel, in which ground metallic oxides are painted on to a white enamel base with fine brushes and fired, layer upon layer. **SG**

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Watches & Jewellery Precious Metals

‘Our artisans are world-class, but poor at marketing’

Italy Matteo Marzotto, the new chair of Fiera di Vicenza, reveals his plans to revitalise his country’s gold industry. *By Rachel Sanderson*

The quiet Milan street that is home to Matteo Marzotto, the Italian luxury and fashion tycoon, gives no indication of the visual feast awaiting the visitor inside.

Outside it may be grey, but within the walls of the apartment the mood recalls the romanticism of a Marrakesh souk. Swags of purple velvet drape the ceilings and walls, the sofas are burnt brocade red. Offsetting it all, vast paintings of modern art and impressionism cover the walls.

“I love colour, I need drama. Minimalism makes me feel ill,” says the 47-year old entrepreneur who gained international renown with his turn-round of luxury brands Valentino and Vionnet.

Today, though, Mr Marzotto’s passion for colour and drama have brought a new challenge. After years in the luxury fashion business, Mr Marzotto is turning his eye to a new front for the world’s of luxury goods: high end jewellery and luxury accessories.

The entrepreneur, who is the sixth generation of an Italian textile dynasty, is the new executive chairman of Fiera di Vicenza, which stages one of the world’s

leading gold and jewellery fairs. The timing of his arrival is no coincidence. Jewellery, whether fine pieces in gold and silver or bijouterie – the word for more accessibly priced jewellery made of stones, resin or plastic – has become the hot topic of luxury goods companies seeking to expand their brands into total lifestyle emporiums for global consumers.

“When I imagine a world-class brand, I cannot see its development without jewellery in there somewhere,” Mr Marzotto says.

“Sometimes, we have precious stones on shoes and bags, or they have their own bijouterie line. These things are super pretty – they may not cost €1m but €1,000 – and that is why the fashion brands cannot but have jewellery and gold in their pipeline today,” he says.

Mr Marzotto’s idea at Fiera di Vicenza is to bridge this gap between the jewellery world and the fashion industry by bringing together Italian artisans and the fashion world.

In May, VincenzaOro, the gold fair, is adding to its remit a new event called Origin. The plan is to create a hub for the best artisans and craftsmen in Italy to promote their products worked in leather, stone, technology



Craftsmanship: Italy specialises in small and expensive items; right, Matteo Marzotto



and textile to buyers from the global accessories business.

Alongside, Mr Marzotto has brought in Not Just a Label, the global online sales platform that represents 13,000 young designers from 106 countries.

The event taps into Italy’s growing influence as the manufacturing hub of the global fashion world. An estimated 70 per cent of French luxury goods are now made in Italy, according to Altagamma, the fashion association.

Mr Marzotto points out that while Italy’s jewellery artisans make things that are very small and very expensive and very special and involve a lot of design, they are poor at marketing them,” he says.

By contrast, “most

of the better advertised products are offered for sale by fashion companies such as Chanel, or the jewellery of Louis Vuitton or those owned by Kering”.

Therefore, Mr Marzotto wants to use the platform of Fiera di Vicenza to promote what he describes as “the well done in Italy”.

“We need to build a network to promote ourselves internationally, because we are a small country and we need to face globalisation together,” he says.

He also sees his role promoting the Italian jewellery industry through Fiera Vicenza as a calling, describing himself as a “civil servant” for Italy.

He was previously a tourism ambassador for Italy for two years.

“As an entrepreneur, I’ve always been involved in textiles and fashion. And as a civil servant I realised I was attracted by promoting good Italian products and good Italian craftsmanship,” he says.

He was president of haute couture house Valentino when the fiery, high-spending designer, Valentino Garavani, after whom it was named, was at the helm.

Mr Marzotto nonetheless was among those who managed to turn

round Valentino, eventually selling it to Permira, the private equity group, at what was at the time the highest premium paid for a fashion group.

The Marzotto family’s sale of Valentino came under the spotlight of the Italian tax authorities, which have targeted several Italian fashion companies that have traditionally kept their holding companies outside of Italy. The authorities claimed 13 people including Mr Marzotto evaded taxes. He has denied the charges.

He went on to the French house Vionnet, which he sold in 2012 to Kazakh businesswoman Goga Askenazi. Mr Marzotto has never revealed the price of the deal, but describes it as “super successful”.

“I realise from experience how much intangible things weigh on the valuation of a brand.

“When we see newspaper stories saying that Loro Piana has been sold to LVMH for 23 times ebitda [earnings before interest, tax, depreciation and amortisation], it looks outrageous,” he says.

“But that is the magic of luxury goods. These are the intangibles that make this business bloody difficult, but also exciting and fascinating,” he adds with another of his wide smiles.

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HARRY WINSTON

OCEAN TOURBILLON JUMPING HOUR
by HARRY WINSTON

Gold rediscovers its sparkle as investors reach out for safety

Metals

Turmoil in Ukraine has played a big part in a sharp turnround, writes *Simoney Kyriakou*

There is nothing like geopolitical uncertainty to send investors scuttling for shelter. This is likely to be one reason why gold, which had a torrid 2013, looks to be reclaiming its attraction for investors as the Ukraine crisis continues.

The day after the disputed referendum in favour of breaking away from Ukraine, the New York Mercantile Exchange reported a session trade in gold futures of \$1,392.20, the highest since 9 September 2013. It since fell to \$1,346.40.

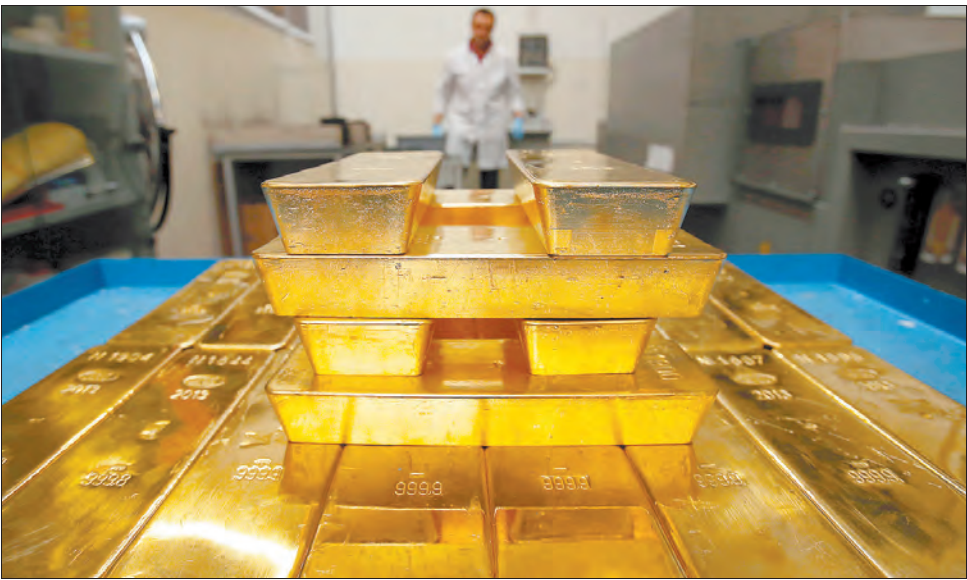
The indicators are that investors are returning to the yellow metal – a far cry from 2013, when it was following a downward price trend from its \$1,910 high in August 2011 to \$1,202 in December.

Platinum and silver, which had been up at £1,879 and \$43.57 in August 2011, likewise fell to \$1,371.10 and \$19.37 respectively by December 31 2013.

This trend was the cumulative result of mass selling. Deborah Fuhr, partner for independent consultancy ETFGI, explains this as “uncertainty over the US Federal Reserve’s tapering programme, while many investment banking strategists had forecast continuing weakness in the gold price”.

Exchange traded funds played a leading role in the sell-off. Some 29m ounces, which ETFGI has priced at \$40,091m, were sold by ETF investors, especially in April and June 2013, although Nicholas Brooks, head of research at ETF Securities, calls this “extreme” and unlikely to be repeated.

Money was diverted into equities as markets rallied. Markus Bachmann, co-founder of South-Africa based asset manager Craton



Called to the bar: China has overtaken India as gold’s biggest consumer

Capital, says: “Equity markets were roaring, the Fed had just announced tapering, and people who didn’t have a philosophy of keeping gold in their portfolios as a hedge, as a diversifier, started selling.”

Marcus Grubb, managing director of investment strategy for the World Gold Council, says that the mass sell-off created huge supply, pushing prices down. “They are still 25 per cent down on last year and analysts were too bearish,” he says.

After the sell-off, bars were shipped to Asia, particularly Beijing, as China overtook India as the biggest consumer of gold.

The World Gold Council recorded a 38 per cent rise in China’s bar intake last year, while demand for jewellery was up 29 per cent.

Thailand’s desire for bar and coin reached 79 per cent and even the developed markets such as UK and US reported an upsurge in jewellery demand, at 10 per cent and 13 per cent respectively.

Overall, purchases of gold in 2013 reached \$170.4bn, with jewellery at its highest since the onset of the financial crisis in 2008.

Since the end of 2013, the gold price is up 14 per cent and, given the Ukrainian situation, this positive price momentum remains in place.

Mr Grubb says: “Gold is reasserting its historic status as a hedge asset.”

‘Geopolitical and economic risks continue and investors are looking for protection’

Mr Brooks adds: “Investors are also allocating to silver as it has traditionally outperformed gold when both are rising.”

Since December, silver has climbed 10 per cent and platinum and palladium have risen 8 per cent, partly because labour strikes last year in South Africa pushed prices up, says Nick Moore, commodity strategist for fund manager BlackRock.

What if market risks diminish or central banks face inflationary headwinds?

Mr Grubb says he cannot see inflation reaching such danger levels. The Federal Reserve could also issue another £10bn tapering programme.

Michael Hartnett, chief global equity strategist for Bank of America Merrill Lynch, also warns: “If the Fed can raise rates, gold will be unlikely to glitter.”

Macro events should not negate long-term investment decisions, says Roland Khounlivong, head of dealing at British online trader GoldMoney.

“The fact that gold and silver prices are discounted suggests it is opportune to buy and hold. Geopolitical and economic risks continue and investors are looking for protection.

“Gold’s use as an investment predates stock markets. It has been, and can continue to be, a good hedge.”

Watches & Jewellery Fine gems

Exclusive, irreverent and ‘completely winging it’

Interview London dealer and designer Glenn Spiro talks to *Helen Barrett* about his approach

They may not know his name, but jewellery collectors have almost certainly coveted his work. The world's most recognisable brands call in Glenn Spiro when they need one-off couture items – which they then present to clients under their own names. The master jeweller and former Christie's expert is a designer – about 200 pieces a year leave his Geneva workshop – and one of a handful of dealers worldwide who trade in the rarest and most precious gems, flying them around the globe until they find the right buyer. “We work with maybe half a dozen super-brands,” says the 51-year-old Londoner, though he does not disclose which ones. “And we buy coloured gems and diamonds – from \$10,000 to \$10m. Then we design a few pieces for our private collection.” This is a quiet and insular world, away from the dazzle of Bond Street boutiques. Mr Spiro's private clients, of which he says there are about 50, typically visit his salon in a smart but anonymous Georgian townhouse in London's Mayfair. They make their way via a Parisian-style open lift, past a battery of assistants and a vast waiting chamber to his office. Here they sit opposite Mr Spiro at a generous desk, surrounded by clutter, mirrors and light. To one

side, stacked jewellery trays lie across three large open vaults, threatening to tumble and spill their contents across the carpet. “It's very private,” he says. “There's no website, no advertising, no one knows where we are or who we are.” He professes bafflement that clients arrive at all: “People somehow find their way. I don't know how they turn up, but they do.” Clients, he explains, typically spend more than \$500,000 a year on fine jewellery. So how would a potential client with a big budget find him? “Very complicated. They have to do a bit of work – not that I'm a big shot.” This exclusive approach is similar to JAR (Joel Arthur Rosenthal), the Paris-based jeweller who works in a hidden atelier off the Place Vendôme. JAR, too, is known for extraordinary gems and reticence. Mr Spiro likes the comparison: “It's that type of business, a very private house for a private few customers – that's who we take care of.” His somewhat irreverent approach – a disregard for the conventional wisdom on building a business, such as attention to marketing and branding – seems to have served him well. He has operated from his Mayfair office for 11 years. But it appears to be at odds with his latest move. From April 10, Mr

Spiro's collection will be on sale in Harrods, the London department store. The G London collection will be found in the fine jewellery room, and Mr Spiro will meet international clients in a private Harrods salon, away from the shop floor. Helen David, fashion director of fine jewellery at Harrods, says customers are increasingly seeking one-off pieces – and she believes Mr Spiro's “bold, show-stopping high jewellery . . . resonates strongly”. Mr Spiro says the reason for the move is that he has accumulated a lot of stock: “Why am I doing it? It's ridiculous that it's all stuck in a safe – that's why.” But he eventually adds that he would like new clients: “Ten new customers, or 20 – I'll be over the moon with 20.” With the same irreverence, he claims to have no business case for the Harrods move: “I've done zero research, I'm completely winging it. But I'd be surprised if there are more than 2,000 people in the world spending more than half a million dollars a year on jewellery.” The G London collection is priced accordingly, with pieces starting at \$100,000 and ranging to about \$25m. The designs are riotous and exuberant, but it is hard to point to a signature style. Some pieces, such as a pair of chandelier earrings made in 18-carat pink and white gold and

set with rubies and diamonds, take modernist lines. Others such as a tassel pendant set with natural pink conch pearl and a 11.16 carat cognac diamond might appeal to more bohemian tastes. Trends, he says, hold no interest and neither does he create jewellery with a particular client in mind. “There is no uniform, it's just cool, out-there,” he says. “I don't know how I'm going to feel. Anyway, how do I know who's coming? I have no idea, so I just make what I like.” Some clients, he says, are sent away. “I know a customer, who wants to buy something for a lot of money. And I know exactly where it is, and I can sell it, but I won't do it. She's very upset with me, because I don't like the stone she wants to buy and I'm not going to buy it. I don't like the diamond – it's horrible, it's a modern stone that I don't really like.” What is it? “It's a princess cut. They have no charm, they are manufactured by a computer.” But finding the calibre of stones that meet his standards, from auctions, other dealers and private collections is, he says, increasingly difficult. “There are more wealthy people in the world [than previously] and they've bought most [high-calibre stones] – annoyingly. “You always had to fight to get the best stones, and it was always a

The CV
Glenn Spiro

- **Cartier** English artworks 1977-83
- **Robert Glenn** Chairman 1983-91
- **Christie's** Senior international director and jewellery specialist, 1992-2000
- **G London** Founder and chairman, 2000

small business, so when those stones sold, [producers] dug a bit deeper and they produced a bit more – and now there are very average stones. “There is too much,” he adds. “High-end jewellery has become a mass business.” It is clear why clients visit: he is lively and good company. When I admire his work, he insists I try on piece after piece, piling them high on the desk, from a titanium and diamond cuff set centrally with a 40.15-carat, certified D, internally flawless type 11a diamond the size of a small mirror, to a twistable white gold and diamond pavé ring that opens, flower-fashion, to reveal a 1.01 carat pink diamond. Will the Harrods move detract from the mystique, the effort that it takes for customers to find him? And does he risk becoming associated with the mass business that troubles him? He hopes not: “I'm not looking for change. But I need business, so this is my route to maybe finding a few more people to buy more things.”

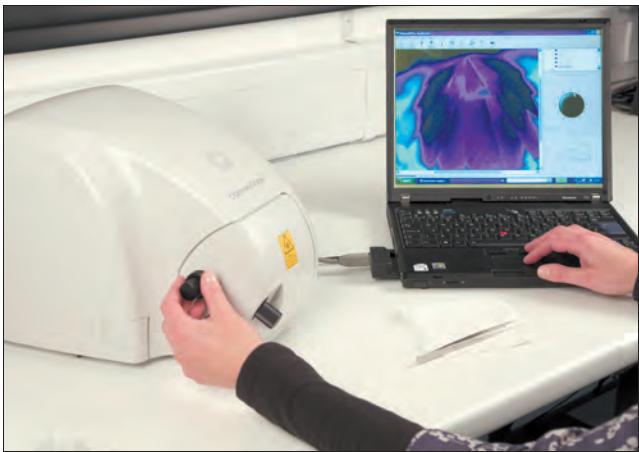


‘Within six seconds, we can tell you if it’s a natural diamond’

Synthetic stones

New technology is tackling the threat from fakes, writes *Camilla Apcar*

When it comes to synthetic – or fake – diamonds, rigorous caution is the industry's modus operandi. It has good reason. In May 2012 an unsuspecting diamond merchant bought a parcel of what was believed to be 605 natural diamonds ranging from 0.30 to 0.70 carats. When the buyer sent a sample to be certified at the International Gemological Institute, tests revealed a number of undisclosed synthetics. On examination of the package, 461 diamonds were verified as synthetic. Diamonds certified in laboratories are usually a quarter carat or larger and, because of routine testing, relatively few synthetic stones of this size are known to have reached consumers without being identified as such. However, in the case of smaller “melee” stones – weighing 0.18 carats or less – it often costs more than a stone is worth to have it graded. It is these smaller stones that represent a risk. Synthetic production methods have become more cost effective in the past couple of years, particularly using the technique of chemical vapour deposition. Imitations passed off as natural stones remain potentially market-destabilising threats to supply chain integrity as well as consumer confidence. “The issue about undisclosed synthetics is almost exclusively in very small stones like 10- or 12-pointers or under a quarter of a carat,” says Russell Shor, an analyst at GIA, who predicts an increase in undisclosed activity as production becomes faster and cheaper. Synthetics may enter the supply chain undisclosed through cottage-industry manufacturers mixing a few fakes among natural dia-



At work: but screening techniques are changing


monds or through the activity of unscrupulous traders at import. Yet it is difficult to pinpoint where risk lies. “Our understanding is that synthetic diamond production is very small, accounting for less than 500,000 carats per year. This is less than 0.5 per cent of rough diamonds mined per year – around 128m carats, according to Kimberley Process statistics,” says De Beers, the diamond company. The proportion may be small, but De Beers is placing itself at the forefront of detection technology, with the Automated Melee Screening device (AMS). The AMS is designed to provide a natural guarantee for melee stones from 0.01 to 0.20 carats. It was developed following requests from De Beers' rough-diamond clients for automated detection equipment that could be used in volume on small stones. “We don't view [synthetics] in any way as a threat,” says Stephen Lussier, an executive director of De Beers. He adds that the group aims to offer “the ultimate confidence” to clients and their customers through its detection technologies. “It's just preparing to make sure that there are no issues in the future rather than reacting to anything particular of importance today.” The AMS machine will allow thousands of melee stones to be poured into an automated feeding system. Existing methods require a

technician to place individual stones in a machine. The AMS screens about 360 stones an hour using a fibre optic probe to verify authenticity or refer stones for further testing. For some years, De Beers has supplied its clients and major laboratories with manually operated detection equipment for larger stones. It has gained valuable insights through Element Six, a synthetic industrial diamond supplier that is part of De Beers Group. The AMS will be made available from next month.

‘In many ways, we’re in a hell of a lot better position than something like the art market’

De Beers' priority is to satisfy its own customers, but it is also looking to set up a screening service in major diamond-cutting centres where the need arises. Taché, a dealer with direct access to its rough diamond suppliers that is part of the De Beers Group, says it does not find synthetics problematic. However, it has leased the AMS to give its clients confidence and reassurance, according to Maurice Zajfen, the company's financial manager. Mr Lussier says: “In many ways we're in a hell of a lot better position than

something like the art market. Within about six seconds we can tell you whether [a stone is] a natural diamond.” The technological development reinforces the idea that synthetic jewellery is not the real thing, as described by Mr Lussier. The allure and superiority of natural diamonds is at the core of De Beers' brand offering, and explains the premium price that equipment such as the AMS helps to protect. According to Mr Lussier, cubic zirconia, moissanite and other imitations have not had any real impact on the market “because those who want to buy a diamond are buying for a whole different reason. “It's about the emotion, the preciousness, the value, the rarity,” he says. Natural examples may command the highest values but, elsewhere in the industry, fully disclosed cultured pearls and coloured synthetic gemstones have found legitimate places in the market. Mario Ortelli, an analyst at Bernstein Research, speculates that imitation diamonds could follow a similar trend. Changing consumer attitudes would require time and investment, he says: “Marketing spend is very important in the perception.” If a synthetic producer were to create a convincing proposition, De Beers and other jewellers would have to take a strong stance against that message, Mr Ortelli suggests. “The real threat is more for De Beers than for the jeweller,” he adds. Should consumers embrace synthetic diamond jewellery – superficially indistinguishable, but cheaper than natural diamonds – jewellery brands could respond by creating higher margins. Mr Lussier recognises interest in synthetic stones in markets such as India, but is unconcerned. He says De Beers is unlikely to launch a synthetic diamond arm. “We think the issue isn't one of production – the issue is, who's going to want it?” he says.



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Watches & Jewellery

London’s East End offers antidote to Bond Street

Independent makers Overseas visitors are heading for Hackney and Shoreditch – once they locate them on the map, writes *Elisa Anniss*

‘The other day I had a couple of impeccably dressed ladies from an Italian fashion magazine come in looking for hipsters,’ says William Cheshire, a designer based in Hackney, east London – not the most obvious shopping destination for overseas tourists.

As well as being a mecca for hipsters, over the past five years the area around Hackney and Shoreditch has become a popular place for independent jewellers to set up shops and workshops.

This part of London is not about to take on Bond Street, but visitors continue to arrive in search of unusual and handmade pieces.

They might even walk away, were the jewellery to be branded.

At Thor & Wistle in Shoreditch – a store with a vintage ambience where fashion and jewellery coincide – there are gold-plated entry-level pieces from new British designers such as Dominique Lucas and Rachel Entwistle.

Work made on the premises includes a £250 alchemist’s pendant that comes hand engraved, cast in sterling silver and then oxidised.

Branch on the Park, in Hackney, sells commissioned rings and other one-off creations designed by Julia Cook, a goldsmith who trained at Central Saint Martins.

Meanwhile, Mr Cheshire – a furniture designer-turned-jeweller who learnt his trade under Islington-based Stephen Einhorn and then designed and made jewellery under his own name for Silas, the Anglo-Japanese fashion label – says sales of more expensive pieces are rising. Examples include his £3,600 Venus Fly Trap ring in 18-carat yellow gold with a tsavorite garnet.

Mr Cheshire’s jewellery shop opened last year in Hackney’s Broadway Market, a traditional market

street beside London Fields in E8. Business is brisk at the weekend, but how much do his customers spend?

He says that when it comes to impulse purchases, the price range narrows to between £90 and £160. Customers tend to return a couple of times to see the more expensive pieces or wait for a special occasion.

‘On Broadway Market, shops close and new ones open almost fortnightly’

London’s tourists usually stay in the West End, but the presence of fashionable hotels such as the Town Hall in nearby Bethnal Green and the Ace in Shoreditch indicates that tourism is on the rise in these areas.

“These tourist visitors give us great feedback – they seem genuinely delighted to have found a real, individual London shop with a bespoke, luxury feel in a more edgy, bohemian area,” says Mr Cheshire.

When he opened his shop

he took out a 10-year lease and fixed the rent for five years. He has recently moved his workshop from Hatton Garden, London’s jewellery quarter, to below the Hackney store.

“Around me, on Broadway Market, shops are closing and new ones opening almost fortnightly,” he says. “Landlords have been persuaded to raise the rents on retail and domestic [properties]. Some retailers have shorter terms, so they can find the rent going up 40 per cent in some cases overnight.”

The story is similar in Shoreditch, where Thor & Wistle can be found. It opened in 2012 on Club Row. Kamilla Thorsen and Rachel Entwistle, who founded the store, do not own the building but have secured a long lease and a “fairly competitive rent”.

Other local independents have been less lucky. According to Ms Thorsen: “The rates in the area are climbing fast and many independents in certain streets, such as Cheshire Street off Brick Lane, have had to shut down or move due to inflation.”

The pair say tourist numbers in general are on the rise and they have noticed an increase in UK visitors. “During the week the crowd is local, comprising well-educated, design and environmentally conscious people,” Ms Thorsen says.

Nevertheless, they rely on wholesaling their respective brands – Rachel Entwistle Jewellery and Dynasty – to other retailers to boost overall revenues.

“I have lived in the area for 20 years and I would never have opened a jewellery shop until about four years ago, when I felt that at last the time was right,” says Ms Cook of Branch on the Park.

Her customers are mostly Londoners on the hunt for investment pieces. But she notes that Japanese tourists often wander into the shop, with a guidebook to independent London retailers clutched to their breast.



Eastern promise: rings by Branch on the Park in Hackney

Bella figura Italian glamour at the V&A



Photofest

Elizabeth Taylor spent nine months in Rome filming *Cleopatra* in 1962. According to Richard Burton, her co-star and later her husband, she learnt just one Italian word during her time in the city: Bulgari.

Extravagant fine jewellery, once owned by the British-born actress and now in the company’s own collection, will be on display at the

Glamour of Italian Fashion 1945-2014, an exhibition at the Victoria and Albert Museum in London from April 5.

The exhibition will trace the extraordinary glamour and craftsmanship of Italian fashion in the second half of the 20th century. It includes work by the creative postwar entrepreneurs and artisans whose luxurious

designs marked an end to the wartime austerity.

Among the jewels on show will be an emerald and diamond “tremblant” brooch, worn as a hair ornament in this promotional picture of Ms Taylor to publicise her 1963 film, *The V.I.P.s*.

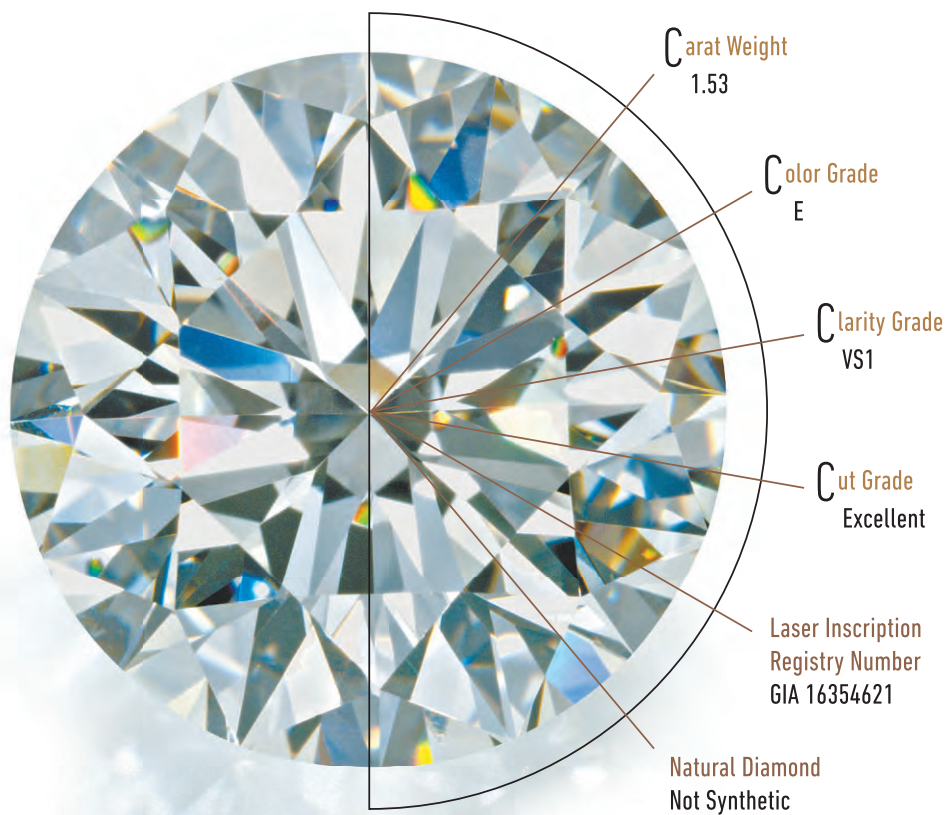
Julie Ann Morrison, managing director of Bulgari UK, which is sponsoring the

exhibition, says the company’s history is reflected in the exhibition.

“It parallels the postwar period at Bulgari, when the third generation of the family took over the company. In this we see echoes of the stylistic heroism and refinement of fashion designers of the times.”

Helen Barrett

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Watches & Jewellery

Hidden treasures await the visitor to Ironopolis

Galleries One of the UK’s most important jewellery collections will go on display to the public for the first time this year, writes *Kate Youde*

Middlesbrough, in the northeast of England, was in the 19th century known as Ironopolis – a global centre for the iron and steel industry. Now, it is concentrating on more artistic uses of metal as it seeks to build a worldwide reputation as a centre for contemporary jewellery.

Middlesbrough Institute of Modern Art (Mima), which opened in 2007, is home to a nationally important jewellery collection, until now mostly hidden away in storage. But this year the institute will launch a £430,000 project to create its first permanent exhibition space for public access to the collection.

Mima hopes the move will put Middlesbrough on the map as the UK centre for contemporary jewellery and a hub for international research.

“There are not many jewellery collections of this nature in this country,” says Kate Brindley, director of Mima. “The [London-based] V&A and the Crafts Council have them but, other than that, in the regions we’re very significant.”

Last year Mima received a £299,000 grant from Arts Council England over two years to increase exhibition space and enhance understanding of contemporary jewellery. It also attracted funding of £118,500 from Teesside University, which will take over governance of the gallery from Middlesbrough Council this summer.

Work is under way to convert an existing storeroom into a 120 sq m permanent gallery with display areas for up to 100 pieces of jewellery. There will be storage for the rest of the collection, which spans the 1970s to the present day and features top European makers, with staff on hand to open drawers so visitors can look at items not on show. The new space is scheduled for completion in July before the launch in October.

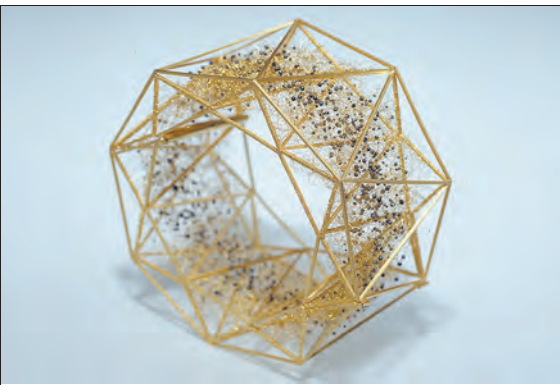
Pieces from Mima’s collection, which covers jewellery, ceramics and art, are currently displayed on rotation or available to view by appointment. Ms Brindley says that, while it was not planned that Dutch architect Erick van Egeraat’s building would house a permanent gallery, the organisation has decided a permanent presence is important because people feel



“quite bereft” that the collection is not always available.

“We were able to do it with the jewellery because it’s quite a discrete collection,” she says. “It’s only just over 200 items so it meant we felt we could do justice to it in that space.”

Teesside University is funding a jeweller in residence role. Gemma Draper and Janet Hinchliffe McCutcheon, the current post-holders, split their time between developing the gallery’s new permanent display, and working on new courses for the uni-



Northern exposure: kept mainly in storage, the Middlesbrough Institute of Modern Art’s collection contains work by European designers, including Karl Fritsch, Giovanni Corvaja and Felieke van der Leest (above, left to right)

versity. It is intended that the collection will become a teaching resource. This year, Mima will put out a call for papers for its first international conference on contemporary jewellery, to be held with the university in 2015. The gallery’s collection is continu-

ally expanding; the latest acquisition is the German designer Mi-Ah Rödigger’s headpiece, Crown Jewel. Other featured artists include the Dutch jewellers Felieke van der Leest and Ted Noten, and Italy’s Giovanni Corvaja, whose gold bracelet, pictured below, is its most valuable piece.

“It’s interesting that some of the makers we have in the collection, people might not know their names but they are artists that have made some very important and significant pieces that people would know,” says Ms Brindley. “So for instance, David Watkins designed the 2012 Olympic medal. Lin Cheung designed the Paralympic medal, and Wendy Ramshaw created the Millennium Medal for the Queen. Madeleine Albright [the former US secretary of state] collects Gijs Bakker.

“Some of these people might not be household names, but when people see the objects, things may start to gel in that they recognise a familiar style or image.”

Joanna Hardy, author of *Collect Contemporary Jewellery* and a specialist on the BBC’s *Antiques Roadshow*, says that, unlike contemporary art, the jewellery market is “still quite an undiscovered territory”. “And yet, in my experience when I’ve exposed potential buyers to it, they get incredibly excited and think, ‘Wow, this is fantastic – where can I buy it?’”

Ms Hardy says people are looking to own something original and well made, but that contemporary jewellery is “very difficult to find” despite there being talented makers.

“People are seeing it as the way forward although it is, I think, still relatively in its infancy,” she adds, “but places like this [Mima] having contemporary jewellery on permanent display [will be] hugely beneficial to the contemporary jewellery world, and that’s very exciting.”

Dauvit Alexander, a director of the Association for Contemporary Jewellery and a jeweller himself, says the project is a welcome development for the industry.

“Anything that raises the profile and makes people realise that jewellery doesn’t have to come from [high street chain] Mappin & Webb... that jewellery goes beyond the engagement ring, is wonderful,” he says.

Lapis lazuli is a building block in Afghanistan’s reconstruction

Ethical producers

Jewellery from women artisans is to be sold online, writes *Syl Tang*

This spring a company called Aayenda has toured trade fairs in the US and the UK with an unusual jewellery range: pieces by Afghan artisans, funded by the US Department of Defense.

Their efforts fall under a US government agency called the Task Force for Business and Stability Operations. The organisation was formed in 2006 originally for operations in Iraq and with the aim of kick-starting small and medium-sized businesses in conflict zones.

“The idea is simple,” says Aki Peritz, senior national security policy adviser at Third Wave, a Washington DC-based think-tank. “Small businesses create an employed middle class. The employed are happy, ergo they don’t join terrorist factions and shoot at Americans.”

Task Force is now working in Afghanistan, where it aims to revitalise traditional industries. According to the US Special Inspector General for Afghanistan Reconstruction, as of summer 2013 the US had allocated about \$96.57bn on relief and reconstruction in the country since 2002.

Task Force joined forces with Sophia Swire, a British businesswoman, social entrepreneur and sister of Hugo Swire, UK Foreign Office minister. In 2012 she set up Future Brilliance, the charity behind the Aayenda jewellery line.

The charity says 100 per cent of net profits from the jewellery line are returned to Future Brilliance to be spent on tools and other equipment, and the running costs of the workshop, as well as growing the artisans’ digital sales platform.

With the intention of training Afghans not just in jewellery-making but also in entrepreneurship, Ms



Artisan: an Afghan jeweller at work

Swire sought funding from Task Force.

“I went looking for anyone who would fund it,” she says. “The American military was working closely with Usaid [the US international development agency], providing security and some funding in Panjshir valley, where emeralds are found. Task Force stepped up.”

In the summer of 2013, US federal funds helped send 36 Afghan artisans to Jaipur in India to be trained in gemmology and jewellery design, then set them up in their own businesses on their return.

“This brings employment into the home. Something that doesn’t first require literacy empowers the ‘bottom million,’” says Ms Swire. “It empowers women, in particular, because a large number are war widows.”

In partnership with the Afghan government, Future Brilliance is working on a digital literacy scheme.

It has distributed 70 solar-charging WiFi and SIM-enabled, network-agnostic tablets customised in the Dari language.

They will allow the entrepreneurs, including the 36 already trained, to manage the process of their companies’ supply chains. The jewellers will be able to use tablet apps, for example, to receive, enter and manage orders for 2,000 lapis lazuli drop earrings, including such supply chain steps as projecting the amount of

‘This brings employment into the home. A large number of women are war widows’

materials required and costing out the purchasing process.

The devices are linked to Shopify – a worldwide digital retail website – and other online stores. Future Brilliance is also working towards the collection being sold in stores.

But before these goals can be reached, other hurdles must be overcome.

Historically, Afghan gov-

ernment levies on the mining of gemstones are high.

Ms Swire has acted as a consultant to the World Bank in an attempt to rewrite the gemstone royalty policy as an adviser to the Afghanistan Ministry of Mines.

The Afghan government is considering reducing royalties to about 10 per cent, a figure that Ms Swire says would be necessary for Afghan miners and gem dealers to be competitive in the global market.

But can the project, and its mission to create jewellery companies, be effective in stemming violence.

“Is it proven? Probably not,” says Third Wave’s Mr Peritz. “Afghanistan has all kind of problems. Flying people to Jaipur to train them, then flying them back home, just seems like it costs a lot of money. But it’s difficult to see whether spurring the economy in small areas has a causal relation to decreasing violence.

“If you look at what we’ve done in Iraq and Afghanistan, we just throw money at things.”

But policy discussions are irrelevant to the Afghan women in the scheme, according to Future Brilliance. “We know it will take time, but it’s a wonderful start,” says Roya Hayat, gender manager at the charity.

“The majority of the women we trained now have independent businesses, such as Khala Zada. She was doing a business and was struggling on how to deal with clients. She never kept records of expenditures – she didn’t know how to keep invoices. Now she has doubled her sales in the last six months.”

Task Force expects to end its work in Afghanistan in the near future, which means funding for Aayenda will finish at the end of this year.

Ms Swire is determined to find funding elsewhere. “I’ve been on this mission for six years,” she says. “If we have to turn to social impact investment, that’s an option. This is the new way things are being done.”



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Breguet
Depuis 1775

Breguet, the innovator.

Invention of the Breguet balance spring, 1795

The balance spring gives time rhythm and sets its rate – the key to a watch's precision. With its many patented innovations, the Tradition 7047PT with fusee tourbillon pushes the limits of precision time-keeping by combining the accuracy of the Breguet balance-spring's terminal curve, conceived in 1795, and the anti-magnetic properties of silicon. History is still being written ...

